VIVA ENERGY REIT TRUST
ARSN 613 146 464

INTERIM FINANCIAL REPORT

For the Half-year Ended
30 June 2019

Contents

DIRECTORS' REPORT

Your directors of VER Limited ('Responsible Entity'), the responsible entity of Viva Energy REIT Trust ('Trust'), present their report and the financial statements for the half-year ended 30 June 2019 for the Trust.

The Trust owns a portfolio of service station properties, either directly or through its 100% controlled entities.

The Trust formed a stapled group ('Stapled Group') with Viva Energy REIT Limited on 3 August 2016 when Viva Energy REIT Limited and the Trust were stapled. Each stapled security consists of one share in Viva Energy REIT Limited and one unit in the Trust.

The Trust and Viva Energy REIT Limited are separate entities for which the units and shares respectively have been stapled together to enable trading as one security. The units of the Trust and the shares of Viva Energy REIT Limited cannot be traded separately. Neither entity controls the other; however, for the purposes of financial reporting, Viva Energy REIT Limited has been defined as the parent entity.

For the results of the Stapled Group, refer to the Viva Energy REIT Group half-year financial report for the period to 30 June 2019.

Directors of VER Limited

The following persons were directors of VER Limited during the whole of the half-year and up to the date of this report:

Laurence Brindle	Independent Non-executive Chairman
Georgina Lynch	Independent Non-executive Director
Stephen Newton	Independent Non-executive Director
Lachlan Pfeiffer	Non-independent Non-executive Director.

Principal activities

During the period, the principal activity of the Trust was investment in service station property.

The Trust owns a portfolio of 464 freehold service station properties located in all Australian states and mainland territories. The properties in the portfolio are leased to Viva Energy Australia Pty Limited, other fuel operators and various convenience or fast food stores under long-term leases.

Distribution to unit holders

Distributions paid to unit holders during the financial period were as follows:

	2019 $'000	2018 $'000
Final distribution for year ended 31 December 2018 – 7.03 cents per unit paid on 28 February 2019	51,020	-
Final distribution for the year ended 31 December 2017 – 6.60 cents per unit paid on 15 February 2018	-	47,899
Total distributions paid	**51,020**	**47,899**
Estimated distribution for half-year ended 30 June 2019 – 7.18 cents per unit	55,694	-
Total distributions provided for or paid	**106,714**	**47,899**

On 12 June 2019 the directors announced the payment of an estimated distribution of $55.7 million for the half-year ended 30 June 2019. This represents 7.18 cents per unit and will be paid on 29 August 2019.

Operating and financial review

The Trust is part of the Viva Energy REIT Group, a stapled security. Investors should refer to the Operating and Financial Review prepared for Viva Energy REIT Group set out in the Interim Financial Report of the Viva Energy REIT Group lodged with the ASX on 22 August 2019. A separate Operating and Financial Review for the Trust has not been prepared as investors should consider the operations of the Stapled Group in its entirety.

Significant changes in state of affairs

There was no significant change in the state of affairs of the Trust that occurred during the half-year ended 30 June 2019.

Matters subsequent to the end of the financial period

Subsequent to the end of the financial period:

- The directors have confirmed the payment of a distribution for the half-year ended 30 June 2019 of $55.7 million which will be paid on 29 August 2019; and,
- The purchase of Lot 322 Ranford Road, Canning Vale, Western Australia for $5.7m which was contracted after 30 June 2019, was settled on 20 August 2019.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect:

- the operations of the Trust in future financial years;
- the results of those operations in future financial years; or
- the state of affairs of the Trust in future financial years.

Likely developments and expected results of operations

The Trust will continue to be managed in accordance with its existing investment objectives and guidelines.

The results of the Trust's operations will be affected by a number of factors, including the performance of investment markets in which the Trust invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

Rounding of amounts to the nearest thousand dollars

The Trust is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the "rounding off" of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

The report is made in accordance with a resolution of Directors.

Laurence Brindle
Chairman

22 August 2019

Auditor's Independence Declaration

As lead auditor for the review of Viva Energy REIT Trust for the half-year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Viva Energy REIT Trust and the entities it controlled during the period.

Charles Christie
Partner
PricewaterhouseCoopers

Melbourne
22 August 2019

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

VIVA ENERGY REIT TRUST
ARSN 613 146 464

FINANCIAL STATEMENTS

For the Half-year Ended
30 June 2019

Contents

This financial report is for Viva Energy REIT Trust ('Trust') and the entities it controlled during the period. The financial report is presented in Australian currency.

