

Charter Hall Long WALE REIT

ARSN 144 613 641

Annual financial report
For the year ended 30 June 2017



Important Notice

This report comprises Charter Hall Direct Industrial Fund and its controlled entities (together referred to as Charter Hall Long WALE REIT, REIT or CLW). The REIT was formed upon the stapling of the units of the seven Australian registered schemes listed below (collectively referred to as the Stapled Trusts):

- Charter Hall Direct Industrial Fund (DIF) and its controlled entities (ARSN 144 613 641);
- LWR Finance Trust (Finance Trust) and its controlled entity (ARSN 614 713 138);
- Canning Vale Logistics Trust No.1 (CVLT1) (ARSN 614 713 012);
- 218 Bannister Road Trust (218 BRT) (ARSN 614 712 588);
- CPOF Kogarah Holding Trust (CPOF KHT) and its controlled entity (ARSN 614 714 073);
- Franklin Street Property Trust (FSPT) (ARSN 614 714 206); and
- CHPT Dandenong Trust (CHPT DT) and its controlled entity (ARSN 614 712 506).

Charter Hall WALE Limited ABN 20 610 772 202; AFSL 486721 (CHWALE) is the Responsible Entity of the Stapled Trusts and is a controlled entity of Charter Hall Limited ABN 57 113 531 150 (Charter Hall).

Past performance is not a reliable indicator of future performance. Due care and attention has been exercised in the preparation of forecast information; however, forecasts, by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of CHWALE. Actual results may vary from forecasts and any variation may be materially positive or negative.

This report has been prepared for general information purposes only and is not an offer or invitation for subscription or purchase of, or recommendation of, securities. It does not take into account the investment objectives, financial situation or needs of any investor. Before investing, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

CHWALE does not receive fees in respect of the general financial product advice it may provide; however, it will receive fees for operating the REIT which, in accordance with the REIT's constitutions, are calculated by reference to the value of the assets. Controlled entities of Charter Hall may also receive fees for managing the assets of, and providing resources to, the REIT. Charter Hall and its related entities, together with their officers and directors, may hold securities in the REIT from time to time.

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Directors' report

The Directors of Charter Hall WALE Limited (CHWALE) present the directors' report and consolidated financial report of Charter Hall Direct Industrial Fund (DIF) and its controlled entities (together Charter Hall Long WALE REIT, REIT or CLW) for the year ended 30 June 2017.

The REIT was formed upon the stapling of the units of the seven entities below (collectively referred to as the Stapled Trusts):

Stapled Entity	Description
Charter Hall Direct Industrial Fund (DIF)	Owns all of the REIT's investment properties and equity accounted investments other than those listed below
Canning Vale Logistics Trust No.1 (CVLT1)	50% ownership of Metcash, Canning Vale WA
218 Bannister Road Trust (218 BRT)	50% ownership of Metcash, Canning Vale WA
CPOF Kogarah Holding Trust (CPOF KHT)	50.1% ownership of Westpac, Kogarah NSW
Franklin Street Property Trust (FSPT)	100% ownership of ATO, Adelaide SA
CHPT Dandenong Trust (CHPT DT)	50% ownership of Coles, Truganina VIC and 26% ownership of Woolworths, Dandenong VIC
LWR Finance Trust (Finance Trust)	Holds the REIT's bank debt and interest rate swaps through Charter Hall LWR Limited

CHWALE is the Responsible Entity of the Stapled Trusts and is a controlled entity of Charter Hall Limited. CHWALE was appointed as Responsible Entity on 7 September 2016 upon the retirement of the previous Responsible Entity, Charter Hall Direct Property Management Limited (CHDPML).

AASB 3 *Business Combinations* and AASB 10 *Consolidated Financial Statements* require one of the stapled entities of a stapled structure to be identified as the parent entity for the purpose of preparing a consolidated annual financial report. In accordance with this requirement, DIF has been identified as the parent entity. Accordingly, the consolidated financial statements of the REIT have been prepared as a continuation of the consolidated financial statements of DIF with the current period information presented being that of DIF from 1 July 2016 until 9 November 2016 and that of DIF and the other six stapled trusts from 10 November 2016 until 30 June 2017. The comparative information presented is that of DIF for the period 1 July 2015 to 30 June 2016.

Principal activities

The principal activity of the REIT during the year was property investment. There were no significant changes in the nature of the REIT's activities during the financial year.

Directors

The following persons have held office as directors of the Responsible Entity from 7 September 2016 (the date of appointment) and up to the date of this report:

- Peeyush Gupta - Chair and Non-Executive Director
- Glenn Fraser - Non-Executive Director
- Ceinwen Kirk-Lennox - Non-Executive Director
- David Harrison - Executive Director and Chief Executive Officer/Managing Director of Charter Hall Group
- Adrian Taylor - Executive Director

The following persons held office as directors of the former Responsible Entity, CHDPML, from 1 July to 7 September 2016 (the date of retirement):

- Peeyush Gupta - Chair and Non-Executive Director
- Rick Higgins - Non-Executive Director
- Ian Pratt - Non-Executive Director
- David Harrison - Executive Director and Chief Executive Officer/Managing Director of Charter Hall Group
- Cedric Fuchs - Executive Director
- Richard Stacker - Executive Director

Directors' report (continued)

Distributions

Distributions paid or declared during the year are as follows:

	2017			2016		
	Number of units on issue	Cents per unit	\$'m	Number of units on issue	Cents per unit	\$'m
Ordinary unitholders of DIF						
30 September ¹	120,445,046	2.38	2.9	120,445,046	2.38	2.8
10 November ¹	120,445,046	1.06	1.3	120,445,046	-	-
31 December	206,683,097	1.90	3.9	120,445,046	2.38	2.9
31 March	206,683,097	3.60	7.4	120,445,046	2.38	2.8
30 June	207,787,175	3.50	7.3	120,445,046	2.38	2.9
Total distributions²		15.66	22.8		29.38	11.4
Ordinary unitholders of Stapled Trusts other than DIF						
31 December	206,683,097	1.50	3.1	N/A	N/A	N/A
31 March	206,683,097	2.80	5.8	N/A	N/A	N/A
30 June	207,787,175	2.90	6.0	N/A	N/A	N/A
Total distributions²		25.89	37.7		29.38	11.4

¹ Represents distributions paid to DIF unitholders prior to the formation of the REIT.

² Cents per unit information is calculated with reference to weighted average number of stapled securities (refer to Note B2).

DIF also made a capital distribution of \$66.6 million to its former unitholders on 10 November 2016.

Distribution Reinvestment Plan (DRP)

The REIT has established a Distribution Reinvestment Plan (DRP) under which stapled securityholders may elect to have all or part of their distribution entitlements satisfied by the issue of new stapled securities rather than being paid in cash.

The DRP issue price is determined at a discount of 1.0% to the daily volume weighted average price of all securities traded on the Australian Stock Exchange (ASX) during the 10 business days commencing on the third business day following the distribution record date. The REIT raised \$4.4 million from the DRP for the 31 March 2017 distribution and \$3.6 million from the DRP for the 30 June 2017 distribution.

Review and results of operations

The REIT recorded a statutory profit of \$34.6 million for the year ended 30 June 2017 (30 June 2016: \$23.3 million).

Operating earnings amounted to \$38.3 million for the year ended 30 June 2017 (30 June 2016: \$12.3 million). Operating earnings for the period from 10 November 2016 to 30 June 2017 was \$33.6 million (16.24 cents per stapled security) and a distribution of \$33.5 million (16.2 cents per stapled security) was declared for the same period.

The table below sets out income and expenses that comprise operating earnings on a proportionate consolidation basis:

	01 July 2016 to 9 Nov 2016 Pre-IPO \$'m	10 Nov 2016 to 30 June 2017 Post-IPO \$'m	30 June 2017 \$'m	30 June 2016 \$'m
Net property income	6.8	52.5	59.3	18.0
Interest income	-	0.2	0.2	-
Fund management fees	(0.6)	(3.7)	(4.3)	(1.5)
Finance costs	(1.3)	(13.3)	(14.6)	(3.8)
Administration and other expenses	(0.2)	(2.1)	(2.3)	(0.4)
Operating earnings	4.7	33.6	38.3	12.3

* Further detail on Operating earnings is contained in Note B1.

Operating earnings is a financial measure which represents profit under Australian Accounting Standards adjusted for net fair value movements, non-cash accounting adjustments such as straight lining of rental income and amortisations and other unrealised or one-off items. Operating earnings also aligns to the Funds From Operations (FFO) as defined by the Property Council of Australia.

Directors' report (continued)

The inclusion of operating earnings as a measure of the REIT's profitability provides investors with the same basis that is used internally for evaluating operating segment performance. Operating earnings is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution to declare.

Reconciliation of operating earnings to statutory profit is set out below:

	01 July 2016 to 9 Nov 2016 Pre-IPO \$'m	10 Nov 2016 to 30 June 2017 Post-IPO \$'m	30 June 2017 \$'m	30 June 2016 \$'m
Operating earnings	4.7	33.6	38.3	12.3
Net fair value movements on investment properties ¹	(0.4)	29.3	28.9	15.6
Net fair value movements on derivative financial instruments ¹	0.1	3.7	3.8	(0.2)
Net fair value movements on investments at fair value through profit or loss	-	0.2	0.2	-
Loss on early settlement of derivative financial instruments	-	(4.3)	(4.3)	-
Straightlining of rental income ¹	0.4	2.0	2.4	1.5
Debt extinguishment and amortisation of borrowing costs	(0.2)	(0.4)	(0.6)	(0.3)
Performance and disposal fees ²	(5.2)	-	(5.2)	(5.3)
Costs associated with Initial Public Offering	-	(14.9)	(14.9)	(0.3)
Acquisition costs	-	(14.0)	(14.0)	-
Statutory profit/(loss) for the period	(0.6)	35.2	34.6	23.3
Basic weighted average number of stapled securities (millions)³	38.8	206.9	145.6	N/A
Basic earnings/(loss) per stapled security (cents)	(1.55)	17.01	23.76	N/A
Operating earnings per stapled security (cents)	12.11	16.24	26.30	N/A
Distributions per stapled security (cents)	10.82	16.20	25.89	N/A

¹ Includes the REIT's proportionate share of non-operating items of equity accounted investments on a look-through basis.

² The REIT paid \$5.2 million of disposal fees and \$5.3 million of performance fees. The performance fees were provisioned for at 30 June 2016. These fees were expensed prior to the formation of the REIT.

³ Takes into account conversion of each unit issued by DIF into approximately 0.32 units on 10 November 2016 and stapled securities issued under the DRP during the year.

Property valuation gains

Valuation gains totalling \$37.8 million were recorded during the year. These gains were partially offset by revaluation decrements attributable to acquisition costs (\$6.5 million) and straightlining of rental income (\$2.4 million).

The financial results are summarised as follows:

	Year to 30 June 2017	Year to 30 June 2016
Revenue (\$ millions)	45.6	18.0
Statutory profit for the year (\$ millions)	34.6	23.3
Basic earnings per stapled security (cents)	23.76	N/A
Operating earnings (\$ millions)	38.3	12.3
Operating earnings per stapled security (cents)	26.30	N/A
Distributions (\$ millions)	37.7	11.4
Distributions per stapled security (cents)	25.89	N/A
	30 June 2017	30 June 2016
Total assets (\$ millions)	1,192.7	235.8
Total liabilities (\$ millions)	375.3	77.8
Net assets attributable to securityholders (\$ millions)	817.4	158.0
Stapled securities on issue (millions)	207.8	120.4
Net assets per stapled security (\$)	3.93	1.31
Balance sheet gearing - total debt (net of cash) to total assets (net of cash)	29.9%	32.0%
Look through gearing - total debt (net of cash) to total assets (net of cash)	37.7%	35.9%

Directors' report (continued)

Significant changes in the state of affairs

REIT formation

The Stapled Trusts were listed on the ASX on 8 November 2016 and the REIT was formed on 10 November 2016 when the Stapled Trusts were stapled together. The REIT raised \$826.7 million through an IPO of 206.7 million securities at an Offer Price of \$4.00 per security. The initial portfolio comprised 66 properties independently valued at \$1,253 million with a weighted average capitalisation rate (WACR) of 6.4%, a weighted average lease expiry (WALE) of 12.5 years and 100% occupancy. The portfolio is diversified by geography and real estate sector containing office, industrial and retail properties located in six Australian states predominantly leased to corporate and government tenants on long-term leases.

Acquisitions

The REIT acquired the Suez portfolio consisting of 10 industrial assets for \$65.9 million on 23 December 2016.

On 18 May 2017, the REIT entered into an unconditional agreement to acquire Bunnings, South Mackay QLD for \$28.5 million with settlement on 3 July 2017.

Debt arrangements

On 10 November 2016, the REIT entered a \$350 million unsecured revolving debt facility with Westpac Banking Corporation which matures on 10 November 2021. On 19 December 2016, the facility was syndicated and the limit has subsequently been increased by \$100 million to \$450 million.

During the period, the REIT also entered into four interest rate swap agreements with a total principal amount of \$225 million to fix its floating rate debt. The majority of the interest rate swaps mature in December 2021.

Investments in joint venture entities

In January 2017, Perth RDC Trust raised equity of \$97.5 million (including the REIT's pro-rata share of \$48.7 million). The proceeds were used to repay and extinguish Perth RDC Trust's debt facility and an outstanding interest rate swap.

In June 2017, LWIP raised equity of \$28.1 million (including the REIT's pro-rata share of \$11.3 million). The proceeds were used to purchase three hotels.

In June 2017, CH DC Fund raised equity of \$10.0 million (including the REIT's pro-rata share of \$2.6 million). The proceeds were used to pay for development expenditure for Woolworths, Dandenong VIC.

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

Business strategies and prospects

The REIT's objective is to provide investors with stable and secure income and the potential for both income and capital growth through an exposure to a property portfolio with a long WALE.

The REIT aims to maintain and enhance the existing portfolio through active asset and property management and to grow the portfolio through the acquisition of assets that are predominantly leased to tenants with strong covenants on long-term leases.

The REIT aims to proactively manage its equity and debt. It has a target balance sheet gearing range of 25–35% and its balance sheet gearing at 30 June 2017 was 29.9%.

The material business risks faced by the REIT that are likely to have an effect on its financial performance include:

Tenant concentration

The majority of the REIT's properties are single tenanted. This exposes the value and performance of each property to the ability of those tenants to continue to meet their obligations under the respective lease agreements. In aggregate, 75.5% of the gross property income is generated from the top five tenants.

Re-leasing and vacancy

The REIT's portfolio is currently 100% leased and has no major forecast lease expiries prior to FY21. However, in the longer term, leases will come up for renewal on a periodic basis. There is a risk that the REIT may not be able to negotiate suitable lease renewals. This may result in periods of vacancy which could result in a reduction in income received by the REIT, a reduction in the distributions of the REIT and a reduction in the value of the assets of the REIT. This risk is mitigated through active property and asset management of the REIT's portfolio and the diversified nature of the REIT. Any impact will depend on future economic conditions that are not known at balance date.

Directors' report (continued)

Funding

An inability to obtain the necessary funding or refinancing of an existing debt facility, or a material increase in the cost of such funding (including increases in interest rates that are not hedged), may have an adverse impact on the REIT's performance and financial position. The REIT seeks to minimise this risk through proactive refinancing and maintaining adequate liquidity to fund future forecast expenditure and hedging its interest rate exposure in accordance with the REIT's Board approved Financial Risk Management Policy.

Rental income and expenses risk

Distributions made by the REIT are largely dependent on the rents received from tenants across the portfolio and expenses incurred during operations, which may be affected by a number of factors, including overall economic conditions and property market conditions.

Matters subsequent to the end of the financial period

On 3 July 2017, the REIT settled Bunnings, South Mackay QLD for \$28.5 million.

In August 2017, LWIP exchanged conditional contracts to acquire Bridge Inn VIC for \$21.2 million (including the REIT's pro-rata share of \$9.5 million) and sell Preston Hotel VIC for \$9.2m million (including the REIT's pro-rata share of \$4.1 million). The REIT will contribute equity of approximately \$6 million prior to expected settlement in October 2017.

In August 2017, the REIT announced the simplification of its stapled structure from seven to three components. The proposal is subject to Securityholders' approval on 15 September 2017.

The directors of the Responsible Entity are not aware of any other matter or circumstance not otherwise dealt within this report or the financial report that has significantly affected or may significantly affect the operations of the REIT, the results of its operations or the state of affairs of the REIT in future financial years.

Likely developments and expected results of operations

The consolidated financial statements have been prepared on the basis of current known market conditions. The extent to which a potential deterioration in either the capital or property markets that may have an impact on the results of the REIT are unknown. Such developments could influence property market valuations, the ability to refinance debt and the cost of such debt, or the ability to raise equity.

At the date of this report and to the best of the Directors' knowledge and belief, there are no other anticipated changes in the operations of the REIT which would have a material impact on the future results of the REIT. Property valuation changes, movements in the fair value of derivative financial instruments and movements in interest rates may have a material impact on the REIT's results in future years however, these cannot be reliably measured at the date of this report.

Indemnification and insurance of directors, officers and auditor

During the year, the REIT contributed to the premium for a contract to insure all directors, secretaries, executive officers and officers of the REIT and of each related body corporate of the REIT, with the balance of the premium paid by Charter Hall Group and funds managed by members of Charter Hall Group. In accordance with usual commercial practice, the insurance contract prohibits disclosure of details relating to the nature of the liabilities covered by the insurance, the limit of indemnity and the amount of the premium paid under the contract.

Provided the officers of the Responsible Entity act in accordance with the REIT's constitutions and the *Corporations Act 2001*, the officers are indemnified out of the assets of the REIT against losses incurred while acting on behalf of the REIT. The insurance does not provide cover for the independent auditors of the REIT or of a related body corporate of the REIT. The REIT indemnifies the auditor (PricewaterhouseCoopers Australia) against any liability (including legal costs) for third party claims arising from a breach by the REIT of the auditor's engagement terms, except where prohibited by the *Corporations Act 2001*.

Fees paid to and interests held in the REIT by the responsible entity or its associates

Base fees of \$4.3 million (2016: \$1.5 million) and other fees were paid or are payable to the Responsible Entity and its associates for the services provided during the year, in accordance with the REIT's constitutions as disclosed in Note E1 to the consolidated financial statements.

The interests in the REIT held by the Responsible Entity or its associates as at 30 June 2017 and other fees paid to its associates during the year are disclosed in Note E1 to the consolidated financial statements.

Directors' report (continued)

Interests in the REIT

	2017	2016
Units on issue at the beginning of the year	120,445,047	120,445,047
Change in the number of units after unit reorganisation	(81,644,447)	-
Unit redemption	(30,747,042)	-
Stapled securities issued during the year		
- via Initial Public Offering	198,629,539	-
- via Distribution Reinvestment Plan	1,104,078	-
Stapled securities on issue at the end of the year	207,787,175	120,445,047

Environmental regulations

The operations of the REIT are subject to environmental regulations under Commonwealth, State and Territory legislation in relation to property developments.

Under the lease agreements for the industrial sites owned by the REIT, any environmental exposures are the responsibility of the tenant, and the REIT is indemnified against any losses resulting from environmental contamination.

