



WAYPOINT REIT - APPENDIX 4E FOR THE YEAR ENDED 31 DECEMBER 2020

Waypoint REIT is Australia's largest listed REIT owning solely fuel and convenience retail properties with a high quality portfolio of properties across all Australian states and mainland territories. Waypoint REIT's objective is to maximise the long-term income and capital returns from its ownership of the portfolio for the benefit of all security holders.

Waypoint REIT is a stapled entity comprising one share in Waypoint REIT Limited (ABN 35 612 986 517) and one unit in Waypoint REIT Trust (ARSN 613 146 464) and their controlled entities (Group).

Effective 14 May 2020, the Company was renamed from Viva Energy REIT Limited to Waypoint REIT Limited and the Trust was renamed from Viva Energy Trust to Waypoint REIT Trust. The Group's ASX ticker also changed from VVR to WPR on 18 May 2020.

REPORTING PERIOD

This Financial Report details the consolidated results of Waypoint REIT for the year ended 31 December 2020. The comparative period shown is for the year ended 31 December 2019.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Profit and Loss	Year ended 31 Dec 2020 (\$'million)	Year ended 31 Dec 2019 (\$'million)	Change
Revenue from ordinary activities	\$181.8	\$173.2	4.97%
Net profit after tax	\$279.9	\$197.6	41.65%
Distributable Earnings ¹	\$118.5	\$111.7	6.09%
Distributable EPS (cents per security) ²	15.15	14.54	4.25%

Balance Sheet	31 Dec 2020 (\$'million)	31 Dec 2019 (\$'million)	Change
Total assets	\$2,930.6	\$2,718.1	7.82%
Net assets	\$1,953.2	\$1,782.9	9.55%
Net tangible assets (per security)	2.49	2.29	8.73%

¹ Distributable Earnings is a non-statutory measure of profit and is calculated as net profit adjusted to remove transaction costs, specific non-recurring item 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.

² Calculated on a weighted average basis using unrounded figures.

HIGHLIGHTS

- **Financial Performance**

- Distributable Earnings increased by \$6.8 million from \$111.7 million in 2019 to \$118.5 million in 2020 due to higher rental income from acquisitions and contracted rent reviews (\$11.7 million) partially offset by lower finance income (\$1.2 million), higher management and administration expenses (\$1.0 million) and higher associated funding costs (\$2.7 million).
- Statutory net profit increased by \$82.3 million from \$197.6 million in 2019 to \$279.9 million in 2020 largely to higher Distributable Earnings (\$6.8 million) and net valuation gains (\$79.5 million) and lower derivative movements (\$5.4 million) partially offset by lower straight-line rental income (\$2.0 million) and higher borrowing cost amortisation (\$1.7 million) and internalisation costs (\$5.8 million).
- Net tangible assets per security at 31 December 2020 increased by 8.7% to \$2.49 (31 December: \$2.29) largely due to net valuation gains on investment property.

- **Business Update**

- Following Viva Energy Group Limited's (**Viva Energy Group**) sale of its entire 35.5% interest in the Group in February 2020, Viva Energy Group's nominee directors resigned at the Group's Annual General Meeting on 14 May 2020. At the same time, an implementation deed was executed, providing a clear framework for the internalisation of management to the Group which was completed on 30 September 2020. In connection with the transaction, the Group paid a \$2.5 million facilitation payment to Viva Energy Group and related expenses totalling approximately \$3.3 million (including a \$1.4 million expense in relation to a run-off insurance policy in favour of VER Manager and VER Limited). None of these non-recurring costs totalling \$5.8 million form part of Distributable Earnings.
- In excess of 99% of the Group's income is derived from fuel tenants who have continued to operate through COVID-19, providing essential services to the community. Accordingly, the Group's performance to date has not been materially impacted by COVID-19 with \$0.1 million of rental relief agreed with seven non-fuel tenants (of which 50% has been waived and 50% deferred in accordance with the Commercial Code of Conduct).

- **Property Portfolio**

- Since listing on the ASX in 2016, each year at 31 December approximately one-third of the Group's property portfolio has been independently valued. Due to the uncertainty caused by COVID-19, the Group independently valued approximately one-third of the portfolio at 30 June and approximately one-fifth of the portfolio at 31 December. In the absence of COVID-19 or other extenuating circumstances, the Group intends to have approximately one-sixth of the portfolio independently valued every six months going forward.
- Directors' valuations were performed on the remainder of the portfolio and the overall portfolio WACR tightened 17 bps to 5.62% at 31 December 2020.
- During the year, five properties were acquired for \$32.5 million at a WACR of 6.25% and \$18.8 million was invested across 12 development fund-through projects with a further \$0.6 million contracted or committed.
- In December 2020, contracts were exchanged to sell two non-core assets at a \$0.7 million premium to book value. Settlements occurred on 8 and 10 February 2021, respectively.

- **Capital Management**

- In April 2020, consent to waive the review event triggered by Viva Energy Group's sale of its 35.5% stake in the Group was received on \$976.6 million of debt facilities in place at the time (89% of total debt). In connection with the review event, the terms of a \$100 million bilateral facility were amended and a \$20 million institutional term loan was repaid with an associated interest rate swap terminated at a cost of \$3.5 million.
- \$325 million of bank debt was refinanced during the year on pricing generally consistent with existing bank debt.
- US\$178m (c.A\$250m) of US Private Placement debt (**USPP notes**) was issued in October 2020 spread across 7, 10 & 12 year tranches at a weighted average maturity of 9.2 years and a weighted average margin of 2.81% over BBSY and entered associated cross currency swaps.

- Gearing was 29.4%³ at 31 December 2020, just under the lower end of the revised target gearing range of 30% to 40%⁴.
- As at 31 December 2020, drawn debt was \$872.3 million and undrawn debt was \$178.0 million.
- Weighted average debt maturity increased from 2.9 years as at 31 December 2019 to 4.3 years as at 31 December 2020.
- Swaps with a notional value of \$196.5 million were extended to a five-year term, resulting in a weighted average hedge maturity of 2.4 years and a hedge rate of 1.88% with 89% of debt hedged as at 31 December 2020.

DISTRIBUTIONS

	Cents per security	Date paid or payable
Interim for the year ended 31 December 2020 (record date 30 June 2020)	7.41	27 August 2020
Final for the year ended 31 December 2020 (record date 31 December 2020)	7.73	26 February 2021

Distributions are 100% from Australian sourced income from Waypoint REIT Trust. No franked dividends were paid or payable from Waypoint REIT Limited.

The Group's Distribution Reinvestment Plan (**DRP**) is currently inactive however the Group raised \$16.5 million from issuing 6.4 million securities via the DRP during the year.

ADDITIONAL INFORMATION

For additional information regarding the results of the Group for the year ended 31 December 2020, please refer to the 2020 Year Results – ASX Media Announcement and the 2020 Year Results Presentation for the year ended 31 December 2020 lodged with ASX. Attached with this Appendix 4E is a copy of the financial report for the year ended 31 December 2020.

This report is based on the Waypoint REIT 31 December 2020 financial report which has been audited by PricewaterhouseCoopers. The Independent Auditor's Report provided by PricewaterhouseCoopers is included in the 31 December 2020 financial report.

³ Calculated as net debt (excluding foreign exchange and fair value hedge adjustments) / total assets minus cash. This differs from Covenant Gearing which is equal to 32.1%.

⁴ The upper end of the target gearing range was reduced from 45% to 40% effective February 2021.



FINANCIAL REPORT

For the Year Ended
31 December 2020

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DIRECTORS' REPORT

The directors of Waypoint REIT Limited (**Company**) and VER Limited (**Responsible Entity**), the responsible entity of Waypoint REIT Trust (**Trust**), present their report together with the financial statements of Waypoint REIT (**Group**) and the financial statements of Waypoint REIT Trust Group (**Trust Group**) for the year ended 31 December 2020.

Waypoint REIT (**Group**) is a stapled group consisting of the Company and the Trust and their respective controlled entities. The financial statements of the Group comprise the Company, the Trust and their respective controlled entities.

The financial statements of the Trust Group comprise the Trust and its controlled entities. The portfolio of fuel and convenience retail properties are held by 100% controlled entities of the Trust.

Effective 14 May 2020, the Company was renamed from Viva Energy REIT Limited to Waypoint REIT Limited and the Trust was renamed from Viva Energy Trust to Waypoint REIT Trust. Refer to "Significant changes in state of affairs" for further details.

The Company owns all of the shares in VER Limited (the Responsible Entity).

Directors of Waypoint REIT Limited

The following persons were directors of Waypoint REIT Limited during the year and up to the date of this report:

Laurence Brindle	Independent Non-executive Chair
Georgina Lynch	Independent Non-executive Director
Stephen Newton	Independent Non-executive Director
Jevan Bouzo	Non-independent Non-executive Director (resigned 14 May 2020)
Lachlan Pfeiffer	Non-independent Non-executive Director (resigned 14 May 2020)

Tina Mitas was appointed as Company Secretary on 15 May 2018 and continues in office at the date of this report.

Directors of VER Limited

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

Laurence Brindle	Independent Non-executive Chair
Georgina Lynch	Independent Non-executive Director
Stephen Newton	Independent Non-executive Director
Lachlan Pfeiffer	Non-independent Non-executive Director (resigned 14 May 2020)

Tina Mitas was appointed as Company Secretary on 15 May 2018 and continues in office at the date of this report.

Principal activities

During the period, the principal activity of Waypoint REIT was investment in fuel and convenience retail property.

Waypoint REIT owns a large portfolio of fuel and convenience retail properties across all Australian states and mainland territories. The properties in the portfolio are leased on a long-term basis to Viva Energy Australia Pty Limited (**Viva Energy** - a wholly owned subsidiary of Viva Energy Group) and other fuel and/or convenience retail operators.

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Significant changes in state of affairs

Following Viva Energy Group's sale of its entire 35.5% interest in the Group in February 2020, an implementation deed was executed on 14 May 2020, providing a clear framework for the internalisation of management to the Group which was completed on 30 September 2020. In connection with the transaction, the Group paid a \$2.5 million facilitation payment to Viva Energy Group and related expenses totalling approximately \$3.3 million (including a \$1.4 million expense in relation to a run-off insurance policy in favour of VER Manager and VER Limited). None of these non-recurring costs totalling \$5.8 million form part of Distributable Earnings.

There were no other significant changes in the state of affairs of the Group that occurred during the period.

Distribution to security holders

Distributions paid to or provided for during the period were as follows:

	2020 \$ million	2019 \$ million
Distributions paid in 2020		
Final distribution for year ended 31 December 2019		
– 7.19 cents per security paid on 27 February 2020	56.0	-
Interim distribution for the six months ended 30 June 2020		
– 7.41 cents per security paid on 27 August 2020	57.9	
Distributions paid in 2019		
Final distribution for year ended 31 December 2018		
– 7.03 cents per security paid on 28 February 2019	-	51.0
Interim distribution for the six months ended 30 June 2019		
– 7.18 cents per security paid on 29 August 2019	-	55.7
Total distributions paid	113.9	106.7

The Group paid a distribution of 7.73 cents per security (\$60.7 million) on 26 February 2021 for the six months ended 31 December 2020.

Operating and financial review

Key highlights

Waypoint REIT is Australia's largest listed REIT owning solely fuel and convenience retail properties with a high quality portfolio of properties across all Australian States and mainland Territories. Waypoint REIT's objective is to maximise the long-term income and capital returns from its ownership of the portfolio for the benefit of all security holders.

Distributable Earnings increased by \$6.8 million from \$111.7 million in 2019 to \$118.5 million in 2020 due to higher rental income from acquisitions and contracted rent reviews (\$11.7 million) partially offset by lower finance income (\$1.2 million), higher management and administration expenses (\$1.0 million) and higher associated funding costs (\$2.7 million).

Statutory net profit increased by \$82.3 million from \$197.6 million in 2019 to \$279.9 million in 2020 largely due to higher Distributable Earnings (\$6.8 million) and net valuation gains (\$79.5 million) and lower derivative movements (\$5.4 million) partially offset by lower straight-line rental income (\$2.0 million) and higher borrowing cost amortisation (\$1.7 million) and internalisation costs (\$5.8 million).

The management expense ratio (**MER**) in 2020 was 0.30% (2019: 0.28%) with the increase attributable primarily to higher insurance and regulatory costs, additional compliance costs and non-recurring costs associated with management changes.

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Gearing was 29.4%⁽³⁾ at 31 December 2020 (31 December 2019: 30.4%), just under the lower end of the revised target gearing range of 30% to 40%.

Net tangible assets per security at 31 December 2020 increased by 8.7% to \$2.49 (31 December 2019: \$2.29) largely due to net valuation gains on investment property.

Key financial metrics	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Statutory net profit after tax	\$279.9 million	\$197.6 million
Distributable Earnings ⁽¹⁾	\$118.5 million	\$111.7 million
Distributable EPS	15.15 cents	14.54 cents
Management expense ratio ⁽²⁾	0.30%	0.28%

	As at 31 Dec 2020	As at 31 Dec 2019
Total assets	\$2,930.6 million	\$2,718.1 million
Investment properties	\$2,897.3 million	\$2,684.2 million
Borrowings	\$872.3 million	\$846.7 million
Net assets	\$1,953.2 million	\$1,782.9 million
NTA per security	\$2.49	\$2.29
Gearing ⁽³⁾	29.4%	30.4%
Covenant Gearing ⁽⁴⁾	32.1%	33.5%

⁽¹⁾ Distributable Earnings is a non-statutory measure of profit and is calculated as net profit adjusted to remove transaction costs, specific non-recurring items 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.

⁽²⁾ Management expense ratio is calculated as the ratio of management and administration expenses (excluding net property expenses) over average total assets (excluding derivative financial assets).

⁽³⁾ Gearing is calculated as net debt (excluding foreign exchange and fair value hedge adjustments) / total assets excluding cash.

⁽⁴⁾ Covenant Gearing is calculated as total liabilities/total assets but excluding any mark-to-market valuations of derivative assets/liabilities. This is the measure used to determine compliance with the Group's gearing covenants.

Financial results	Year ended 31 Dec 2020 \$ million	Year ended 31 Dec 2019 \$ million
Rental income	160.2	148.5
Finance income	0.2	1.4
Total operating income	160.4	149.9
Management and administration expenses	(9.3)	(8.3)
Interest expense	(32.6)	(29.9)
Distributable Earnings	118.5	111.7
Gain / (loss) on valuation of investment properties	152.3	72.8
Straight-line rental income	21.4	23.4
Amortisation of borrowing costs	(2.7)	(1.1)
Interest rate swap termination / restructure expense	(3.5)	(9.2)
Loss on derivative financial instruments	(0.3)	-
Internalisation costs	(5.8)	-
Statutory net profit after tax	279.9	197.6

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Investment property portfolio

	31 Dec 2020	31 Dec 2019
Total value of investment properties	\$2,897.3 million	\$2,684.2 million
Total properties in portfolio ⁽¹⁾	470	469
Portfolio occupancy	99.9%	99.9%
Weighted average lease expiry	10.8 years	11.7 years

⁽¹⁾ Excludes 4 assets classified as held for sale

During the year, five properties were acquired for \$32.5 million at a WACR of 6.25% and \$18.8 million was invested across 12 development fund-through projects, with a further \$0.6 million contracted or committed. Four properties were also re-classified to held for sale, including two properties contracted for sale in December 2020 at a \$0.7 million premium to book value. Refer to “Matters subsequent to the end of the financial year” for further details.

Since listing on the ASX in 2016, approximately one-third of the Group’s property portfolio has been independently valued as at 31 December each year. Due to the uncertainty caused by COVID-19, the Group independently valued approximately one-third of the portfolio at 30 June and approximately one-fifth of the portfolio at 31 December. In the absence of COVID-19 or other extenuating circumstances, the Group intends to have approximately one-sixth of the portfolio independently valued every six months going forward.

Capital management

The Group’s Distribution Reinvestment Plan (**DRP**) is currently inactive however the Group raised \$16.5 million from issuing 6.4 million securities via the **DRP** during the year.

On 31 May 2020, the Trust reallocated capital of \$5.7 million to the Company in accordance with recent Constitutional amendments and in the ordinary course of business. This capital reallocation did not affect the number of shares on issue nor the number of units held by security holders and did not result in any cash distribution to security holders.