The responsible entity of the Trust is VER Limited ABN 43 609 868 000 AFSL 483795 ('Responsible Entity'), and the manager of the Trust is VER Manager Pty Limited ('Manager').

The financial report is presented in Australian currency.

The registered office of the Responsible Entity and the Manager is:
Level 16, 720 Bourke Street
Docklands VIC 3008, Australia.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 JUNE 2019

	NOTES	2019 $'000	2018 $'000
Rental income from investment properties		74,318	67,449
Revenue from investment properties – straight-line lease adjustment		12,942	14,051
Finance income		399	313
Net revaluation of investment properties		-	-
Total income		**87,659**	**81,813**
Management and administration expenses		(3,282)	(2,621)
Finance costs	2	(25,475)	(18,104)
Fair value adjustment to investment properties	3	(2,129)	(1,417)
Total expenses		**(30,886)**	**(22,142)**
Net profit before income tax		**56,773**	**59,671**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Unrealised losses on cash flow hedges		(17,235)	(2,601)
Total comprehensive income for the half-year		**39,538**	**57,070**
Earnings per unit		**cents**	**cents**
Basic earnings per unit		5.21	7.86
Diluted earnings per unit		5.21	7.86

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2019

	NOTES	30 June 2019 $'000	30 June 2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents		12,785	28,218
Derivative financial instruments	5	327	-
Other current assets		25,277	19,598
Total current assets		**38,389**	**47,816**
Non-current assets			
Investment properties	3	2,536,850	2,327,314
Deposits and development costs		16,650	1,028
Derivative financial instruments	5	-	2,762
Other non-current assets		-	398
Total non-current assets		**2,553,500**	**2,331,502**
Total assets		**2,591,889**	**2,379,318**
LIABILITIES			
Current liabilities			
Trade and other payables		17,956	17,661
Rent received in advance		861	825
Interest payable		3,509	2,712
Distribution payable	6	55,694	-
Total current liabilities		**78,020**	**21,198**
Non-current liabilities			
Borrowings	4	798,059	760,999
Derivative financial instruments	5	24,423	-
Total non-current liabilities		**822,482**	**760,999**
Total liabilities		**900,502**	**782,197**
Net assets		**1,691,387**	**1,597,121**
EQUITY			
Contributed equity		1,608,452	1,494,416
Accumulated profit		107,029	99,943
Hedge reserve	5	(24,094)	2,762
Total equity		**1,691,387**	**1,597,121**

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 30 JUNE 2019

	NOTES	Contributed equity $'000	Accumulated profit $'000	Hedge reserve $'000	TOTAL $'000
Balance at 1 January 2018		**1,494,416**	**88,171**	**5,363**	**1,587,950**
Profit for the period		-	59,671	-	59,671
Other comprehensive income:					
Effective portion of changes in fair value of cash flow hedges		-	-	(2,601)	(2,601)
Total comprehensive income for the period		**-**	**59,671**	**(2,601)**	**57,070**
Transactions with owners in their capacity as owners					
Distributions paid	6	-	(47,899)	-	**(47,899)**
Total transactions with owners in their capacity as owners		**-**	**(47,899)**	**-**	**(47,899)**
Balance at 30 June 2018		**1,494,416**	**99,943**	**2,762**	**1,597,121**
Balance at 1 January 2019		**1,494,416**	**105,950**	**(6,859)**	**1,593,507**
Profit for the period		-	56,773	-	56,773
Other comprehensive income:					
Effective portion of changes in fair value of cash flow hedges				(17,235)	(17,235)
Total comprehensive profit/(loss) for the period		**-**	**56,773**	**(17,235)**	**39,538**
Transactions with owners in their capacity as owners					
Issue of securities under institutional placement	7	99,928	-	-	99,928
Issue of securities under Security Purchase Plan		9,990	-	-	9,990
Equity raising costs		(1,489)	-	-	(1,489)
Issue of securities under Distribution Reinvestment Plan		5,607	-	-	5,607
Distributions paid or provided for	6	-	(55,694)	-	(55,694)
Total transactions with owners in their capacity as owners		**114,036**	**(55,694)**	**-**	**58,342**
Balance at 30 June 2019		**1,608,452**	**107,029**	**(24,094)**	**1,691,387**