Information on Current Directors

Director	Experience	Special responsibilities	Interest in stapled securities of the REIT
Peeyush Gupta	Appointed 6 May 2016 Peeyush was the co-founder and the inaugural Chief Executive Officer of Ipac Securities Limited, a pre-eminent wealth management firm. He has experience in starting and growing businesses, acquisitions and divestments, roll-ups and integration, general management, investment management and corporate governance. He is a Non-Executive Director of National Australia Bank Limited, Special Broadcasting Service (SBS), BNZ Life, and Insurance & Care (NSW). He is also currently the Chair of Charter Hall Direct Property Management Limited, Chair of MLC RE and IDPS Board and serves in a pro bono capacity as a trustee of Western Sydney University and the Australian School of Business Dean's Advisory Committee. Peeyush holds a Master of Business Administration in Finance from the Australian Graduate School of Management and a Bachelor of Arts in Computing Studies from the University of Canberra. Peeyush is also a Fellow of the Australian Institute of Company Directors.	Chair	382,111
Glenn Fraser	Appointed 6 May 2016 Glenn specialises in finance, infrastructure and property. He was a member of Transfield Holdings Advisory Board from 1999 to 2015. He was instrumental in Transfield Holdings' acquisition of a 50% interest in Charter Hall and its subsequent expansion and listing in 2005. Previously, Glenn was a Non-Executive Director of the Charter Hall Group from 6 April 2005 to 15 August 2012. Joining Transfield Holdings in 1996, Glenn was General Manager – Finance Project Development, where he was responsible for the financial elements of Transfield Holdings' infrastructure and property projects. Glenn was appointed Chief Financial Officer in 1999 of Transfield Holdings, which at that time had turnover in excess of \$1 billion per annum and over 8,000 staff. Glenn was a principal and director of a project finance advisory business, Perry Development Finance Pty Limited from 1985, which was sold to Hambros Corporate Finance Limited in 1995. Glenn holds a Bachelor of Commerce from the University of NSW, and is a member of the Institute of Chartered Accountants Australia and New Zealand and a graduate of the Australian Institute of Company Directors.	Audit, Risk and Compliance Committee Chair	40,000

Directors' report (continued)

Director	Experience	Special responsibilities	Interest in stapled securities of the REIT
Ceinwen Kirk-Lennox	Appointed 28 June 2016 Ceinwen has over 31 years' experience in many aspects of property including agency, property development, project and construction management, and community development. Her executive career includes 26 years at Lendlease Corporation, where she held executive roles, running business units, client accounts and functions across the Lendlease Group. Ceinwen now runs her own consultancy, with clients across both private and public sectors. Ceinwen holds a Bachelor of Business (Land Economy) from the University of Western Sydney, and is a graduate of the Australian Institute of Company Directors. Ceinwen has 17 years' experience as an executive and non-executive director serving on a number of boards including both for-profit and not-for-profit companies. Ceinwen is a National Director of the Property Industry Foundation, and an Advisory Member of the Western Sydney Institute of TAFE.	Nil	23,250
David Harrison	Appointed 16 February 2016 David is Executive Director of Charter Hall Group (ASX: CHC) and Charter Hall Retail REIT (ASX: CQR). He has 31 years of property market experience across office, retail and industrial sectors in multiple geographies globally. As Charter Hall's Managing Director and Group CEO, David is responsible for all aspects of the Charter Hall business, with specific focus on strategy and continuing the momentum from building an Investment Manager recognised as a multi-core sector market leader. David is an executive member of various Fund Boards and Partnership Investment Committees, Chair of the Executive Property Valuation Committee and Executive Leadership Group. David holds a Bachelor of Business Degree (Land Economy) from the University of Western Sydney, is a Fellow of the Australian Property Institute (FAPI) and holds a Graduate Diploma in Applied Finance from the Securities Institute of Australia. David is National Vice President on the Board of Directors for the Property Council of Australia and Chair of the Audit and Risk Committee. David is also a member of the Property Male Champions of Change.	Nil	254,053

Directors' report (continued)

Director	Experience	Special responsibilities	Interest in stapled securities of the REIT
Adrian Taylor	Appointed 18 July 2016 Adrian is Charter Hall's Group Executive - Office. He is a member of Charter Hall's Executive Leadership Group and Chair of the Corporate Responsibility and Sustainability Committee. Adrian leads the office platform including setting the strategy and objectives for the wholesale office funds in conjunction with the Charter Hall fund managers and wholesale investors, and guides the asset management, property management, technical service and development teams. He has extensive capital transaction and capital management experience including debt and equity raising and deep joint venture experience in Australia and the US. He spent 15 years in listed REIT markets as General Manager, Chief Investment Officer and Chief Executive Officer of the Charter Hall Office REIT prior to its privatisation. In his prior role as Head of Wholesale Investment, he ran the investment management functions across office, retail and industrial sectors. Adrian graduated with a Bachelor of Business from Monash University, is a Certified Practising Accountant, a Fellow of the Financial Services Institute of Australasia, a Fellow Of the Royal Institute of Chartered Surveyors and is involved in numerous property industry groups including being Deputy Chair of the ICMD Division Council of the Property Council of Australia.	Nil	63,513

Meetings of Directors

Name	Full meetings of Directors		Meetings of Audit, Risk and Compliance Committee	
	Eligible to attend	Attended	Eligible to attend	Attended
Peeyush Gupta	21	21	3	3
Glenn Fraser	21	21	3	3
Ceinwen Kirk-Lennox	21	21	3	3
David Harrison	21	17	-	-
Adrian Taylor	20	20	-	-

Company secretary

Tracey Jordan was appointed Company Secretary for the Responsible Entity on 16 February 2016. Tracey has more than 25 years' experience in real estate and funds management, with extensive knowledge of real estate transactions, structuring, funds management, compliance and corporate governance. Tracey is a Solicitor of the Supreme Court of NSW, and has been admitted to the Supreme Court of the Australian Capital Territory and the High Court of Australia. She holds a Bachelor of Arts and a Bachelor of Laws degree from the University of Sydney.

Non-audit services

The Responsible Entity may decide to employ the auditor (PricewaterhouseCoopers) on assignments in addition to the statutory audit duties where the auditor's expertise and experience with the REIT are important.

Details of the amounts paid to the auditor for audit and non-audit services provided during the year are disclosed in Note E5 to the consolidated financial statements.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit, Risk and Compliance Committee, is satisfied that the provision of the non-audit services is compliant with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out in Note E5 to the consolidated financial statements, did not compromise the auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit, Risk and Compliance Committee to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Accounting Professional and Ethical Standards Board APES 110 *Code of Ethics for Professional Accountants*.

Directors' report (continued)

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 13.

Rounding of amounts to the nearest hundred thousand dollars

As permitted by ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 (as amended) issued by the Australian Securities and Investments Commission relating to the 'rounding off' of amounts in the Directors' report and consolidated financial statements, amounts in the Directors' report and consolidated financial statements have been rounded to the nearest hundred thousand dollars, unless otherwise indicated.

This report is made in accordance with a resolution of the Board of Directors of Charter Hall WALE Limited.



Peeyush Gupta
Chair

Sydney
17 August 2017



Auditor's Independence Declaration

As lead auditor for the audit of Charter Hall Long WALE REIT for the year ended 30 June 2017, 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 Charter Hall Long WALE REIT and the entities it controlled during the period.


J A Dunning
Partner
PricewaterhouseCoopers

Sydney
17 August 2017

Consolidated statement of comprehensive income

For the year ended 30 June 2017

	Notes	2017 \$'m	2016 \$'m
Revenue			
Property rental income		45.4	18.0
Interest income		0.2	-
Total revenue		45.6	18.0
Other income			
Share of equity accounted profit	C2	38.2	10.5
Net fair value gain on financial assets		0.2	-
Net fair value gain on investment properties	C1	7.4	7.8
Net gain from derivative financial instruments	D3	0.3	-
Total other income		46.1	18.3
Total revenue and other income		91.7	36.3
Expenses			
Property expenses		(6.2)	(2.3)
Fund management fees	E1	(4.3)	(1.5)
Performance and disposal fees	A2, E1	(5.2)	(5.3)
Finance costs		(9.9)	(3.2)
Costs associated with Initial Public Offering (IPO)	A2	(14.9)	(0.3)
Acquisition costs	C2	(14.0)	-
Administration and other expenses		(2.2)	(0.4)
Net loss on early settlement of derivative financial instruments	D3	(0.4)	-
Total expenses		(57.1)	(13.0)
Net profit for the year		34.6	23.3
Other comprehensive income		-	-
Total comprehensive income		34.6	23.3
Net profit and total comprehensive income attributable to:			
DIF		8.4	23.3
Stapled Trusts other than DIF		26.2	-
		34.6	23.3
Basic and diluted earnings per ordinary securityholder of the REIT			
Earnings per stapled security (cents)	B2	23.76	N/A
Earnings per unit of DIF (cents)	B2	5.77	60.05

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

Consolidated balance sheet

As at 30 June 2017

	Notes	2017 \$'m	2016 \$'m
Assets			
Current assets			
Cash and cash equivalents		2.9	0.5
Receivables	E2	4.4	0.5
Other assets	E2	4.9	0.2
Total current assets		12.2	1.2
Non-current assets			
Investment properties	C1	760.4	199.2
Investments accounted for using the equity method	C2	402.3	35.4
Investment in financial assets at fair value	C3	17.2	-
Derivative financial instruments	D3	0.6	-
Total non-current assets		1,180.5	234.6
Total assets		1,192.7	235.8
Liabilities			
Current liabilities			
Payables	E2	4.4	1.2
Distribution payable	B2	13.3	2.9
Provisions	E1	-	5.3
Other liabilities		-	0.2
Total current liabilities		17.7	9.6
Non-current liabilities			
Borrowings	D2	356.7	67.7
Derivative financial instruments	D3	0.9	0.5
Total non-current liabilities		357.6	68.2
Total liabilities		375.3	77.8
Net assets		817.4	158.0
Equity			
<i>Equity holders of DIF</i>			
Contributed equity	D6	434.8	119.2
Retained profits		24.4	38.8
Parent entity interest		459.2	158.0
<i>Equity holders of Stapled Trusts other than DIF</i>			
Contributed equity	D6	261.5	-
Retained profits		96.7	-
Equity holders of Stapled Trusts other than DIF		358.2	-
Total equity		817.4	158.0

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

Consolidated statement of changes in equity

For the year ended 30 June 2017

	Notes	Attributable to unitholders of DIF		Total \$'m
		Contributed equity \$'m	Retained profits \$'m	
Balance at 1 July 2015		119.2	26.9	146.1
Total comprehensive income		-	23.3	23.3
Distributions provided for or paid		-	(11.4)	(11.4)
Balance at 30 June 2016		119.2	38.8	158.0
Balance at 1 July 2016		119.2	38.8	158.0
Total comprehensive income		-	8.4	8.4
Capital return	D6	(66.6)	-	(66.6)
Unit redemptions	D6	(70.2)	-	(70.2)
Contributions of equity, net of issue costs	D6	452.4	-	452.4
Distributions provided for or paid	B2	-	(22.8)	(22.8)
Balance at 30 June 2017		434.8	24.4	459.2
Attributable to unitholders of Stapled Trusts other than DIF				
	Notes	Contributed equity \$'m	Retained profits \$'m	Total \$'m
Balance at 10 November 2016		-	-	-
Business combination	A2	202.1	85.4	287.5
Total comprehensive income		-	26.2	26.2
Contributions of equity, net of issue costs	D6	59.4	-	59.4
Distributions provided for or paid	B2	-	(14.9)	(14.9)
Balance at 30 June 2017		261.5	96.7	358.2

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

Consolidated cash flow statement

For the year ended 30 June 2017

	Notes	2017 \$'m	2016 \$'m
Cash flows from operating activities			
Property rental income received		49.4	18.1
Property expenses paid		(5.5)	(3.2)
Distributions received from investment in joint venture entities		14.6	2.8
Interest received		0.2	0.1
Finance costs paid		(9.5)	(3.1)
Fund management fees paid		(4.5)	(1.6)
Administration and other expenses paid		(2.2)	(0.5)
Net GST paid with respect to operating activities		(3.2)	(1.2)
Net cash flows from operating activities	B3	39.3	11.4
Cash flows from investing activities			
Cash acquired on business combination		3.4	-
Payments for investment properties		(76.8)	(0.2)
Payment to income support fund		(17.0)	-
Payment of performance and disposal fees		(10.5)	-
Payments for investments in joint venture entities		(72.8)	-
Settlement of interest rate swaps		(7.3)	-
Net cash flows from investing activities		(181.0)	(0.2)
Cash flows from financing activities			
Proceeds from issue of units, net of equity raising costs		33.9	-
Distributions paid to unitholders		(26.6)	(11.3)
Costs associated with IPO		(7.1)	-
Proceeds from borrowings (net of borrowing costs)		392.1	6.5
Repayment of borrowings		(248.2)	(6.7)
Net cash flows from financing activities		144.1	(11.5)
Net increase/(decrease) in cash and cash equivalents		2.4	(0.3)
Cash and cash equivalents at the beginning of the year		0.5	0.8
Cash and cash equivalents at the end of the year		2.9	0.5

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

Non-cash financing and investing activities

The following non-cash financing activities are not reflected in the statement of cash flows:

Gross consideration received from IPO		826.7	-
Equity raising fees paid to Joint Lead Managers		(15.0)	-
Rollover investment by DIF unitholders		(18.4)	-
Capital returns paid to DIF unitholders		(66.6)	-
Payments for redemption of units to former DIF unitholders		(70.2)	-
Exercise of call options to acquire interest in joint venture entities		(188.1)	-
Rollover investment by unitholders of Stapled Trusts other than DIF		(41.0)	-
Capital return and unit redemptions paid to former unitholders of Stapled Trusts other than DIF		(393.5)	-
Proceeds from issue of stapled securities, net of equity raising costs		33.9	-
Distributions by the REIT during the year satisfied by the issue of units under the DRP	D6	(4.4)	-

About this report

The notes to these consolidated financial statements include additional information which is required to understand the operations, performance and financial position of the REIT. They are organised in five key sections:

- A. Business combination** – provides information on the formation of the REIT.
- B. REIT performance** – provides key metrics used to define financial performance.
- C. Property portfolio assets** – explains the investment property portfolio structure.
- D. Capital structure and financial risk management** – details how the REIT manages its exposure to capital and financial risks.
- E. Other information** – provides additional disclosures relevant in understanding the REIT's financial statements.

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Critical accounting estimates and judgements

The preparation of the consolidated financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates and management to exercise its judgement in the process of applying the REIT's accounting policies.

The areas involving significant estimates or judgements are:

- Business combination – A1. Stapling and A2. Financial disclosures
- Consolidation decisions and classification of joint arrangements - C2. Investment in joint venture entities
- Fair value estimation – C1. Investment properties

A. Business combination

This consolidated annual financial report is of Charter Hall Direct Industrial Fund (DIF) and its controlled entities (together Charter Hall Long WALE REIT, REIT or CLW) for the year ended 30 June 2017. The REIT was formed upon the stapling of the units of the following seven entities and their relevant controlled entities below (collectively referred to as the Stapled Trusts):

Stapled Entity	Description
Charter Hall Direct Industrial Fund (DIF)	Owns all of CLW's investment properties and equity accounted investments other than those listed below
LWR Finance Trust (Finance Trust)	Holds the REIT's bank debt and interest rate swaps through Charter Hall LWR Limited
Canning Vale Logistics Trust No.1 (CVLT1)	50% ownership of Metcash, Canning Vale WA
218 Bannister Road Trust (218 BRT)	50% ownership of Metcash, Canning Vale WA
CPOF Kogarah Holding Trust (CPOF KHT)	50.1% ownership of Westpac, Kogarah NSW
Franklin Street Property Trust (FSPT)	100% ownership of ATO, Adelaide SA
CHPT Dandenong Trust (CHPT DT)	50% ownership of Coles, Truganina VIC and 26% ownership of Woolworths, Dandenong VIC

The stapling transaction is accounted for as a business combination.

A1. Stapling

The units in the Stapled Trusts (collectively referred to as the stapled securities) are listed on the Australian Securities Exchange and cannot be traded or dealt with separately. The seven entities comprising the stapled group remain separate legal entities in accordance with the *Corporations Act 2001*, and are each required to comply with the reporting and disclosure requirements of Accounting Standards and the *Corporations Act 2001*.

Stapling arrangements are treated as a business combination by contract alone since none of the stapled entities (as opposed to their unitholders) obtain an ownership interest in another stapled entity.

Under AASB 3 *Business Combinations* and AASB 10 *Consolidated Financial Statements*, one of the stapled entities of a stapled structure is to be identified as the parent entity for the purpose of preparing a consolidated annual financial report. In accordance with this requirement, DIF has been identified as the parent entity. Accordingly, the consolidated financial statements of the REIT have been prepared as a continuation of the consolidated financial statements of DIF with the current period information presented being that of DIF from 1 July 2016 until 9 November 2016 and that of DIF and the other six stapled trusts from 10 November 2016 until 30 June 2017. The comparative information presented is that of DIF for the period 1 July 2015 to 30 June 2016.

The results and equity, not directly owned by DIF, of the other Stapled Trusts have been treated and disclosed as non-controlling interests in the consolidated financial statements of the REIT. Whilst the results and equity of the other Stapled Trusts are disclosed as non-controlling interests, the stapled securityholders of DIF are the same as the stapled securityholders of the other Stapled Trusts.

Critical accounting estimates and judgements

DIF was deemed to be the accounting acquirer predominantly due to it holding the highest number and value of combined direct and indirect property interests. The other Stapled Trusts were deemed as acquirees. Non-controlling interests of DIF in the other Stapled Trusts are measured using the proportionate share method.

Since DIF, the deemed acquirer, neither paid for nor obtained an interest in the other six Stapled Trusts, the purchase consideration was deemed to be nil.

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a business comprises:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the REIT;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the acquiree.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

A. Business combination (continued)

A2. Financial disclosures

Details of the assets and liabilities recognised as a result of the acquisition are as follows:

	Finance Trust \$'m	CVLT1 \$'m	218 BRT \$'m	CPOF KHT \$'m	FSPT \$'m	CHPT DT \$'m	Total \$'m
Assets and liabilities acquired by DIF							
Cash and cash equivalents	2.5	0.2	0.2	-	-	0.5	3.4
Receivables and other assets	0.9	20.8	20.8	23.2	102.9	13.5	182.1
Investments accounted for using equity method	-	-	-	94.0	-	4.7	98.7
Investment properties	-	82.3	82.3	-	263.5	51.3	479.4
Payables and other liabilities	(1.8)	(72.2)	(72.2)	(82.2)	(45.4)	(50.6)	(324.4)
Derivative financial instruments	-	-	-	-	(7.2)	-	(7.2)
Borrowings	-	-	-	-	(144.5)	-	(144.5)
Net identifiable assets acquired	1.6	31.1	31.1	35.0	169.3	19.4	287.5
Less: Non-controlling interest	(1.6)	(31.1)	(31.1)	(35.0)	(169.3)	(19.4)	(287.5)
Net assets acquired	-	-	-	-	-	-	-

The acquired businesses contributed revenues and net profit to the REIT for the period from 10 November 2016 to 30 June 2017 as follows:

	Finance Trust \$'m	CVLT1 \$'m	218 BRT \$'m	CPOF KHT \$'m	FSPT \$'m	CHPT DT \$'m	Total \$'m
Revenues	8.7	4.3	4.3	11.7	13.5	2.6	45.1
Net profit/(loss)	(0.4)	2.2	2.3	9.2	11.2	1.7	26.2
Total comprehensive income	(0.4)	2.2	2.3	9.2	11.2	1.7	26.2

If the acquisition had occurred on 1 July 2016, consolidated pro-forma revenue and profit for the year ended 30 June 2017 would have been set out as below:

	Finance Trust \$'m	CVLT1 \$'m	218 BRT \$'m	CPOF KHT \$'m	FSPT \$'m	CHPT DT \$'m	Total \$'m
Revenues	14.8	6.2	6.2	13.8	21.1	3.2	65.3
Net profit/(loss)	(1.0)	3.4	3.6	10.3	15.1	1.5	32.9
Total comprehensive income	(1.0)	3.4	3.6	10.3	15.1	1.5	32.9

Refer to Note C2 for details of interest in joint ventures acquired immediately after the initial public offering of the REIT.

Costs associated with IPO

	2017 \$'m	2016 \$'m
Underwriting and offer management fees and cost	15.0	-
Advisers and consultants fees	6.3	-
	21.3	-
Treated as equity raising costs	6.4	-
Treated as expense in profit or loss	14.9	-
	21.3	-

B. REIT performance

This section provides additional information on the key financial metrics used to define the results and performance of the REIT, including: operating earnings by segment, distributions and earnings per stapled security.

Operating earnings is a financial measure which represents profit under Australian Accounting Standards adjusted for net fair value movements, non-cash accounting adjustments such as straight lining of rental income and amortisations and other unrealised or one-off items. Operating earnings also aligns to the Funds from Operations (FFO) as defined by the Property Council of Australia.

The inclusion of operating earnings as a measure of the REIT's profitability provides investors with the same basis that is used internally for evaluating operating segment performance. Operating earnings is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution to declare.

B1. Segment information

(a) Description of segments

The Directors of the Responsible Entity have determined the operating segments based on the reports reviewed by the chief operating decision maker, being the Board of the Responsible Entity. The REIT has one operating segment being its Australian operations, however, the results of DIF pre-IPO are not relevant to the REIT's investors going forward and therefore have been separated out in the tables below.

(b) Segment information provided to the Board

The operating earnings reported to the Board for the year ended 30 June 2017 are as follows:

	01 July 2016 to 9 Nov 2016 Pre-IPO \$'m	10 Nov 2016 to 30 June 2017 Post-IPO \$'m	30 June 2017 \$'m	30 June 2016 \$'m
Total revenue	6.6	39.0	45.6	20.8
Non-cash adjustments	(0.4)	(1.6)	(2.0)	(4.1)
Property expenses	(0.8)	(5.4)	(6.2)	(2.4)
Net property income	5.4	32.0	37.4	14.3
Share of operating earnings from investments accounted for using equity method	1.1	15.9	17.0	2.8
Fund management fees	(0.6)	(3.7)	(4.3)	(1.5)
Finance costs	(1.0)	(8.6)	(9.6)	(2.9)
Administration and other expenses	(0.2)	(2.0)	(2.2)	(0.4)
Operating earnings	4.7	33.6	38.3	12.3
Weighted average number of stapled securities*	38.8	206.9	145.6	N/A
Operating earnings per stapled security (cents)	12.11	16.24	26.30	N/A

* Takes into account conversion of each unit issued by DIF into approximately 0.32 units on 10 November 2016 and stapled securities issued under DRP during the year.