In April 2020, consent to waive the review event triggered by Viva Energy Group’s sale of its 35.5% stake in the Group was received on \$976.6 million of debt facilities in place at the time (89% of total debt). In connection with the review event, the terms of a \$100 million bilateral facility were amended and a \$20 million institutional term loan was repaid with an associated interest rate swap terminated at a cost of \$3.5 million.

During the year, the Group refinanced \$325 million of its revolving credit facilities on pricing generally consistent with existing bank debt. The Group also issued US\$178m (c.A\$250m) of USPP notes spread across 7, 10 and 12 year tranches at a weighted average maturity of 9.2 years and a weighted average margin of 2.81% over BBSY and entered associated cross currency swaps.

In June 2020, the Group extended interest rate swaps with a \$196.5 million notional value to a five-year term maturing in August 2025, reducing the weighted average hedge rate from 2.1% to 1.88% and increasing the weighted average hedge maturity to 2.4 years. At 31 December 2020, 89% of the Group’s debt was hedged.

2021 outlook

The Group expects rental income from existing fuel and convenience retail tenancies to grow in line with contracted annual rental increases. The Group may consider opportunities to acquire new fuel and convenience retail properties that satisfy its investment objectives as well as the disposal of non-core assets. Further, the Group will continue to review its capital management strategy and opportunities for enhancement to the sources, pricing and tenor of funding.

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Matters subsequent to the end of the financial year

Subsequent to the end of the financial year:

- The Victorian state government effected the compulsory acquisition of an asset held for sale with a carrying value of \$6.8 million on 12 January 2021. Under the terms of the resumption, the Group is no longer entitled to collect rent from tenancies on the property from this date;
- Settlement of two assets held for sale for total sale proceeds of \$5.5 million occurred on 8 and 10 February 2021; and
- A distribution for the six months ended 31 December 2020 of \$60.7 million was paid on 26 February 2021.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect:

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

Material business risks

The Group has reviewed its Risk Management Framework and amended the structure to include new risks associated with the internalisation of management, including human resources, employee safety and working practices as well as cyber security risks. No other material changes have been made to the structure of the framework, however changes have been made to the way the framework is implemented in order to ensure appropriate risk management. These changes include ongoing monitoring and reporting of COVID-19 impacts to the Board. The Group's Risk Appetite Statement has also been reviewed and updated by Management and the Board to reflect the impact of internalisation and COVID-19. The Responsible Entity also has a Compliance Plan which sets out the key processes, systems and measures that the Responsible Entity will apply in operating the Trust. The Compliance Plan, including a compliance management and reporting structure, was also updated in connection with the internalisation of management.

The material business risks that could adversely affect the achievement of the Group's financial prospects include the following:

Tenant concentration risk, financial standing and sector concentration risk

97% of the Group's rental income is received from Viva Energy. If Viva Energy's financial standing materially deteriorates Viva Energy's ability to make rental payments to Waypoint REIT may be adversely impacted, which may have a material adverse impact on the Group's results of operations, financial position and ability to service and/or obtain financing. Furthermore, a material decline in the profitability of Viva Energy's business could affect the perceived stability of the rental income of Waypoint REIT and may affect Waypoint REIT's ability to obtain financing on acceptable terms. A material decline in the profitability of Viva Energy's business could also lead to reduced capacity or ability for Viva Energy to pay market rents when renewal options are exercised which could result in a decline in the values of Waypoint REIT's investment properties.

Collection risk

The Group performs financial due diligence on potential new tenants and holds collateral in the form of security deposits or bank guarantees where appropriate. Rent is due in advance on the first day of each billing period (typically monthly), with arrears monitored and arrears notices issued on a regular basis. The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other financial assets. The loss allowances for trade and other financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions, based on the Group's past history and existing market conditions as well as forward looking estimates at the end of each reporting period.

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In excess of 99% of the Group's income is derived from fuel tenants who have continued to operate through COVID-19, providing essential services to the community. Accordingly, the Group's performance has not been materially impacted by COVID-19 to date with rental relief of \$0.1 million agreed with seven non-fuel tenants (of which 50% has been waived and 50% deferred in accordance with the Commercial Code of Conduct).

Re-leasing and vacancy risk

The Group's total property portfolio is 99.9% occupied with only 19 leases (representing 2.0% of income) expiring before the end of 2025 and a weighted average lease expiry of 10.8 years. The majority of the portfolio is subject to multiple 10-year options in favour of the tenant, with the rent from commencement of each option period to either be agreed between the parties or set by independent market rent determination. However, there is a risk that tenants may not exercise their option, or that the commencing rent will be lower than passing rent and/or market rent (if agreed between the parties). Further, termination of Viva Energy Group's right to use Shell branding (current agreement expires in 2026) and/or its Alliance Agreement with Coles Express (current agreement expires in 2029), could also impact Viva Energy's decision whether it renews its existing leases. Resulting vacancy or reduced rental income could negatively impact distributions of the Group and/or the value of the Group's investment properties.

Investment property value

The value of the Group's portfolio of investment properties may be adversely affected by a number of factors, including factors outside the control of the Group, such as supply and demand for traditional fuel, alternative fuels and/or convenience retail products, supply and demand for fuel and convenience retail properties, general property market conditions, the availability and cost of credit including sector-specific environmental, sustainability and governance considerations, the ability to attract and implement economically viable rental arrangements, Viva Energy's financial condition deteriorating, occupiers not extending the term of leases, capitalisation rates and general economic factors such as the level of inflation and interest rates.

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 net tangible assets per security and in turn the market price of the Group's securities may fall. The property portfolio is geographically diversified to mitigate the risk of localised valuation impacts and the majority of assets are located in metropolitan areas which typically have higher underlying land values and alternative use potential. Active asset management, including the disposal of non-core assets, also, in part, mitigates this risk.

Environmental and climate risk

The Group depends on its tenants to perform their obligations under various environmental arrangements in relation to properties they lease. The Group has an indemnity from Viva Energy in respect of certain liability for historical environmental contamination across 425 assets acquired at the time of the Group's initial public offering. The Group also carries out environmental due diligence in relation to potential property acquisitions. If any property in the portfolio is contaminated by a fuel tenant or its invitee during the term of the lease, the tenant under that lease must remediate it, at their cost to a standard consistent with operating the site as a fuel and convenience property or similar commercial use. If the tenants were to fail to meet their obligations under these arrangements (including due to their insolvency), the Group may incur significant costs to rectify contamination on its properties and also on other properties which may be consequently impacted.

The Group is subject to a range of regulatory regimes (including environmental regulations) that cover the specific assets of the Group and how they are operated. These regulatory regimes are subject to ongoing review and change that may increase the cost of compliance, reporting and maintenance of the Group's assets. There remains a risk (for example, where the regulator is unable to pursue the polluter, the polluter cannot be identified or the polluter is unable to meet its obligations) that the Group, as owner of the properties in the portfolio, may face liability for breach of environmental laws and regulations.

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

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in the future and the rent levels for which they can be leased, thereby affecting future investment property valuations and rental cash flows. Insurance premiums and/or deductibles may change or insurance may not be able to be obtained at all.

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.

AFSL compliance risk

VER Limited, a subsidiary of Waypoint REIT Limited, holds an Australian Financial Services License (AFSL) and acts as the responsible entity for Waypoint REIT Trust. The AFSL requires, among other matters, minimum levels of net tangible assets, liquid assets, cash reserves and liquidity, which may restrict the Group in paying distributions that would breach these requirements.

The directors review and monitor VER Limited's balance sheet quarterly and the adequacy and ongoing training of responsible managers annually to ensure compliance with its AFSL requirements.

Personnel risk

Loss of key personnel could potentially have an adverse impact on the management and the financial performance of the Group and in turn may affect the returns to security holders. To mitigate this risk, processes and procedures are standardised and automated to the extent practicable, succession planning is undertaken and remuneration structures include components payable on a deferred basis to reduce key personnel risk.

Cyber security risk

Cyber-attacks are becoming increasingly sophisticated and a material data breach could have an adverse financial or reputation impact. To help mitigate this risk, the Group uses the services of third party technology experts, provides regular staff training and performs pre-implementation and annual reviews over key Software as a Service (SaaS) providers.

Debt agreement and refinancing risk

The Group has outstanding debt facilities. General economic and business conditions as well as sector-specific environmental, sustainability and governance considerations that impact the debt or equity markets could impact the Group'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 Group being subject to increased interest rate margins and covenants restricting its ability to engage in certain types of activities or to pay distributions to security holders. Debt may not be able to be obtained at all.

If debt facilities are not available or are not available in adequate volume, the Group may need to sell assets to repay debt. There is no guarantee that there will be willing purchasers for the Group's assets or that purchasers will pay prices at or greater than book value of these investment properties. To help mitigate this risk, debt maturities are staggered, debt is held across a diverse set of sources, lenders and geographies, and debt is typically refinanced at least twelve months in advance of maturity.

If a third party entity gains control of Waypoint REIT, then this would constitute a review event under certain of the Group's debt facility agreements, and (subject to specified negotiation and notification periods) a repayment of the Group's debt facilities may be required.

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

Cash flow and fair value interest rate risk

The Group's cash and cash equivalents, floating rate borrowings and interest rate swaps expose it to a risk of change in fair value or future cash flows due to changes in interest rates. The Group uses floating-to-fixed interest rate swaps to partially hedge its exposure to changes in interest rates on variable rate borrowings. By hedging against changes in interest rates, the Group has reduced exposure to changes in interest rates on its outward cash flows so long as the counterparties to those interest rate swaps meet their obligations to the Group.

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Foreign exchange rate risk

A portion of the Group's debt is denominated in US dollars and as a result, the Group is exposed to a risk of change in fair value or future cash flows due to changes in foreign exchange rates. The Group economically hedges 100% of its exposure to changes in foreign exchange rates by using cross currency swaps. By hedging against changes in foreign exchange rates, the Group eliminates its exposure to changes in foreign exchange rates on its outward cash flows so long as the counterparties to those cross currency swaps meet their obligations to the Group.

Liquidity risk

Liquidity risk is the risk that the Group may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. The Group monitors its exposure to liquidity risk by setting budgets and projecting cash flows to help ensure there is sufficient cash on hand as required or debt facility funding is available to meet financial liabilities as they fall due.

Environmental regulation

As a landlord, the operations of the Group are subject to a range of environmental laws and regulations under Commonwealth, state and territory law. However, the lease attaching to the majority of sites requires the tenant to use reasonable endeavours to prevent contamination at each site and indemnify the Group for any contamination caused by their operations.

The Group did not receive any environmental infringements or notices from environmental regulators in the year ended 31 December 2020.

Information on Directors and Officers

Laurence Brindle

Independent Non-executive Chair, Chair of the Nomination Committee, Member of the Audit and Risk Management and Remuneration Committees.

Laurence has extensive experience in funds management, finance and investment and is currently independent Non-executive Chair of National Storage REIT and a Non-executive director of Stockland Property Group.

Until 2009, Laurence was an executive with Queensland Investment Corporation (**QIC**). During his 21 years with QIC, he served in various senior positions including Head of Global Real Estate, where he was responsible for QIC's large global investment portfolio. Laurence was also a long-term member of QIC's Investment Strategy Committee.

Laurence provides advice to a number of investment institutions on real estate investment and funds management matters. He is a former chair of the Shopping Centre Council of Australia and a former director of Westfield Retail Trust and Scentre Group.

Laurence holds a Bachelor of Engineering (Honours) and a Bachelor of Commerce from the University of Queensland, and a Masters of Business Administration from Cass Business School, London, where he graduated with distinction.

Georgina Lynch

Independent Non-executive Director, Chair of the Remuneration Committee and Member of the Audit and Risk Management and Nomination Committees.

Georgina has over 26 years' experience in the financial services and property industry. She is currently independent Non-executive Chair of Cbus Property, Non-executive director of Irongate Funds Management Limited and a member of their audit and risk and remuneration committees, and a Non-

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executive Director of Tassal Group Limited and a member of their nominations and remuneration committees.

Georgina has significant global experience in corporate transactions, capital raisings, initial public offerings (IPOs), funds management, corporate strategy and acquisitions and divestments.

Georgina holds a Bachelor of Arts and Bachelor of Laws.

Stephen Newton

Independent Non-executive Director, Chair of the Audit and Risk Management Committee and Member of the Remuneration and Nomination Committees.

Stephen has extensive industry experience spanning in excess of 40 years across real estate investment and funds management, development and property management, as well as in infrastructure investment and management. Stephen has been a Principal of Arcadia Funds Management for more than 18 years. Prior to that, Stephen held various senior executive positions at Lend Lease over 22 years.

Stephen is currently a Non-executive director of Stockland Property Group, BAI Communications Group (formerly Broadcast Australia Group) and Sydney Catholic Schools Limited. Stephen was formerly a Director of Gateway Lifestyle Group.

Stephen is a member of both Chartered Accountants Australia and New Zealand and the Australian Institute of Company Directors. He holds a Bachelor of Arts (Economics and Accounting) degree from Macquarie University and a Masters of Commerce post graduate degree from The University of New South Wales.

Tina Mitas

Company Secretary

Tina has over 16 years' experience in corporate law including corporate governance, compliance, mergers and acquisitions, private equity and information technology.

Tina's previous positions include senior legal counsel roles at Aconex Limited and SMS Management Limited and senior associate at Herbert Smith Freehills.

Tina holds a Bachelor of Laws (Hons) and Bachelor of Commerce from the University of Melbourne and a Graduate Diploma in Applied Corporate Governance from the Governance Institute of Australia (GIA). Tina is a Chartered Secretary and Associate of the GIA and is a member of the Institute of Chartered Secretaries and Administrators (ICSA).

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Meetings of directors

The numbers of meetings of the Directors and of each Board Committee held during the year ended 31 December 2020, and the numbers of meetings attended by each Director were:

Name	Waypoint REIT Limited		VER Limited		Audit and Risk Management Committee		Remuneration Committee*		Nomination Committee*		Independent Board Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
Laurence Brindle	16	16	16	16	6	6	3	3	1	1	6	6
Georgina Lynch	16	16	16	16	6	6	3	3	1	1	6	6
Stephen Newton	16	16	16	16	6	6	3	3	1	1	6	6
Jevan Bouzo**	8	8	8	8	1	1	0	0	0	0	0	0
Lachlan Pfeiffer **	8	8	8	8	1	1	0	0	0	0	0	0

A = Number of meetings attended.

B = Number of meetings held during the time the Director held office or was a member of the committee during the year

* = Committee formed on 1 October 2020 following the internalisation of Management.

** = Resigned 14 May 2020.

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Remuneration report

This remuneration report (**Remuneration Report**) presents Waypoint REIT's remuneration arrangements for key management personnel (**KMP**) for the year ended 31 December 2020. The report has been prepared and audited in accordance with the requirements of the *Corporations Act 2001* and *Corporations Regulations 2001*.

Letter from Chair of the Remuneration Committee

On behalf of the Remuneration Committee and the Board, I am pleased to present the Remuneration Report for the year ended 31 December 2020.

2020 Remuneration Framework

Waypoint REIT's remuneration priorities in 2020 were driven by the internalisation of the management function previously undertaken by VER Manager Pty Limited (**Manager**), which took effect from 1 October 2020 (**Internalisation**). Prior to 1 October 2020, all employees involved in the management of Waypoint REIT were employed under employment contracts with Viva Energy Australia Pty Limited, the parent entity of the Manager. As part of the Internalisation, all permanent employees accepted new employment contracts with Waypoint REIT (on materially the same terms as their previous contracts), effective 1 October 2020.

Prior to the Internalisation, a nomination and remuneration committee was not in place on the basis that neither the Company nor the Trust had any employees (other than the Directors), and the senior executives of the Manager were employed and remunerated by Viva Energy Australia Pty Limited. The Directors considered nomination and remuneration matters from time to time at their regularly scheduled Board meetings during this period.

Formation of Remuneration Committee

Following the Internalisation on 1 October 2020, Waypoint REIT's Remuneration Committee, comprised of independent directors, was formed. The Remuneration Committee makes recommendations on remuneration policies and practices (including long-term incentive and short-term incentive plan; gender diversity; remuneration budget, annual salary reviews and Non-Executive Director remuneration) to Waypoint REIT's Board.