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 30 JUNE 2019

	NOTES	2019 $'000	2018 $'000
Cash flows from operating activities			
Rental income from investment properties (inclusive of goods and services tax)		80,426	72,838
Payments to suppliers and employees (inclusive of goods and services tax)		(12,501)	(10,204)
		67,925	**62,634**
Interest received		399	446
Interest paid		(16,199)	(22,772)
Income taxes paid		-	(105)
Net cash inflow from operating activities		**52,125**	**40,308**
Cash flows from investing activities			
Payments for acquisition of investment properties		(47,788)	(27,449)
Deposits paid for property acquisitions		-	(50)
Net cash outflow from investing activities		**(47,788)**	**(27,499)**
Cash flows from financing activities			
Proceeds from issue of securities (net of costs)		108,390	-
Proceeds from borrowings		54,000	28,000
Repayments of borrowings		(105,000)	-
Payments for upfront borrowing costs		(728)	(2,042)
Payment for interest rate swap cancellation		(9,189)	
Distributions paid to security holders	6	(45,409)	(47,899)
Net cash inflow/(outflow) from financing activities		**2,064**	**(21,941)**
Net increase/(decrease) in cash and cash equivalents		**6,401**	**(9,132)**
Cash and cash equivalents at beginning of the half-year		6,384	37,350
Cash and cash equivalents at end of the half-year		**12,785**	**28,218**

The above condensed consolidated statement of cash flows should be read in conjunction with accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE STRUCTURE AND GENERAL INFORMATION

These condensed consolidated financial statements cover Viva Energy REIT Trust ('Trust') and its controlled entities. The Trust is a managed investment scheme registered and domiciled in Australia. The Trust owns a portfolio of service station properties, either directly or through its 100% controlled entities.

The Responsible Entity of the Trust is VER Limited (the 'Responsible Entity').

The Trust formed a stapled group ('Stapled Group') with Viva Energy REIT Limited on 3 August 2016 when Viva Energy REIT Limited and the Trust were stapled. Each stapled security consists of one share in Viva Energy REIT Limited and one unit in the Trust.

These condensed consolidated financial statements contain the results of the Trust for the half-year ended 30 June 2019. The comparative period shown is for the half-year ended 30 June 2018.

The financial statements were authorised for issue by the directors of the Responsible Entity on 22 August 2019. The directors have the power to amend and reissue the financial statements.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. The Trust is a for-profit entity for the purpose of preparing the financial statements.

The financial report has been prepared on an accruals and historical cost basis except for investment properties and derivative financial instruments which are measured at fair value. Cost is based on the fair value of consideration given in exchange for assets.

The condensed consolidated financial statements of the Trust are prepared and presented in Australian dollars (the presentation currency).

The accounting policies adopted are consistent with those of the previous financial period.

(b) Going concern

As at 30 June 2019, the Trust had a net current asset deficiency of $39.6 million. The Trust uses cash at bank to pay for distribution and expenses (including property purchases), drawing down on revolving debt facilities when required. Revolving debt facilities are then repaid when there is excess cash available. The Trust has $295.0 million of unused debt facilities at 30 June 2019, which can be drawn upon to fund the Trust's cashflow requirements.

After taking into account all available information, the directors have concluded that there are reasonable grounds to believe:

- The Trust will be able to pay its debts as and when they fall due; and
- The basis of preparation of the financial report on a going concern basis is appropriate.

(c) Compliance with International Financial Reporting Standards

The consolidated financial statements of the Trust also comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB').

(d) New and amended standards adopted by the Trust

The Trust has applied the following standards and amendments for the first time for the reporting period commencing 1 January 2019:

- AASB 16 *Leases*.

AASB 16 establishes a comprehensive framework for the accounting policies and disclosures applicable to leases, both for lessees and lessors. The Trust has applied this standard effective 1 January 2019, and, as a lessor, there is no impact on the operations or financial reporting of the Trust. Lessors continue to classify leases as operating or finance, with AASB 16's approach to lessor accounting substantially unchanged from AASB 117 *Leases*.

The adoption of this standard did not result in any adjustments to the values included in the financial statements for the period ended 30 June 2019. The disclosure requirements of the above standards and amendments have been incorporated into this financial report.