The operating earnings on a proportionate consolidation basis are set out below:

	01 July 2016 to 9 Nov 2016 Pre-IPO \$'m	10 Nov 2016 to 30 June 2017 Post-IPO \$'m	30 June 2017 \$'m	30 June 2016 \$'m
Net property income	6.8	52.5	59.3	18.0
Interest income	-	0.2	0.2	-
Fund management fees	(0.6)	(3.7)	(4.3)	(1.5)
Finance costs	(1.3)	(13.3)	(14.6)	(3.8)
Administration and other expenses	(0.2)	(2.1)	(2.3)	(0.4)
Operating earnings	4.7	33.6	38.3	12.3

B. REIT performance (continued)

Reconciliation between operating earnings to statutory profit is set out below:

	01 July 2016 to 9 Nov 2016 Pre-IPO \$'m	10 Nov 2016 to 30 June 2017 Post-IPO \$'m	30 June 2017 \$'m	30 June 2016 \$'m
Operating earnings	4.7	33.6	38.3	12.3
Net fair value movements on investment properties ¹	(0.4)	29.3	28.9	15.6
Net fair value movements on derivative financial instruments ¹	0.1	3.7	3.8	(0.2)
Net fair value movements on investments at fair value through profit or loss	-	0.2	0.2	-
Loss on early settlement of derivative financial instruments ¹	-	(4.3)	(4.3)	-
Straightlining of rental income ¹	0.4	2.0	2.4	1.5
Debt extinguishment and amortisation of borrowing costs ¹	(0.2)	(0.4)	(0.6)	(0.3)
Performance and disposal fees ²	(5.2)	-	(5.2)	(5.3)
Costs associated with Initial Public Offering	-	(14.9)	(14.9)	(0.3)
Acquisition costs	-	(14.0)	(14.0)	-
Statutory profit for the year	(0.6)	35.2	34.6	23.3

¹ Includes the REIT's proportionate share of non-operating items of equity accounted investments on a look-through basis.

² The REIT paid \$5.2 million of disposal fees and \$5.3 million of performance fees. The performance fees were provisioned for at 30 June 2016. These fees were expensed prior to the formation of the REIT.

Rental income

Property rental income represents income earned from the long-term rental of REIT properties (exclusive of outgoings recovered from tenants) and is recognised on a straight line basis over the lease term.

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

	0 to 1 year \$'m	1 to 5 years \$'m	Over 5 years \$'m	Total \$'m
2017	54.6	223.2	297.2	575.0
2016	14.5	61.3	71.6	147.4

Property expenses

Property expenses, other expenses and property outgoings, including rates and taxes, incurred in relation to investment properties where such expenses are the responsibility of the REIT, are recognised on an accruals basis.

B. REIT performance (continued)

B2. Distributions and earnings per unit

(a) Distributions paid and payable

	2017			2016		
	Number of units on issue	Cents per unit	\$'m	Number of units on issue	Cents per unit	\$'m
Ordinary unitholders of DIF						
30 September ¹	120,445,046	2.38	2.9	120,445,046	2.38	2.8
10 November ¹	120,445,046	1.06	1.3	120,445,046	-	-
31 December	206,683,097	1.90	3.9	120,445,046	2.38	2.9
31 March	206,683,097	3.60	7.4	120,445,046	2.38	2.8
30 June	207,787,175	3.50	7.3	120,445,046	2.38	2.9
Total distributions²		15.66	22.8		29.38	11.4
Ordinary unitholders of Stapled Trusts other than DIF						
31 December	206,683,097	1.50	3.1	N/A	N/A	N/A
31 March	206,683,097	2.80	5.8	N/A	N/A	N/A
30 June	207,787,175	2.90	6.0	N/A	N/A	N/A
Total distributions²		25.89	37.7		29.38	11.4

¹ Represents distribution paid to DIF unitholders prior to the formation of the REIT.

² Cents per unit information is calculated with reference to weighted average number of stapled securities.

DIF also made a capital distribution of \$66.6 million to its former unitholders on 10 November 2016.

Pursuant to the REIT's constitutions, the amount distributed to unitholders is at the discretion of the Responsible Entity. The Responsible Entity uses operating earnings as a guide to assessing an appropriate distribution to declare. Operating earnings for the period from 10 November 2016 to 30 June 2017 was \$33.6 million (16.24 cents per stapled security) and a distribution of \$33.5 million (16.2 cents per stapled security) was declared for the same period.

A liability is recognised for the amount of any distribution declared by the REIT on or before the end of the reporting period but not distributed at balance date.

Under current Australian income tax legislation, the REIT is not liable to pay income tax provided its income for the year, as determined under the REIT's constitutions, is fully distributed to unitholders, by way of cash or reinvestment.

(b) Earnings per stapled security

	2017	2016
Basic and diluted earnings		
Earnings per stapled security (cents)	23.76	N/A
Operating earnings per stapled security (cents)	26.30	N/A
Earnings per DIF unit (cents)	5.77	60.05
Earnings used in the calculation of basic and diluted earnings per security		
Net profit of the REIT for the year (\$ millions)	34.6	N/A
Net profit of DIF for the year (\$ millions)	8.4	23.3
Operating earnings of the REIT for the year (\$ millions)	38.3	N/A
Weighted average number of stapled securities* used in the calculation of basic and diluted earnings per stapled security (millions)	145.6	38.8

* Takes into account conversion of each unit issued by DIF into approximately 0.32 units on 10 November 2016.

Basic and diluted earnings per stapled security is determined by dividing statutory profit attributable to the stapled securityholders by the weighted average number of stapled securities on issue during the year.

Operating earnings per stapled security is determined by dividing operating earnings attributable to the stapled securityholders by the weighted average number of stapled securities on issue during the year.

B. REIT performance (continued)

B3. Reconciliation of net profit to operating cash flow

	2017 \$'m	2016 \$'m
Profit for the year	34.6	23.3
Non-cash items		
Net fair value movements on financial assets	(0.2)	-
Net fair value movements on investment properties	(7.4)	(7.8)
Net fair value movements on derivative financial instruments	(0.3)	-
Loss on early settlement of derivative financial instruments	0.4	-
Share of non-operating earnings from investments accounted for using equity method	(21.2)	(7.7)
Straightlining of rental income	(2.0)	(1.4)
Debt extinguishment and amortisation of borrowing costs	0.3	0.3
Classified as investing activities		
Performance and disposal fees	5.2	5.3
Acquisition costs	14.0	-
Classified as financing activities		
Costs associated with Initial Public Offering	14.9	-
Decrease/(increase) in trade and other receivables	0.1	(0.1)
Increase/(decrease) in trade and other payables	0.9	(0.5)
Net cash flows from operating activities	39.3	11.4

C. Property portfolio assets

The REIT's property portfolio assets comprise directly held investment properties, indirectly held interests in investment property held through joint ventures and an investment in financial assets at fair value. Investment properties comprise investment interests in land and buildings held for long-term rental yields, including properties that are under development for future use as investment properties.

The following table summarises the property portfolio assets detailed in this section.

	Note	2017 \$'m	2016 \$'m
Investment properties	C1	760.4	199.2
Investments in joint venture entities	C2	402.3	35.4
Investments in financial assets at fair value	C3	17.2	-
Total property portfolio assets		1,179.9	234.6

The valuation policies stated in C1 also apply to property held in joint operations (C1) and joint ventures (C2).

C1. Investment properties

Investment properties

Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Revaluation gains and losses are included in the consolidated statement of comprehensive income in the year in which they arise.

Development properties

Investment property under construction is measured at fair value less costs to complete if the fair value is considered reliably determinable. Investment property under construction for which the fair value cannot be determined reliably, but for which the REIT expects that the fair value of the investment property will be reliably determinable when construction is completed, is measured at cost less impairment until the fair value becomes reliably determinable or construction is completed – whichever is earlier.

It may sometimes be difficult to determine reliably the fair value of investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers, among others, the stage of completion, the level of reliability of cash inflows after completion, the development risk specific to the property and the past experience with similar constructions.

(a) Valuation techniques and key judgements

In determining fair value of investment properties, management has considered the nature, characteristics and risks of its investment properties.

The table below identifies the inputs, which are not based on observable market data, used to measure the fair value (level 3) of the investment properties:

	Fair value \$'m	Net market rent (\$ sq.m./p.a.)	Adopted capitalisation rate (% p.a.)	Adopted terminal yield (% p.a.)	Adopted discount rate (% p.a.)
2017	760.4	15 - 422	5.0 - 8.3	5.0 - 8.0	6.5 - 9.0
2016	199.2	34 - 278	6.0 - 8.0	6.5 - 8.5	7.3 - 8.8

C. Property portfolio assets (continued)

Term	Definition
Discounted Cash Flow (DCF) method	A method in which a discount rate is applied to future expected income streams to estimate the present value.
Income capitalisation method	A valuation approach that provides an indication of value by converting future cash flows to a single current capital value.
Net market rent	A net market rent is the estimated amount for which a property or space within a property should lease between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and wherein the parties have each acted knowledgeably, prudently and without compulsion. In a net rent, the owner recovers outgoings from the tenant on a pro-rata basis (where applicable).
Capitalisation rate	The return represented by the income produced by an investment, expressed as a percentage.
Terminal yield	A percentage return applied to the expected net income following a hypothetical sale at the end of the cash flow period.
Discount rate	A rate of return used to convert a future monetary sum or cash flow into present value.

Movement in the inputs is likely to have an impact on the fair value of investment properties. An increase in net market rent will likely lead to an increase in fair value. A decrease in adopted capitalisation rate, adopted terminal yield or adopted discount rate will likely lead to an increase in fair value.

(b) Valuation process

The Responsible Entity conducts an investment property valuation process on a semi-annual basis. Valuations are performed either by independent professionally qualified external valuers or by Charter Hall's internal valuers who hold recognised relevant professional qualifications. Fair value is determined using Discounted Cash Flow (DCF) and income capitalisation methods.

Each investment property is valued by an independent external valuer at least once every 12 months, or earlier, where the Responsible Entity deems it appropriate or believes there may be a material change in the carrying value of the property. Independent valuers are engaged on a rotational basis.

(c) Reconciliation of the carrying amount of investment properties at the beginning and end of year

	Note	2017 \$'m	2016 \$'m
Carrying amount at the beginning of the year		199.2	189.9
Business combination	A2	479.4	-
Additions		66.7	0.2
Acquisition costs incurred		5.7	-
Revaluation increment		15.1	9.1
Revaluation decrement attributable to acquisition costs		(5.7)	-
Revaluation adjustment attributable to straightlining of rental income		(2.0)	(1.3)
Straightlining of rental income		2.0	1.3
Carrying amount at the end of the year		760.4	199.2

C. Property portfolio assets (continued)

(d) List of investment properties

As at 30 June 2017, the investment properties have been valued as set out below:

Properties	Sector	Acquisition date	Date of latest independent valuation	Independent valuation \$'m	2017 Fair value \$'m	2016 Fair value \$'m
ATO, Adelaide SA	Office	10/11/16	30/06/17	270.0	270.0	-
Toll Holdings, Altona North VIC	Industrial	02/07/10	30/06/17	33.1	33.1	33.1
Australia Post, Kingsgrove NSW	Industrial	05/11/10	30/06/17	22.0	22.0	20.7
Grace, Willawong QLD	Industrial	23/12/10	30/06/17	38.7	38.7	38.6
Woolworths, Hoppers Crossing VIC	Industrial	22/06/12	30/06/17	46.7	46.7	45.5
Coates Hire, Kingston QLD	Industrial	12/09/12	30/06/17	31.1	31.1	28.0
Electrolux, Beverly SA	Industrial	17/12/12	30/06/17	34.0	34.0	33.3
Coles, Truganina VIC*	Industrial	10/11/16	30/06/17	52.0	52.0	-
Metcash, Canning Vale WA	Industrial	10/11/16	30/06/17	166.5	166.5	-
Suez, Artarmon NSW	Industrial	23/12/16	31/12/16	17.3	17.3	-
Suez, Davis Road, Wetherill Park NSW	Industrial	23/12/16	31/12/16	10.1	10.1	-
Suez, Newton Road, Wetherill Park NSW	Industrial	23/12/16	31/12/16	8.7	8.7	-
Suez, South Boulder WA	Industrial	23/12/16	31/12/16	0.6	0.6	-
Suez, Welshpool WA	Industrial	23/12/16	31/12/16	12.5	12.5	-
Suez, Landsdale WA	Industrial	23/12/16	31/12/16	3.8	3.8	-
Suez, Lower Nudgee QLD	Industrial	23/12/16	31/12/16	3.8	3.8	-
Suez, South Dandenong VIC	Industrial	23/12/16	31/12/16	7.0	7.0	-
Suez, Campbellfield VIC	Industrial	23/12/16	31/12/16	2.1	2.1	-
Suez, Bairnsdale VIC	Industrial	23/12/16	31/12/16	0.4	0.4	-
Total				760.4	760.4	199.2

*50% ownership accounted for as joint operations.

Joint operations (Coles, Truganina VIC)

The REIT recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the consolidated financial statements under the appropriate headings.

C2. Investments in joint venture entities

The REIT has investments in joint venture entities. The REIT exercises joint control over the joint venture entities, but neither the REIT nor its joint venture partners have control in their own right, irrespective of their ownership interest. The principal activity of all joint venture entities during the year was investment into Australian properties.

Information relating to the joint venture entities are detailed below:

Name of entity	Properties	2017 Ownership %	2016 Ownership %	2017 \$'m	2016 \$'m
LWIP	ALH, National Portfolio (57 properties)	45.0%	-	170.2	-
CH DC Fund	Woolworths, Dandenong VIC	26.0%	-	9.5	-
Kogarah Trust	Westpac, Kogarah NSW	50.1%	-	102.1	-
Perth RDC Trust	Coles, Perth WA	49.9%	25.0%	120.5	35.4
				402.3	35.4

(a) Gross equity accounted value of investment in joint venture entities

	2017 \$'m	2016 \$'m
Balance at the beginning of the year	35.4	27.7
Business combination (including acquisition costs)	99.3	-
Additions (including acquisition costs)	260.4	-
Acquisition costs written off	(14.0)	-
Share of equity accounted profit	38.2	10.5
Distributions received and receivable	(17.0)	(2.8)
Balance at the end of the year	402.3	35.4

C. Property portfolio assets (continued)

(b) Summarised financial information for material joint ventures

The information presented below reflects the amounts in the financial statements of the joint ventures:

	LWIP	CH DC	Kogarah	Perth RDC	Total
	\$'m	Fund \$'m	Trust \$'m	Trust \$'m	\$'m
2017					
Summarised balance sheet					
Cash and cash equivalents	3.1	0.4	2.3	0.5	6.3
Other current assets	2.7	1.4	0.4	0.2	4.7
Non-current assets	727.0	34.8	203.5	242.5	1,207.8
Current liabilities	(9.8)	(0.3)	(2.4)	(1.7)	(14.2)
Derivative financial instruments - non-current liabilities	(0.1)	-	-	-	(0.1)
Borrowings - non-current liabilities	(344.7)	-	-	-	(344.7)
Net assets	378.2	36.3	203.8	241.5	859.8
REIT's share in %	45.0	26.0	50.1	49.9	
REIT's share in \$'m and carrying value	170.2	9.5	102.1	120.5	402.3
Summarised statement of comprehensive income					
Revenue	48.4	-	12.0	19.9	80.3
Interest expense	(15.2)	-	-	(1.9)	(17.1)
Profit for the year	48.6	9.1	27.3	15.9	100.9
Other comprehensive income	-	-	-	-	-
Total comprehensive income	48.6	9.1	27.3	15.9	100.9
REIT's share in \$'m	17.4	2.3	11.7	6.8	38.2
REIT's share of distributions received	7.5	0.2	3.6	5.7	17.0

	Perth RDC	Total
	Trust \$'m	\$'m
2016		
Summarised balance sheet		
Cash and cash equivalents	1.0	1.0
Other current assets	0.4	0.4
Non-current assets	240.0	240.0
Current liabilities	(2.2)	(2.2)
Derivative financial instruments - non-current liabilities	(0.6)	(0.6)
Borrowings - non-current liabilities	(96.9)	(96.9)
Net assets	141.7	141.7
REIT's share in %	25.0	25.0
REIT's share in \$'m and carrying value	35.4	35.4
Summarised statement of comprehensive income		
Revenue	20.4	20.4
Interest expense	(3.6)	(3.6)
Profit for the year	42.2	42.2
Other comprehensive income	-	-
Total comprehensive income	42.2	42.2
REIT's Share in \$'m	10.5	10.5
REIT's share of distribution received	2.8	2.8

Joint ventures (Coles, Perth WA, ALH, National Portfolio, Woolworths, Dandenong VIC and Westpac, Kogarah NSW)

Interests in joint ventures are accounted for using the equity method, with investments initially recognised at cost and adjusted thereafter to recognise the REIT's share of post-acquisition profits or losses of the investee in profit or loss, and the REIT's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

When the REIT's share of losses in an equity accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the REIT does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

C. Property portfolio assets (continued)

Unrealised gains on transactions between the REIT and its joint venture entities are eliminated to the extent of the REIT's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the REIT.

C3. Investments in financial asset at fair value

	Note	2017 \$'m	2016 \$'m
Balance at the beginning of the year	C1	-	-
Additions	C2	17.0	-
Net fair value movement on investment at fair value	C3	0.2	-
Balance at the end of the year		17.2	-

Income support account

In acquiring the ATO, Adelaide SA property, \$17 million was deposited into an escrow account which can be drawn prior to the expiry of the ATO's lease in October 2027 to compensate the REIT for:

- potential reductions in income;
- a vacancy in respect of the property arising;
- any incentives payable to a tenant at the property;
- any leasing costs payable in connection with a tenancy at the property;
- any increase in property outgoings and repair and maintenance expenses; and
- any other operating or capital costs relating to the property.

There were no withdrawals from the income support account during the year.

C4. Commitments and contingent liabilities

As at 30 June 2017, the REIT has a \$49.4 million equity commitment to CH DC Fund being the balance owing on partially paid units which will be used to fund the development of the Woolworths Dandenong, VIC. In addition, as at 30 June 2017, the REIT has a commitment under an unconditional agreement to acquire Bunnings, South Mackay QLD for \$28.5 million.

These commitments have not been reflected in the consolidated financial statements of the REIT.

As at 30 June 2017, the REIT has no contingent liabilities.

The REIT's share in the commitments and contingent liabilities of joint venture entities other than those described above, total nil (2016: \$nil).

D. Capital structure and financial risk management

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

D1. Capital risk management

The REIT optimises capital through the mix of available capital sources whilst complying with statutory and constitutional capital and distribution requirements, maintaining gearing, interest cover ratios and other covenants within approved limits and continuing to operate as a going concern.

The REIT assesses its capital management approach as a key part of its overall strategy and it is regularly reviewed by management and the Board.

The REIT is able to alter its capital mix by issuing new units, activating the DRP, electing to have the DRP underwritten, adjusting the amount of distributions paid, activating a unit buyback program or selling assets to reduce borrowings.

The REIT has a target balance sheet gearing level of 25% to 35% of debt to total assets and its balance sheet gearing at 30 June 2017 was 29.9%.

The REIT also protects its assets by taking out insurance with creditworthy insurers.

D2. Borrowings and liquidity

(a) Borrowings

Borrowings are initially recognised at fair value, estimated by comparing the margin on the facility to the pricing of a similar facility in the current market, 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 the borrowings are recognised in profit or loss over the expected life of the borrowings. All borrowings are classified as non-current liabilities as they have maturities greater than 12 months.

	2017		2016	
	Total carrying amount	Fair value	Total carrying amount	Fair value
	\$'m	\$'m	\$'m	\$'m
Bank loan - term debt	359.0	360.5	68.1	68.0
Unamortised borrowing cost	(2.3)	-	(0.4)	-
Total	356.7	360.5	67.7	68.0
Bank loan – term debt	359.0		68.1	
Bank guarantee	14.5		-	
Undrawn bank facility	76.5		6.9	
Available facility	450.0		75.0	

Bank loans

	Interest rate at 30 June 2017*	Maturity Date	Facility limit	Drawn amount at 30 June 2017	Drawn amount at 30 June 2016
			\$'m	\$'m	\$'m
Syndicated bank facility - Tranche A	2.62%	November 2021	380.0	326.0	N/A
Syndicated bank facility - Tranche B	2.51%	November 2021	50.0	33.0	N/A
Syndicated bank facility - Tranche C	0.85%	November 2021	20.0	14.5	N/A
Bank facility**	3.25%	November 2017	75.0	N/A	68.1
				373.5	68.1

* Interest rates on the debt facility are variable and reset periodically, usually after a period of 90 days.

** Terminated during the year.

Guarantees

The REIT funded a bank guarantee of \$14.5 million from the syndicated facility on behalf of CHPT DT, one of the Stapled Trusts of the REIT. This guarantee is in relation to equity committed by CHPT DT to fund its pro-rata share of the development of the Woolworths, Dandenong VIC.

D. Capital structure and financial risk management (continued)

Borrowing in Joint Ventures

As at balance date, LWIP (owned 45% by the REIT) has a \$150.0 million syndicated debt facility and a \$200.0 million US Private Placement (USPP) notes. The syndicated debt facility matures in September 2020 and USPP notes mature in May 2027.

(b) Excess of current liabilities over current assets

The REIT maintains a proactive cash management practice of using excess available cash to reduce drawn revolving debt facilities. This practice, when combined with the REIT's distribution liability at the end of the reporting period, results in the excess of current liabilities over current assets of \$5.5 million (2016: \$8.4 million).

The REIT has readily accessible credit facilities with \$76.5 million of undrawn debt facilities at 30 June 2017 and operating cash flows to meet current liabilities. The REIT does not foresee any issues in meeting the current liabilities over the course of the next 12 months, and therefore, these financial statements have been prepared on a going concern basis.

D3. Derivative financial instruments

The REIT uses derivatives to economically hedge its exposure to interest rates. Derivative financial instruments are measured and recognised at fair value on a recurring basis.

(a) Interest rate swaps

The REIT has entered into interest rate swaps totalling \$225 million that entitle it to receive interest, at quarterly intervals, at a floating rate on a notional principal amount and oblige it to pay interest at a fixed rate on the same amount. The interest rate and swap agreements allow the REIT to raise long-term borrowings at a floating rate and effectively swap them into a fixed rate.