Waypoint REIT's Board and Remuneration Committee are responsible for overseeing remuneration policy for Waypoint REIT. Specific responsibilities of the Board and the Remuneration Committee are detailed in their respective Charters which are available on the Waypoint REIT website at www.waypointreit.com.au.

2020 Remuneration Considerations

While COVID-19 impacted Waypoint REIT's operating environment, Waypoint REIT's performance was not materially impacted as the vast majority of its income is generated from long-term leases with well-capitalised tenants that continued to provide essential services throughout 2020. The Board is particularly pleased that Waypoint REIT was able to collect 99.9% of rent due during the year, whilst at the same time supporting the seven non-fuel tenants that qualified for rent relief under the Federal Government's Commercial Code of Conduct implemented through state legislation. Waypoint REIT also did not request or receive JobKeeper payments during 2020.

Waypoint REIT's small team successfully navigated the challenges posed by COVID-19 in terms of both Waypoint REIT's business and the impact on day-to-day working conditions, with flexible working arrangements quickly adapted as required and no redundancies or reduced working hours required.

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The key challenges and achievements for Waypoint REIT in 2020 included:

- **New Management Team:** Both the Chief Executive Officer and Chief Financial Officer joined Waypoint REIT shortly before the pandemic and worked with the other executives to successfully cultivate a team culture focused on governance, risk management and inclusiveness, all whilst working remotely.
- **Review Event:** In February 2020, Viva Energy's sale of its 35.5% interest held in Waypoint REIT triggered a review event across the \$1 billion debt portfolio of Waypoint REIT. Dealing with this review event as debt and capital markets became more uncertain due to the impacts of COVID-19 was challenging. Management successfully managed the review event by obtaining consent from 89% of lenders with debt facilities in place at the time.
- **Debt Capital Markets:** In addition to successfully refinancing \$325 million of debt facilities during the height of COVID-19 uncertainty, Management completed Waypoint REIT's inaugural ~\$250 million US private placement (**USPP**) issuance. The USPP issuance was achieved working remotely and dealing with all counterparties remotely. These combined transactions extended the weighted average debt maturity to 4.3 years and further diversified Waypoint REIT's debt sources.
- **Internalisation:** Management successfully negotiated and completed the Internalisation one month ahead of the effective date agreed with Viva Energy. The Internalisation largely comprised the establishment of stand-alone IT and payroll functions (and associated data migration) and corporate policies.
- **Portfolio Management:** Waypoint REIT completed \$51.3 million of acquisitions and fund-through development expenditure and entered unconditional contracts to sell \$5.5 million of non-core assets. Management has conducted a thorough review of Waypoint REIT's portfolio and has put in place a strategy that will better position the vehicle to deliver on its objective of maximising the long-term income and capital returns from its ownership of the portfolio.

Despite the challenges presented in 2020, Waypoint REIT delivered Distributable EPS of 15.15 cents, representing growth of 4.25% on 2019. This result was at the top end of Waypoint REIT's upgraded growth guidance of 4-4.25% and significantly higher than its initial growth guidance of 3-3.75%.

In light of these achievements, the Board has awarded Executive Key Management Personnel (**Executive KMP**) their maximum short-term incentive (**STI**) awards for the year ended 31 December 2020.

2021 Remuneration Framework

The Board recognises that the key to our ongoing success lies in retaining and attracting high performing people. Accordingly, following Internalisation, the Remuneration Committee undertook a comprehensive review of Waypoint REIT's remuneration policy and underlying executive remuneration, supported by input on market practice insights and trends in relation to executive remuneration approaches from an external remuneration consultant. This review was undertaken in consideration of the new internalised management structure and to ensure our remuneration framework is aligned with the best practice remuneration principles. No remuneration recommendations were made by the remuneration consultant and advice provided represents just one of many inputs the Remuneration Committee uses to make remuneration decisions.

The Board believes that the outcomes achieved over the 2020 year have demonstrated that the new executive team has brought new standards of executive performance to Waypoint REIT.

It is important that there is good alignment between executive pay and securityholder value and that our remuneration framework is designed to link Waypoint REIT's strategy and performance with the remuneration outcomes for Executive KMP.

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Following its review of market practice and benchmarks, the Remuneration Committee determined that adjustments to the structure of Executive KMP remuneration including the balance between fixed and “at risk” pay components and devices designed to encourage retention of Executive KMP were required in order to better align Executive KMP with market benchmarks and securityholder expectations.

Key changes to the remuneration framework for 2021 are as follows:

- Fixed Annual Remuneration (**FAR**) for Executive KMP has been reviewed, resulting in the following changes:

	2020	2021
Hadyn Stephens	\$500,000	\$550,000
Kerri Leech	\$350,000	\$400,000
Tina Mitas	\$208,000	\$244,000

- The STI plan has been amended to require the deferred portion of the CEO's STI to be delivered in securities rather than cash. The portion of the CEO's STI subject to deferral (50%) and the deferral time period (25% for 12 months and 25% for 24 months) remain unchanged. The STI plan has been further amended to require 33% of STI awarded to other Executive KMP to be issued in securities with a 12-month deferral period. A new balanced scorecard approach will be introduced to set and measure employees' STI, aligned to the key financial and non-financial value drivers of our business. Details will be included in the 2021 Remuneration Report.
- An equity-based long-term incentive (**LTI**) plan will be introduced, with a three-year performance period. 50% of the LTI will be based on Total Securityholder Return (TSR) relative to constituents of the S&P/ASX300 A-REIT index and 50% will be based on growth in Distributable EPS (50%). Consistent with best market practice, details of the Chief Executive Officer's (CEO) LTI grant will be put forward for securityholder approval at our upcoming 2020 Annual General Meeting.

I hope you find this Remuneration Report informative and on behalf of the Directors and the Remuneration Committee, I look forward to welcoming you and receiving your feedback at our 2020 Annual General Meeting.



Georgina Lynch
Chair, Remuneration Committee

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Report Structure

This report is divided into the following sections:

- (i) Key Management Personnel
- (ii) Remuneration Policy for Executive KMP
- (iii) Details of Executive KMP Remuneration and Other Information
- (iv) Remuneration Policy for Non-Executive Directors
- (v) Details of Non-Executive Directors Fees and Other Information

(i) Key Management Personnel

This report discloses the remuneration arrangements and outcomes for the individuals listed below, being individuals who have been determined as KMP as defined by AASB 124 *Related Party Disclosures*.

Name	Role	KMP Period
Directors		
Independent Non-Executive		
Laurence Brindle	Chair	Full Year
Georgina Lynch	Director	Full Year
Stephen Newton	Director	Full Year
Non-Independent Non-Executive		
Jevan Bouzo	Director	Resigned 14 May 2020
Lachlan Pfeiffer	Director	Resigned 14 May 2020
Executive KMP		
Hadyn Stephens	Chief Executive Officer (CEO)	From 1 October 2020*
Kerri Leech	Chief Financial Officer (CFO)	From 1 October 2020*
Tina Mitas	General Counsel & Company Secretary	From 1 October 2020*

* Date of Internalisation

(ii) Remuneration Policy for Executive KMP

Introduction

Prior to 1 October 2020, all employees involved in the management of Waypoint REIT were employed under employment contracts with Viva Energy Australia Pty Limited, the parent entity of the Manager. Following Internalisation, all employees accepted new employment contracts with Waypoint REIT on materially the same terms as their previous contracts.

From time to time, the Remuneration Committee may seek external remuneration advice to ensure that it is fully informed when making decisions, including on recent market trends and practices and other remuneration-related matters. Remuneration consultants are engaged directly by the Remuneration Committee as needed. In 2020, no remuneration recommendations were received from remuneration consultants as defined under the Corporations Act 2001.

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Remuneration Objectives & Structure

The table below sets out the objectives and structure of Waypoint REIT's Executive KMP remuneration arrangements for the whole of 2020.

The remuneration arrangements in place prior to Internalisation were established by the Manager in consultation with the Waypoint REIT Board as required under the management agreement with the Manager. The Board determined it was appropriate to leave the remuneration arrangements in place immediately prior to Internalisation on materially the same basis for the remainder of the 2020 financial year.

The arrangements in place for 2020 are summarised in the table below:

Remuneration Type	What?	Why?
FAR	Comprises base salary, superannuation contributions and other benefits	Fixed component set with reference to role, market, experience and skill-set to attract and retain the executives capable of leading and delivery the strategy
STI	Cash-based award, subject to specific performance and employment conditions	"At risk" component designed to maximise performance in key strategic areas detailed in each executive's Key Performance Indicators (KPIs) with employment conditions designed to encourage retention

Short Term Incentive

In 2020, STI awards were recommended by the Remuneration Committee and endorsed by the Board. Details are included in the table below.

Basis	Each executive may be eligible for participation in an STI program, which may be amended, replaced or withdrawn at any time at the Board's absolute discretion. STI awards are set with reference to a maximum STI opportunity level relative to the executive's FAR, with the actual STI award to be determined based on performance against KPIs determined by the Board.
Purpose	To motivate and reward executives for increasing securityholder value by meeting or exceeding Waypoint REIT and individual targets determined by the Board.
Performance conditions	The value of the STI award for each Executive KMP is determined having regard to the financial performance of Waypoint REIT and achievement against the KPIs agreed at the start of the year. The general elements and performance criteria for the Executive KMP are detailed in the following pages.
Performance assessment	The CEO evaluates the performance of the other Executive KMP against their KPIs and other applicable measures. This information is presented to the Remuneration Committee who performs the same evaluation of the CEO performance. The Remuneration Committee then recommends the STI awards, if any, to the Board for approval.
Board discretion	Entitlements are at the sole discretion of the Board. Waypoint REIT can amend, replace or withdraw any incentive program in its absolute discretion.
Cessation of employment	An Executive KMP will generally not be entitled to be paid an STI award if they resign or if their employment is terminated with cause.

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Performance Indicators

The Remuneration Committee and Board aim to align Executive KMP remuneration with Waypoint REIT's strategic and business objectives and the creation of securityholder wealth. The table below shows statutory and alternative measures of Waypoint REIT's financial performance since its initial public offering in 2016. Statutory measures are not necessarily consistent with the measures used in determining the variable amounts of remuneration to be awarded to Executive KMP as noted above. Consequently, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded.

	2016 ¹	2017	2018	2019	2020
Statutory profit (\$'m)	1.0	170.5	167.1	197.6	279.9
Distributable earnings ² (\$'m)	36.5	95.0	101.7	111.7	118.5
Basic earnings per security (cents)	0.14	23.08	21.34	25.72	35.79
Distributable earnings per security ² (cents)	5.28	13.41	14.02	14.54	15.15
Distributions paid/payable (cents)	5.28	13.20	14.02	14.37	15.14
Closing security price (31 December)	\$2.40	\$2.26	\$2.25	\$2.66	\$2.73
Net tangible assets per security ³	\$2.02	\$2.12	\$2.20	\$2.29	\$2.49
Weighted average securities on issue	690.2	708.2	725.7	768.4	782.0

¹ Period from 3 August to 31 December

² Distributable earnings is unaudited

³ Net tangible assets per security include the impact of the fair value movements

2020 STI Outcomes

The following table sets out the awards made to each Executive KMP based on their performance during the year ended 31 December 2020.

\$	FAR as per contract*	Maximum STI as per contract	Actual STI awarded	% of maximum possible current award earned
Hadyn Stephens	500,000	500,000	500,000	100
Kerri Leech	350,000	210,000	210,000	100
Tina Mitas**	208,000	83,200	100,000	120

* FAR is inclusive of superannuation and presented as at 31 December 2020 on an annualised basis.

** Tina Mitas works four days per week. Ms Mitas' FAR and Maximum STI are based on 0.8 Full-time Equivalent (FTE). Ms Mitas' Actual STI and % of Maximum reflect a pro rata payment of a higher bonus to reflect additional days worked during the financial year over and above her contractual obligation.

2020 STI Annual Assessment

Executive KMP 2020 key performance indicators (**KPIs**) were initially set under their previous employment arrangements with Viva Energy Australia in consultation with the Waypoint REIT Board under the terms of the management agreement with the Manager. These KPIs remained in place upon Internalisation with additional KPIs added in relation to achieving a successful Internalisation. The resulting KPIs were assessed and reviewed by the Remuneration Committee and Board.

The annual assessments for the CEO and other Executive KMP are similar but with different emphasis and KPIs applicable to their individual roles. KPIs for Executive KMP in 2020 varied from person to person; however, the key KPIs driving the Remuneration Committee and Board's decision to award the 2020 STIs were as follows:

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Category	Performance Detail	Result
Financial performance - Achieve DPS in line with guidance approved by the Board	- Waypoint REIT delivered Distributable Earnings growth per security of 4.25%, at the top end of the revised guidance range of 4-4.25% announced in August 2020 and in excess of the original guidance range of 3-3.75% set at the start of the year	Above target
Financial and capital management - Diversify debt sources - Optimise bank debt facilities - Extend debt maturity - Manage liquidity to support the delivery of Waypoint REIT's strategy	- Inaugural \$248m USPP issuance completed in August 2020 - \$325m of bank debt refinanced during the year on pricing generally consistent with existing bank debt - Weighted average debt maturity extended from 2.9 years to 4.3 years - Consent to waive the review event caused by Viva Energy Australia's sale of its 35.5% interest in Waypoint REIT obtained from lenders representing 89% of debt in difficult market conditions	Above target
Property portfolio - Deliver acquisitions in line with approved criteria and targets, as amended from time to time - Strategically review portfolio for value-add and risk mitigating opportunities	- \$51.3m of acquisitions and development fund-through expenditure completed - Entered contracts to sell \$5.5m of non-core assets	Target met
Corporate strategy - Review Waypoint REIT strategy and recommend changes as appropriate	- Review completed and presented to the Board in November 2020 - Communicated revised strategy to securityholders with 2020 results	Target met
Corporate governance and compliance - Establish standalone corporate governance and risk procedures at Waypoint REIT following internalisation that build trust, create long-term securityholder value and align with Waypoint REIT's values	- Implemented effective and comprehensive governance structure, corporate policies and risk management processes in a timely manner post internalisation - Strong board engagement throughout the process with transparent reporting of material issues - Continual review of governance to ensure arrangements remain appropriate in light of changing expectations and general developments in good corporate governance	Target met
People - Retain key talent through internalisation process	- 100% retention of permanent employees on the internalisation of Management	Target met

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(iii) Details of Executive KMP Remuneration and Other Information

Details of the remuneration of the Executive KMP are set out below.

Remuneration for the year ended 31 December 2020

Executives were designated KMP from 1 October (date of the Internalisation). Prior to this date, Executives were employees of the Manager. Accordingly, the table below shows fixed remuneration for the period 1 October to 31 December 2020 and variable remuneration for the entire 2020 calendar year, including the first nine months of the year when Executive KMP were employed by the Manager, as it was determined for the year as a whole by the Board.

	Salary	Superannuation	Fixed Other benefits	Annual and long service leave ¹	Total	Variable Cash STI	Total	At risk element ²
	\$	\$	\$	\$	\$	\$	\$	%
Hadyn Stephens	119,576	5,424	417	5,282	130,699	500,000	630,699	49
Kerri Leech	84,254	3,273	292	2,453	90,272	210,000	300,272	37
Tina Mitas	60,694	6,833	155	5,066	72,748	100,000	172,748	26
Total	264,524	15,530	864	12,801	293,719	810,000	1,103,719	

¹ Amounts disclosed in this column represent the increase in the associated provisions.

² Presented on an annualised basis. Actual percentages for the 3-month period KMP were appointed were 79, 70 and 58 respectively.

Remuneration for the year ended 31 December 2019

KMP for the year ended 31 December 2019 do not include any Executives as neither the Company nor the Trust had any employees (other than the Directors). Executives were remunerated by Viva Energy Australia Pty Limited, the parent entity of the Manager.

Other Information

(a) Interest in securities

None of the Executive KMP held securities during the year ended 31 December 2020.

As described in the Chair of the Remuneration Committee's letter, the Board has subsequently introduced an equity-based long-term incentive (LTI) plan for Executive KMP and also amended the terms of the STI plan, requiring a portion of STI paid to all Executive KMP to be deferred up to 24 months and settled in securities.