(e) Critical accounting estimates and judgements

The Trust makes estimates and judgements that affect the reported amounts of assets and liabilities. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Estimates and judgements which are material to the financial report are found in the following notes:

- Investment properties – note 3; and
- Derivative financial instruments – note 5

2. FINANCE COSTS

	2019 $'000	2018 $'000
Interest paid or payable	15,842	14,424
Amortisation of borrowing costs	444	741
Interest rate swap cancellation expense	9,189	-
Write-off of loan establishment costs due to refinancing	-	2,939
Total finance costs	**25,475**	**18,104**

Accounting policy – Finance costs
Finance costs include interest expense on debt financing arrangements, settlements (including cancellations) of interest rate swaps and amortisation of upfront borrowing costs incurred in connection with the arrangement of borrowings available to the Trust.

3. INVESTMENT PROPERTIES

(a) Valuations and carrying amounts

	30 June 2019 $'000	30 June 2018 $'000
Service station properties	2,536,850	2,327,314
Total investment properties	**2,536,850**	**2,327,314**

The directors have reviewed the carrying values of all investment properties and determined they are appropriate to adopt as at 30 June 2019.

Independent valuations were performed on 150 investment properties during the year ended 31 December 2018 and for properties acquired during the half-year ended 30 June 2019.

The key inputs into valuations are:

- passing rent;
- market rents;
- capitalisation rates; and
- lease terms.

The key inputs into the valuation are based on sales, rental and rent review information for comparable properties. The independent valuers have experience in valuing similar assets and have access to market evidence to support their conclusions. Comparable assets are considered to be those in similar markets, of similar scale and condition and with similar lease terms to the subject property.

Key assumptions	**30 June 2019**	**30 June 2018**
Weighted average capitalisation rate	5.8%	5.8%
Weighted average passing yield	5.8%	5.8%

Investment properties have been classified as level 3 in the fair value hierarchy (refer to note 9(a)). There have been no transfers between the levels in the fair value hierarchy during the period.

(b) Movements during the financial period

	2019	**2018**
At fair value	**$'000**	**$'000**
Opening balance	2,496,128	2,280,967
Property acquisitions and capital expenditure	29,909	33,713
Straight-line rental asset	12,942	14,051
Fair value adjustment to investment properties	(2,129)	(1,417)
Closing balance	**2,536,850**	**2,327,314**

(c) Amounts recognised in profit or loss for investment properties

	2019	**2018**
	$'000	**$'000**
Rental income	74,318	67,449
Other rental income (recognised on a straight-line basis)	12,942	14,051
Fair value adjustment to investment properties	(2,129)	(1,417)

(d) Leasing arrangements

Investment properties are leased to Viva Energy Australia Pty Limited (94% of rental income), other fuel operators (5% of rental income) and various convenience or fast food stores (1% of rental income) under long-term operating leases.

Minimum lease receivables under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

	30 June 2019 $'000	30 June 2018 $'000
Within one year	151,681	137,258
Later than one year but not later than five years	641,946	586,262
Later than five years	1,399,880	1,478,647
Total	**2,193,507**	**2,202,167**

Accounting policy – Investment properties
The Trust carries its investment properties at fair value with changes in the fair values recognised in the consolidated statement of profit or loss. The fair value of investment property is determined based on real estate valuation experts using recognised valuation techniques and the principles of AASB 13 *Fair Value Measurement*.

The fair values of the properties are reviewed by the directors at each reporting date. The directors' assessment of fair value is periodically assessed by engaging an independent valuer to assess the fair value of individual properties at least once every three consecutive years with at least one-third of the properties within the portfolio being independently valued on an annual rolling basis. Valuations may occur more frequently if there is reason to believe that the fair value of a property has materially changed from its carrying value (e.g. as a result of changes in market conditions, leasing activity in relation to the property or capital expenditure).

Valuations are derived from a number of factors that may include a direct comparison between the subject property and a range of comparable sales, the present value of net future cash flow projections based on reliable estimates of future cash flows, existing lease contracts, external evidence such as current market rents for similar properties, and using capitalisation rates and discount rates that reflect current market assessments of the uncertainty in the amount and timing of cash flows.