At 30 June 2017, the fixed rate varied from 2.14% to 2.62% per annum (2016: 2.72% per annum).

Amounts reflected in the financial statements are as follows:

Balance sheet	2017		2016	
	Asset \$'m	Liability \$'m	Asset \$'m	Liability \$'m
Non-current				
Interest rate swaps	0.6	0.9	-	0.5
Total non-current derivative financial instruments	0.6	0.9	-	0.5
Total derivative financial assets/liabilities	0.6	0.9	-	0.5

As at 30 June 2017, the notional principal amount and period of expiry of the interest rate swap contracts are as follows:

	1 year or less \$'m	1 - 2 years \$'m	2 - 3 years \$'m	3 - 4 years \$'m	More than 4 years \$'m	Total \$'m
2017	-	-	40.0	-	185.0	225.0
2016	-	37.5	-	-	-	37.5

(b) Valuation techniques used to derive level 2 fair values

Derivatives are classified as level 2 on the fair value hierarchy as the inputs used to determine fair value are observable market data but not quoted prices.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

Credit value adjustments are calculated based on the counterparty's credit risk using the counterparty's credit default swap curve as a benchmark. Debit value adjustments are calculated based on the REIT's credit risk using debt financing available to the REIT as a benchmark.

D. Capital structure and financial risk management (continued)

D4. Financial risk management

The REIT's principal financial instruments comprise cash and cash equivalents, receivables, investments in financial assets at fair value, payables, interest bearing liabilities and derivative financial instruments.

The table below shows the REIT's exposure to a variety of financial risks and the various measures it uses to monitor exposures to these types of risks. The REIT manages its exposure to these financial risks in accordance with the REIT's Financial Risk Management (FRM) policy as approved by the Board. The policy sets out the REIT's approach to managing financial risks, the policies and controls utilised to minimise the potential impact of these risks on its performance and the roles and responsibilities of those involved in the management of these financial risks. Derivative financial instruments are used exclusively for hedging purposes and not for trading or speculative purposes.

Other than financial instruments, the REIT is exposed to property price risk including property rental risks.

Risk	Definition	Exposure	Exposure management
Market risk – Interest rate risk	The risk that changes in interest rates will change the fair value or cash flows of the REIT's monetary assets and liabilities.	Cash and borrowings at fixed and floating rates.	Interest rate swaps are used to hedge movements in interest rates.
Liquidity risk	The risk the REIT has insufficient liquid assets to meet its obligations as they become due and payable.	Payables, borrowings and other liabilities.	Maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.
Credit risk	The risk a contracting entity will not complete its obligations under a contract and will cause the REIT to make a financial loss.	All financial assets including tenant receivables.	- Performing credit reviews on prospective tenants, obtaining tenant collateral and detailed review of tenant arrears. - Review the aggregate exposure of receivables and tenancies across the portfolio. - Limiting the credit exposure to any financial institution and limiting to investment grade counterparties. - Monitoring the public credit rating of counterparties.

(a) Market risk – Interest rate risk

The table below shows the REIT's exposure to interest rate risk. At balance date, the REIT fixed 66% (2016: 61%) of its direct and joint venture interest rate exposure.

	2017 \$'m	2016 \$'m
Fixed rate		
Borrowings - joint venture entities ¹	90.0	-
Net fixed rate exposure	90.0	-
Floating rate		
Cash	(2.9)	(0.5)
Cash - joint venture entities ¹	(2.9)	(0.3)
Borrowings	359.0	68.1
Borrowings - joint venture entities ¹	65.5	24.3
	418.7	91.6
Derivative financial instruments		
Interest rate swaps - floating to fixed ²	(225.0)	(37.5)
Interest rate swaps - floating to fixed - joint venture ^{1, 2}	(24.8)	(18.8)
Net floating rate exposure	168.9	35.3

¹ The REIT's share of financial assets and liabilities included within its net investments in joint venture entities.

² The amounts represent the notional principal payable under the derivative contracts (excluding derivatives where cash flows have not commenced at balance sheet date).

D. Capital structure and financial risk management (continued)

Sensitivity analysis

The table below reflects the potential net increase/(decrease) in profit and equity, resulting from changes in Australian interest rates applicable at 30 June 2017, with all other variables remaining constant. The change in interest payable on the REIT's floating rate interest bearing liabilities is partially offset by changes in the fair value of derivative financial instruments hedging this exposure.

	2017				2016	
	Interest expense	Net gain/(loss) from derivative financial Instruments	Profit and loss	Other comprehensive income	Profit and loss	Other comprehensive income
	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m
<i>Australian interest rates</i>						
+ 1.00%	(1.7)	9.2	7.5	-	0.2	-
- 1.00%	1.7	(9.4)	(7.7)	-	(0.2)	-

The sensitivity analysis presented above does not take into account the impact of changes in interest rates on inflation rate, market capitalisation rate and property values, which together with other external factors, may also influence operating earnings and statutory profit of the REIT in the future periods.

(b) Liquidity risk

The following table provides the contractual maturity of the REIT's fixed and floating rate financial liabilities and derivatives as at 30 June 2017. The amounts presented represent the future contractual undiscounted principal and interest cash inflows/(outflows) based on interest rates prevailing at balance date and therefore do not equate to the value shown in the consolidated balance sheet. Repayments which are subject to notice are treated as if notice were given immediately.

	Carrying value	Less than 1 year	1 to 5 years	Over 5 years	Total
	\$'m	\$'m	\$'m	\$'m	\$'m

2017

Financial liabilities

Payables	(4.4)	(4.4)	-	-	(4.4)
Distribution payable	(13.3)	(13.3)	-	-	(13.3)
Borrowings	(356.7)	(9.4)	(390.5)	-	(399.9)
Derivative financial instruments	(0.9)	(0.6)	(0.4)	-	(1.0)
Total financial liabilities	(375.3)	(27.7)	(390.9)	-	(418.6)

2016

Financial liabilities

Payables	(1.2)	(1.2)	-	-	(1.2)
Distribution payable	(2.9)	(2.9)	-	-	(2.9)
Borrowings	(67.7)	(1.9)	(69.1)	-	(71.0)
Derivative financial instruments	(0.5)	(0.3)	(0.3)	-	(0.6)
Provisions	(5.3)	(5.3)	-	-	(5.3)
Other liabilities	(0.2)	(0.2)	-	-	(0.2)
Total financial liabilities	(77.8)	(11.8)	(69.4)	-	(81.2)

D. Capital structure and financial risk management (continued)

(c) Credit risk

The maximum exposure to credit risk at the end of each reporting period is equivalent to the carrying value of the financial assets.

The table below shows the ageing analysis of those rent receivables of the REIT which are past due but not impaired:

	Past due but not impaired				Total \$'m
	Less than 30 days \$'m	31 to 60 days \$'m	61 to 90 days \$'m	More than 90 days \$'m	
2017					
Trade receivables	-	-	-	0.1	0.1
2016					
Trade receivables	0.3	-	-	-	0.3

D5. Offsetting financial assets and liabilities

The REIT is a party to the master agreement as published by International Swaps and Derivatives Associates, Inc. (ISDA) which allow the REIT's counterparties, under certain conditions (i.e. event of default), to set off the position owing/receivable under a derivative contract to a net position outstanding. As the REIT does not have legally enforceable right to set off, none of the financial assets or financial liabilities are offset on the balance sheet of the REIT.

The table below demonstrates effect of offsetting positions should the REIT's counterparties decide to enforce the legal right to set-off:

Consolidated entity	Gross amounts of financial instruments \$'m	Amounts subject to set-off \$'m	Net amount post set-off \$'m
2017			
Derivative assets	0.6	(0.6)	-
Derivative liabilities	(0.9)	0.6	(0.3)
Borrowings	(359.0)	-	(359.0)
	(359.3)	-	(359.3)
2016			
Derivative assets	-	-	-
Derivative liabilities	(0.5)	-	(0.5)
Borrowings	(68.1)	-	(68.1)
	(68.6)	-	(68.6)

D. Capital structure and financial risk management (continued)

D6. Contributed equity

		2017 \$'m	2016 \$'m
<i>Details</i>	<i>No. of Units</i>		
Units on issue - 1 July 2015	120,445,047	-	119.2
Units on issue - 30 June 2016	120,445,047	119.2	119.2
Capital return	-	(66.6)	-
Change in number of units after unit reorganisation	(81,644,447)	-	-
Unit redemptions	(30,747,042)	(70.2)	-
Units issued via Initial Public Offering	198,629,539	449.9	-
Units issued via DRP	1,104,078	2.5	-
Units on issue - 30 June 2017	207,787,175	434.8	119.2
Balance at the end of the year attributable to the unitholders of:			
DIF	207,787,175	434.8	119.2
LWR Finance Trust	207,787,175	1.9	-
CVLT1	207,787,175	21.0	-
218 BRT	207,787,175	22.8	-
CPOF KHT	207,787,175	42.2	-
FSPT	207,787,175	146.9	-
CHPT DT	207,787,175	26.7	-
Equity holders of Stapled Trusts other than DIF		261.5	-

As stipulated in the REIT's constitutions, each unit represents a right to an individual share in the REIT and does not extend to a right to the underlying assets of the REIT. There are no separate classes of units and each unit has the same rights attaching to it as all other units in the REIT.

Each stapled security confers the right to vote at meetings of securityholders, subject to any voting restrictions imposed on a securityholder under the *Corporations Act 2001* and the Australian Securities Exchange Listing Rules.

Distribution Reinvestment Plan (DRP)

The REIT has established a Distribution Reinvestment Plan (DRP) under which unitholders may elect to have all or part of their distribution entitlements satisfied by the issues of new stapled securities rather than being paid in cash.

The DRP issue price is determined at a discount of 1.0% to the daily volume weighted average price of all securities traded on the ASX during the 10 business days commencing on the third business day following the distribution record date. The REIT raised \$4.4 million from the DRP for the 31 March 2017 distribution and \$3.6 million from the DRP for the 30 June 2017 distribution.

E. Other information

E1. Related party information

(a) Responsible Entity

The Responsible Entity of the REIT is Charter Hall WALE Limited, a wholly owned controlled entity of Charter Hall. The registered office of the Responsible Entity is Level 20, No.1 Martin Place, Sydney NSW 2000.

(b) Directors

The following persons have held office as directors of the Responsible Entity from 7 September 2016 (the date of appointment) and up to the date of this report:

- Peeyush Gupta - Chair and Non-Executive Director
- Glenn Fraser - Non-Executive Director
- Ceinwen Kirk-Lennox - Non-Executive Director
- David Harrison - Executive Director and Chief Executive Officer/Managing Director of Charter Hall Group
- Adrian Taylor - Executive Director

The following persons have held office as directors of the former Responsible Entity, CHDPML, up to 7 September 2016 (the date of retirement):

- Peeyush Gupta - Chair and Non-Executive Director
- Rick Higgins - Non-Executive Director
- Ian Pratt - Non-Executive Director
- David Harrison - Executive Director and Chief Executive Officer/Managing Director of Charter Hall Group
- Cedric Fuchs - Executive Director
- Richard Stacker - Executive Director

No payments were made by the REIT or by the Responsible Entity on behalf of the REIT to the Executive Directors during the year.

(c) Management fees

Under the terms of the REIT's constitutions, the Responsible Entity is entitled to receive a base fee calculated as, 0.45% per annum (prior to listing 0.60% per annum) of the value of the total assets of the REIT, calculated on a look-through basis and payable monthly in arrears.

E. Other information (continued)

(d) Transactions with the Responsible Entity and its related parties

The Responsible Entity and its related parties held 41,461,705 stapled securities as at 30 June 2017 (2016: nil).

Following is a summary of other related party transactions for the year ended 30 June 2017:

		Basis of fee calculation		Fee amount	
Type of fee	Method of fee calculation	2017 \$'m	2016 \$'m	2017 \$'000	2016 \$'000
Post-IPO					
Base management fee	0.45% of average gross assets	1,353.4	-	3,772	-
Acquisition	1% of acquisition price	505.0	-	4,922	-
Property management	Up to 3% of gross property income	36.8	-	404	-
Accounting services	Cost recovery	-	-	511	-
Debt arranger fee	Market rate	90	-	180	-
Other	Cost recovery	-	-	14	-
				9,803	-
Pre-IPO					
Base management fee	0.6% of gross assets of previous month	261.7	258.2	570	1,509
Property management	Up to 3% of gross property income	6.6	16.6	72	166
Disposal	2% of sale price	261.3	-	5,227	-
Accounting services	Cost recovery	-	-	80	190
Debt arranger	Market rate	-	75	-	150
Performance	Performance fee hurdle IRR 10%	-	-	(71)	5,325
				5,878	7,340
				15,681	7,340

(e) Outstanding payable balance with the Responsible Entity and its related parties

	2017 \$'000	2016 \$'000
Charter Hall Holdings Pty Limited	891	127
	891	127

(f) Key management personnel

Key management personnel (KMP) are defined in AASB 124 *Related Party Disclosures* as those having authority and responsibility for planning, directing and controlling the activities of the entity. The Responsible Entity meets the definition of KMP as it has this authority in relation to the activities of the REIT. These powers have not been delegated by the Responsible Entity to any other person.

(g) Directors' fees and Fund Manager remuneration

Independent Directors' fees for the period are as follows:

CHWALE	Peeyush Gupta	Glenn Fraser	Ceinwen Kirk-Lennox	Total
2017				
Director fee	127,000	85,000	86,073	298,073
Audit, risk and compliance committee fee	8,000	12,000	8,000	28,000
Total director fees	135,000	97,000	94,073	326,073

The level of fees is not related to the performance of the REIT. The board of the Responsible Entity considers remuneration payable to its independent directors from time to time. Remuneration of independent directors is approved by the board and any increases are benchmarked to market rates.

The executive directors of the Responsible Entity and Fund Manager of the REIT are employees of Charter Hall Holdings Pty Limited and are remunerated by Charter Hall Holdings Pty Limited.

E. Other information (continued)

(h) Directors' interests in REIT stapled securities

The number of stapled securities held directly, indirectly or beneficially by the Directors of the Responsible Entity or the Directors' related parties at 30 June 2017 is as follows:

	Stapled securities held 2017
Peeyush Gupta	382,111
Glenn Fraser	40,000
Ceinwen Kirk-Lennox	23,250
David Harrison	254,053
Adrian Taylor	63,513
Total	762,927

The aggregate number of stapled securities of the REIT acquired by the Directors of the Responsible Entity or their related parties during the year is set out below.

	Stapled securities acquired 2017
Peeyush Gupta	382,111
Glenn Fraser	40,000
Ceinwen Kirk-Lennox	23,250
David Harrison	254,053
Adrian Taylor	63,513
Total	762,927

No stapled securities of the REIT were sold by the Directors of the Responsible Entity or their related parties during the year.

E. Other information (continued)

E2. Working capital

Financial assets and liabilities not carried at fair value have carrying values that reasonably approximate their fair values.

(a) Receivables and other assets

	2017 \$'m	2016 \$'m
Receivables		
Trade receivable	0.1	0.3
Accrued income	0.1	-
Distributions receivable from joint ventures*	4.2	0.2
	4.4	0.5

* Distributions received in July 2017

Other assets

Deposit and acquisition costs for the purchase of Bunnings, South Mackay	4.5	-
Prepayments	0.4	0.2
	4.9	0.2

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets that suffered impairment in prior years are reviewed for possible reversal of the impairment at each reporting date.

(b) Payables

	2017 \$'m	2016 \$'m
Accrued expenses	3.0	0.6
Accrued management fee	0.5	0.1
Accrued capital expenditure	0.3	0.1
Interest payable	0.3	0.3
GST payable	0.2	0.1
Other	0.1	-
	4.4	1.2

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the REIT. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

E. Other information (continued)

E3. Parent entity information

The financial information for the parent entity, Charter Hall Direct Industrial Fund, has been prepared on the same basis as the REIT's consolidated financial statements except as set out below:

Investments

Investments in controlled entities and joint ventures are accounted for at cost in the financial statements of the parent entity. Such investments include both investments in equity securities issued by the controlled entity and other parent entity interests that in substance form part of the parent entity's investment in the controlled entity. These include investments in the form of interest-free loans which have no fixed contractual term and which have been provided to the controlled entity as an additional source of long-term capital.

Distributions received from controlled entities and joint ventures are recognised in the parent entity's statement of comprehensive income, rather than being deducted from the carrying amount of these investments.

Receivables and payables

Trade amounts receivable from controlled entities in the normal course of business and other amounts advanced on commercial terms and conditions are included in receivables. Similarly, amounts payable to controlled entities are included in payables.

Recoverable amount of assets

The carrying amounts of investments in controlled entities, associates and joint ventures valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying value exceeds their recoverable amount, the assets are written down to the lower value. If required, the write-down is expensed in the year in which it occurs.

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	Parent 2017 \$'m	Parent 2016 \$'m
Balance sheet		
Current assets	-	0.7
Non-current assets	528.4	153.1
Total assets	528.4	153.8
Current liabilities	8.1	9.2
Non-current liabilities	125.5	64.7
Total liabilities	133.6	73.9
Equity		
Contributed equity	434.8	119.2
Retained profits	(40.0)	(39.3)
Total equity	394.8	79.9
Statement of comprehensive income		
Profit for the year	14.5	6.4
Total comprehensive income	14.5	6.4

(b) Guarantees and contingent liabilities

The parent entity did not have any material contingent liabilities, either individually or as a class, at 30 June 2017 (2016: \$nil).

(c) Commitments

The parent entity did not have any commitments as at 30 June 2017 (2016: \$nil).

(d) Net current asset deficiency

At 30 June 2017, the parent entity has a net deficiency of current assets over current liabilities of \$8.1 million (2016: \$8.5 million). The parent entity will be able to meet its day-to-day working capital requirements from the REIT's available loan facility and operating cash flows. The unitholders will only receive their distributions to the extent that the parent entity has sufficient working capital.

E. Other information (continued)

E4. Significant contract terms and conditions

Pre-emptive rights

The joint-ownership agreements to which the REIT is a party contain pre-emptive rights which restrict the REIT's dealings in respect of its interest in the respective co-owned trust or the co-owned property. In particular, where the REIT wishes to deal with its interests in a co-owned trust or property, each other co-owner will have a pre-emptive right over the REIT's interests, other than in limited circumstances (for example, by way of a permitted transfer to a member of the REIT's securityholder or owner group).

A number of joint-ownership agreements also contain:

- tag-along options, pursuant to which the REIT may be required to take reasonable steps, if it wishes to sell its interest in a co-owned trust or co-owned property, to cause one or more of the other co-owners' interests to be acquired on substantively the same terms;
- drag-along rights, pursuant to which a co-owner may require the REIT to sell its interests in a co-owned trust if the co-owner wishes to sell its interest and the REIT has not exercised its pre-emptive right;
- provisions under which a default sale process may be triggered on a change of control event, including where the Responsible Entity is replaced with an entity that is not a related body corporate of the Responsible Entity, with the default sale process giving the other co-owners a right to acquire the REIT's interests at the relevant default interest value; and
- dispute resolution procedures which provide for the sale of the relevant property in circumstances where a co-owner does not acquire the other co-owners' interests.

E5. Remuneration of the auditor

	2017 \$'000	2016 \$'000
Amounts paid or payable to PricewaterhouseCoopers Australian firm for:		
Audit services	298	34
Amounts paid or payable to related practices of PricewaterhouseCoopers Australian firm for:		
Taxation compliance services	56	-
Accounting services	18	-
Accounting and tax due diligence advice associated with IPO		
- Recognised in the profit or loss	607	-
- Recognised in equity	225	-
	1,204	34

E. Other information (continued)

E6. Interest in other entities

Material subsidiaries

The REIT's principal subsidiaries at 30 June 2017 are set out below. Unless otherwise stated, they have contributed equity consisting solely of ordinary units that are held directly by the REIT, and the proportion of ownership interests held equals the voting rights held by the REIT.

Name of entity	Country of incorporation/Place of business	Ownership interest held by the REIT		Principal activities
		2017	2016	
CHDIF Altona North Trust	Australia	100%	100%	Property Investment
CHDIF Kingsgrove Trust	Australia	100%	100%	Property Investment
CHDIF Willawong Trust	Australia	100%	100%	Property Investment
CHDIF Hoppers Crossing Trust	Australia	100%	100%	Property Investment
CHDIF Kingston Holding Trust	Australia	100%	100%	Holding Trust
CHDIF Kingston Trust	Australia	100%	100%	Property Investment
CHDIF Beverley Holding Trust	Australia	100%	100%	Holding Trust
CHDIF Beverley Trust	Australia	100%	100%	Property Investment
CHDIF Perth Holding Trust	Australia	100%	100%	Holding Trust
CHDIF Perth Trust	Australia	100%	100%	Property Investment
LWR LWIP Holding Trust	Australia	100%	100%	Holding Trust
LWR LWIP Investment Trust	Australia	100%	100%	Property Investment
Suez Portfolio Trust	Australia	100%	100%	Property Investment
LWR Bunnings Trust	Australia	100%	100%	Property Investment
LWR Finance Trust	Australia	100%	100%	Stapled Trust
Charter Hall LWR Limited	Australia	100%	100%	Provision of Finance
CHPT Dandenong Trust	Australia	100%	100%	Stapled Trust
LWR Truganina Logistics Trust	Australia	100%	100%	Property Investment
Canning Vale Logistics Trust No.1	Australia	100%	100%	Stapled Trust
218 Bannister Road Trust	Australia	100%	100%	Stapled Trust
CPOF Kogarah Holding Trust	Australia	100%	100%	Stapled Trust
CPOF Kogarah Trust	Australia	100%	100%	Property Investment
Franklin Street Property Trust	Australia	100%	100%	Stapled Trust

Stapled Trusts

Summarised financial information about Stapled Trusts is set out below:

	Finance Trust	CVLT1	218 BRT	CPOF KHT	FSPT	CHPT DT	Total
	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m
Summarised balance sheet as at 30 June 2017:							
Current assets	1.4	-	0.2	0.5	0.8	0.7	3.6
Non-current assets	358.1	83.3	83.3	102.1	287.2	61.5	975.5
Current liabilities	(0.3)	(1.1)	(1.1)	(0.9)	(4.2)	(0.4)	(8.0)
Non-current liabilities	(357.7)	(44.6)	(44.7)	(52.2)	(76.9)	(36.8)	(612.9)
Net assets	1.5	37.6	37.7	49.5	206.9	25.0	358.2

Refer to Note A2 for summarised statements of comprehensive income of the Stapled Trusts.