(b) Employment contracts and termination entitlements

In connection with the internalisation of management, all Executive KMP entered new employment contracts dated 1 October 2020. Contracts can be terminated by Waypoint REIT by providing 12 months written notice or payment in lieu of notice. Notice periods applicable to termination at the Executive KMP's election vary as follows: Chief Executive Officer – 12 months; Chief Financial Officer - 6 months; and Company Secretary – 3 months.

Waypoint REIT may terminate an Executive KMP's service at any time without notice if serious misconduct has occurred. Where termination with cause occurs the Executive KMP is only entitled to remuneration up to the date of termination.

(c) Other transactions with Executive KMP

There were no loans made, guaranteed or secured, directly or indirectly, by Waypoint REIT to Executive KMP or their related parties during the year. There were no other transactions between Waypoint REIT and any Executive KMP or their related parties during the year.

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(iv) Remuneration Policy for Non-Executive Directors

Objective

With effect from the Internalisation, the Remuneration Committee is responsible for making recommendations to the Board on the remuneration arrangements for the Independent Non-Executive Directors.

The Board and the Remuneration Committee periodically assesses, with the benefit of independent advice as required, the appropriateness of the nature and amount of remuneration of Independent Non-Executive Directors by reference to market rates with the overall objective of attracting and retaining Board members with an appropriate combination of industry and specialist functional knowledge and experience.

Former Non-Independent Non-Executive Directors were representatives of Viva Energy Group Limited and waived their entitlement to fees.

Remuneration Structure

Under the Company Constitution, the Board may decide the remuneration to which each director is entitled for his or her services as a director. However, the total amount provided to all directors for their services as directors must not exceed in aggregate in any financial year the amount fixed by Waypoint REIT. This amount has been fixed at \$750,000 per annum.

Annual fees payable, inclusive of superannuation, to Independent Non-Executive Directors during 2020 were as follows:

Role	Board	Audit and Risk Management Committee	Remuneration Committee ¹	Nomination Committee ¹
Chair	\$200,000 ²	\$25,000 ³	\$20,000	-
Member	\$100,000	\$12,500 ³	\$10,000	-

¹ The Remuneration and Nomination Committees were formed on 1 October 2020 following the Internalisation.

² The Board Chair does not receive fees for membership on Board Committees.

³ Audit Committee fees increased effective 1 October 2020 in light of expanded responsibilities following the Internalisation and retirement of nominee directors (The increases were: Chair - \$5,000 & Member - \$2,500).

Additionally, directors are entitled to reimbursement of travel and other out of pocket expenses which totalled \$4,554 in the year ended 31 December 2020 (2019: \$24,574).

(v) Details of Non-Executive Director Fees and Other Information

Details of Non-Executive Director fees and security interests are set out below.

Remuneration for the year ended 31 December 2020

	2020			2019		
	Base Fee	Super-annuation	Total	Base Fee	Super-annuation	Total
	\$	\$	\$	\$	\$	\$
Laurence Brindle	182,648	17,352	200,000	182,648	17,352	200,000
Georgina Lynch	105,594	10,031	115,625	100,457	9,543	110,000
Stephen Newton	113,014	10,736	123,750	109,589	10,411	120,000
Total	401,256	38,119	439,375	392,694	37,306	430,000

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Note: Director Board base fees have not changed since Waypoint REIT listed on the ASX in August 2016. Effective 1 January 2021, Directors' Board base fees have been adjusted (Chair: \$220,000, Other Independent Directors: \$107,000). For 2021, Committee fees remain unchanged from those applicable at 31 December 2020.

Other Information

(a) Interests in securities

The number of securities held during the period by each Director of Waypoint REIT, including their personally related parties, are set out below:

2020	Balance 1 January	On market purchases	On market disposals	Other	Balance 31 December
Independent Non-Executive Directors					
Laurence Brindle	100,000	-	-	-	100,000
Georgina Lynch	50,000	-	-	-	50,000
Stephen Newton	25,000	-	-	-	25,000
Former Non-Independent Non-Executive Directors					
Jevan Bouzo	-	-	-	-	-(⁽¹⁾)
Lachlan Pfeiffer	50,000	-	-	-	50,000 ⁽¹⁾

⁽¹⁾ Security holding as at resignation date.

(b) Other transactions with Directors

There were no loans made, guaranteed or secured, directly or indirectly, by Waypoint REIT to any Director or their related parties during the year. There were no other transactions between Waypoint REIT and any Director or their related parties during the year.

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Directors Report – continued (unaudited)

Insurance and indemnification of officers and auditors

The Company has paid premiums in respect of a contract insuring all directors and officers of the Company and its related entities against certain liabilities incurred in that capacity. The insurance policies cover former directors and officers of the Company. Disclosure of the nature of the liability covered by the insurance and premiums paid is subject to confidentiality requirements under the contract of insurance.

The Company has entered a Deed of Indemnity with each of its directors, Hadyn Stephens (Chief Executive Officer), Kerri Leech (Chief Financial Officer) and Tina Mitas (Company Secretary) providing these persons with an indemnity, to the fullest extent permitted by law, against all losses and liabilities incurred in their respective role for the Company and its related entities. The Deeds also require the Company to grant the indemnified person with access to certain Company documents and insure the indemnified persons.

In addition, the Company's and the Responsible Entity's constitutions provide for the indemnity of officers of the Company/Responsible Entity or its related bodies corporate from liability incurred by a person in that capacity.

No indemnity payment has been made under any of the documents referred to above during, or since the end of, the financial year.

The Group has not during or since the end of the financial year indemnified or agreed to indemnify an auditor of the Group or of any related body corporate against a liability incurred in their capacity as an auditor.

Audit and non-audit services

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are disclosed in Note 4.(d) to the consolidated financial statements.

The Directors have considered the position and, in accordance with advice received from the Group's Audit and Risk Management Committee (**ARMC**), are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the ARMC to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermines the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

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 24.

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Transactions with Viva Energy Group Limited or its associates

Up to the internalisation of the Group's management on 30 September 2020, VER Manager, a subsidiary of Viva Energy Group Limited, was reimbursed for costs incurred in the provision of staff and related services to the Group.

	2020	2019
Reimbursement of costs paid to VER Manager Pty Limited (reported as part of Management and administrative expenses)	\$4.7 million	\$2.5 million

On 24 September 2018, the Group received an assessment from the Victorian State Revenue Office (**SRO**) for \$31.2 million. The assessment relates to the transfer of Victorian properties to the Group prior to its listing in August 2016. Pursuant to the arrangements between the Group and Viva Energy Group, any such costs will remain payable by Viva Energy Group. Viva Energy Group lodged an objection to the assessment on 2 November 2018 and assumed conduct of this matter under a conduct and indemnity deed. In May 2020, the SRO disallowed Viva Energy Group's objection and Viva Energy Group are appealing this matter which has now been referred to the Supreme Court.

Confirmation from the SRO that stamp duty has been paid is a prerequisite for Land Use Victoria, the agency that manages Victoria's land titles registry, to register a transfer of land. Pending resolution of the above matter, Viva Energy Group remains the registered proprietor of these properties. Once this matter is resolved, the signed transfers of the titles to the properties are required to be registered to Waypoint REIT.

In connection with the internalisation of the Group's management function, the Group paid a \$2.5 million facilitation payment to Viva Energy Group and incurred a \$1.4 million expense in relation to a run-off insurance policy in favour of VER Manager and VER Limited.

Rounding of amounts to the nearest million dollars

The Group 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 hundred thousand dollars, or in certain cases, to the nearest dollar.

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



Laurence Brindle
Chair

26 February 2021



Auditor's Independence Declaration

As lead auditor for the audit of Waypoint REIT Limited and its controlled entities and Waypoint REIT Trust and its controlled entities (together the Group) and Waypoint REIT Trust and its controlled entities (together the Trust) for the year ended 31 December 2020, 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 audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink, appearing to read 'Charles Christie'.

Charles Christie
Partner
PricewaterhouseCoopers

Melbourne
26 February 2021



FINANCIAL STATEMENTS

For the Year Ended
31 December 2020

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This financial report is for Waypoint REIT.

Waypoint REIT comprises Waypoint REIT Limited ACN 612 986 517 (**Company**) and VER Limited (ABN 43 609 868 000; AFSL 483795) as responsible entity of Waypoint REIT Trust (ARSN 613 146 464) (**Trust**) and their controlled entities, together the 'Group'.

The financial report is presented in Australian currency.

The registered office of the Company and VER Limited (**Responsible Entity**) is:
Level 15, 720 Bourke Street
Docklands VIC 3008, Australia.

WAYPOINT REIT
31 DECEMBER 2020 FINANCIAL REPORT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Group		Trust	
		2020	2019	2020	2019
		\$ million	\$ million	\$ million	\$ million
Rental income from investment properties (incl. non-cash straight line lease adjustment)		181.6	171.9	181.6	171.9
Finance income	3. (b)	0.2	1.3	0.1	1.2
Net gain on movement in fair value of investment properties	2. (a)	152.3	72.8	152.3	72.8
Management and administration expenses		(9.3)	(8.3)	(9.5)	(8.3)
Internalisation costs		(5.8)	-	(5.8)	-
Finance expense	3. (b)	(35.3)	(30.9)	(35.3)	(30.9)
Interest rate swap termination / restructure expense		(3.5)	(9.2)	(3.5)	(9.2)
Net loss from derivative financial instruments	3. (b)	(0.3)	-	(0.3)	-
Net profit before income tax		279.9	197.6	279.6	197.5
Income tax expense		-	-	-	-
Net profit after tax		279.9	197.6	279.6	197.5
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Unrealised losses on cash flow hedges		(7.6)	(19.0)	(7.6)	(19.0)
Total comprehensive income		272.3	178.6	272.0	178.5
Total comprehensive income for the year attributable to Waypoint REIT security holders, comprising:					
- shareholders of Waypoint REIT Limited		0.3	0.1	-	-
- unitholders of Waypoint REIT Trust (non-controlling interests)		272.0	178.5	272.0	178.5
		272.3	178.6	272.0	178.5
Earnings per security		cents	cents	cents	cents
Basic and diluted earnings per stapled security		35.79	25.72	35.76	25.70

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

WAYPOINT REIT
31 DECEMBER 2020 FINANCIAL REPORT

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2020

	Notes	Group		Trust	
		31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
		\$ million	\$ million	\$ million	\$ million
ASSETS					
Current assets					
Cash and cash equivalents	1. (c)	15.5	27.5	2.1	17.5
Assets held for sale	2. (b)	14.3	-	14.3	-
Other current assets		2.4	0.9	14.5	16.2
Total current assets		32.2	28.4	30.9	33.7
Non-current assets					
Investment properties	2. (a)	2,897.3	2,684.2	2,897.3	2,684.2
Other non-current assets		1.1	5.5	-	5.5
Total non-current assets		2,898.4	2,689.7	2,897.3	2,689.7
Total assets		2,930.6	2,718.1	2,928.2	2,723.4
LIABILITIES					
Current liabilities					
Trade and other payables		4.9	4.9	11.8	10.9
Rent received in advance		2.3	2.3	2.3	2.3
Interest payable		6.5	3.0	6.5	3.0
Distribution payable	1. (a)	60.7	56.0	60.7	56.0
Derivative financial instruments	3. (d)	1.0	-	1.0	-
Provisions		1.2	-	-	-
Other current liabilities		0.3	-	-	-
Total current liabilities		76.9	66.2	82.3	72.2
Non-current liabilities					
Borrowings	3. (a)	845.8	843.1	845.8	843.1
Derivative financial instruments	3. (d)	53.6	25.9	53.6	25.9
Provisions		0.3	-	-	-
Other non-current liabilities		0.8	-	-	-
Total non-current liabilities		900.5	869.0	899.4	869.0
Total liabilities		977.4	935.2	981.7	941.2
Net assets		1,953.2	1,782.9	1,946.5	1,782.2
EQUITY					
<i>Waypoint REIT Limited</i>					
Contributed equity	3. (f)	7.7	2.0	-	-
Accumulated losses		(1.0)	(1.3)	-	-
Parent entity interest		6.7	0.7	-	-
<i>Waypoint REIT Trust</i>					
Contributed equity	3. (g)	1,627.1	1,616.3	1,627.1	1,616.3
Retained profits		352.9	191.8	352.9	191.8
Reserves	3. (h)	(33.5)	(25.9)	(33.5)	(25.9)
Non-controlling interests		1,946.5	1,782.2	1,946.5	1,782.2
Total equity		1,953.2	1,782.9	1,946.5	1,782.2

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

WAYPOINT REIT
31 DECEMBER 2020 FINANCIAL REPORT

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

		Group				Trust			
		Contributed equity	Accumulated losses	Non-controlling interests	TOTAL	Contributed equity	Accumulated profit	Reserves	TOTAL
	Notes	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million
Balance at 1 January 2019		2.5	(1.4)	1,593.5	1,594.6	1,494.4	106.0	(6.9)	1,593.5
Profit for the period		-	0.1	197.5	197.6	-	197.5	-	197.5
Other comprehensive income:									
Effective portion of changes in fair value of cash flow hedges		-	-	(19.0)	(19.0)	-	-	(19.0)	(19.0)
Total comprehensive profit for the period		-	0.1	178.5	178.6	-	197.5	(19.0)	178.5
Transactions with owners in their capacity as owners									
Issue of securities under Institutional Placement	3. (f)	0.1	-	99.9	100.0	99.9	-	-	99.9
Issue of securities under Security Purchase Plan	3. (f)	-	-	10.0	10.0	10.0	-	-	10.0
Equity raising costs		(0.6)	-	(1.5)	(2.1)	(1.5)	-	-	(1.5)
Issue of securities under Distribution Reinvestment Plan	3. (f)	-	-	13.5	13.5	13.5	-	-	13.5
Distributions paid or provided for	1. (a)	-	-	(111.7)	(111.7)	-	(111.7)	-	(111.7)
Total transactions with owners in their capacity as owners		(0.5)	-	10.2	9.7	121.9	(111.7)	-	10.2
Balance at 31 December 2019		2.0	(1.3)	1,782.2	1,782.9	1,616.3	191.8	(25.9)	1,782.2
Balance at 1 January 2020		2.0	(1.3)	1,782.2	1,782.9	1,616.3	191.8	(25.9)	1,782.2
Profit for the period		-	0.3	279.6	279.9	-	279.6	-	279.6
Other comprehensive income:									
Effective portion of changes in fair value of cash flow hedges		-	-	(7.6)	(7.6)	-	-	(7.6)	(7.6)
Total comprehensive profit for the period		-	0.3	272.0	272.3	-	279.6	(7.6)	272.0
Capital reallocation		5.7	-	(5.7)	-	(5.7)	-	-	(5.7)
Transactions with owners in their capacity as owners									
Issue of securities under Distribution Reinvestment Plan	3. (f)	-	-	16.5	16.5	16.5	-	-	16.5
Distributions paid or provided for	1. (a)	-	-	(118.5)	(118.5)	-	(118.5)	-	(118.5)
Total transactions with owners in their capacity as owners		-	-	(102.0)	(102.0)	16.5	(118.5)	-	(102.0)
Balance at 31 December 2020		7.7	(1.0)	1,946.5	1,953.2	1,627.1	352.9	(33.5)	1,946.5

The above consolidated statements of changes in equity should be read in conjunction with accompanying notes.