Key estimate – Valuation of investment properties
All of the Trust's properties are treated as investment properties for the purpose of financial reporting. Under Australian Accounting Standards, investment property buildings and improvements are not depreciated over time. Instead, investment properties are initially valued at cost, including transaction costs, and then at the end of each accounting period the carrying values are restated at their fair value at the time. Gains and losses arising from changes in the fair value of investment properties are recognised as a non-cash gain or loss in the statutory net profit in the accounting period in which they arise. As a result of this accounting policy, changes in the fair value of the Trust's investment properties may have a significant impact on its reported statutory net profit in any given period.

At the end of each reporting period, the directors assess the carrying value of the Trust's investment properties, and where the carrying value differs materially from the assessed fair value an adjustment is made to the carrying value of such investment properties.

4. BORROWINGS

	30 June 2019 $'000	30 June 2018 $'000
Non-current liabilities		
Syndicated bank facilities	716,687	739,687
Bilateral bank facility	25,000	25,000
Institutional term loans	60,000	-
Sub-total	**801,687**	**764,687**
Unamortised borrowing costs	(3,628)	(3,688)
Total unsecured borrowings	**798,059**	**760,999**
Total undrawn facilities available	295,000	192,000

Debt facility overview
All facilities are denominated in Australian dollars, and are interest only facilities with any drawn balance payable at maturity.

The weighted average tenure of the drawn facilities as at 30 June 2019 was 3.7 years (30 June 2018: 4.2 years), and maturity dates range from 3 June 2021 to 6 September 2028.

The interest rate applying to the drawn amount of the facilities is set on a periodic basis (each three or six months) at the prevailing market interest rate at the commencement of the period (bank bill swap rate), plus the applicable margin.

Subject to the Stapled Group's compliance with its financial covenants, the undrawn amount of the debt facilities may be drawn at any time providing that gearing does not exceed 45%. The covenants over the Stapled Group's debt facilities require an interest cover ratio of not less than 2.0 times (actual at 30 June 2019 of 5.3 times) and a gearing ratio of not more than 50% (actual at 30 June 2019 of 33.4%). The Stapled Group was in compliance with its covenants throughout the period.

Accounting policy – Borrowings
Borrowings are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to borrowings are recognised in the profit and loss over the expected life of the borrowings. Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

Borrowings with maturities greater than 12 months after reporting date are classified as non-current liabilities.

5. DERIVATIVE FINANCIAL INSTRUMENTS

The Trust has the following derivative financial instruments:

	30 June 2019 $'000	30 June 2018 $'000
Current assets		
Interest rate swaps – cash flow hedges	327	-
Non-current assets		
Interest rate swaps – cash flow hedges	-	2,762
	327	**2,762**

Non-current liabilities		
Interest rate swaps – cash flow hedges	24,423	-
	24,423	**-**

The Trust has entered into interest rate swap contracts under which it receives interest at variable rates and pays interest at fixed rates to protect interest-bearing liabilities from exposure to changes in interest rates.

Swaps currently in effect (that is, those not subject to a deferred start date) have a notional principle amount of $796.7 million. The weighted average fixed interest swap rate at 30 June 2019 was 2.1% per annum, and the weighted average term was 3.3 years.

The notional principal amounts and periods of expiry of the interest rate swap contracts are as follows, including interest rate swaps that have a deferred start date:

	30 June 2019	**30 June 2018**
	$'000	**$'000**
Less than 1 year	368,343	-
1 to 2 years	-	368,343
2 to 3 years	368,344	-
3 to 4 years	368,000	368,344
4 to 5 years	-	368,000
5 to 6 years	-	-
6 to 7 years	-	-
7 to 8 years	40,000	-
8 to 9 years	-	-
9 to 10 years	20,000	-
	1,164,687	**1,104,687**

Accounting policy – Derivative financial instruments
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Trust designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The Trust documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Trust also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expense.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance costs.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

(b) Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.

Key estimate – Valuation of derivative financial instruments
The Trust's financial instruments are over-the-counter derivatives for which there are no quoted market prices. Valuation techniques (including, pricing models which estimate the present value of estimated future cash flows based on observable yield curves) are used to determine fair values. There pricing models are validated and periodically reviewed by experienced personnel of the Responsible Entity and the relevant instrument's counterparty.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

6. DISTRIBUTIONS TO UNIT HOLDERS

	2019 $'000	2018 $'000
Final distribution for the year ended 31 December 2018 – 7.03 cents per security paid on 28 February 2019	51,020	-
Final distribution for the year ended 31 December 2017 – 6.60 cents per security paid on 15 February 2018	-	47,899
Total distributions paid	**51,020**	**47,899**
Estimated distribution for the half-year ended 30 June 2019 – 7.18 cents per security – announced on 12 June 2019 to be paid on 29 August 2019	55,694	-
Total distributions provided for or paid	**106,714**	**47,899**

Other than the above, no distributions to unit holders were declared or paid during the period.