E. Other information (continued)

E7. Events occurring after balance date

On 3 July 2017, the REIT settled Bunnings, South Mackay QLD for \$28.5 million.

In August 2017, LWIP exchanged conditional contracts to acquire Bridge Inn VIC for \$21.2 million (including the REIT's pro-rata share of \$9.5 million) and sell Preston Hotel VIC for \$9.2m million (including the REIT's pro-rata share of \$4.1 million). The REIT will contribute equity of approximately \$6 million prior to expected settlement in October 2017.

In August 2017, the REIT announced the simplification of its stapled structure from seven to three components. The proposal is subject to Securityholders' approval on 15 September 2017.

Since the end of the financial year, the Directors of the Responsible Entity are not aware of any other matter or circumstance not otherwise dealt within this report or the annual consolidated financial statements that has significantly affected or may significantly affect the operations of the REIT, the results of those operations or the state of affairs of the REIT in the financial years subsequent to 30 June 2017.

E8. Other significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the requirements of the REIT's constitutions, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. The REIT is a for-profit entity for the purpose of preparing the consolidated financial statements. The consolidated financial statements are presented in Australian dollars, which is the REIT's functional and presentation currency.

Compliance with IFRS

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

Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except derivative financial instruments, investments in financial assets held at fair value and investment properties, which have been measured at fair value.

New and amended standards adopted

No new accounting standards or amendments have come into effect for the year ended 30 June 2017 that affect the REIT's operations or reporting requirements.

Principles of consolidation

Controlled entities

Subsidiaries are all entities over which the REIT has control. The REIT controls an entity when the REIT 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 REIT. They are deconsolidated from the date that control ceases.

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

DIF historically carried its interests in joint ventures at fair value through profit or loss in accordance with the election available under AASB 128 *Investments in Associates*. On formation of the REIT, it commenced accounting for its investment using the equity method in line with the REIT's investment strategy. Accordingly, investments in financial assets at fair value have been transferred to investments accounted for using the equity method on the consolidated balance sheet and property funds investment income has been transferred to share of equity accounted profits on the consolidated statement of comprehensive income. Comparative figures have been reclassified to conform with current period presentation.

(b) Comparative information

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

(c) Rounding of amounts

As permitted by ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 (as amended) issued by the Australian Securities and Investments Commission relating to the 'rounding off' of amounts in the Directors' report and

E. Other information (continued)

consolidated financial statements. Amounts in the Directors' report and consolidated financial statements have been rounded to the nearest hundred thousand dollars, unless otherwise indicated.

(d) Impact of new standards and interpretations issued but not yet adopted by the REIT

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 30 June 2017 but are available for early adoption. The impact of these new standards and interpretations (to the extent relevant to the REIT) is set out below:

(i) **AASB 9 Financial instruments (Applicable 1 January 2018)**

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and liabilities and sets out new rules for hedge accounting. The REIT currently plans to apply AASB 9 for the reporting period beginning on 1 July 2018. An initial assessment of the financial impact has been undertaken and it is not expected to have material impact on the REIT's consolidated financial statements.

(ii) **AASB 15 Revenue from contracts with customers (Applicable 1 January 2018)**

The standard is based on the principle that revenue is recognised when control of a good or service is transferred to a customer, so the notion of control replaces the notion of risks and rewards. It applies to all contracts with customers except leases, financial instruments and insurance contracts. AASB 15 requires reporting entities to provide users of financial statements with more informative, relevant disclosures. An initial assessment has been performed on existing revenue streams. Based on this assessment, it is not expected that the REIT will be materially impacted.

(iii) **AASB 16 Leases (Applicable 1 January 2019 - early adoption allowed if AASB 15 is adopted at the same time)**

The standard will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset. The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) will change. The accounting by lessors will not significantly change. The REIT currently plans to apply AASB 16 for the reporting period beginning on 1 July 2019. An initial assessment of the new standard has been undertaken and it is not expected to have a material impact on the REIT's consolidated financial statements.

Directors' declaration to stapled securityholders

In the opinion of the Directors of Charter Hall WALE Limited, the Responsible Entity of Charter Hall Long WALE REIT:

- a the consolidated financial statements and notes set out on pages 14 to 44 are in accordance with the *Corporations Act 2001*, including:
 - i complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii giving a true and fair view of the REIT's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
- b there are reasonable grounds to believe that the REIT will be able to pay its debts as and when they become due and payable.

Note E8(a) confirms that the consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given declarations by the Fund Manager, who performs the Chief Executive Officer function, and the Head of Finance – Long WALE REIT & Industrial, who performs the Chief Financial Officer function, required by section 295A of the *Corporations Act 2001*.

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



Peeyush Gupta

Director

Sydney

17 August 2017



Independent auditor's report

To the unitholders of Charter Hall Long WALE REIT

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Charter Hall Long WALE REIT and its controlled entities (together the "REIT") is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the REIT's financial position as at 30 June 2017 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2017
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

The REIT comprises of the stapled entities Charter Hall Direct Industrial Fund, LWR Finance Trust, Canning Vale Logistics Trust No. 1, 218 Bannister Road Trust, CPOF Kogarah Holding Trust, Franklin Street Property Trust and CHPT Dandenong Trust and the entities they controlled at year's 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 REIT in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report 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 report is 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 report.

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

The REIT's principal activity consists of property investment.



Materiality

- For the purpose of our audit of the REIT, we used overall materiality of \$6.5 million, which represents approximately 0.8% of the net assets of the REIT. For the Stapled Trusts consolidated by Charter Hall Direct Industrial Fund, individual materialities are calculated for the purpose of their audits. Information on materiality for each Stapled Trust is disclosed in their respective audit reports.
- 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 report as a whole.
- We chose net assets because, in our view, it is the industry benchmark against which the performance of the REIT is commonly measured and is a generally accepted industry benchmark. We selected 0.8% based on our professional judgement, noting it is within the range of commonly acceptable asset-related materiality thresholds.

Audit Scope

- Our audit focused on where the directors of the responsible entity of the REIT made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The structure of the REIT is commonly referred to as a 'stapled group' and is explained in Note A1.
- In all of our audits, we also address the risk of management override of internal controls, including whether there was evidence of bias by the directors that may represent a risk of material misstatement due to fraud.
- We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the structure of the REIT, the accounting processes and controls, and the industry in which the REIT operates.



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report 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. We communicated the key audit matters to the Audit, Risk and Compliance Committee.

Key audit matter	How our audit addressed the key audit matter
Accounting for the REIT business combination (Refer to note A)	
The REIT applies the principles of accounting for business combinations under the acquisition method in accordance with AASB 3 <i>Business Combinations</i> to account for the stapling of the entities in the REIT. In a stapled group, the securities of two or more entities are 'stapled' together and cannot be traded separately. In the case of the REIT, the units of Charter Hall Direct Industrial Fund ("DIF"), LWR Finance Trust ("Finance Trust"), Canning Vale Logistics Trust No. 1 ("CVLT1"), 218 Bannister Road Trust ("218 BRT"), CPOF Kogarah Holding Trust ("CPOF KHT"), Franklin Street Property Trust ("FSPT") and CHPT Dandenong Trust ("CHPT DT") have been stapled together. For the purposes of consolidation accounting, DIF is the 'deemed' parent of the REIT and the consolidated financial report reflects the consolidation of DIF and its controlled entities and the Finance Trust, CVLT1, 218 BRT, CPOF KHT, FSPT and CHPT DT and their controlled entities (the "Stapled Trusts"). Stapling occurred on 10 November 2016. Under this method, DIF was identified as the deemed acquirer, with the remaining Stapled Trusts as the acquirees. Comparatives are presented for DIF pre-stapling. The REIT recognised the assets acquired and liabilities assumed of the Stapled Trusts at their fair values at the acquisition date, the date the acquirees were stapled to DIF, as described in note A2. Since DIF, neither paid for nor obtained an interest in the other Stapled Trusts, the stapling of the REIT is a business combination by contract alone. As a result, the purchase consideration was nil. We considered the accounting for the REIT business combination to be a key audit matter in the current financial year because of the:	For the REIT business combination that occurred in the current year we performed a number of audit procedures including the following: • Evaluating accounting treatment through assessment of the sale and purchase agreements, stapling deeds and legal documentation supporting the steps performed by the REIT to staple the trusts and establish the REIT and that the accounting met the definition of a business combination as required by Australian Accounting Standards. • Evaluating the completeness and accuracy of the REIT's calculation of a sample of material opening balances on both a standalone basis and upon consolidation. We agreed all retained earnings to prior period audited trial balances and compared a sample of transactions to external support for comfort over the income recognised and expenses incurred prior to consolidation. • Considering the fair value of all investment properties acquired to valuation reports prepared by the REIT's independent valuation experts, who prepared valuations using both the capitalisation method and ten year discounted cash flow models. We performed a number of audit procedures on the independent valuations including the following: • Assessing the underlying assumptions used in the valuations, including capitalisation rates, discount rates, net property income. We compared the capitalisation and discount rates to recent, comparable sales in the market and agreed net property income to the trial balance. • On a sample basis, assessing whether relevant cash flow inputs such as rental income and operating expenses for the current year used by the valuers were reasonable compared to the actual performance of the investment properties held. This included testing a sample of the cash



Key audit matter

- nature and complexity of the stapling to form the REIT and the initial consolidation accounting and
- magnitude, judgement and estimations involved in determining and accounting of the fair value of assets acquired and liabilities assumed.

Complexity around the allocation of the transaction costs incurred to the business combination, listing of existing units and equity raising.

How our audit addressed the key audit matter

- flows inputs to executed leases for the properties.
- Assessing the competency and capabilities of the external valuers and confirmed that the valuations were performed in accordance with the REIT's valuation policy.

For the transaction costs incurred, we performed audit work to test that they are appropriately allocated to the business combination, listing of existing units and equity raising, and those related to the business combination and listing of existing units were expensed as required by Australian Accounting Standards.

Valuation of investment properties. Includes those investment properties held in joint ventures accounted for under the equity method

(Refer to note C)

The REIT's investment property portfolio is comprised of industrial, retail and office investment properties, as well as a property under development. At 30 June 2017 the carrying value of the REIT's total investment property portfolio (excluding investment properties held in equity accounted investments) was \$760.4 million (2016: \$199.2 million). The carrying value of the REIT's investment properties held by joint venture vehicles was \$1,207.8 million (2016: \$240 million).

Investment properties are valued at fair value at reporting date using either the income capitalisation approach or the discounted cash flow approach as described in note C. The value of investment properties is dependent on the valuation methodology adopted and the inputs into the valuation model. Factors such as prevailing market conditions, the individual nature, condition and location of each property and the expected future income for each property directly impact fair values. Amongst others, the following assumptions are key in establishing fair value:

- capitalisation rate
- adopted discount rate.

At the end of each reporting period, the REIT determines the fair value of its investment property portfolio in accordance with the REIT's valuation policy. This policy requires all properties to be externally valued by an independent valuation expert at least once every 12 months. If a property is not externally valued at balance date, REIT performs an internal valuation.

We focused on this matter because of the:

The procedures below cover both internal and external valuations.

We obtained the latest independent property market reports to understand the prevailing markets' conditions in which the REIT invests.

We compared prior valuations against current year valuations for the investment properties acquired in the business combination, and noted that the movements in fair values were in line with overall movements in the market.

We met with management and discussed the specifics of selected individual properties including a sample of new leases entered into during the year, lease expiries, capital expenditure and vacancy rates. We reviewed the methodologies used by REIT to determine the properties' fair value.

For the selected sample, we compared market capitalisation rates and discount rates by location and asset grade to our independent expectation of a reasonable range determined based on benchmark market data for these assumptions. Where capitalisation rates and discount rates fell outside of our anticipated ranges, we considered the rationale supporting the rate applied in the valuation through discussions with management of the REIT and reviewed the methodologies used by REIT to determine the property values.

For all external valuations, we assessed the competency and capability of the external valuers and considered that the valuations were performed in accordance with the REIT's valuation policy.



Key audit matter

- Relative significant size of the investment property balances in the consolidated balance sheet;
- Material quantum of revaluation gains that directly impact the consolidated statement 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 several assumptions in the valuation methodology; and
- Sensitivity of valuations to key input assumptions, specifically capitalisation and discount rates.

How our audit addressed the key audit matter

Valuation of derivative financial instruments (Refer to Note D3)

The REIT uses derivative financial instruments (derivatives) to manage the interest rate risk associated with its long-term borrowings.

At 30 June 2017, the total carrying value of the REIT's derivatives (including current assets, non-current assets, current liabilities and non-current liabilities) was in a net liability position of \$0.3 million (2016: \$0.5 million).

We considered the valuation of derivatives to be a key audit matter because of the:

- nature and complexity involved in valuing derivative instruments;
- notional principal value and expiry date of the REIT's derivative instruments; and
- estimations involved in determining key assumptions including interest rates, foreign exchange rates and expect volatilities of these assumptions used in the valuation

We obtained an understanding of the movements within the derivative balances across the year and reconciled the closing derivative balances in the consolidated balance sheet.

We obtained independent counterparty confirmations to confirm the existence and notional principal value of all derivative financial instruments held at year end.

For all derivatives within the portfolio:

- We agreed the key terms, such as nature of the derivative, effective date, expiry date, interest rate and notional principal value of the IRS derivatives with reference to the individual third party contracts.

We engaged PwC valuation experts, who independently recalculated the fair value of the derivatives sourcing market data inputs used in the valuation calculations.



Other information

The directors are responsible for the other information. The other information included in the REIT's annual report for the year ended 30 June 2017 comprises the Director's Report (but does not include the financial report and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

We also expect other information to be made available to us after the date of this auditor's report, including About Us, 2017 Highlights, Chair & Fund Manager Letter, Case Studies, Portfolio Performance, Sustainability, Our Board and Management, Remuneration Report (Management Fees and Executives), Unitholder Analysis, Investor Information and Corporate Directory.

Our opinion on the financial report 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 report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report 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 obtained prior to the date of our 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 as identified above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Charter Hall WALE Limited and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors of the Responsible Entity for the financial report

The directors of Charter Hall WALE Limited, the responsible entity of the REIT, are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and *Corporations Act 2001* and for such internal control as the directors of the Responsible Entity determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the REIT 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 REIT or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

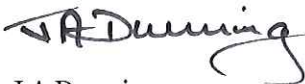
Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that



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 report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.


PricewaterhouseCoopers


J A Dunning
Partner

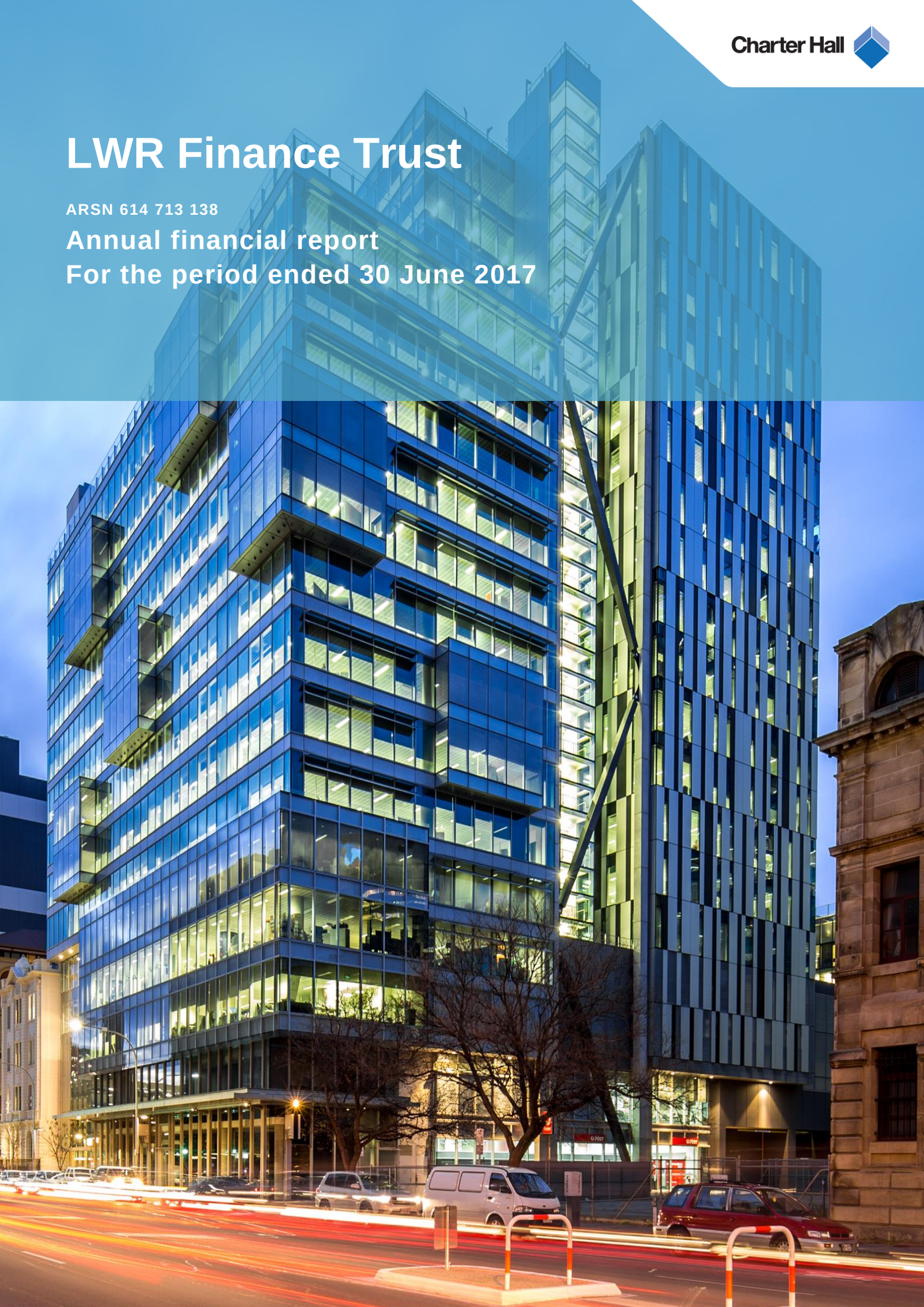
Sydney
17 August 2017



LWR Finance Trust

ARSN 614 713 138

Annual financial report
For the period ended 30 June 2017



Important Notice

The Charter Hall Long WALE REIT (REIT or CLW) was formed upon the stapling of the units of the seven Australian registered schemes listed below (collectively referred to as the Stapled Trusts):

- Charter Hall Direct Industrial Fund (DIF) and its controlled entities (ARSN 144 613 641);
- LWR Finance Trust (Finance Trust) and its controlled entity (ARSN 614 713 138);
- Canning Vale Logistics Trust No.1 (CVLT1) (ARSN 614 713 012);
- 218 Bannister Road Trust (218 BRT) (ARSN 614 712 588);
- CPOF Kogarah Holding Trust (CPOF KHT) and its controlled entity (ARSN 614 714 073);
- Franklin Street Property Trust (FSPT) (ARSN 614 714 206); and
- CHPT Dandenong Trust (CHPT DT) and its controlled entity (ARSN 614 712 506).

Charter Hall WALE Limited ABN 20 610 772 202; AFSL 486721 (CHWALE) is the responsible entity of the schemes listed above, and is a controlled entity of Charter Hall Limited ABN 57 113 531 150 (Charter Hall).

Past performance is not a reliable indicator of future performance. Due care and attention has been exercised in the preparation of forecast information; however, forecasts, by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of CHWALE. Actual results may vary from forecasts and any variation may be materially positive or negative.

This report has been prepared for general information purposes only and is not an offer or invitation for subscription or purchase of, or recommendation of, securities. It does not take into account the investment objectives, financial situation or needs of any investor. Before investing, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

CHWALE does not receive fees in respect of the general financial product advice it may provide; however, it will receive fees for operating the Stapled Trusts which, in accordance with the Stapled Trusts' constitutions, are calculated by reference to the value of the assets. Controlled entities of Charter Hall may also receive fees for managing the assets of, and providing resources to, the Stapled Trusts. Charter Hall and its related entities, together with their officers and directors, may hold securities in the Stapled Trusts from time to time.

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Directors' report

For the period ended 30 June 2017

The Directors of Charter Hall WALE Limited (CHWALE) present the directors' report and consolidated financial report of LWR Finance Trust (Trust or LWR FT) and its controlled entity for the period ended 30 June 2017.