WAYPOINT REIT
31 DECEMBER 2020 FINANCIAL REPORT

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

		Group		Trust	
		2020	2019	2020	2019
	Notes	\$ million	\$ million	\$ million	\$ million
Cash flows from operating activities					
Rental income from investment properties (inclusive of GST)		175.4	164.1	175.4	164.1
Payments to suppliers and employees (inclusive of GST)		(29.6)	(18.3)	(27.4)	(22.0)
		145.8	145.8	148.0	142.1
Interest received		0.2	1.2	0.2	0.6
Interest paid		(29.2)	(30.8)	(29.2)	(30.8)
Income taxes refunded		-	0.5	-	-
Net cash inflow from operating activities	1. (d)	116.8	116.7	119.0	111.9
Cash flows from investing activities					
Payments for acquisition of investment properties		(49.6)	(100.4)	(49.5)	(100.4)
Proceeds on sale and compulsory resumption (including reimbursement of legal fees and other costs)		0.9	0.4	0.9	0.4
Net cash outflow from investing activities		(48.7)	(100.0)	(48.6)	(100.0)
Cash flows from financing activities					
Proceeds from issue of securities (net of costs)		-	107.8	-	108.4
Proceeds from borrowings (net of borrowing costs)		664.7	98.1	664.7	98.3
Repayments of borrowings		(644.0)	(105.0)	(644.0)	(105.0)
Payments in relation to derivatives		(3.5)	(9.2)	(3.5)	(9.2)
Payment for capital reallocation		-	-	(5.7)	-
Distributions paid to security holders	1. (a)	(97.3)	(93.2)	(97.3)	(93.3)
Net cash inflow/(outflow) from financing activities		(80.1)	(1.5)	(85.8)	(0.8)
Net increase/(decrease) in cash and cash equivalents		(12.0)	15.2	(15.4)	11.1
Cash and cash equivalents at beginning of the year		27.5	12.3	17.5	6.4
Cash and cash equivalents at end of the year	1. (c)	15.5	27.5	2.1	17.5

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

WAYPOINT REIT

31 DECEMBER 2020 FINANCIAL REPORT

NOTES TO THE FINANCIAL STATEMENTS

This report contains the financial statements of Waypoint REIT (**Group**) and Waypoint REIT Trust Group (**Trust Group**) for the year ended 31 December 2020. The financial statements of the Group comprise the Company, the Trust and their respective controlled entities. The financial statements of the Trust Group comprise the Trust and its controlled entities.

As permitted by Class Order 13/1050, issued by ASIC, this financial report is a combined financial report that presents the financial statements and accompanying notes of both Waypoint REIT Limited and Waypoint REIT Trust as at and for the year ended 31 December 2020.

Waypoint REIT is a stapled group consisting of the Company and the Trust and their wholly owned entities. The Trust indirectly owns the investment property portfolio through its 100% ownership of the trusts which own the investment properties and receive rent under leases. The Company directly owns all of the shares in VER Limited (**Responsible Entity**).

Waypoint REIT is listed on the Australian Securities Exchange (**ASX**) and registered and domiciled in Australia.

Effective 14 May 2020, the Company was renamed from Viva Energy REIT Limited to Waypoint REIT Limited and the Trust was renamed from Viva Energy Trust to Waypoint REIT Trust. Effective 18 May 2020, the ASX ticker was also changed from VVR to WPR.

The notes to these consolidated financial statements include additional information which is required to understand the operations, performance and financial position of Waypoint REIT. The notes are set out as follows:

1. **Performance and results** – an overview of key metrics used by the Group to measure financial performance.
 - 1(a) Distributions to security holders
 - 1(b) Earnings per stapled security
 - 1(c) Cash and cash equivalents
 - 1(d) Cash flow information
2. **Property portfolio** – an overview of the Group's investment property portfolio.
 - 2(a) Investment properties
 - 2(b) Assets held for sale
 - 2(c) Commitments and contingencies
3. **Capital management** – an overview of the Group's capital management structure.
 - 3(a) Borrowings
 - 3(b) Net finance costs
 - 3(c) Net debt reconciliation
 - 3(d) Derivative financial instruments
 - 3(e) Financial risk management
 - 3(f) Contributed equity
 - 3(g) Non-controlling interests
 - 3(h) Reserves

WAYPOINT REIT
31 DECEMBER 2020 FINANCIAL REPORT

4. Additional information – additional disclosures relating to the Group's financial statements.

- 4(a) Related party information
- 4(b) Parent entity financial information
- 4(c) Investments in subsidiaries
- 4(d) Remuneration of auditors
- 4(e) Subsequent events
- 4(f) Summary of significant accounting policies

Critical accounting estimates and judgements

The Group 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:

- 2. (a) INVESTMENT PROPERTIES
- 3. (d) DERIVATIVE FINANCIAL INSTRUMENTS

In response to the increased uncertainty, the Group has assessed the carrying value of its assets and liabilities in light of COVID-19. Specific areas of assessment include assessment of expected credit losses and fair value measurement of investment properties and associated disclosures within the financial statements.

WAYPOINT REIT

31 DECEMBER 2020 FINANCIAL REPORT

1. PERFORMANCE AND RESULTS

Key financial metrics used to define the results and performance of Waypoint REIT, including Distributable Earnings, distributions, earnings per stapled security and distributable earnings per stapled security are set out below.

Distributable Earnings is a non-statutory measure of profit and is calculated as net profit adjusted to remove transaction costs, specific non-recurring item 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 reconciliation between Distributable Earnings and statutory profit is below:

Financial results	Year ended 31 Dec 2020 \$ million	Year ended 31 Dec 2019 \$ million
Rental income	160.2	148.5
Finance income	0.2	1.4
Total operating income	160.4	149.9
Management and administration expenses	(9.3)	(8.3)
Interest expense	(32.6)	(29.9)
Distributable Earnings	118.5	111.7
Gain / (loss) on valuation of investment properties	152.3	72.8
Straight-line rental income	21.4	23.4
Amortisation of borrowing costs	(2.7)	(1.1)
Interest rate swap termination / restructure expense	(3.5)	(9.2)
Loss on derivatives financial instruments	(0.3)	-
Internalisation costs	(5.8)	-
Statutory net profit	279.9	197.6

1. (a) DISTRIBUTIONS TO SECURITY HOLDERS

	2020 \$ million	2019 \$ million
Distributions paid in 2020		
Final distribution for the year ended 31 December 2019 – 7.19 cents per security paid on 27 February 2020	56.0	-
Interim distribution for the six months ended 30 June 2020 – 7.41 cents per security paid on 27 August 2020	57.9	
Distributions paid in 2019		
Final distribution for the year ended 31 December 2018 – 7.03 cents per security paid on 28 February 2019	-	51.0
Interim distribution for the six months ended 30 June 2019 – 7.18 cents per security paid on 29 August 2019	-	55.7
Total distributions paid	113.9	106.7

The Trust paid a distribution of 7.73 cents per security (\$60.7 million) on 26 February 2021 for the six months ended 31 December 2020.

WAYPOINT REIT
31 DECEMBER 2020 FINANCIAL REPORT

The Company has franking credits available for subsequent reporting periods of \$0.03 million based on a tax rate of 30% (2019: \$0.03 million at a tax rate of 30%). There was no dividend paid or payable from the company during the year.

Accounting policy – Distributions to security holders

The Group distributes Distributable Earnings. A provision is made for any distribution amount declared but not distributed, being appropriately disclosed and no longer at the discretion of the Group, 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.

1. (b) EARNINGS PER STAPLED SECURITY

	Group		Trust	
	2020	2019	2020	2019
	Cents	Cents	Cents	Cents
Basic / diluted earnings per stapled security (cents) attributable to				
Shareholders of Waypoint REIT Limited	0.03	0.02	-	-
Unit holders of Waypoint REIT Trust (non-controlling interest)	35.76	25.70	35.76	25.70
Stapled security holders of Waypoint REIT Group	35.79	25.72	35.76	25.70
Statutory net profit after tax (\$ million)	279.9	197.6	279.6	197.5
Distributable earnings (\$ million)	118.5	111.7		
Distributable earnings per stapled security (cents)	15.15	14.54		
Weighted average number of stapled securities	782.0	768.4	782.0	768.4

Accounting policy – Earnings per stapled security

- (i) Basic earnings per stapled security is calculated by dividing:
 - the profit for the period attributable to the security holders, excluding any costs of servicing equity other than ordinary securities; by
 - the weighted average number of ordinary securities outstanding during the financial period.
- (ii) Diluted earnings per security adjust the figures used in the determination of basic earnings per security to take into account:
 - the effect of interest and other financial costs associated with potential ordinary securities; and
 - the weighted average number of additional ordinary securities that would have been outstanding assuming the conversion of all potential ordinary securities.
- (iii) Distributable earnings per stapled security is calculated by dividing:
 - Distributable Earnings for the period attributable to the security holders; by
 - the weighted average number of ordinary securities outstanding during the financial period.

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1. (c) CASH AND CASH EQUIVALENTS

	Group		Trust	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	\$ million	\$ million	\$ million	\$ million
Cash at bank*	15.5	27.5	2.1	17.5
Total cash and cash equivalents	15.5	27.5	2.1	17.5

* Includes \$5.5 million held in bank accounts as restricted cash maintained to satisfy the regulatory requirements of the Responsible Entity's Australian Financial Services Licence (AFSL).

Accounting policy – Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, and other short-term, highly liquid investments with maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

1. (d) CASH FLOW INFORMATION

(i) Reconciliation of net profit after income tax to net cash inflow from operating activities

	Group		Trust	
	2020	2019	2020	2019
	\$ million	\$ million	\$ million	\$ million
Profit for the year	279.9	197.6	279.6	197.5
Amortisation of borrowing costs	2.7	1.1	2.7	1.1
Interest rate swap termination / restructure expense	3.5	9.2	3.5	9.2
Net revaluation of investment properties	(152.3)	(72.8)	(152.3)	(72.8)
Straight-line adjusting on rental income	(21.4)	(23.4)	(21.4)	(23.4)
Net loss from derivative financial instruments	0.3	-	0.3	-
Change in operating assets and liabilities				
Increase in other current assets	(1.5)	(0.1)	(1.2)	7.5
Increase in other non-current assets	(1.0)	-	-	-
Increase/(Decrease) in trade and other payables	3.0	5.9	4.2	(6.4)
Increase in rent received in advance	0.1	0.1	0.1	0.1
Increase/(Decrease) in interest payable	3.5	(0.9)	3.5	(0.9)
Net cash inflow from operating activities	116.8	116.7	119.0	111.9

(ii) Non-cash investing and financing activities

	Group		Trust	
	2020	2019	2020	2019
	\$ million	\$ million	\$ million	\$ million
Loan establishment costs netted off against borrowings drawn down	1.2	-	1.2	-
Total non-cash financing and investing activities	1.2	-	1.2	-

WAYPOINT REIT
31 DECEMBER 2020 FINANCIAL REPORT

2. PROPERTY PORTFOLIO

2. (a) INVESTMENT PROPERTIES

(i) Valuations and carrying amounts

	Group		Trust	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	\$ million	\$ million	\$ million	\$ million
Fuel and convenience retail properties – at fair value	2,897.3	2,684.2	2,897.3	2,684.2
Total investment properties	2,897.3	2,684.2	2,897.3	2,684.2

Each investment property is subject to independent valuation at least once every three years. Independent valuations were carried out by CBRE on 106 investment properties as at 31 December 2020, representing approximately one-fifth of the portfolio and a broad cross-section of both metro (74%) and regional (26%) assets.

Independent valuations were carried out in a manner consistent with prior periods with the exception of valuers not being able to inspect areas not accessible to the public (i.e. store rooms) at certain locations. These limitations did not impact overall valuation outcomes.

The independent valuations can be relied upon for a 90 day period ending 31 March 2021. Given the heightened uncertainty and unknown impact that COVID-19 may have on real estate markets in the future, a higher degree of caution should be exercised when relying upon CBRE's valuations. Values and incomes may change more rapidly and significantly than during standard market conditions.

The directors have reviewed the independent valuation outcomes and determined they are appropriate to adopt as at 31 December 2020. The key inputs into the valuation are based on market information for comparable properties. The independent valuers have experience in valuing similar assets and have access to market evidence to support their conclusions. Comparable sales are considered to be those in similar markets, of similar scale and condition and with similar lease terms to the subject property.

Directors' valuations have been performed on the balance of the portfolio, with reference to the capitalisation rates determined for the corresponding independently valued properties in the same state and with similar lease terms, segregated between metropolitan and regional sites.

The key inputs and assumptions for valuations are below:

	31 Dec 2020	31 Dec 2019
Annual market rent per site	\$78,386 to \$1,425,879	\$76,103 to \$1,384,349
Weighted average capitalisation rate	5.62%	5.81%*
Range of capitalisation rates	3.35% to 9.76%	3.44% to 9.76%
Range of lease terms	0.4 to 14.6 years	1.2 to 14.8 years

* WACR at 31 December 2019 changed from 5.78% previously reported to 5.81% as a result of methodology change adopted to include developments at completion value (inclusive of committed capital) rather than book value.

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

All investment properties are freehold, apart from all sites in the Australian Capital Territory and one site in New South Wales that are subject to either perpetual or crown leases.

WAYPOINT REIT 31 DECEMBER 2020 FINANCIAL REPORT

Accounting policy – Investment properties

All of Waypoint REIT'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 at the end of each accounting period the carrying values are restated at their fair value at the time.

Changes in fair value 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 Waypoint REIT's investment properties may have a significant impact on its reported statutory net profit in any given period. 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 value of the properties is 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 with at least one-sixth of the properties within the portfolio being independently valued every six months (31 December 2019: One-third of the portfolio was independently valued each year end). 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).

The independent valuer is rotated at least every three years unless the Board approves the use of a valuer for a fourth year due to extenuating circumstances. The Board exercised this discretion and approved the use of Jones Lang La Salle as independent valuer as at 30 June 2020 due to the extenuating circumstances posed by COVID-19 however CBRE was subsequently appointed as the new valuer for the 31 December 2020 valuation cycle.

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.

(ii) Movements during the financial period

	Group		Trust	
	2020	2019	2020	2019
	\$ million	\$ million	\$ million	\$ million
At fair value				
Opening balance	2,684.2	2,496.1	2,684.2	2,496.1
Property acquisitions	35.2	60.2	35.2	60.2
Capital expenditure on site development	19.3	32.0*	19.3	32.0*
Straight-line rental asset	21.4	23.4	21.4	23.4
Fair value adjustment to investment properties	176.7	99.9	176.7	99.9
Revaluation decrement attributable to acquisition costs, and straight-lining of rental income	(24.4)	(27.1)	(24.4)	(27.1)
Transfer to assets held for sale	(14.3)	-	(14.3)	-
Disposal of investment properties**	(0.8)	(0.3)	(0.8)	(0.3)
Closing balance	2,897.3	2,684.2	2,897.3	2,684.2

* Reclassified from Other Non-Current Assets to conform with current year presentation.

** Represents the resumption of three parcels of ancillary land by state governments.

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(iii) Sensitivities

The Group's investment properties expose it to a risk of change in the fair value due to changes in market capitalisation rates of such investment properties. Investment properties of the type owned by the Group are generally valued on a capitalisation of income basis.

	2020	2019
	\$ million	\$ million
Sensitivity of profit and loss to movements in market capitalisation rates:		
Decreases by 25 basis points	134.8	119.9
Increases by 25 basis points	(123.4)	(110.0)

The impacts on carrying values as shown above for the noted movement in capitalisation rates would impact the statutory net profit but not impact Distributable Earnings unless an interest margin increase is triggered by the lower investment property value causing the covenant gearing ratio to rise beyond 40%, as the unrealised movement in carrying value of investment properties is excluded from the Distributable Earnings calculation.

In relation to the Group's drawn debt facilities as at 31 December 2020, the market capitalisation rate expansion required to trigger:

- higher margin pricing is 140 bps;
- applicability of draw stop provisions is 230 bps; and
- a covenant breach is 319 bps.

The Group's average fixed annual rent review of 3% also provides a natural buffer against up to approximately 90 bps per annum of potential capitalisation rate expansion before gearing would be negatively impacted, holding all other variables constant.

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

	Group		Trust	
	2020	2019	2020	2019
	\$ million	\$ million	\$ million	\$ million
Rental income	160.2	148.5	160.2	148.5
Other non-cash rental income (recognised on a straight-line basis)	21.4	23.4	21.4	23.4
Net direct operating expenses from property that generated rental income	0.8	0.9	0.8	0.9
Net revaluation of investment properties	152.3	72.8	152.3	72.8

(v) Leasing arrangements

The investment properties are leased to Viva Energy Australia Pty Limited (96.8% of rental income), other fuel operators and various convenience and fast food store operators (3.2% of rental income) under long-term operating leases with rent payable in advance monthly, quarterly or annually. Rental income for 95.2% of the investment properties is subject to fixed annual increases of 3.0% or greater. The remainder of the leases include CPI increases, but there are no other variable lease payments that depend on an index or rate. Where considered necessary to reduce credit risk, the Group may obtain bank guarantees or security deposits for the term of the lease.