Accounting policy – Distributions to security holders
The Trust distributes distributable income, being net profit adjusted to remove transaction costs and non-cash items, including straight-lining of rental income, the amortisation of debt establishment fees and any fair value adjustment to investment properties and derivatives. A provision is made for any distribution amount declared but not distributed, being appropriately disclosed and no longer at the discretion of the entity, on or before the reporting date. When declared, the distributions are recognised within the consolidated balance sheet and consolidated statement of changes in equity as a reduction in equity.

7. CONTRIBUTED EQUITY

(a) Units

	30 June 2019 Number of units '000	30 June 2019 $'000	31 December 2018 Number of units '000	31 December 2018 $'000
Ordinary units				
Fully paid	775,677	1,608,452	725,750	1,494,416

(b) Movement in ordinary units

		Number of units '000	$'000
1 January 2017	Opening balance	690,152	1,414,058
28 June 2017	Issue of securities under institutional placement	34,632	79,746
28 June 2017	Equity raising costs	-	(1,616)
24 July 2017	Issue of securities under Securities Purchase Plan	966	2,228
31 December 2017		**725,750**	**1,494,416**
31 December 2018		**725,750**	**1,494,416**
27 February 2019	Issue of securities under institutional placement	43,103	99,928
27 February 2019	Equity raising costs	-	(1,489)
28 February 2019	Issue of securities under Distribution Reinvestment Plan	2,515	5,607
26 March 2019	Issue of securities under Securities Purchase Plan	4,309	9,990
30 June 2019		**775,677**	**1,608,452**

Accounting policy – Contributed equity

Ordinary units are classified as equity. Incremental costs directly attributable to the issue of new units are shown in equity as a deduction, net of tax, from the proceeds.

8. FINANCIAL RISK MANAGEMENT

(a) Fair value hierarchy

(i) Classification of financial assets and financial liabilities
AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of fair value hierarchy. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes observable requires significant judgement by the directors. The directors consider observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table presents the Trust's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2019 on a recurring basis:

30 June 2019	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Investment properties	-	-	2,536,850	2,536,850
Interest rate swaps	-	(24,096)	-	(24,096)
Total	**-**	**(24,096)**	**2,536,850**	**2,512,754**

30 June 2018	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Investment properties	-	-	2,327,314	2,327,314
Interest rate swaps	-	2,762	-	2,762
Total	**-**	**2,762**	**2,327,314**	**2,330,076**

The Trust's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between levels during the period.

The Trust did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2019.

(ii) Valuation techniques used to derive level 2 and level 3 values
The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on

entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves, taking into account any material credit risk.

(b) Investment risk

(i) Tenant concentration risk, financial standing and sector concentration risk
Viva Energy REIT's rental income is 94% derived from leases with Viva Energy Australia Pty Limited (Viva Energy Australia). If Viva Energy Australia's financial standing materially deteriorates, Viva Energy Australia's ability to make rental payments to Viva Energy REIT may be adversely impacted, which may have a materially adverse impact on the Group's results of operations, financial position and ability to service and/or obtain financing.

Termination of Viva Energy Australia's right to use Shell branding could adversely affect Viva Energy Australia's ability to meet its rental obligations and therefore the value of Viva Energy REIT's portfolio of investment properties and its ability to service and/or obtain financing.

Furthermore, a material decline in the profitability of Viva Energy Australia's business could affect the perceived stability of the rental income of Viva Energy REIT and may affect Viva Energy REIT's ability to obtain financing on acceptable terms, and lead to lower market rents when renewal options are exercised and a decline in the values of Viva Energy REIT's investment properties.

(ii) Investment property value
The value of the Trust's portfolio of investment properties may be adversely affected by a number of other factors, including a number of factors outside the control of the Trust, such as supply and demand for service station properties, general property market conditions, the availability of credit, the ability to attract and implement economically viable rental arrangements, Viva Energy Australia's financial condition deteriorating or occupiers not extending the term of leases, re-leasing of properties, capitalisation rates and general economic factors such as the level of inflation and interest rates. The valuation of properties may fall. As changes in valuations are recorded on the statutory net profit statement, any decreases in value will have a negative impact on the statutory net profit statement and in turn the market price of the Trust's securities may fall.