The Trust was established on 30 August 2016 and registered as a managed investment scheme on 22 September 2016. The Trust was listed on the Australian Securities Exchange on 8 November 2016 and became a member of the Charter Hall Long WALE REIT consolidated group (REIT) on 10 November 2016 when its units were stapled to the units of the other six stapled trusts comprising the REIT.

The Trust's financial reporting period commenced on 22 September 2016, date of registration, and ended on 30 June 2017.

Principal activities

The principal activity of the Trust during the period was financing of the REIT through an Intra-Group Facility Agreement. There were no significant changes in the nature of the Trust's activities during the financial period.

Directors

The following persons have held office as directors of the Responsible Entity during the period and up to the date of this report:

- Peeyush Gupta - Chair and Non-Executive Director
- Glenn Fraser - Non-Executive Director
- Ceinwen Kirk-Lennox - Non-Executive Director
- David Harrison - Executive Director and Chief Executive Officer/Managing Director of Charter Hall Group
- Adrian Taylor - Executive Director

Distributions

No distributions were paid or declared during the period.

Distribution Reinvestment Plan (DRP)

The Trust, being a member of the REIT, has established a Distribution Reinvestment Plan (DRP) under which stapled securityholders may elect to have all or part of their distribution entitlements satisfied by the issues of new stapled securities rather than being paid in cash.

The DRP issue price is determined at a discount of 1.0% to the daily volume weighted average price of all stapled securities traded on the Australian Stock Exchange (ASX) during the 10 business days commencing on the third business day following the distribution record date. The Trust raised \$10,880 from the DRP for the 31 March 2017 distribution.

Review and results of operations

The Trust recorded a statutory loss for the period of \$0.4 million which represents net fair value losses on derivative financial instruments of \$0.2 million and \$0.2 million of costs associated with Initial Public Offering (IPO).

The table below sets out income and expenses that comprise operating earnings:

	22 Sep 2016 to 30 Jun 2017
	\$'000
Interest income	8,700
Fund management fees	(14)
Finance costs	(8,619)
Administration and other expenses	(76)
Operating loss	(9)

Operating earnings is a financial measure which represents profit/(loss) under Australian Accounting Standards adjusted for net fair value movements, non-cash accounting adjustments and other unrealised or one-off items. Operating earnings also aligns to the Funds from Operations (FFO) as defined by the Property Council of Australia.

The inclusion of operating earnings as a measure of the Trust's profitability provides investors with the same basis that is used internally for evaluating operating segment performance. Operating earnings is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution to declare.

Directors' report (continued)

For the period ended 30 June 2017

Review and results of operations (continued)

Reconciliation of operating earnings to statutory profit is set out below:

	22 Sep 2016 to 30 Jun 2017 \$'000
Operating loss	(9)
Net fair value movements on derivative financial instruments	(216)
Costs associated with IPO	(214)
Statutory loss for the period	(439)
Basic weighted average number of units (thousands)	178,320
Basic loss per unit (cents)	(0.25)
Operating loss per unit (cents)	(0.01)

The financial results are summarised as follows:

	22 Sep 2016 to 30 Jun 2017
Revenue (\$ thousands)	8,700
Statutory loss for the period (\$ thousands)	(439)
Basic loss per unit (cents)	(0.25)
Operating loss (\$ thousands)	(9)
Operating loss per unit (cents)	(0.01)

	30 Jun 2017
Total assets (\$ thousands)	359,501
Total liabilities (\$ thousands)	358,044
Net assets attributable to unitholders (\$ thousands)	1,457
Units on issue (thousands)	207,787
Net assets per unit (\$)	0.01

Significant changes in the state of affairs

On 10 November 2016, the Trust returned capital of \$1.9 million to unitholders and redeemed units on issue for \$0.6 million. Immediately thereafter, the Trust issued 206.7 million units and raised \$1.9 million of equity through its IPO.

Debt arrangements

On 10 November 2016, the Trust entered a \$350 million unsecured revolving debt facility with Westpac Banking Corporation which matures on 10 November 2021. During the period, the facility was syndicated and the limit was increased to \$450 million.

On 10 November 2016, the Trust also entered into two forward rate interest rate swap agreements with the principal amount of \$70 million each to fix its floating rate debt. The interest rate swaps commenced on 20 December 2016 and mature on 20 December 2021.

On 23 December 2016, the Trust entered into an interest rate swap agreement with a principal amount of \$45 million and maturity in December 2021. On 16 January 2017, the Trust entered into another interest rate swap agreement with a principal amount of \$40 million and maturity in March 2020.

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

Business strategies and prospects

The Trust is a member of the REIT. The REIT's objective is to provide investors with stable and secure income and the potential for both income and capital growth through an exposure to a property portfolio with a long WALE.

The material business risks faced by the Trust that are likely to have an effect on its financial performance include:

Funding

An inability to obtain the necessary funding or refinancing of an existing debt facility by the Trust, or a material increase in the cost of such funding (including increases in interest rates that are not hedged), may have an adverse impact on the Trust's performance and financial position. The Trust seeks to minimise this risk through proactive refinancing and maintaining

Directors' report (continued)

For the period ended 30 June 2017

adequate liquidity to fund the future forecast expenditure of the other members of the REIT and hedging its interest rate exposure in accordance with the Trust's Board approved Financial Risk Management Policy.

Matters subsequent to the end of the financial period

In July 2017, the Trust funded the \$28.5 million acquisition of Bunnings, South Mackay QLD.

The directors of the Responsible Entity are not aware of any other matter or circumstance not otherwise dealt within this report or the financial report that has significantly affected or may significantly affect the operations of the Trust, the results of its operations or the state of affairs of the Trust in future financial years.

Likely developments and expected results of operations

The consolidated financial statements have been prepared on the basis of current known market conditions. The extent to which a potential deterioration in the capital markets that may have an impact on the results of the Trust are unknown. Such developments could influence the ability to refinance debt and the cost of such debt, or the ability to raise equity.

At the date of this report and to the best of the Directors' knowledge and belief, there are no other anticipated changes in the operations of the Trust which would have a material impact on the future results of the Trust. Movements in interest rates may have a material impact on the Trust's results in future years, however, these cannot be reliably measured at the date of this report.

Indemnification and insurance of directors, officers and auditor

During the period, the Trust contributed to the premium for a contract insuring all directors, secretaries, executive officers and officers of the Trust and of each related body corporate of the Trust, with the balance of the premium paid by the Charter Hall Group and funds managed by members of the Charter Hall Group. In accordance with usual commercial practice, the insurance contract prohibits disclosure of details of the nature of the liabilities covered by the insurance, the limit of indemnity and the amount of the premium paid under the contract.

Provided the officers of the Responsible Entity act in accordance with the Trust's Constitution and the *Corporations Act 2001*, the officers are indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust. The insurance does not provide any cover for the independent auditor of the Trust or of a related party of the Trust. The Trust indemnifies the auditor (PricewaterhouseCoopers Australia) against any liability (including legal costs) for third party claims arising from a breach by the Trust of the auditor's engagement terms, except where prohibited by the *Corporations Act 2001*.

Fees paid to and interests held in the Trust by the Responsible Entity or its associates

Base fees of \$14,347 and other fees were paid or are payable to the Responsible Entity and its associates for the services provided during the period, in accordance with the Trust's constitution.

The interests in the Trust held by the Responsible Entity or its associates as at 30 June 2017 and other fees paid to its associates during the period are disclosed in Note 17 to the consolidated financial statements.

Interests in the Trust

The movement in units of the Trust during the period is set out below:

	22 Sep 2016 to 30 Jun 2017
Units on issue at the beginning of the period	100
Units issued prior to IPO	2,499,900
Change in the number of units after unit reorganisation	65,454,824
Unit redemption	(67,954,824)
Units issued during the period	
- via IPO	206,683,097
- via DRP	1,104,078
Units on issue at the end of the period	207,787,175

Environmental regulations

To the best of the directors' knowledge, the operations of the Trust have been undertaken in compliance with the applicable environmental regulations that apply to the Trust's activities.

Directors' report (continued)

For the period ended 30 June 2017

Information on Current Directors

Director	Experience	Special responsibilities	Interest in units of the Trust
Peeyush Gupta	Appointed 6 May 2016 Peeyush was the co-founder and the inaugural Chief Executive Officer of Ipac Securities Limited, a pre-eminent wealth management firm. He has experience in starting and growing businesses, acquisitions and divestments, roll-ups and integration, general management, investment management and corporate governance. He is a Non-Executive Director of National Australia Bank Limited, Special Broadcasting Service (SBS), BNZ Life and Insurance & Care (NSW). He is also currently the Chair of Charter Hall Direct Property Management Limited, Chair of MLC RE and IDPS Board and serves in a pro bono capacity as a trustee of Western Sydney University and the Australian School of Business Dean's Advisory Committee. Peeyush holds a Master of Business Administration in Finance from the Australian Graduate School of Management and a Bachelor of Arts in Computing Studies from the University of Canberra. Peeyush is also a Fellow of the Australian Institute of Company Directors.	Chair	382,111
Glenn Fraser	Appointed 6 May 2016 Glenn specialises in finance, infrastructure and property. He was a member of Transfield Holdings Advisory Board from 1999 to 2015. He was instrumental in Transfield Holdings' acquisition of a 50% interest in Charter Hall and its subsequent expansion and listing in 2005. Previously, Glenn was a Non-Executive Director of the Charter Hall Group from 6 April 2005 to 15 August 2012. Joining Transfield Holdings in 1996, Glenn was General Manager – Finance Project Development, where he was responsible for the financial elements of Transfield Holdings' infrastructure and property projects. Glenn was appointed Chief Financial Officer in 1999 of Transfield Holdings, which at that time had turnover in excess of \$1 billion per annum and over 8,000 staff. Glenn was a principal and director of a project finance advisory business, Perry Development Finance Pty Limited from 1985, which was sold to Hambros Corporate Finance Limited in 1995. Glenn holds a Bachelor of Commerce from the University of NSW, and is a member of the Institute of Chartered Accountants and a graduate of the Australian Institute of Company Directors.	Audit, Risk and Compliance Committee Chair	40,000

Directors' report (continued)

For the period ended 30 June 2017

Information on Current Directors (continued)

Director	Experience	Special responsibilities	Interest in units of the Trust
Ceinwen Kirk-Lennox	Appointed 28 June 2016 Ceinwen has over 32 years of experience in many aspects of property including agency, property development, project and construction management, and community development. Her executive career includes 26 years at Lendlease Corporation, where she held executive roles, running business units, client accounts and functions across the Lendlease Group. Ceinwen now runs her own consultancy, with clients across both private and public sectors. Ceinwen holds a Bachelor of Business (Land Economy) from the University of Western Sydney, and is a graduate of the Australian Institute of Company Directors. Ceinwen has 18 years' experience as an executive and non-executive director serving on a number of boards including both for-profit and not-for-profit companies. Ceinwen is a National Director of the Property Industry Foundation, and an Advisory Member of the Western Sydney Institute of TAFE.	Nil	23,250
David Harrison	Appointed 16 February 2016 David is Executive Director of Charter Hall Group (ASX: CHC) and Charter Hall Retail REIT (ASX: CQR). He has 31 years of property market experience across office, retail and industrial sectors in multiple geographies globally. As Charter Hall's Managing Director and Group CEO, David is responsible for all aspects of the Charter Hall business, with specific focus on strategy and continuing the momentum from building an Investment Manager recognised as a multi-core sector market leader. David is an executive member of various Fund Boards and Partnership Investment Committees, Chair of the Executive Property Valuation Committee and Executive Leadership Group. David holds a Bachelor of Business Degree (Land Economy) from the University of Western Sydney, is a Fellow of the Australian Property Institute (FAPI) and holds a Graduate Diploma in Applied Finance from the Securities Institute of Australia. David is National Vice President on the Board of Directors for the Property Council of Australia and Chair of the Audit and Risk Committee. David is also a member of the Property Male Champions of Change.	Nil	254,053

Directors' report (continued)

For the period ended 30 June 2017

Director	Experience	Special responsibilities	Interest in units of the REIT
Adrian Taylor	Appointed 18 July 2016 Adrian is Charter Hall's Group Executive - Office. He is a member of Charter Hall's Executive Leadership Group and the Chairs of the Corporate Responsibility and Sustainability Committee. Adrian leads the office platform including setting the strategy and objectives for the wholesale office funds in conjunction with the Charter Hall fund managers and wholesale investors, and guides the asset management, property management, technical service and development teams. He has extensive capital transaction and capital management experience including debt and equity raising and deep joint venture experience in Australia and the US. He spent 15 years in listed REIT markets as General Manager, Chief Investment Officer and Chief Executive Officer of the Charter Hall Office REIT prior to its privatisation. In his prior role as Head of Wholesale Investment, he ran the investment management functions across office, retail and industrial sectors. Adrian graduated with a Bachelor of Business from Monash University, is a Certified Practising Accountant, a Fellow of the Financial Services Institute of Australasia, a Fellow Of the Royal Institute of Chartered Surveyors and is involved in numerous property industry groups including being Deputy Chair of the ICMD Division Council of the Property Council of Australia.	Nil	63,513

Meetings of Directors

Name	Full meetings of Directors		Meetings of Audit, Risk and Compliance Committee	
	Eligible to attend	Attended	Eligible to attend	Attended
Peeyush Gupta	21	21	3	3
Glenn Fraser	21	21	3	3
Ceinwen Kirk-Lennox	21	21	3	3
David Harrison	21	17	-	-
Adrian Taylor	20	20	-	-

Company Secretary

Tracey Jordan was appointed Company Secretary for the Trust on 16 February 2016. Tracey has more than 25 years of experience in real estate and funds management, with extensive knowledge of real estate transactions, structuring, funds management, compliance and corporate governance. Tracey is a Solicitor of the Supreme Court of NSW, and has been admitted to the Supreme Court of the Australian Capital Territory and the High Court of Australia. She holds a Bachelor of Arts and a Bachelor of Laws degree from the University of Sydney.

Non-audit services

The Responsible Entity may decide to employ the auditor (PricewaterhouseCoopers) on assignments in addition to the statutory audit duties where the auditor's expertise and experience with the Trust are important.

Details of the amounts paid to the auditor for audit and non-audit services provided during the period are disclosed in Note 16 to the consolidated financial statements.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit, Risk and Compliance Committee, is satisfied that the provision of the non-audit services is compliant with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out in Note 16 of the consolidated financial statements, did not compromise the auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit, Risk and Compliance Committee to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Accounting Professional and Ethical Standards Board APES 110 *Code of Ethics for Professional Accountants*.

Directors' report (continued)

For the period ended 30 June 2017

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 11.

Rounding of amounts to the nearest hundred thousand dollars

As permitted by ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 (as amended) issued by the Australian Securities and Investments Commission relating to the 'rounding off' of amounts in the Director's report and consolidated financial statements, amounts in the Directors' report and consolidated financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated.

This report is made in accordance with a resolution of the Board of Directors of Charter Hall WALE Limited.



Peeyush Gupta
Chair

Sydney
17 August 2017



Auditor's Independence Declaration

As lead auditor for the audit of LWR Finance Trust for the period 22 September 2016 to 30 June 2017, 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 LWR Finance Trust and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'J A Dunning', with a stylized flourish at the end.

J A Dunning
Partner
PricewaterhouseCoopers

Sydney
17 August 2017

Consolidated statement of comprehensive income

For the period ended 30 June 2017

	Notes	22 Sep 2016 to 30 Jun 2017 \$'000
Revenue		
Interest income		8,700
Total revenue		8,700
Expenses		
Fund management fees	17	(14)
Costs associated with Initial Public Offering	3	(214)
Administration and other expenses		(76)
Net loss on derivative financial instruments	6	(216)
Finance costs	9	(8,619)
Total expenses		(9,139)
Net loss for the period		(439)
Other comprehensive income		-
Total comprehensive loss		(439)
Basic and diluted loss per ordinary unitholder of the Trust		
Loss per unit (cents)	2	(0.25)

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

Consolidated balance sheet

As at 30 June 2017

	Notes	30 Jun 2017 \$'000
Assets		
Current Assets		
Cash and cash equivalents	4	1,362
Receivables		3
Total current assets		1,365
Non-current assets		
Loans receivable	5	357,501
Derivative financial instruments	6	635
Total non-current assets		358,136
Total assets		359,501
Liabilities		
Current liabilities		
Payables	8	313
Total current liabilities		313
Non-current liabilities		
Borrowings	9	356,847
Derivative financial instruments	6	884
Total non-current liabilities		357,731
Total liabilities		358,044
Net assets		1,457
Equity		
Contributed equity	10	1,896
Accumulated losses	11	(439)
Total equity		1,457

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

Consolidated statement of changes in equity

For the period ended 30 June 2017

Attributable to unitholders of LWR Finance Trust				
	Notes	Contributed equity \$'000	Accumulated losses \$'000	Total \$'000
Balance at 22 Sep 2016		-	-	-
Unit issuance	10	2,500	-	2,500
Capital return	10	(1,878)	-	(1,878)
Unit redemptions	10	(626)	-	(626)
Units issued via IPO, net of equity raising costs	10	1,889	-	1,889
Units issued via DRP	10	11	-	11
Total comprehensive income		-	(439)	(439)
Balance at 30 Jun 2017		1,896	(439)	(1,457)

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

Consolidated cash flow statement

For the period ended 30 June 2017

	Notes	22 Sep 2016 to 30 Jun 2017 \$'000
Cash flows from operating activities		
Interest received		85
Finance costs paid		(7,998)
Fund management fee paid		(13)
Administration and other expenses paid		(23)
Net GST paid with respect to operating activities		(2)
Net cash flows from operating activities	12	(7,951)
Cash flows from investing activities		
Repayments under Intra-Group Facility Agreement		(610,894)
Drawdowns under Intra-Group Facility Agreement		262,008
Net cash flows from investing activities		(348,886)
Cash flows from financing activities		
Proceeds from issue of units prior to IPO		2,500
Net capital return paid on IPO		(635)
Costs associated with IPO		(184)
Proceeds from borrowings, net of borrowing costs		387,518
Repayment of borrowings		(31,000)
Net cash flows from financing activities		358,199
Net increase in cash and cash equivalents		1,362
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period	4	1,362

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

Notes to the consolidated financial statements

For the period ended 30 June 2017

1 Summary of significant accounting policies

The Charter Hall Long WALE REIT (REIT or CLW) is a stapled group comprising of LWR Finance Trust (Trust or LWR FT) and its controlled entity and the entities below (collectively referred to as the Stapled Trusts):

Stapled Entity

Charter Hall Direct Industrial Fund (DIF)

Canning Vale Logistics Trust No. 1 (CVLT1)

218 Bannister Road Trust (218 BRT)

CPOF Kogarah Holding Trust (CPOF KHT)

Franklin Street Property Trust (FSPT)

CHPT Dandenong Trust (CHPT DT)

Description

Owns all of the REIT's investment properties and equity accounted investments other than those listed below

50% ownership of Metcash, Canning Vale WA

50% ownership of Metcash, Canning Vale WA

50.1% ownership of Westpac, Kogarah NSW

100% ownership of ATO, Adelaide SA

50% ownership of Coles, Truganina VIC and 26% ownership of Woolworths, Dandenong VIC

The units of the Stapled Trusts (collectively referred to as the stapled securities) are listed on the Australian Securities Exchange and cannot be traded or dealt with separately. The seven entities comprising the stapled group remain separate legal entities in accordance with the *Corporations Act 2001*, and are each required to comply with the reporting and disclosure requirements of Accounting Standards and the *Corporations Act 2001*.

The accounting policies which have been adopted in the preparation of this annual financial report are set out below.

The custodian of the Trust is The Trust Company (Australia) Limited. The custodian's registered office is Level 12, 123 Pitt Street, Sydney NSW 2000.

LWR Finance Trust is a trust constituted in Australia. The nature of the operations and principal activities of the Trust are described in the Directors' Report.

The financial report for the period ended 30 June 2017 was authorised for issue by the directors on 17 August 2017. The directors have the power to amend and reissue the financial report.

(a) Basis of preparation

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

The consolidated financial statements are presented in Australian dollars, which is the Trust's functional and presentation currency.

Compliance with IFRS

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

Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for the following:

- derivative financial instruments – measured at fair value

New and amended standards adopted

No new accounting standards or amendments have come into effect for the period ended 30 June 2017 that affect the Trust's operations or reporting requirements.

Critical accounting estimates

The preparation of the consolidated financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates and management to exercise its judgement in the process of applying the Trust's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the consolidated financial statements are disclosed below:

- Derivative financial instruments – Note 1(k)

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Trust and that are believed to be reasonable under the circumstances.

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation

Controlled entities

Subsidiaries are all entities over which the Trust has control. The Trust controls an entity when the Trust 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 Trust. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Trust.

(c) Segment reporting

The Trust has not produced segment reporting information as management had determined that only one operating segment exists. This is based on the information provided to the chief operating decision maker in accordance with AASB 8 *Operating Segments*. The segment is deemed to be property investment in Australia.

(d) Revenue recognition

Interest income

Interest income is recognised using the effective interest rate method.

(e) Expenses

Expenses are recognised on an accruals basis.

(f) Income tax

Under current Australian income tax legislation, the Trust is not liable to pay income tax provided its income for the period, as determined under the Trust's constitution, is fully distributed to unitholders, by way of cash or reinvestment.

(g) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets that suffered impairment in prior periods are reviewed for possible reversal of the impairment at each reporting date.