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Minimum undiscounted future payments to be received under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

	Group		Trust	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	\$ million	\$ million	\$ million	\$ million
Within one year	163.6	155.8	163.6	155.8
Later than one year but not later than two years	167.4	158.8	167.4	158.8
Later than two years but not later than three years	171.8	162.2	171.8	162.2
Later than three years but not later than four years	177.0	166.6	177.0	166.6
Later than four years but not later than five years	181.1	171.7	181.1	171.7
Later than five years	1,194.5	1,327.6	1,194.5	1,327.6
Total	2,055.4	2,142.7	2,055.4	2,142.7

Accounting policy – Rental income

Rental income from operating leases is recognised as income on a straight line basis. Where a lease has a fixed annual increase, the total rent receivable over the operating lease is recognised as revenue on a straight-line basis over the lease term. This results in more income being recognised early in the lease term and less late in the lease term compared to the lease conditions (i.e. actual cash received). The difference between the lease income recognised and the actual lease payment received is shown within the fair value of the investment property on the consolidated balance sheet.

2. (b) ASSETS HELD FOR SALE

	Group		Trust	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	\$ million	\$ million	\$ million	\$ million
Investment properties	14.3	-	14.3	-
Current assets held for sale	14.3	-	14.3	-

The Group has four investment properties held for sale at 31 December 2020. Contracts for the sale of two of these properties were exchanged prior to 31 December 2020, with settlements completed on 8 and 10 February 2021 and one of the properties is subject to a compulsory acquisition by the Victorian state government (refer to Note 4.(e) for further details).

Accounting policy – Assets held for sale

Investment properties are classified as held for sale and measured at fair value if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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2. (c) COMMITMENTS AND CONTINGENCIES

Capital expenditure commitments

	Group		Trust	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	\$ million	\$ million	\$ million	\$ million
Within one year	0.6	35.5	0.6	35.5
After one year but not more than five years	-	-	-	-
	0.6	35.5	0.6	35.5

The Group has committed to contracts for the construction of one fuel and convenience retail property with an aggregate completion value of \$1.3 million, including \$0.6 million for which no accrual has been made as at 31 December 2020. This site is expected to reach practical completion over the next 6 months.

Other items

On 24 September 2018, the Group received an assessment from the Victorian State Revenue Office (SRO) for \$31.2 million. The assessment relates to the transfer of Victorian properties to the Group prior to its listing in August 2016. Pursuant to the arrangements between the Group and Viva Energy Group, any such costs will remain payable by Viva Energy Group. Viva Energy Group lodged an objection to the assessment on 2 November 2018 and assumed conduct of this matter under a conduct and indemnity deed. In May 2020, the SRO disallowed Viva Energy Group's objection and Viva Energy Group are appealing this matter which has now been referred to the Supreme Court.

Confirmation from the SRO that stamp duty has been paid is a prerequisite for Land Use Victoria, the agency that manages Victoria's land titles registry, to register a transfer of land. Pending resolution of the above matter, Viva Energy Group remains the registered proprietor of these properties. Once this matter is resolved, the signed transfers of the titles to the properties are required to be registered to Waypoint REIT.

Other than noted above, there are no material outstanding contingent assets, liabilities or commitments as at 31 December 2020.

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3. CAPITAL MANAGEMENT

The Group's activities expose it to numerous external financial risks such as market risk, credit risk and liquidity risk. This section explains how the Group utilises its risk management framework to reduce volatility from these external factors.

3. (a) BORROWINGS

	Group		Trust	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	\$ million	\$ million	\$ million	\$ million
Non-current liabilities				
Bank facilities	583.7	786.7	583.7	786.7
USPP Notes*	227.8	-	227.8	-
Institutional term loans	40.0	60.0	40.0	60.0
Gross unsecured borrowings	851.5	846.7	851.5	846.7
Unamortised borrowing costs	(5.7)	(3.6)	(5.7)	(3.6)
Net unsecured borrowings	845.8	843.1	845.8	843.1
Total undrawn facilities available	178.0	250.0	178.0	250.0

* Net of a fair value hedge adjustment of \$3.3 million (31 December 2019: Not applicable)

USPP Notes

The USPP Notes are further detailed below:

	USD Fixed	Maturity	Notional	AUD	Foreign	Carrying
	Coupon	Date	Value of	Equivalent	Exchange	Amount
			Cross	on	and fair	31 Dec
			Currency	Issuance	value	2020
			Swaps	Date	movement	\$ million
			\$ million	\$ million	\$ million	
7 year tranche	2.89%	29 Oct 27	108.9	108.9		101.3
10 year tranche	3.18%	29 Oct 30	76.8	76.8		71.4
12 year tranche	3.33%	29 Oct 32	62.9	62.9		58.4
Total Exposure			248.6	248.6	(17.5)	231.1
Fair value hedge adjustment				-	(3.3)	(3.3)
Total				248.6	(20.8)	227.8
Cross currency interest rate swaps						27.5
Accrued interest on swaps						1.3
Total cross currency interest rate swaps						28.8
Net USPP Notes exposure						256.6

The fair value of the USPP Notes is \$231.1m as at 31 December 2020 based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy.

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Maturities, interest rates and covenants

The weighted average debt maturity as at 31 December 2020 was 4.3 years (31 December 2019: 2.9 years), with maturity dates ranging from June 2022 to October 2032.

The interest rate applying to the drawn amount of the bank and institutional term loan facilities is set on a periodic basis (one, three or six months) at the prevailing market interest rate at the commencement of the period (Australian dollar, bank bill swap rate), plus the applicable margin. For the majority of these debt facilities, the interest margin has a rate increase/decrease applied if:

- Debt Covenant Gearing is higher than 40% - increase by 0.20%
- Debt Covenant Gearing is lower than 30% - decrease by 0.10%

The interest rate applying to the USPP notes is fixed in USD as noted above, with cross currency swaps in place for 100% of these facilities to mitigate the foreign exchange risk and convert the USD interest rate exposure to a floating AUD interest rate exposure.

Facility agreement covenants and related restrictions include:

- Interest cover ratio of not less than 2.0 times (actual at 31 December 2020: 5.3 times)
- Gearing ratio of not more than 50% (actual at 31 December 2020: 32.1%)
- A draw down cannot be completed if Gearing is or will exceed 45% via the drawn down being completed; and
- Review events will occur if Viva Energy Group Limited or its affiliates sells or transfers their securityholding such that their holding falls below 20% or another entity takes control of the Group (No longer applicable after February 2020 review event).

Consent to waive the review event triggered by Viva Energy Group's sale of its remaining interest in the Group in February 2020 was obtained from the majority of lenders as required under the facility agreements. In connection with the review event, the terms of a \$100 million bilateral facility were amended and a \$20 million institutional term loan was repaid.

The Group was in compliance with its covenants throughout the period.

The fair values of bank and institutional term loan borrowings are not materially different from their carrying amounts due to their short-term nature.

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.

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3. (b) NET FINANCE COSTS

	Group		Trust	
	2020	2019	2020	2019
	\$ million	\$ million	\$ million	\$ million
Finance income	0.2	1.3	0.1	1.2
Finance income	0.2	1.3	0.1	1.2
Interest expense	33.9	30.9	33.9	30.9
Write off of loan establishment costs due to refinancing	1.4	0.0	1.4	0.0
Finance expense	35.3	30.9	35.3	30.9
Designated hedge accounting relationship Gain/(loss) on fair value movements – fair value hedges	1.1	-	1.1	-
Derivatives not designated in hedge accounting Gain/(loss) on fair value movements	(1.4)	-	(1.4)	-
Net gain/(loss) on derivative financial instruments	(0.3)	-	(0.3)	-

Accounting policy – Finance costs

Finance costs include interest expense on debt financing arrangements, settlements (including restructure and termination costs unless material in which case separate disclosure will apply) of interest rate swaps and amortisation of upfront borrowing costs incurred in connection with the arrangement of borrowings available to the Group.

3. (c) NET DEBT RECONCILIATION

	Cash and cash equivalents	Borrowings due within 1 year	Borrowings due after 1 year	Net Total
	\$ million	\$ million	\$ million	\$ million
Net debt at 1 January 2019	12.2	-	852.7	840.5
Cash flows	15.3	-	(6.0)	(21.3)
Net debt at 31 December 2019	27.5	-	846.7	819.2
Cash flows	(12.0)	-	25.6	37.6
Movement in fair value hedge adjustment	-	-	(3.3)	(3.3)
Movement in foreign exchange	-	-	(17.5)	(17.5)
Net debt at 31 December 2020	15.5	-	851.5	836.0

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3. (d) DERIVATIVE FINANCIAL INSTRUMENTS

The Group has the following derivative financial instruments:

	Group		Trust	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	\$ million	\$ million	\$ million	\$ million
Current liabilities				
Instruments in a designated cash flow hedge				
Interest rate swaps	1.0	-	1.0	-
Current liabilities	1.0	-	1.0	-
Non-current liabilities				
Instruments held at fair value through profit or loss				
Interest rate swaps	17.8	-	17.8	-
Instruments in a designated cash flow hedge				
Interest rate swaps	8.3	25.9	8.3	25.9
Instruments in a designated fair value hedge				
Cross currency swaps	27.5	-	27.5	-
Non-current liabilities	53.6	25.9	53.6	25.9
Total	54.6	25.9	54.6	25.9

(i) interest rate swaps

The notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	Group		Trust	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	\$ million	\$ million	\$ million	\$ million
Less than 1 year	275.8	-	275.8	-
1 to 2 years	78.9	368.3	78.9	368.3
2 to 3 years	185.1	110.0	185.1	110.0
3 to 4 years	-	258.0	-	258.0
4 to 5 years	196.5	-	196.5	-
5 to 6 years	40.0	-	40.0	-
6 to 7 years	-	40.0	-	40.0
7 to 8 years	-	-	-	-
8 to 9 years	-	20.0	-	20.0
	776.3	796.3	776.3	796.3

As at 31 December 2020, interest rate swaps were in place to cover 89% of drawn facilities, the weighted average hedge rate was 1.88% per annum and the weighted average term was 2.4 years.

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(ii) cross currency swaps

As at 31 December 2020, cross currency swaps were in place to cover 100% of debt denominated in foreign currency and the weighted average term was 9.0 years. Refer to Note 3.(a) for further details.

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 Group designates certain derivatives as either:

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

Where applicable, the Group 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 Group 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.

(i) Fair value hedges

Cross currency swaps are used to hedge 100% of the currency risk on US dollar denominated debt. The portion of the cross currency swap that equates to the fair value hedge having a \$nil fair value at inception is designated as a fair value hedge and hedge accounting is applied.

The gain or loss relating to interest payments on interest rate swaps hedging fixed rate borrowings is recognised in profit or loss within finance costs. Changes in the fair value of derivative hedging instruments and the hedged fixed rate borrowings attributable to interest rate risk are recognised within 'Net gains/(losses) from derivative financial instruments'. The gain or loss relating to the ineffective portion is also recognised in profit or loss within 'Net gains/(losses) from derivative financial instruments'.

(ii) Cash flow hedges

Interest rate swaps are used to partially hedge interest rate risk on floating rate debt. Hedge accounting applies to interest rate swaps entered on or before 31 December 2019. In accordance with industry practice, hedge accounting does not apply to commercial interest rate hedges entered after this date.

Cross currency swaps are also used to hedge 100% of the currency risk on US dollar denominated debt. The residual portion of the cross currency swap is designated as a cash flow hedge and hedge accounting is applied.

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

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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.

The following table shows balance sheet movements during the year relative to the gain/(loss) recorded in profit and loss for both borrowings and derivatives:

\$ million	Change in Borrowings	Net drawn/ (repaid)	Gain/ (loss) on fair value of debt	Change in Derivatives	Paid	Cash flow hedge reserve impact	Gain/ (loss) on fair value of derivatives	Net gain/ (loss) in profit and loss
USD								
USPP	227.8	248.6	20.8	(27.5)	-	(7.8)	(19.7)	1.1
Foreign exposure	227.8	248.6	20.8	(27.5)	-	(7.8)	(19.7)	1.1
AUD								
Bank facilities	(203.0)	(203.0)	-	-	-	-	-	-
Institutional term loans	(20.0)	(20.0)	-	-	-	-	-	-
Interest rate swaps	-	-	-	(1.2)	(3.5)	0.2	(4.9)	(4.9)
Borrowing costs	(2.1)	-	-	-	-	-	-	-
Total	2.7	25.6	20.8	(28.7)	(3.5)	(7.6)	(24.6)	(3.8)

(iii) Derivatives that do not qualify for hedge accounting

Hedge accounting is not adopted for certain derivative instruments. Changes in the fair value of any such derivative instrument are recognised immediately in profit or loss and are included in other income or other expenses.

Key estimate – Valuation of derivative financial instruments

The Group'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.

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.

3. (e) FINANCIAL RISK MANAGEMENT

(i) 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

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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 Group's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 31 December 2020 on a recurring basis:

31 December 2020	Level 1	Level 2	Level 3	Total
	\$ million	\$ million	\$ million	\$ million
Assets held for sale	-	-	14.3	14.3
Investment properties	-	-	2,897.3	2,897.3
USPP Notes	-	-	(231.1)	(231.1)
Derivatives	-	(54.6)	-	(54.6)
Total	-	(54.6)	2,680.5	2,625.9

31 December 2019	Level 1	Level 2	Level 3	Total
	\$ million	\$ million	\$ million	\$ million
Investment properties	-	-	2,684.2	2,684.2
Derivatives	-	(25.9)	-	(25.9)
Total	-	(25.9)	2,684.2	2,658.3

The Group'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 Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2020.

(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.

(ii) Investment risk

(i) Tenant concentration risk, financial standing and sector concentration risk

97% of the Group's rental income is received from Viva Energy. If Viva Energy's financial standing materially deteriorates Viva Energy's ability to make rental payments to Waypoint REIT may be adversely impacted, which may have a material adverse impact on the Group's results of operations, financial position and ability to service and/or obtain financing. Furthermore, a material decline in the profitability of Viva Energy's business could affect the perceived stability of the rental income of Waypoint REIT and may affect Waypoint REIT's ability to obtain financing on acceptable terms. A material decline in the profitability of Viva Energy's business could also lead to reduced capacity or

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ability for Viva Energy to pay market rents when renewal options are exercised which could result in a decline in the values of Waypoint REIT's investment properties.

(ii) *Collection risk*

The Group performs financial due diligence on potential new tenants and holds collateral in the form of security deposits or bank guarantees where appropriate. Rent is due in advance on the first day of each billing period (typically monthly), with arrears monitored and arrears notices issued on a regular basis. The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other financial assets. The loss allowances for trade and other financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions, based on the Group's past history and existing market conditions as well as forward looking estimates at the end of each reporting period.

In excess of 99% of the Group's income is derived from fuel tenants who have continued to operate through COVID-19, providing essential services to the community. Accordingly, the Group has not been materially impacted by COVID-19 to date with \$0.1 million of rental relief agreed with seven non-fuel tenants (of which 50% has been waived and 50% deferred in accordance with the Commercial Code of Conduct).

(iii) *Re-leasing and vacancy risk*

The Group's total property portfolio is 99.9% leased with only 19 leases (representing 2.0% of income) expiring before the end of 2025 and a weighted average lease expiry of 10.8 years. The majority of the portfolio is subject to multiple 10-year options in favour of the tenant, with the rent from commencement of each option period to either be agreed between the parties or set by independent market rent determination. However, there is a risk that tenants may not exercise their option, or that the commencing rent will be lower than passing rent and/or market rent (if agreed between the parties). Further, termination of Viva Energy Group's right to use Shell branding (current agreement expires in 2026) and/or its Alliance Agreement with Coles Express (current agreement expires in 2029), could also impact Viva Energy's decision whether it renews its existing leases. Resulting vacancy or reduced rental income could negatively impact distributions of the Group and/or the value of the Group's investment properties.

(iv) *Investment property value*

The value of the Group's portfolio of investment properties may be adversely affected by a number of factors, including factors outside the control of the Group, such as supply and demand for traditional fuel, alternative fuels and/or convenience retail products, supply and demand for fuel and convenience properties, general property market conditions, the availability and cost of credit including sector-specific environmental, sustainability and governance considerations, the ability to attract and implement economically viable rental arrangements, Viva Energy's financial condition deteriorating, occupiers not extending the term of leases, capitalisation rates and general economic factors such as the level of inflation and interest rates.