(iii) Environmental risk
The Trust depends on its tenants to perform their obligations under the environmental indemnification arrangements in relation to the leased properties. If the tenants were to fail to meet their obligations under these arrangements (including due to their insolvency), Viva Energy REIT may incur significant costs to rectify contamination on (and in respect of) its properties.

The Group is subject to a range of regulatory regimes that cover the specific assets of the Group and how they are operated. These regulatory regimes are subject to ongoing review and change which may increase the cost of compliance, reporting and maintenance of the Group's assets.

Extreme weather and other climate change related events have the potential to damage the Group's assets and disrupt the tenants' operations. Such events may increase costs for maintenance and insurance of the Group's assets, and may affect the ability to re-lease the Group's investment properties in the future and the rent levels for which they can be leased, thereby affecting investment property valuations and rental cash flows.

The precise nature of these risks is uncertain as it depends on complex factors such as policy change, technology development, market forces, and the links between these factors and climatic conditions.

(iv) Debt agreement and refinancing risk

The Trust has outstanding debt facilities. General economic and business conditions that impact the debt or equity markets could impact the Trust's ability to refinance its debt facilities when required. If the covenants in these facilities are breached by the Group this may result in the Trust being subject to increased interest rate margins and covenants restricting its ability to engage in certain types of activities or to pay distributions to unitholders.

The directors regularly monitor the debt facility covenants to ensure compliance and consider the refinancing options and timing available to the Trust.

(v) Excessive reliance on the Manager and its personnel

Viva Energy REIT is managed by VER Manager Pty Limited ('Manager'), which is a subsidiary of Viva Energy Australia.

Viva Energy REIT does not have employees (other than directors) and consequently is reliant on the expertise and experience of the key executives of Viva Energy Australia made available to the Manager which provides the services to Viva Energy REIT under the Management Agreement. As a consequence, loss of such key personnel could potentially have an adverse impact on the management and the financial performance of Viva Energy REIT and in turn may affect the returns to security holders.

9. RELATED PARTY INFORMATION

(a) Stapled group

The Trust formed a stapled group ('Stapled Group') with Viva Energy REIT Limited on 3 August 2016 when Viva Energy REIT Limited and the Trust were stapled. Each stapled security consists of one share in Viva Energy REIT Limited and one unit in the Trust.

Viva Energy REIT Limited directly owns all of the shares in VER Limited ('Responsible Entity'). In accordance with the Viva Energy REIT Trust Scheme Deed, the Responsible Entity (VER Limited) is entitled to receive a fee of $200,000 per annum for undertaking the activities of a responsible entity. For the period ended 30 June 2019 the fee charged was $Nil (30 June 2018: $Nil). The Responsible Entity intends to charge this fee effective from 1 October 2019.

(b) Transactions with related parties

	2019 $'000	2018 $'000
The following transactions occurred with related parties:		
Rental income received from Viva Energy Australia Pty Limited and its associated entities	72,561	65,340
Reimbursement of corporate and administrative costs incurred by Viva Energy REIT Limited	824	623
Reimbursement of costs incurred by VER Manager Pty Limited in relation to managing the Trust	1,178	1,576
Purchase of investment properties from, and service station construction payments to, an associated entity of Viva Energy Australia Pty Limited (Liberty Oil Holdings Pty Limited and its controlled entities)	41,175	4,000

	30 June 2019 $'000	30 June 2018 $'000
Amounts payable:		
Amounts payable to VER Manager Pty Limited at the end of the period	295	271
Amounts payable to Viva Energy REIT Limited at the end of the period	17,884	17,552

(c) Subsidiaries

Interests in subsidiaries and controlled entities are set out in note 10.

10. INVESTMENTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities of the Trust:

	Percentage of equity interest held by the Trust	
Name	**30 June 2019 %**	**30 June 2018 %**
VER Trust	**100**	100
VER Finco Pty Limited	**100**	100
66 McNulty Street Miles Queensland Trust (1)	**100**	-
555-557 Albany Highway Albany Western Australia Trust (1)	**100**	-
47 Eric Road Old Noarlunga South Australia Trust (3)	**100**	-
127 Youngman Street Kingaroy Queensland Trust (2)	**100**	-
73-75 Chrystal Street Roma Queensland Trust (2)	**100**	-
199-205 Charters Towers Road Townsville Queensland Trust (3)	**100**	-
341 Sand Road Longwarry Victoria Trust (1)	**100**	-
290 Sand Road Longwarry Victoria Trust (1)	**100**	-
6776 Cunningham Highway Aratula Queensland Trust (1)	**100**	-
80 Alfred Street Warragul Victoria Trust (4)	**100**	-
7-11 Burnett Highway Biloela Queensland Trust (4)	**100**	-
176-190 Ogilvie Avenue Echuca Victoria Trust (4)	**100**	-
7-21 Shakespeare Street Traralgon Victoria Trust (4)	**100**	-
120-124 Goldring Street Richmond Queensland Trust (4)	**100**	-
6-8 Mackay Avenue Griffith New South Wales Trust (4)	**100**	-
5 Princes Highway Moruya New South Wales Trust (4)	**100**	-
10805 Brand Highway Cataby Western Australia Trust (5)	**100**	-
55 Broad Street Sarina Queensland Trust (5)	**100**	-
112 Shute Harbour Road Cannonvale Queensland Trust (5)	**100**	-

(1) Trust formed on 16 July 2018.
(2) Trust formed on 20 July 2018.
(3) Trust formed on 20 August 2018.
(4) Trust formed on 12 October 2018.
(5) Trust formed on 22 March 2019.

All companies and trusts were incorporated or settled in Australia. The trusts formed during the period ended 30 June 2019 were formed by the Trust and own investment properties.

11. COMMITMENTS AND CONTINGENCIES

Capital expenditure commitments

	30 June 2019	30 June 2018
	$'000	$'000
Within one year	21,175	22,800
After one year but not more than five years	-	-
	21,175	**22,800**

At 30 June 2019, the Trust has committed to contracts for the construction of service stations on seven properties for an aggregate of $21.2 million.

Other than that noted above, there are no material outstanding contingent assets, liabilities or commitments as at 30 June 2019.

12. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to the end of the financial period:

- The directors have confirmed the payment of a distribution for the half-year ended 30 June 2019 of $55.7m million which will be paid on 29 August 2019; and,
- The purchase of Lot 322 Ranford Road, Canning Vale, Western Australia for $5.7m which was contracted after 30 June 2019, was settled on 20 August 2019.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect:

- the operations of the Trust in future financial years;
- the results of those operations in future financial years; or
- the state of affairs of the Trust in future financial years.

DIRECTORS' DECLARATION

In the Directors' of the Responsible Entity's opinion:

(a) the financial statements and notes set out on pages 6 to 23 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the Trust's financial position as at 30 June 2019 and of its performance for the half-year ended on that date; and

(b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

Laurence Brindle
Chairman

22 August 2019

Independent auditor's review report to the unitholders of Viva Energy REIT Trust

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Viva Energy REIT Trust (the Trust), which comprises the Condensed consolidated balance sheet as at 30 June 2019, the Condensed consolidated statement of comprehensive income, Condensed consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the half-year ended on that date, selected other explanatory notes and the Directors declaration for Viva Energy REIT Trust. The Group comprises the Trust and the entities it controlled during that half-year.

Directors responsibility for the half-year financial report

The Directors of the Responsible Entity of the Trust are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Viva Energy REIT Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Viva Energy REIT Trust is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the half-year ended on that date;

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Charles Christie
Partner

Melbourne
22 August 2019

CORPORATE DIRECTORY

Viva Energy REIT Trust
ARSN 613 146 464

VER Limited
ABN 43 609 868 000 AFSL 483795
Responsible Entity

Registered office
Level 16, 720 Bourke Street
Docklands VIC 3008
Australia

www.vivaenergyreit.com.au

Directors of VER Limited
Laurence Brindle
Georgina Lynch
Stephen Newton
Lachlan Pfeiffer

Company Secretary
Tina Mitas

Auditor
PricewaterhouseCoopers
2 Riverside Quay
Southbank VIC 3006
Australia

Security registry
Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia
Telephone: 1300 554 474

Investor enquiries and correspondence
VER Manager Pty Limited
Telephone: +61 2 9392 1400
Email: natalie.barrington@vivaenergy.com.au