(h) Cash and cash equivalents

For the purpose of presentation in the cash flow statement, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated balance sheet.

(i) Loans and other receivables

Loans and other receivables are initially recognised at the amounts due to the Trust.

Collectability of loans and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off in the period in which they are identified. A provision for doubtful debts is raised where there is objective evidence that the Trust will not collect all amounts due. The amount of the provision is the difference between the carrying amount and estimated future cash flows. Cash flows relating to current receivables are not discounted.

(j) Derivative financial instruments

Derivative financial instruments held as financial assets or financial liabilities designated at fair value through profit or loss are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance date.

None of the financial derivative contracts held by the Trust as at 30 June 2017 qualify for hedge accounting.

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

1 Summary of significant accounting policies (continued)

(k) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Trust. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(l) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of comprehensive income over the period of the borrowing using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

(m) Contributed equity

Stapled securities on issue are classified as equity and recognised at the fair value of the consideration received by the Trust. Transaction costs arising on the issue of equity are recognised directly in equity as a reduction in the proceeds of units to which the costs relate.

(n) Distributions paid and payable

A liability is recognised for the amount of any distribution declared by the Trust on or before the end of the reporting period but not distributed at balance date.

(o) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The nominal value less estimated credit adjustments of trade receivables and payables approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Trust for similar financial instruments.

The fair value of financial instruments traded in active markets is determined using quoted market prices at the balance date. The quoted market price used for financial assets held by the Trust is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Trust uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The fair value of interest rate swaps is determined using forward market rates and the present value of the estimated future cash flows at the balance date.

(p) Loss per unit

Basic loss per unit is determined by dividing statutory loss attributable to the unitholders by the weighted average number of units on issue during the period.

Diluted loss per unit is determined by dividing statutory loss attributable to the unitholders by the weighted average number of ordinary units and dilutive potential ordinary units on issue during the period.

(q) Goods and Services Tax (GST)

Income, expenses, assets (with the exception of receivables) and liabilities (with the exception of payables) are recognised net of the amount of GST recoverable from the Australian Taxation Offices (ATO). The non-recoverable GST is recognised as part of the income, expense, asset or liability.

Receivables and payables are inclusive of GST. The net amount of GST recoverable from or payable to the Australian and overseas tax offices is included in receivables or payables in the consolidated balance sheet.

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

1 Summary of significant accounting policies (continued)

(q) Goods and Services Tax (GST) (continued)

Cash flows relating to GST are included in the consolidated statement of cash flows 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.

(r) Parent entity financial information

The financial information for the parent entity, LWR Finance Trust, disclosed in Note 13, has been prepared on the same basis as the Trust's consolidated financial statements except as set out below:

(i) Receivables and payables

Trade amounts receivable from controlled entities in the normal course of business and other amounts advanced on commercial terms and conditions are included in receivables. Similarly, amounts payable to controlled entities are included in payables.

(ii) Recoverable amount of assets

The carrying amounts of investments in controlled entities valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying value exceeds their recoverable amount, the assets are written down to the lower value. The write-down is expensed in the year in which it occurs.

(s) Impact of new standards and interpretations issued but not yet adopted by the Trust

Certain new accounting standards and interpretations have been published that are not mandatory for the period ended 30 June 2017 but are available for early adoption. The impact of these new standards and interpretations (to the extent relevant to the Trust) is set out below:

(i) AASB 9 *Financial Instruments* (applicable 1 January 2018)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and liabilities and sets out new rules for hedge accounting. The Trust currently plans to apply AASB 9 for the reporting period beginning on 1 July 2018. An initial assessment of the new standard has been undertaken and it is not expected to have a material impact on the Trust's consolidated financial statements.

(t) Rounding of amounts

Under the option provided by ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 (as amended) issued by the Australian Securities and Investments Commission relating to the 'rounding off' of amounts in the financial statements, amounts in the Company and the Trust's consolidated financial statements have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

2 Loss per unit

	22 Sep 2016 to 30 Jun 2017
Basic and diluted loss per ordinary unitholder	
Loss per unit (cents) for profit from operations	(0.25)
Loss used in the calculation of basic and diluted loss per unit	
Net loss for the period (\$'000)	(439)
Weighted average number of units* used in the calculation of basic and diluted loss per unit (thousands)	178,320

*Takes into account conversion of each unit issued by the Trust into approximately 27.18 units on 10 November 2016.

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

3 Costs associated with IPO

	22 Sep 2016 to 30 Jun 2017 \$'000
Underwriting and offer management fees and cost	34
Advisers and consultant fees	195
	229
Treated as equity raising costs	15
Treated as expense in profit or loss	214
	229

4 Cash and cash equivalents

	30 Jun 2017 \$'000
Cash and cash equivalents	1,362
	1,362

Interest is receivable monthly in arrears. At 30 June 2017, the interest rate on the operating account was 1.75% p.a.

5 Loans receivable

	30 Jun 2017 \$'000
Loans receivable	
Charter Hall Direct Industrial Fund	102,350
CHPT Dandenong Trust	36,758
218 Bannister Road Trust	44,701
Canning Vale Logistics Trust No. 1	44,619
CPOF Kogarah Holding Trust	52,162
Franklin Street Property Trust	76,911
	357,501

On 10 November 2016, the Trust entered an Intra-Group Facility Agreement (IGFA) with the other Stapled Trusts. This agreement expires in November 2021. Interest rates under IGFA are variable and reset periodically. As at 30 June 2017, the interest rate under IGFA was 4.25% per annum.

6 Derivative financial instruments

	30 Jun 2017 \$'000
Non-current assets	
Interest rate swaps	635
	635
Non-current liabilities	
Interest rate swaps	884
	884

Interest rate swaps

The Trust has entered into interest rate swaps totalling \$225 million that entitle it to receive interest, at quarterly intervals, at a floating rate on a notional principal amount and oblige it to pay interest at a fixed rate on the same amount. The interest rate swap agreements allow the Trust to raise long term borrowings at a floating rate and effectively swap them into a fixed rate.

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

6 Derivative financial instruments (continued)

As at 30 June 2017, the notional principal amount and period of expiry of the interest rate swap contracts are as follows:

	30 Jun 2017 \$'000
2 - 3 years	40,000
4 – 5 years	185,000
	225,000

7 Net tangible assets

	30 Jun 2017 \$'000
Total assets	359,501
Less: Total liabilities	358,044
Net tangible assets attributable to the Trust	1,457
 Total number of securities on issue (thousands)	 207,787
Net tangible asset backing per unit (\$)	0.01

8 Payables

	30 Jun 2017 \$'000
Current liabilities	
Interest payable	258
Accruals	55
	313

9 Borrowings

	30 Jun 2017 \$'000
Non-current	
Bank loan	359,000
Unamortised borrowing costs	(2,153)
	356,847

In November 2016, the Trust entered a \$350 million unsecured debt facility agreement with a major Australian bank for a five year term expiring in November 2021. During the period, the facility was syndicated and the limit increased to \$450 million.

In addition, the Trust funded a guarantee of \$14.5 million from the syndicated facility on behalf of CHPT Dandenong Trust, one of the Stapled Trusts of the REIT. This guarantee is in relation to equity committed by CHPT Dandenong Trust to fund the development of the Woolworths Distribution Centre in Dandenong South, VIC.

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

10 Contributed equity

		22 Sep 2016 to 30 Jun 2017 \$'000
<i>Details</i>	<i>No. of units</i>	
Units on issue - 22 Sep 2016	100	-
Units issued prior to IPO	2,499,900	2,500
Capital return	-	(1,878)
Change in number of units after unit re-organisation	65,454,824	-
Unit redemptions	(67,954,824)	(626)
Units issued during the period:		
- via IPO	206,683,097	1,889
- via DRP	1,104,078	11
Units on issue	207,787,175	1,896

As stipulated in the Trust's constitution, each unit represents a right to an individual share in the Trust and does not extend to a right to the underlying assets of the Trust. There are no separate classes of units.

Each unit confers the right to vote at meetings of securityholders, subject to any voting restrictions imposed on a unitholder under the *Corporations Act 2001* and the Australian Securities Exchange Listing Rules.

Distribution Reinvestment Plan (DRP)

The Trust, being a member of the REIT, has established a Distribution Reinvestment Plan (DRP) under which stapled securityholders may elect to have all or part of their distribution entitlements satisfied by the issues of new stapled securities rather than being paid in cash. The DRP issue price is determined at a discount of 1.0% to the daily volume weighted average price of all stapled securities traded on the ASX during the 10 business days commencing on the third business day following the distribution record date.

11 Accumulated losses

	22 Sep 2016 to 30 Jun 2017 \$'000
Opening balance	-
Loss for the period	(439)
Closing balance	(439)

12 Reconciliation of loss to net cash flows from operating activities

	22 Sep 2016 to 30 Jun 2017 \$'000
Loss for the period	(439)
Non-cash items	
Net fair value movements on derivative financial instruments	216
Amortisation of borrowing costs	330
Capitalised interest on Intra-Group Facility	(8,615)
Classified as financing activity	
Costs associated with Initial Public Offering	214
Other	
Increase in receivables	(2)
Increase in payables	345
Net cash flows from operating activities	(7,951)

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

12 Reconciliation of loss to net cash flows from operating activities (continued)

Non-cash financing and investing activities

The following non-cash financing activities are not reflected in the statement of cash flows:

	22 Sep 2016 to 30 Jun 2017 \$'000
Distributions by the Trust during the period satisfied by the issue of units under the DRP	11
	11
Gross consideration received from IPO	1,904
Equity raising fees paid to Joint Lead Managers	(35)
Capital return and unit redemptions paid to former unitholders	(2,504)
Net capital return paid on IPO	(635)

13 Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity are shown below:

	30 Jun 2017 \$'000
Assets	
Current assets	3
Non-current assets	2,500
Total assets	2,503
Liabilities	
Current liabilities	705
Total liabilities	705
Net assets	1,798
Equity	
Contributed equity	1,900
Accumulated losses	(102)
Total equity	1,798
	22 Sep 2016 to 30 Jun 2017 \$'000
Net loss	(102)
Total comprehensive loss	(102)

(b) Guarantees entered into by the parent entity

The parent entity has not provided any guarantees in relation to the debts of its subsidiaries as at 30 June 2017.

(c) Commitments and contingent liabilities of the parent entity

The parent entity did not have any commitments or contingent liabilities as at 30 June 2017.

(d) Directors fees

The parent entity paid directors fees of \$2,771 to Charter Hall WALE Limited.

(e) Net current asset deficiency

At 30 June 2017, the parent entity has a net deficiency of current assets over current liabilities of \$0.7 million. The parent entity will be able to meet its day-to-day working capital requirements from the available loan facility held by its subsidiary and operating cash flows. The unitholders will only receive their distributions to the extent that the parent entity has sufficient working capital.

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

14 Capital and financial risk management

(a) Capital risk management

The Trust optimises capital through the mix of available capital sources whilst complying with the statutory and constitutional capital and distribution requirements, maintaining gearing, interest cover ratios and other covenants within approved limits and continuing to operate as a going concern.

The Trust assesses its capital management approach as a key part of its overall strategy and it is regularly reviewed by management and the Board.

The Trust is able to alter its capital mix by issuing new units, activating the DRP, electing to have the DRP underwritten, adjusting the amount of distributions paid, activating a unit buyback program or reducing borrowings through the sale of assets of the other members of the REIT.

(b) Financial risk management

The Trust's principal financial instruments comprise cash and cash equivalents, receivables, payables, derivatives and borrowings.

The Trust's activities expose it to a variety of financial risks: market risk - interest rate risk, credit risk and liquidity risk.

The Trust manages its exposure to these financial risks in accordance with the Trust's Financial Risk Management (FRM) policy as approved by the Board. The policy sets out the Trust's approach to managing financial risks, the policies and controls utilised to minimise the potential impact of these risks on its performance and the roles and responsibilities of those involved in the management of these financial risks.

The Trust uses various measures to manage exposures to these types of risks. The Trust undertakes counterparty credit assessment and will seek to spread its credit exposures, where practical. The Finance Trust and its controlled entity centrally manage the REIT's exposure to floating interest rates through the use of interest rate swaps.

(c) Market risk – interest rate risk

Interest rate risk is the risk that changes in market interest rates will impact the earnings of the Trust.

The Trust is exposed to interest rate risk predominantly through borrowings. The Finance Trust applies benchmark hedging bands across differing interest rate exposures and utilises interest rate swaps, to exchange floating interest rates to fixed interest rates, to centrally manage the REIT's exposure between these bands. Compliance with policy is reviewed regularly by management and is reported to the Board regularly.

The Trust has exposure to interest rate risk on its monetary assets and liabilities, as shown in the table below:

	30 Jun 2017 \$'000
Floating rate	
Cash and cash equivalents	1,362
Loans receivable	357,501
Borrowings	(359,000)
	(137)
Derivative financial instruments	
Interest rate swaps - floating to fixed (notional amount)*	225,000
	225,000
Net exposure	224,863

*The amounts represent the notional principal payable under the derivative contracts (excluding derivatives where cash flows have not commenced at balance sheet date).

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

14 Capital and financial risk management (continued)

(c) Market risk – interest Rate Risk (continued)

The table below demonstrates the sensitivity to reasonably possible changes in period end interest rates, with all other variables held constant. A negative amount in the table reflects a potential net reduction in profit or equity, while a positive amount reflects a potential net increase.

	30 Jun 2017 \$'000
Sensitivity	
Profit	
BBSW +1%	8,114
BBSW -1%	(8,316)
Equity	
BBSW +1%	8,114
BBSW -1%	(8,316)

At balance date the Trust has fixed 63% of its net floating interest rate exposure (excluding IGFA), through the use of interest rate swaps.

(d) Liquidity risk

Liquidity risk arises if the Trust has insufficient liquid assets to meet its short term obligations. Liquidity risk is managed by maintaining sufficient cash balances and adequate committed credit facilities. Prudent liquidity management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The instruments entered into by the Trust were selected to ensure sufficient funds would be available to meet the ongoing cash requirements of the Trust.

The following table provides the contractual maturity of the Trust's floating rate financial liabilities and derivatives as at 30 June 2017. The amounts presented represent the future contractual undiscounted principal and interest cash flows and therefore do not equate to the value shown in the balance sheet. Repayments which are subject to notice are treated as if notice were given immediately.

	Carrying value \$'000	Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	Total \$'000
30 Jun 2017					
Financial liabilities					
Payables	313	313	-	-	313
Borrowings	356,847	9,369	390,547	-	399,916
Derivative financial instruments	884	552	359	-	911
Total undiscounted financial liabilities	358,044	10,234	390,906	-	401,140

(e) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial asset and cause the Trust to incur a financial loss. The Trust has exposure to credit risk on all of its financial assets included in the Trust's consolidated balance sheet.

The Trust is exposed to credit risk on cash and cash equivalents. The Trust has policies that limit the amount of credit exposure to any financial institution. Cash transactions are limited to investment grade counterparties in accordance with the Trust's FRM policy. The Trust monitors the public credit rating of its counterparties.

The geographic concentration of credit exposure of the Trust's assets is based entirely in Australia.

All cash and cash equivalents and other receivables are neither past due or not impaired.

There are no significant financial assets that have had renegotiated terms that would otherwise have been past due or impaired.

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

14 Capital and financial risk management (continued)

(f) Offsetting financial assets and financial liabilities

The Trust does not have any financial assets or financial liabilities that are subject to set off to a net position.

15 Fair value measurement

(a) Recognised fair value measurement

AASB 13 *Fair value measurement* requires disclosure of fair value measurement using the following fair value measurement hierarchy:

- i Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- ii Level 2 - 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).
- iii Level 3 - Inputs for the asset or liability that are not based on observable market data.

Financial assets and liabilities not carried at fair value have carrying values that reasonably approximate their fair values and are categorised within fair value as follows:

- Cash and cash equivalents and borrowings – Level 1.
- All other financial assets and liabilities – Level 2.

The following table presents the Trust's assets and liabilities measured at fair value according to the fair value hierarchy at 30 June 2017:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets - recurring fair value measurement				
Derivative financial instruments	-	635	-	635
Total assets	-	635	-	635
Financial liabilities - recurring fair value measurement				
Derivative financial instruments	-	884	-	884
Total liabilities	-	884	-	884

There were no transfers between levels of fair value measurement during the period.

(b) Disclosed fair values

The fair value of derivative financial instruments are disclosed in the consolidated balance sheet. The carrying amounts of receivables and payables are assumed to approximate their fair values due to their short-term nature.

The following table represents the carrying amounts and fair values of borrowings at 30 June 2017. Fair value is estimated by discounting the future contractual cash flows at the current market interest rate curve since quoted prices are not available.

	30 Jun 2017	
	Carrying amount \$'000	Fair value \$'000
Non-current		
Bank loans	359,000	360,498
	359,000	360,498

(c) Valuation techniques used to derive level 2 fair values

The fair value of investment in financial assets and derivative financial instruments are estimated internally using generally acceptable valuation models based on discounted cash flow analysis using quoted market inputs (i.e. interest rates, forward rates, etc.) adjusted for specific features of the financial instruments and debit or credit valuation adjustments.

Credit value adjustments are based on the counterparty's credit risk using counterparty's credit default swap curve as a benchmark.

Debit value adjustments are based on the Trust's credit risk using debt financing available to the Trust as a benchmark.

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

16 Remuneration of auditors

During the period the auditor of the Trust, PricewaterhouseCoopers, earned the following remuneration:

	22 Sep 2016 to 30 Jun 2017 \$
Audit services	17,500
	17,500

17 Related party transactions

(a) Responsible Entity

The Responsible Entity of the Trust is Charter Hall WALE Limited.

The registered office of the Responsible Entity is Level 20,1 Martin Place, Sydney NSW 2000.

(b) Directors

The following persons have held office as directors of the Responsible Entity during the period and up to the date of this report:

- Peeyush Gupta - Chair and Non-Executive Director
- Glenn Fraser - Non-Executive Director
- Ceinwen Kirk-Lennox - Non-Executive Director
- David Harrison - Executive Director and Chief Executive Officer/Managing Director of Charter Hall Group
- Adrian Taylor - Executive Director

(c) Transactions with related parties of the Responsible Entity

The responsible entity and its related parties held 41,461,705 units of the Trust as at 30 June 2017.

Amounts paid/payable to related party (excluding fund management fees detailed separately) for the period are as follows:

	30 Jun 2017 \$
Charter Hall Holdings Pty Limited	
Accounting services	24,102
	24,102

(d) Trust management fees

Under the terms of the Trust's constitution, the Responsible Entity is entitled to receive a base fee calculated as 0.45% per annum of the look through value of the total assets of the Trust and payable monthly in arrears. Management fees for the period ended 30 June 2017 amounted to \$14,347.

(e) Outstanding payable balance with the Responsible Entity and its related parties

As at 30 June 2017, the outstanding payable balance with the Responsible Entity and its related parties was \$1,494.

(f) Key management personnel

Key management personnel (KMP) are defined in AASB 124 *Related Party Disclosures* as those having authority and responsibility for planning, directing and controlling the activities of the entity. The Responsible Entity meets the definition of key management personnel as it has this authority in relation to the activities of the Trust. The Trust paid directors fees of \$2,771 to the Responsible Entity.

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

17 Related party transactions (continued)

(g) Director equity holdings

The number of units held directly, indirectly or beneficially by the Directors of the Responsible Entity or the Directors' related parties at 30 June 2017 is as follows:

	Units held 2017
Peeyush Gupta	382,111
Glenn Fraser	40,000
Ceinwen Kirk-Lennox	23,250
David Harrison	254,053
Adrian Taylor	63,513
	762,927

The aggregate number of units of the Trust acquired by the directors of the Responsible Entity or their related parties during the period is set out below:

	Units acquired 2017
Peeyush Gupta	382,111
Glenn Fraser	40,000
Ceinwen Kirk-Lennox	23,250
David Harrison	254,053
Adrian Taylor	63,513
	762,927

No units of the Trust were sold by the directors of the Responsible Entity or their related parties during the period.

18 Commitments and contingent liabilities

The Trust has a commitment to DIF, another member of the REIT, to fund the \$28.5 million acquisition of Bunnings, South Mackay QLD in July 2017.

The Trust has no other commitments or contingent liabilities as at 30 June 2017.

19 Interest in other entities

Material subsidiaries

The Trust's principal subsidiary at 30 June 2017 is set out below. It has contributed equity consisting solely of ordinary units that are held directly by the Trust, and the proportion of ownership interests held equals the voting rights held by the Trust. The country of incorporation or registration is also its principal place of business.

Name of entity	Country of incorporation / Place of business	Ownership interest held 30 Jun 2017	Principal activities
Charter Hall LWR Limited	Australia	100%	Financing activities

20 Events occurring after reporting date

In July 2017, the Trust funded the \$28.5 million acquisition of Bunnings, South Mackay QLD.

The directors of the Responsible Entity are not aware of any matter or circumstance not otherwise dealt with in this report that has significantly affected or may significantly affect the operations of the Trust, the results of its operations or the state of affairs of the Trust in future financial years.

Directors' declaration to unitholders

In the opinion of the directors of Charter Hall WALE Limited, the Responsible Entity of LWR Finance Trust:

- a The consolidated financial statements and notes set out on pages 12 to 28 are in accordance with the *Corporations Act 2001*, including:
 - i complying with Accounting Standards, *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii giving a true and fair view of the Trust's financial position as at 30 June 2017 and of its performance for the financial period ended on that date; and
- b There are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given declarations by the Fund Manager, who performs the Chief Executive Officer function, and the Head of CLW and Industrial Finance, who performs the Chief Financial Officer function, required by section 295A of the *Corporations Act 2001*.