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 net tangible assets per security and in turn the market price of the Group's securities may fall. The property portfolio is geographically diversified to mitigate the risk of localised valuation impacts and the majority of assets are located in metropolitan areas which typically have higher underlying land values and alternative use potential. Active asset management, including the disposal of non-core assets, also, in part, mitigates this risk.

(v) *Environmental and climate risk*

The Group depends on its tenants to perform their obligations under various environmental arrangements in relation to the properties they lease. The Group has an indemnity from Viva Energy in respect of certain liability for historical environmental contamination across the 425 assets acquired at the time of the Group's initial public offering. The Group also carries out environmental due diligence in relation to potential property acquisitions. If any property in the portfolio is contaminated by a fuel tenant or its invitee during the term of a lease, the tenant under that lease must remediate it, at their cost to a standard consistent with operating the site as a fuel and convenience retail property or similar commercial use. If the tenants were to fail to meet their obligations under these arrangements (including

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due to their insolvency), the Group may incur significant costs to rectify contamination on its properties and also on other properties which may be consequently impacted.

The Group is subject to a range of regulatory regimes (including environmental regulations) that cover the specific assets of the Group and how they are operated. These regulatory regimes are subject to ongoing review and change that may increase the cost of compliance, reporting and maintenance of the Group's assets. There remains a risk (for example, where the regulator is unable to pursue the polluter, the polluter cannot be identified or the polluter is unable to meet its obligations) that the Group, as owner of the properties in the portfolio, may face liability for breach of environmental laws and regulations.

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 future investment property valuations and rental cash flows. Insurance premiums and/or deductibles may change or insurance may not be able to be obtained at all.

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.

(vi) Debt agreement and refinancing risk

The Group has outstanding debt facilities. General economic and business conditions as well as sector-specific environmental, sustainability and governance considerations that impact the debt or equity markets could impact the Group'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 Group being subject to increased interest rate margins and covenants restricting its ability to engage in certain types of activities or to pay distributions to security holders. Debt may not be able to be obtained at all.

If debt facilities are not available or are not available in adequate volume, the Group may need to sell assets to repay debt. There is no guarantee that there will be willing purchasers for the Group's assets or that purchasers will pay prices at or greater than book value of these investment properties. To mitigate this risk, debt maturities are staggered, debt is held across a diverse set of sources, lenders and geographies, and debt is typically refinanced at least twelve months in advance of maturity.

If a third party entity gains control of Waypoint REIT, then this would constitute a review event under certain of the terms of the Group's debt facility agreements, and (subject to specified negotiation and notification periods) a repayment of the Group's debt facilities may be required.

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

(vii) AFSL compliance risk

VER Limited, a subsidiary of Waypoint REIT Limited, holds an AFSL and acts as the responsible entity for Waypoint REIT Trust. The AFSL requires, among other matters, minimum levels of net tangible assets, liquid assets, cash reserves and liquidity, which may restrict the Group in paying distributions that would breach these requirements.

The directors review and monitor VER Limited's balance sheet quarterly and the adequacy and ongoing training of responsible managers annually to ensure compliance with its AFSL requirements.

(viii) Personnel risk

Loss of key personnel could potentially have an adverse impact on the management and the financial performance of the Group and in turn may affect the returns to security holders. To mitigate this risk, processes and procedures are standardised and automated to the extent practicable, succession planning is undertaken and remuneration structures include components payable on a deferred basis to reduce key personnel risk.

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(ix) *Cyber security risk*

Cyber-attacks are becoming increasingly sophisticated and a material data breach could have an adverse financial or reputation impact. To help mitigate this risk, the Group uses the services of third party technology experts, provides regular staff training and performs pre-implementation and annual reviews over key Software as a Service (**SaaS**) providers.

(iii) **Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss.

Maximum exposure to credit risk

The Group's maximum credit risk exposure at balance date in relation to each class of recognised financial asset, other than derivative financial instruments, is the gross carrying amount of those assets as indicated in the consolidated balance sheet.

Financial assets such as cash at bank and interest rate swaps are held with high credit quality financial institutions. Refer to Tenant concentration risk and Collection risk at Note 3.(e)(ii) for risk management policies pertaining to rent receivables.

The table below shows the ageing analysis of rent receivables of the Group.

	Less than 31 days \$ million	31 to 60 days \$ million	61 to 90 days \$ million	More than 90 days \$ million	Total \$ million
31 December 2020					
Rent receivables	0.3	0.3	0.1	0.2	0.9
Provision for expected credit losses	-	-	-	-	-
31 December 2019					
Rent receivables	-	-	-	-	-
Provision for expected credit losses	-	-	-	-	-

Accounting policy – Rent receivables

Other current assets includes rent receivables which are recognised initially at fair value and subsequently measured at amortised cost, less provision for expected credit losses. They are generally due for settlement within 30 days and are therefore all classified as current. The Group applies the AASB 9 simplified approach to measuring expected credit losses which involves a lifetime expected loss allowance for all rent receivables and other financial assets.

To measure the expected credit losses, rent receivables are grouped based on shared credit risk characteristics, the days past due and the expected loss rates based on historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the rent receivables.

Rent receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and a failure to make contractual payments for a period of greater than 365 days past due. Impairment losses on rent receivables are recorded within management and administration expenses within distributable earnings. Subsequent recoveries of amounts previously written off are credited against the same line item.

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(iv) Liquidity risk

Liquidity risk is the risk that the Group may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. The Group monitors its exposure to liquidity risk by setting budgets and projecting cash flows to help ensure there is sufficient cash on hand as required or debt facility funding is available to meet financial liabilities as they fall due.

The weighted average debt maturity is 4.3 years, and the weighted average lease expiry is 10.8 years.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period as at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group					
31 December 2020	Less than 12 months	Between 1 and 2 years	Over 2 years	Total contractual cash flows	Carrying amount liabilities
	\$ million	\$ million	\$ million	\$ million	\$ million
Trade and other payables	4.9	-	-	4.9	4.9
Interest payable	6.5	-	-	6.5	6.5
Lease liabilities	0.2	0.2	0.7	1.1	1.1
Distribution payable	60.7	-	-	60.7	60.7
Borrowings	17.9	85.5	863.9	967.3	851.5
Derivative financial liabilities	20.9	15.4	62.9	99.2	54.6
Contractual cash flows	111.1	101.1	927.5	1,139.7	979.3
31 December 2019	Less than 12 months	Between 1 and 2 years	Over 2 years	Total contractual cash flows	Carrying amount liabilities
	\$ million	\$ million	\$ million	\$ million	\$ million
Trade and other payables	4.9	-	-	4.9	4.9
Interest payable	3.0	-	-	3.0	3.0
Distribution payable	56.0	-	-	56.0	56.0
Borrowings	22.7	141.8	752.8	917.3	846.7
Derivative financial liabilities	9.5	9.5	12.1	31.1	25.9
Contractual cash flows	96.1	151.3	764.9	1,012.3	936.5

Comparative disclosure updated to conform with current year presentation.

Trust					
31 December 2020	Less than 12 months	Between 1 and 2 years	Over 2 years	Total contractual cash flows	Carrying amount liabilities
	\$ million	\$ million	\$ million	\$ million	\$ million
Trade and other payables	11.8	-	-	11.8	11.8
Interest payable	6.5	-	-	6.5	6.5
Distribution payable	60.7	-	-	60.7	60.7
Borrowings	17.9	85.5	863.9	967.3	851.5
Derivative financial liabilities	20.9	15.4	62.9	99.2	54.6
Contractual cash flows	117.8	100.9	926.8	1,145.5	985.1

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31 December 2019	Less than 12 months	Between 1 and 2 years	Over 2 years	Total contractual cash flows	Carrying amount liabilities
	\$ million	\$ million	\$ million	\$ million	\$ million
Trade and other payables	10.9	-	-	10.9	10.9
Interest payable	3.0	-	-	3.0	3.0
Distribution payable	56.0	-	-	56.0	56.0
Borrowings	22.7	141.8	752.8	917.3	846.7
Derivative financial liabilities	9.5	9.5	12.1	31.1	25.9
Contractual cash flows	102.1	151.3	764.9	1,018.3	942.5

Comparative disclosure updated to conform with current year presentation.

(v) Capital risk management

The Group aims to invest to meet the Group's investment objectives while maintaining sufficient liquidity to meet its commitments. The Group regularly reviews performance, including asset allocation strategies, investment and operational management strategies, investment opportunities and risk management.

In order to maintain an appropriate capital structure, the Group may adjust the amount of distributions paid to security holders, return capital to security holders, issue new securities, sell or buy assets or reduce or raise debt.

The Group monitors capital through the analysis of a number of financial ratios, including the Debt Covenant Gearing ratio.

	31 Dec 2020 \$ million	31 Dec 2019 \$ million
Total liabilities (excluding mark-to-market positions and accrued capital expenditure)	941.6	909.3
Total assets (excluding mark-to-market positions)	2,930.6	2,718.1
Debt Covenant Gearing ratio	32.1%	33.5%

(vi) Market Risk

(i) Interest rates

The Group's cash and cash equivalents, floating rate borrowings and interest rate swaps expose it to a risk of change in fair value or future cash flows due to changes in interest rates. The Group uses floating-to-fixed interest rate swaps to partially hedge its exposure to changes in interest rates on variable rate borrowings. By hedging against changes in interest rates, the Group has reduced exposure to changes in interest rates on its outward cash flows so long as the counterparties to those interest rate swaps meet their obligations to the Group.

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The Group's exposure to interest rate risk at reporting date, including its sensitivity to changes in market interest rates that were reasonably possible, is as follows:

	31 Dec 2020	31 Dec 2019
	\$ million	\$ million
Financial assets		
Cash and cash equivalents	15.5	27.5
Derivative financial instruments (notional principal amount)		
- Fixed interest rate swaps	776.3	796.3
Financial liabilities		
Interest-bearing liabilities – floating rate interest	623.7	846.7
Derivative financial instruments (notional principal amount)		
- Cross currency swaps	248.6	-
Net exposure	(80.5)	(22.9)

	2020	2019
	\$ million	\$ million
Sensitivity of profit and loss and other comprehensive income to movements in market interest rates:		
Increased by 50 basis points	(0.4)	(0.1)
Decreased by 50 basis points	0.4	0.1

The interest rate range for sensitivity purposes has been determined using the assumption that interest rates changed by +/- 50 basis points from balance date rates with all other variables held constant. In determining the impact of profit and loss movements arising from interest rate risk, the Group has considered historic and expected future interest rate movements in order to determine a reasonably possible shift in assumptions.

Where derivative financial instruments are designated as cash flow hedges, the impact of an interest rate change flows through Other Comprehensive Income.

(ii) Foreign exchange rates

A portion of the Group's debt is denominated in US dollars and as a result, the Group is exposed to a risk of change in fair value or future cash flows due to changes in foreign exchange rates. The Group economically hedges 100% of its exposure to changes in foreign exchange rates by using cross currency swaps. By hedging against changes in foreign exchange rates, the Group eliminates its exposure to changes in foreign exchange rates on its outward cash flows so long as the counterparties to those cross currency swaps meet their obligations to the Group.

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3. (f) CONTRIBUTED EQUITY

		Group Number of securities '000	\$ million	Trust Number of securities '000	\$million
01/01/19	Opening balance	725,750	1,496.9	725,750	1,494.4
27/02/19	Issue of securities under institutional placement	43,103	100.0	43,103	99.9
27/02/19	Equity raising costs	-	(2.1)	-	(1.5)
28/02/19	Issue of securities under DRP	2,515	5.6	2,515	5.6
26/03/19	Issue of securities under Security Purchase Plan	4,309	10.0	4,309	10.0
29/08/19	Issue of securities under DRP	3,013	7.9	3,013	7.9
31/12/19		778,690	1,618.3	778,690	1,616.3
27/02/20	Issue of securities under DRP	2,169	5.8	2,169	5.8
31/05/20	Capital reallocation	-	-	-	(5.7)
27/08/20	Issue of securities under DRP	4,163	10.7	4,163	10.7
31/12/20		785,022	1,634.8	785,022	1,627.1

3. (g) NON-CONTROLLING INTERESTS

The financial statements reflect the consolidation of Waypoint REIT. For financial reporting purposes, one entity in the stapled group must be identified as the acquirer or parent entity of the others. The Company has been identified as the acquirer of the Trust, resulting in the Trust being disclosed as non-controlling interests.

	2020 \$ million	2019 \$ million
Opening balance	1,782.2	1,593.5
Profit for the year	279.6	197.5
Effective portion of changes in fair value of cash flow hedges	(7.6)	(19.0)
Capital reallocation	(5.7)	-
Contributions of equity, net of transaction costs	-	108.4
Distributions paid or provided for Distribution Reinvestment Plan	(118.5)	(111.7)
	16.5	13.5
Closing balance	1,946.5	1,782.2

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3. (h) RESERVES

The Group's hedging reserves movements were:

	Group		Trust	
	2020	2019	2020	2019
	\$ million	\$ million	\$ million	\$ million
Opening hedge reserve	25.9	6.9	25.9	6.9
Net change in fair value of cash flow hedges	8.8	25.4	8.8	25.4
Reclassified to profit and loss	(1.2)	(6.4)	(1.2)	(6.4)
Closing hedge reserve	33.5	25.9	33.5	25.9

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4. ADDITIONAL INFORMATION

4. (a) RELATED PARTY INFORMATION

(i) Parent entity

The Company has been assessed as the parent entity of the Group; the security holders' interests in the Trust are included in equity as non-controlling interests relating to the stapled entity.

(ii) Subsidiaries

Interests in subsidiaries are set out in Note 4. (c).

(iii) Key management personnel compensation

Below are the aggregate amounts paid or payable to key management personnel (including Non-Executive Directors):

	Group		Trust	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	\$	\$	\$	\$
Salary and fees	665,780	392,694	665,780	392,694
Short-term incentive	810,000	-	810,000	-
Other benefits	864	-	864	-
Superannuation	53,649	37,306	53,649	37,306
Annual & long-service leave	12,801	-	12,801	-
	1,543,094	430,000	1,543,094	430,000

KMP for the year ended 31 December 2020 includes Executives from 1 October 2020 (date of internalisation). KMP for the year ended 31 December 2019 only includes Directors as Executives were remunerated by Viva Energy Australia Pty Limited, the parent entity of the Manager.

There were no loans made, guaranteed or secured, directly or indirectly, by the Group to KMP or their related parties during the year. There were no other transactions between the Group and any KMP or their related parties during the year.

(iv) Stapled group

Waypoint REIT is a stapled group consisting of the Company and the Trust and their wholly owned entities. The Trust indirectly owns the investment property portfolio through its 100% ownership of the trusts which own the investment properties and receive rent under operating leases. The Company directly owns all of the shares in VER Limited (**Responsible Entity**). Each stapled security consists of one share in the Company and one unit in the Trust.

(v) Transactions with related parties

Viva Energy Australia Pty Limited and VER Manager Pty Limited were related parties of the Group prior to the internalisation of the Group's management on 30 September 2020.

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	Group		Trust	
	2020	2019	2020	2019
	\$ '000	\$ '000	\$ '000	\$ '000
The following transactions occurred with related parties:				
Rental income received from Viva Energy Australia Pty Limited and its associated entities	114,931	146,073	114,931	146,073
Reimbursement of costs incurred by VER Manager Pty Limited in relation to managing the Group	4,684	2,520	4,684	2,520
Payment of distribution to Viva Energy Australia Pty Ltd	19,849	39,228	19,848	39,228
Payment to Viva Energy Group in relation to internalisation of the Group's management function	2,500	-	-	-
Purchase of investment properties from, an associated entity of Viva Energy Australia Pty Limited (Liberty Oil Holdings Pty Limited and its controlled entities)	5,186	31,480	5,186	31,480
Payments for construction and site development works to an associated entity of Viva Energy Australia Pty Limited (Liberty Oil Holdings Pty Limited and its controlled entities)	16,915	32,651	16,915	32,651
Responsible Entity fee paid to VER Limited	-	-	200	50
Payment of Responsible Entity fees and costs reimbursement to VER Limited	-	-	967	4,239
Reimbursement of costs to Waypoint REIT Limited	-	-	9,010	2,382
Reimbursement of costs to Waypoint Operations Pty Limited	-	-	2,141	-
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	\$'000	\$'000	\$'000	\$'000
Amounts receivable:				
Receivable from Waypoint REIT Limited	-	-	5,718	9,216
Receivable from VER Limited	-	-	630	2,750
Receivable from VER Custodian Pty Limited	-	-	965	795
Amounts payable:				
Management costs reimbursable to VER Manager Pty Limited at the end of the period	-	483	-	483
Payable to Waypoint Operations Pty Limited	-	-	2,129	-

During the year in connection with the internalisation of the Group's management function, the Group paid a \$2.5 million facilitation payment to Viva Energy Group and incurred a \$1.4 million expense in relation to a run-off insurance policy in favour of VER Manager and VER Limited. The Group also secured from Viva Energy Group, until 1 January 2030, the right (subject to the terms of the relevant lease) to be offered properties tenanted by Viva Energy Group where the owner wishes to sell the property and Viva Energy Group does not wish to exercise a pre-emptive right it might have to acquire the property.

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4. (b) PARENT ENTITY FINANCIAL INFORMATION

The individual financial statements for the parent entity of the Group, Waypoint REIT Limited, and the parent entity of the Trust Group, Waypoint REIT Trust, are below:

	Group		Trust	
	2020	2019	2020	2019
	\$ million	\$ million	\$ million	\$ million
Balance sheet				
Current assets	8.5	5.1	287.0	239.2
Non-current assets	6.4	5.7	1,650.2	1,446.5
Total assets	14.9	10.8	1,937.2	1,685.7
Current liabilities	8.3	10.0	314.2	65.1
Total liabilities	8.3	10.0	314.2	65.1
Shareholders' equity				
Contributed equity	7.8	2.0	1,633.8	1,623.1
Retained profits/(Accumulated losses)	(1.2)	(1.2)	(10.8)	(2.5)
Total equity	6.6	0.8	1,623.0	1,620.6
Profit / (loss) for the year	-	-	(3.7)	(4.8)
Total comprehensive income/(loss) for the year	-	-	(3.7)	(4.8)

The parent entity did not have any guarantees, contingent liabilities or commitments as at 31 December 2020 or 31 December 2019.

4. (c) INVESTMENTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following material subsidiaries of the Company and the Trust:

Name	Date of establishment	2020 %	2019 %
Controlled by the Company			
VER Limited	16 December 2015	100	100
VER Custodian Pty Limited	27 May 2016	100	100
Waypoint Operations Pty Limited*	5 May 2020	100	-
Controlled by the Trust			
VER Trust	10 July 2016	100	100
VER Finco Pty Limited	10 June 2016	100	100

* Waypoint Operations Pty Limited was formed in connection with the internalisation of the Group's management.

All companies and trusts are incorporated or established in Australia.

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4. (d) REMUNERATION OF AUDITORS

During the period the following fees were paid or payable for services provided by the auditor of the parent entity and its related practices.

	2020	2019
	\$	\$
PricewaterhouseCoopers Australia		
Audit and review of financial statements		
Group	137,845	129,400
Trust	22,275	21,625
Total audit and review of financial reports	160,120	151,025
Other statutory assurance services	20,975	20,275
Total audit and statutory assurance services	181,095	171,300
Other services		
Tax compliance services	86,700	44,667
Tax advisory services*	104,601	81,200
Total other non-audit services	191,301	125,867
Total remuneration of auditors	372,396	297,167

* Includes \$43,401 incurred in relation to the internalisation of management

4. (e) SUBSEQUENT EVENTS

Subsequent to the end of the financial year:

- The Victorian state government effected the compulsory acquisition of an asset held for sale with a carrying value of \$6.8 million on 12 January 2021. Under the terms of the resumption, the Group is no longer entitled to collect rent from tenancies on the property from this date;
- Settlement of two assets held for sale for total sale proceeds of \$5.5 million occurred on 8 and 10 February 2021; and
- A distribution for the six months ended 31 December 2020 of \$60.7 million was paid on 26 February 2021.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect:

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

4. (f) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes are listed below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(i) Basis of preparation

These general purpose financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards (**AASB**) and interpretations issued by the Australian Accounting Standards Board and International Financial Reporting Standards (**IFRS**) as

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issued by the International Accounting Standards Board. Waypoint REIT and Waypoint REIT Trust Group are for-profit entities 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 consolidated financial statements are prepared and presented in Australian dollars (the presentation currency).

Unless otherwise stated, the accounting policies adopted in the preparation of the financial report are consistent with those of the previous financial year.

(ii) Comparative information

Where necessary, comparative information has been adjusted to conform to changes in presentation in the current period.

(iii) Going concern

As at 31 December 2020, the Group had a net current asset deficiency of \$44.7 million and the Waypoint REIT Trust Group had a net current asset deficiency of \$51.4 million. The Group uses cash at bank to pay for distributions 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 Group has \$178.0 million of unused debt facilities at 31 December 2020, which can be drawn upon to fund the Group's cashflow requirements provided that the Group meets its debt covenants and further borrowing will not cause Gearing to exceed 45%.

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

- The Group 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.

(iv) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material* [AASB 101 and AASB 108]
- AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business* [AASB 3]
- AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform* [AASB 9, AASB 139 and AASB 7]
- AASB 2019-5 *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet issued in Australia* [AASB 1054]
- Conceptual Framework for Financial Reporting and AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*.

The Group also elected to adopt the following amendments early:

- AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments* [AASB 1, AASB 3, AASB 9, AASB 116, AASB 137 and AASB 141].
- AASB 2020-4 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions* [AASB 16]

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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(v) Principles of consolidation

(i) *Stapled entities*

Waypoint REIT is a stapled group consisting of the Company and the Trust and their wholly owned entities. The Trust indirectly owns the investment property portfolio through its 100% ownership of the trusts which own the investment properties and receive rent under operating leases. The Company directly owns all of the shares in the Responsible Entity. Each stapled security consists of one share in the Company and one unit in the Trust. The shares and the units were stapled at allotment in accordance with the constitutions of the Company and the Trust and the Stapling Deed and trade together on the ASX. The securities in Waypoint REIT cannot be traded separately and can only be traded as a stapled security.

AASB 3 *Business Combinations* requires one of the stapled entities in a stapling structure to be identified as the parent entity for the purpose of preparing consolidated financial reports. In accordance with this requirement, the Company has been identified as the parent entity in relation to the stapling with the Trust under Waypoint REIT.

The consolidated financial statements of the Group incorporate the assets and liabilities of the entities controlled by the Company during the period, including those deemed to be controlled by the Trust, by identifying it as the parent of the Group, and the results of those controlled entities for the period then ended. The effect of all transactions between entities in the Group are eliminated in full.

Non-controlling interests in the results and equity are shown separately in the consolidated statement of comprehensive income, consolidated balance sheet and consolidated statement of changes in equity respectively. Non-controlling interests are those interests in the Trust which are not held directly or indirectly by the Company.

(ii) *Subsidiaries*

Subsidiaries are all entities (including trusts) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Inter-entity transactions, balances and unrealised gains on transactions between Group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated balance sheet and consolidated statement of changes in equity respectively.

(vi) Presentation of members' interests in the Trust

As the Company has been assessed as the parent entity of the Group, the security holders' interests in the Trust are included in equity as non-controlling interests relating to the stapled entity. Security holders' interests in the Trust are not presented as attributable to owners of the parent, reflecting the fact that they are not owned by the Company, but by the security holders of the stapled group.

(vii) Segment information

The Group has one business and geographic segment being the investment in fuel and convenience retail properties within Australia.

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(viii) Revenue

Interest income is recognised as it accrues using the effective interest rate method. Interest income is included in finance income in the consolidated statement of profit or loss.

All income is stated net of goods and services tax.

(ix) Expenses

All expenses are recognised in the consolidated profit or loss on an accruals basis.

(x) Management fees

Up until 30 September 2020, the Group reimbursed VER Manager for costs incurred in the management of Waypoint REIT's operations. On 30 September 2020, to effect the internalisation of management, an implementation deed was executed under which VER Manager provided notice of its intention to retire as manager of the Group and the reimbursement of costs to VER Manager ceased.

(xi) Employee benefits

(i) Short term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' service up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(ii) Other long-term employee benefit obligations

The liabilities for long service leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised as the expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wages and salary levels, experience of employee departures, periods of service and market interest rates.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(xii) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other current assets and trade and other payables in the consolidated balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority are presented as operating cash flows.

(xiii) Leases

The Group leases office premises. The Group assesses at contract inception whether a contract is, or contains, a lease. This is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies a single recognition and measurement approach for all leases. The Group recognises lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets.

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(i) Right of use assets

The Group right of use assets at the commencement date of the lease (that is, the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right of use assets are depreciated on a straight line basis over the shorter of the lease term and the estimated useful lives of the assets.

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (for example, changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(xiv) Financial instruments

(i) Classification

The Group's investments are classified as at fair value through profit or loss. They comprise:

- Financial instruments held for trading - Derivative financial instruments such as interest rate swaps are included under this classification.
- Financial instruments designated at fair value through profit or loss upon initial recognition - These include financial assets that are not held for trading purposes and which may be sold.

Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Group's documented investment strategy. The Group's policy is for the Responsible Entity to evaluate the information about these financial instruments on a fair value basis together with other related financial information.

(ii) Recognition/derecognition

Financial assets and financial liabilities are recognised on the date the Group becomes party to the contractual agreement (trade date) and it recognises changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments has expired or the Group has transferred substantially all risks and rewards of ownership.

(iii) Measurement

Financial assets and liabilities held at fair value through profit or loss

At initial recognition, financial assets are recognised at fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

The fair value of financial assets and liabilities traded in active markets is subsequently based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling

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costs. The quoted market price used for financial assets held by the Group is the current bid price and the quoted market price for financial liabilities is the current asking price.

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. Accordingly, there may be a difference between the fair value at initial recognition and amounts determined using a valuation technique. If such a difference exists, the Group recognises the difference in profit or loss to reflect a change in factors, including time that market participants would consider in setting a price.

Further detail on how the fair values of financial instruments are determined is disclosed in Note 3.(d).

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(xv) Provisions

A provision is recognised when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of the Group's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

(xvi) Rounding of amounts

The Group is an entity of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest hundred thousand dollars in accordance with that instrument, unless otherwise indicated.

(xvii) New accounting standards and interpretations not yet adopted

There are no issued standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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DIRECTORS' DECLARATION

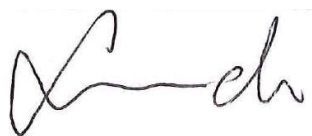
In the Directors' opinion:

- (a) the financial statements and notes set out on pages 25 to 63 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 Waypoint REIT's and Waypoint REIT Trust's financial positions as at 31 December 2020 and of their performance for the year ended on that date; and
- (b) there are reasonable grounds to believe that Waypoint REIT and Waypoint REIT Trust will be able to pay their debts as and when they become due and payable.

Note 4(f)(i) to the financial statements confirms that the financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given declarations by the Chief Executive Officer and the Chief Financial Officer as required by section 295A of the *Corporations Act 2001*.

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



Laurence Brindle
Chair

26 February 2021



Independent auditor's report

To the stapled security holders of Waypoint REIT and the unitholders of Waypoint REIT Trust

Report on the audit of the financial reports

Our opinion

In our opinion:

The accompanying financial reports of Waypoint REIT Limited and its controlled entities and Waypoint REIT Trust and its controlled entities (together the Group) and Waypoint REIT Trust and its controlled entities (together the Trust) are in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's and the Trust's financial positions as at 31 December 2020 and of their financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group and the Trust financial reports comprise:

- the consolidated balance sheets as at 31 December 2020
- the consolidated statements of comprehensive income for the year then ended
- the consolidated statements of changes in equities for the year then ended
- the consolidated statements of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

The Group comprises Waypoint REIT Limited and the entities it controlled at year end or from time to time during the financial year and includes Waypoint REIT Trust and the entities it controlled at year end or from time to time during the financial year. The Trust comprises Waypoint REIT Trust and the entities it controlled at year end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Trust in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial reports in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial reports are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial reports.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial reports as a whole, taking into account the geographic and management structure of the Group and the Trust, its accounting processes and controls and the industry in which it operates.



Materiality

- For the purpose of our audit of the Group and the Trust we used overall materiality of \$5.24 million and \$5.22 million respectively, which represents 5% of the profit before tax, adjusted for significant non-cash items such as investment property revaluations.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial reports as a whole.
- We chose profit before tax, adjusted for significant non-cash items such as investment property revaluations because, in our view, it is the benchmark against which the performance is most commonly measured.
- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit Scope

- Our audit focused on where the Group and the Trust made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial reports for the current period. The key audit matters were addressed in the context of our audit of the financial reports as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. The key audit matters identified below relate to both the Group and the Trust audit, unless otherwise stated below. We communicated the key audit matters to the Audit and Risk Management Committee.



Key audit matter	How our audit addressed the key audit matter
<p>Valuation of investment properties (Refer to note 2(a))</p> <p><i>The Group and the Trust investment property portfolio consists of 470 service station properties located across Australia. At 31 December 2020 the carrying value of the total investment property portfolio was \$2,897.3 million. Investment properties are carried at fair value. The Group's and the Trust's accounting policies are disclosed in note 2(a) of the financial reports. 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.</i></p> <p><i>The following key inputs and assumptions in estimating fair value are:</i></p> <ul style="list-style-type: none"> • Market rent • Weighted average capitalisation rate • Range of capitalisation rates • Range of lease terms <p><i>The key judgemental assumption in estimating fair value is:</i></p> <ul style="list-style-type: none"> • Capitalisation rate <p><i>External valuations were obtained by the Group and the Trust to assist in estimating the fair value for 106 properties and director valuations were performed on the remainder of the portfolio.</i></p> <p><i>This was a key audit matter because of the:</i></p> <ul style="list-style-type: none"> • Relative size of the investment property balance in the consolidated balance sheets • Quantum of revaluation gains that could directly impact the consolidated statements of comprehensive income through the net fair value gain/loss of investment properties • Inherently subjective nature of investment property valuations due to the use of assumptions in the valuations • Sensitivity of valuations to key inputs/assumptions 	<p>External valuations For a sample of external valuations we:</p> <ul style="list-style-type: none"> • Assessed the competency and capabilities of the valuer. • Read the valuer's terms of engagement - we did not identify any terms that might affect their objectivity or impose limitations on their work relevant to the valuation. • Agreed the rental income and lease terms used in the valuations to the tenancy schedule and lease agreement, with no material differences noted. • Assessed the valuation reports based on our industry knowledge, including comparing the capitalisation rate assumption to a range we determined to be reasonable based on benchmark market data for the sector Waypoint operates in and also wider industry benchmarks where applicable. • Inspected the final valuation reports and agreed the fair value to the Group's and the Trust's accounting records, noting no material differences. <p>Director valuations For a sample of director valuations we:</p> <ul style="list-style-type: none"> • Agreed the rental income and lease terms used in the director valuations to the tenancy schedule and lease agreement, with no material differences noted. • Compared the capitalisation rate between the director valuations and external valuations to identify any unusual trends or anomalies in the director valuations outcomes. • Agreed the director valuations to the Group's and the Trust's accounting records, noting no material differences.



Other information

The directors of Waypoint REIT Limited and VER Limited (as the responsible entity of the Trust) are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2020, but does not include the financial reports and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the director's report. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial reports does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial reports, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial reports or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial reports

The directors of Waypoint REIT Limited and VER Limited (as the responsible entity of the Trust) are responsible for the preparation of the financial reports that give 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 financial reports that give a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial reports, the directors are responsible for assessing the ability of the Group and the Trust to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and the Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial reports

Our objectives are to obtain reasonable assurance about whether the financial reports as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial reports.

A further description of our responsibilities for the audit of the financial reports is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.



Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 12 to 21 of the directors' report for the year ended 31 December 2020.

In our opinion, the remuneration report of Waypoint REIT Limited for the year ended 31 December 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of Waypoint REIT Limited are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Charles Christie'.

Charles Christie
Partner

Melbourne
26 February 2021