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



Peeyush Gupta

Director

Sydney

17 August 2017



Independent auditor's report

To the stapled security holders of LWR Finance Trust

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of LWR Finance Trust (the Registered Scheme) and its controlled entities (together the "Trust") is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Trust's financial position as at 30 June 2017 and of its financial performance for the period 22 September 2016 to 30 June 2017
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2017
- the consolidated statement of comprehensive income for the period 22 September 2016 to 30 June 2017
- the consolidated statement of changes in equity for the period 22 September 2016 to 30 June 2017
- the consolidated cash flow statement for the period 22 September 2016 to 30 June 2017
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

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

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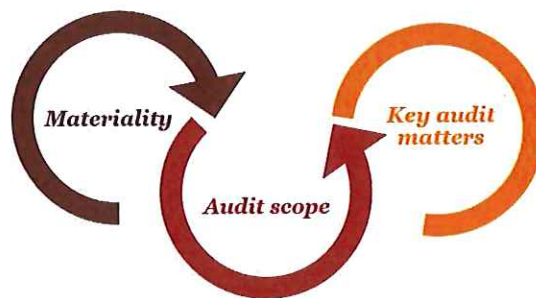


Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is 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 report.

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

The Trust's principal activity is financing.



Materiality

- For the purpose of our audit we used overall materiality of \$2.9 million, which represents approximately 0.8% of the Trust's total assets.
- 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 report as a whole.
- We chose total assets as the benchmark because, in our view, it is the benchmark most appropriate for the nature of the Trust as a financing vehicle. We selected 0.8% based on our professional judgement, noting it is within the range of commonly acceptable asset-related materiality thresholds.

Audit Scope

- Our audit focused on where the directors' of the responsible entity of the Trust made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- In all of our audits, we also address the risk of management override of internal controls, including whether there was evidence of bias by the directors that may represent a risk of material misstatement due to fraud.
- We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the structure of the Trust, the accounting processes and controls, and the industry in which the Trust operates.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report 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. We communicated the key audit matters to the Audit, Risk and Compliance Committee.

Key audit matter	How our audit addressed the key audit matter
Valuation of derivative financial instruments (Refer to note 6) The Trust manages the interest rate risk associated with its long-term borrowings. At 30 June 2017, the total carrying value of the Trust's derivatives (including current assets, non-current assets, current liabilities and non-current liabilities) was in a net liability position of \$0.3 million. We considered the valuation of derivatives to be a key audit matter because of the: • nature and complexity involved in valuing derivative instruments; • notional principal value and expiry date of the Trust's derivative instruments; and • estimations involved in determining key assumptions including interest rates, foreign exchange rates and expected volatilities of these assumptions used in the valuation.	We obtained an understanding of the movements within the derivative balances across the year and reconciled the closing derivative balances in the consolidated balance sheet. We obtained independent counterparty confirmations to confirm the existence and notional principal value of all derivative financial instruments held at year end. For all derivatives within the portfolio: • We agreed the key terms, such as nature of the derivative, effective date, expiry date, interest rate and notional principal value of the derivatives with reference to the individual third party contracts. • We engaged PwC valuation experts, who independently recalculated the fair value of the derivatives sourcing market data inputs used in the valuation calculations.
Finance cost (Refer to note 9) The Trust entered into a syndicated facility agreement with third party financiers. At 30 June 2017, the finance costs recognised by the Trust was \$8.6 million. We considered the completeness of the finance costs to be a key audit matter because of the: • relative size of the gross interest expense balance in relation to the Trust's consolidated statement of comprehensive income; • nature of the Trust's operations; and • significant audit effort taken to perform audit procedures on the balance.	We obtained and reviewed the executed syndicated facility agreement to validate: • term of the facility • interest rate used; and • line fee. We compared all drawdowns and repayments to bank statements and agreed the interest rate to independent sources. Independently recalculated the interest expense using the interest rate in the facility agreement, to the consolidated statement of comprehensive income.



Other information

The directors are responsible for the other information. The other information comprises the Director's Report included in the Trust's annual report for the period 22 September 2016 to 30 June 2017 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report 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 obtained prior to the date of our 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.

Responsibilities of the directors of the Responsible Entity for the financial report

The directors of Charter Hall WALE Limited, the responsible entity of the Trust, are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

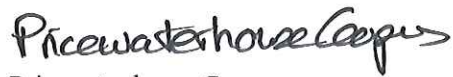
In preparing the financial report, the directors are responsible for assessing the ability of the Trust to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors intend to liquidate the Trust or to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

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 report.



A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.


PricewaterhouseCoopers


J A Dunning
Partner

Sydney
17 August 2017



Canning Vale Logistics Trust No.1

ARSN 614 713 012

Annual financial report

For the period ended 30 June 2017



Important Notice

The Charter Hall Long WALE REIT (REIT or CLW) was formed upon the stapling of the units of the seven Australian registered schemes listed below (collectively referred to as the Stapled Trusts):

- Charter Hall Direct Industrial Fund (DIF) and its controlled entities (ARSN 144 613 641);
- LWR Finance Trust (Finance Trust) and its controlled entity (ARSN 614 713 138);
- Canning Vale Logistics Trust No.1 (CVLT1) (ARSN 614 713 012);
- 218 Bannister Road Trust (218 BRT) (ARSN 614 712 588);
- CPOF Kogarah Holding Trust (CPOF KHT) and its controlled entity (ARSN 614 714 073);
- Franklin Street Property Trust (FSPT) (ARSN 614 714 206); and
- CHPT Dandenong Trust (CHPT DT) and its controlled entity (ARSN 614 712 506).

Charter Hall WALE Limited ABN 20 610 772 202; AFSL 486721 (CHWALE) is the responsible entity of the schemes listed above, and is a controlled entity of Charter Hall Limited ABN 57 113 531 150 (Charter Hall).

Past performance is not a reliable indicator of future performance. Due care and attention has been exercised in the preparation of forecast information; however, forecasts, by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of CHWALE. Actual results may vary from forecasts and any variation may be materially positive or negative.

This report has been prepared for general information purposes only and is not an offer or invitation for subscription or purchase of, or recommendation of, securities. It does not take into account the investment objectives, financial situation or needs of any investor. Before investing, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

CHWALE does not receive fees in respect of the general financial product advice it may provide; however, it will receive fees for operating the Stapled Trusts which, in accordance with the Stapled Trusts' constitutions, are calculated by reference to the value of the assets. Controlled entities of Charter Hall may also receive fees for managing the assets of, and providing resources to, the Stapled Trusts. Charter Hall and its related entities, together with their officers and directors, may hold securities in the Stapled Trusts from time to time.

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Directors' report

For the period ended 30 June 2017

The Directors of Charter Hall WALE Limited (CHWALE) present the directors' report and financial report of Canning Vale Logistics Trust No.1 (Trust or CVLT1) for the period ended 30 June 2017.

CHWALE was appointed as Responsible Entity of the Trust on 1 September 2016 upon the retirement of the previous Trustee, Bieson Pty Limited (Bieson).

The Trust was established on 1 March 2012 and registered as a managed investment scheme on 22 September 2016. The Trust was listed on the Australian Securities Exchange on 8 November 2016 and became a member of the Charter Hall Long WALE REIT consolidated group (REIT) on 10 November 2016 when its units were stapled to the units of the other six stapled trusts comprising the REIT.

The Trust's financial reporting period commenced on 22 September 2016, date of registration, and ended on 30 June 2017.

Principal activities

The principal activity of the Trust during the period was property investment. There were no significant changes in the nature of the Trust's activities during the financial period.

Directors

The following persons have held office as directors of the Responsible Entity from 1 September 2016 (date of appointment) and up to the date of this report:

- Peeyush Gupta - Non-Executive Director and Chair
- Glenn Fraser - Non-Executive Director
- Ceinwen Kirk-Lennox - Non-Executive Director
- David Harrison - Executive Director and Chief Executive Officer/Managing Director of Charter Hall Group
- Adrian Taylor - Executive Director

The following persons have held office as directors of the former Trustee, Bieson, from 1 July 2016 to 1 September 2016 (date of retirement):

- David Harrison - Executive Director and Chief Executive Officer/Managing Director of Charter Hall Group
- Adrian Taylor - Executive Director
- Richard Stacker - Executive Director
- Paul Ford - Executive Director
- Francis Dundas - Executive Director
- Simon Greig - Executive Director

Distributions

Distributions paid or declared during the period are as follows:

	Cents per unit	\$'000
Total distribution for the period from 1 July 2016 to 21 September 2016 ¹	1.99	1,318
Total distribution for the period from 22 September 2016 to 30 June 2017 ²	1.56	2,845
Total distribution		4,163

¹ Represents distributions paid to former unitholders prior to the registration of the trust as a managed investment scheme.

² Calculated with reference to weighted average number of units (refer Note 3).

The Trust also made a capital distribution of \$69.9 million to former unitholders on 10 November 2016.

The distribution of 0.40 cents per unit for the quarter ended 30 June 2017 was declared on 21 June 2017 and paid on 14 August 2017.

Directors' report (continued)

For the period ended 30 June 2017

Distribution Reinvestment Plan (DRP)

The Trust, being a member of the REIT, has established a Distribution Reinvestment Plan (DRP) under which stapled securityholders may elect to have all or part of their distribution entitlements satisfied by the issues of new stapled securities rather than being paid in cash.

The DRP issue price is determined at a discount of 1.0% to the daily volume weighted average price of all stapled securities traded on the Australian Stock Exchange (ASX) during the 10 business days commencing on the third business day following the distribution record date. The Trust raised \$0.2 million from the DRP for the 31 March 2017 distribution and \$0.2 million from the DRP for the 30 June 2017 distribution.

Review and results of operations

The Trust recorded a statutory profit for the period of \$3.0 million, which represents operating earnings of \$3.0 million and revaluation gain of \$0.7 million largely offset by \$0.7 million of costs associated with Initial Public Offering (IPO).

The table below sets out income and expenses that comprise operating earnings:

	22 Sep 2016 to 30 Jun 2017
	\$'000
Net property income	4,519
Fund management fees	(236)
Finance costs	(1,228)
Administration and other expenses	(86)
Operating earnings	2,969

Operating earnings is a financial measure which represents profit/(loss) under Australian Accounting Standards adjusted for net fair value movements, non-cash accounting adjustments such as straight lining of rental income and amortisations and other unrealised or one-off items. Operating earnings also aligns to the Funds from Operations (FFO) as defined by the Property Council of Australia.

The inclusion of operating earnings as a measure of the Trust's profitability provides investors with the same basis that is used internally for evaluating operating segment performance. Operating earnings is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution to declare.

Reconciliation of operating earnings to statutory profit is set out below:

	22 Sep 2016 to 30 Jun 2017
	\$'000
Operating earnings	2,969
Net fair value movements on investment properties	711
Costs associated with Initial Public Offering	(656)
Statutory profit for the period	3,024
Basic weighted average number of units (thousands)	182,673
Basic earnings per units (cents)	1.66
Operating earnings per units (cents)	1.63
Distribution per units (cents)	1.56

Directors' report (continued)

For the period ended 30 June 2017

Review and results of operations (continued)

The financial results are summarised as follows:

	22 Sep 2016 to 30 Jun 2017
Revenue (\$ thousands)	5,152
Statutory profit for the period (\$ thousands)	3,024
Basic earnings per unit (cents)	1.66
Operating earnings (\$ thousands)	2,969
Operating earnings per unit (cents)	1.63
Distributions (\$ thousands)	2,845
Distributions per units (cents)	1.56
	30 Jun 2017
Total assets (\$ thousands)	83,289
Total liabilities (\$ thousands)	45,675
Net assets attributable to unitholders (\$ thousands)	37,614
Units on issue (thousands)	207,787
Net assets per unit (\$)	0.18

Significant changes in the state of affairs

On 10 November 2016, the Trust returned capital of \$69.9 million to unitholders and redeemed units on issue for \$12.3 million. Immediately thereafter, the Trust issued 206.7 million units and raised \$37.2 million of equity through its Initial Public Offering (IPO).

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

Business strategies and prospects

The Trust's objective is to provide investors with stable and secure income and the potential for both income and capital growth through an exposure to a property portfolio with a long WALE.

The Trust aims to maintain and enhance the existing portfolio through active asset and property management and to grow the portfolio through the acquisition of assets that are predominantly leased to tenants with strong covenants on long-term leases.

The material business risks faced by the Trust that are likely to have an effect on its financial performance include:

Tenant concentration

The Trust's property is single tenanted. This exposes the value and performance of the property to the ability of the tenant to continue to meet its obligations under the lease agreement.

Re-leasing and vacancy

The Trust's property is currently 100% leased and the lease does not expire until 2023. There is a risk that the Trust may not be able to negotiate a suitable lease renewal. This may result in periods of vacancy which could result in a reduction in income received by the Trust, a reduction in the distributions of the Trust and a reduction in the value of the asset of the Trust. This risk is mitigated through active property and asset management. Any impact will depend on future economic conditions that are not known at balance date.

Funding

The Trust obtains necessary funding from LWR Finance Trust, another member of the REIT. An inability by LWR Finance Trust to obtain the necessary funding or refinancing of an existing debt facility, or a material increase in the cost of such funding (including increases in interest rates that are not hedged), may have an adverse impact on the Trust's performance and financial position. The REIT seeks to minimise this risk across the Stapled Trusts, including the Trust, through proactive refinancing and maintaining adequate liquidity to fund future forecast expenditure and hedging its interest rate exposure in accordance with the REIT's Board approved Financial Risk Management Policy.

Rental income and expenses risk

Distributions made by the Trust are largely dependent on the rents received from its tenant and expenses incurred during operations, which may be affected by a number of factors, including overall economic conditions and property market conditions.

Directors' report (continued)

For the period ended 30 June 2017

Matters subsequent to the end of the financial period

In August 2017, the REIT announced the simplification of its stapled structure from seven to three components. The proposal is subject to Securityholders' approval on 15 September 2017.

The directors of the Responsible Entity are not aware of any matter or circumstance not otherwise dealt within this report or the financial report that has significantly affected or may significantly affect the operations of the Trust, the results of its operations or the state of affairs of the Trust in future financial years.

Likely developments and expected results of operations

The consolidated financial statements have been prepared on the basis of current known market conditions. The extent to which a potential deterioration in either the capital or property markets that may have an impact on the results of the Trust are unknown. Such developments could influence property market valuations, the ability to refinance debt and the cost of such debt, or the ability to raise equity.

At the date of this report and to the best of the Directors' knowledge and belief, other than the proposed simplification of the REIT's stapled structure (refer to Matters subsequent to the end of the financial period), there are no other anticipated changes in the operations of the Trust which would have a material impact on the future results of the Trust. Property valuation changes and movements in interest rates may have a material impact on the Trust's results in future years, however, these cannot be reliably measured at the date of this report.

Indemnification and insurance of directors, officers and auditor

During the period, the Trust contributed to the premium for a contract insuring all directors, secretaries, executive officers and officers of the Trust and of each related body corporate of the Trust, with the balance of the premium paid by the Charter Hall Group and funds managed by members of the Charter Hall Group. In accordance with usual commercial practice, the insurance contract prohibits disclosure of details of the nature of the liabilities covered by the insurance, the limit of indemnity and the amount of the premium paid under the contract.

Provided the officers of the Responsible Entity act in accordance with the Trust's Constitution and the *Corporations Act 2001*, the officers are indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust. The insurance does not provide any cover for the independent auditor of the Trust or of a related party of the Trust. The Trust indemnifies the auditor (PricewaterhouseCoopers Australia) against any liability (including legal costs) for third party claims arising from a breach by the Trust of the auditor's engagement terms, except where prohibited by the *Corporations Act 2001*.

Fees paid to and interests held in the Trust by the Responsible Entity or its associates

Base fees of \$236,462 and other fees were paid or are payable to the Responsible Entity and its associates for the services provided during the period, in accordance with the Trust's constitution.

The interests in the Trust held by the Responsible Entity or its associates as at 30 June 2017 and other fees paid to its associates during the period are disclosed in Note 18 to the financial statements.

Interests in the Trust

The movement in units of the Trust during the period is set out below:

	22 Sep 2016 to 30 Jun 2017
Units on issue at the beginning of the period	66,266,651
Change in number of units after unit re-organisation	1,688,173
Unit redemptions	(67,954,824)
Units issued	
- via IPO	206,683,097
- via DRP	1,104,078
Units on issue at the end of the period	207,787,175

Environmental regulations

To the best of the directors' knowledge, the operations of the Trust have been undertaken in compliance with the applicable environmental regulations that apply to the Trust's activities.

Directors' report (continued)

For the period ended 30 June 2017

Information on Current Directors

Director	Experience	Special responsibilities	Interest in units of the Trust
Peeyush Gupta	Appointed 6 May 2016 Peeyush was the co-founder and the inaugural Chief Executive Officer of Ipac Securities Limited, a pre-eminent wealth management firm. He has experience in starting and growing businesses, acquisitions and divestments, roll-ups and integration, general management, investment management and corporate governance. He is a Non-Executive Director of National Australia Bank Limited, Special Broadcasting Service (SBS), BNZ Life and Insurance & Care (NSW). He is also currently the Chair of Charter Hall Direct Property Management Limited, Chair of MLC RE and IDPS Board and serves in a pro bono capacity as a trustee of Western Sydney University and the Australian School of Business Dean's Advisory Committee. Peeyush holds a Master of Business Administration in Finance from the Australian Graduate School of Management and a Bachelor of Arts in Computing Studies from the University of Canberra. Peeyush is also a Fellow of the Australian Institute of Company Directors.	Chair	382,111
Glenn Fraser	Appointed 6 May 2016 Glenn specialises in finance, infrastructure and property. He was a member of Transfield Holdings Advisory Board from 1999 to 2015. He was instrumental in Transfield Holdings' acquisition of a 50% interest in Charter Hall and its subsequent expansion and listing in 2005. Previously, Glenn was a Non-Executive Director of the Charter Hall Group from 6 April 2005 to 15 August 2012. Joining Transfield Holdings in 1996, Glenn was General Manager – Finance Project Development, where he was responsible for the financial elements of Transfield Holdings' infrastructure and property projects. Glenn was appointed Chief Financial Officer in 1999 of Transfield Holdings, which at that time had turnover in excess of \$1 billion per annum and over 8,000 staff. Glenn was a principal and director of a project finance advisory business, Perry Development Finance Pty Limited from 1985, which was sold to Hambros Corporate Finance Limited in 1995. Glenn holds a Bachelor of Commerce from the University of NSW, and is a member of the Institute of Chartered Accountants and a graduate of the Australian Institute of Company Directors.	Audit, Risk and Compliance Committee Chair	40,000

Directors' report (continued)

For the period ended 30 June 2017

Information on Current Directors (continued)

Director	Experience	Special responsibilities	Interest in units of the Trust
Ceinwen Kirk-Lennox	Appointed 28 June 2016 Ceinwen has over 32 years of experience in many aspects of property including agency, property development, project and construction management, and community development. Her executive career includes 26 years at Lendlease Corporation, where she held executive roles, running business units, client accounts and functions across the Lendlease Group. Ceinwen now runs her own consultancy, with clients across both private and public sectors. Ceinwen holds a Bachelor of Business (Land Economy) from the University of Western Sydney, and is a graduate of the Australian Institute of Company Directors. Ceinwen has 18 years' experience as an executive and non-executive director serving on a number of boards including both for-profit and not-for-profit companies. Ceinwen is a National Director of the Property Industry Foundation, and an Advisory Member of the Western Sydney Institute of TAFE.	Nil	23,250
David Harrison	Appointed 16 February 2016 David is Executive Directors of Charter Hall Group (ASX:CHC) and Charter Hall Retail REIT (ASX:CQR). He has 30 years of property market experience across office, retail and industrial sectors in multiple geographies globally. As Charter Hall's Managing Director and Group CEO, David is responsible for all aspects of the Charter Hall business, with specific focus on strategy and continuing the momentum from building an Investment Manager recognised as a multi-core sector market leader. David is an executive member of various Fund Boards and Partnership Investment Committees, Chair of the Executive Property Valuation Committee and Executive Leadership Group. David holds a Bachelor of Business Degree (Land Economy) from the University of Western Sydney, is a Fellow of the Australian Property Institute (FAPI) and holds a Graduate Diploma in Applied Finance from the Securities Institute of Australia. David is National Vice President on the Board of Directors for the Property Council of Australia and Chair of the Audit Committee. David is also a member of the Property Male Champions of Change.	Nil	254,053
Adrian Taylor	Appointed 18 July 2016 Adrian Taylor is Charter Hall's Group Executive - Office. He is a member of Charter Hall's Executive Leadership Group and the Chair of the Corporate Responsibility and Sustainability Committee. Adrian leads the office platform including setting the strategy and objectives for the wholesale office funds in conjunction with the Charter Hall fund managers and wholesale investors, and guides the asset management, property management, technical service and development teams. He has extensive capital transaction and capital management experience including debt and equity raising and deep joint venture experience in Australia and the US. He spent 15 years in listed REIT markets as General Manager, Chief Investment Officer and Chief Executive Officer of the Charter Hall Office REIT prior to its privatisation. In his prior role as Head of Wholesale Investment, he ran the investment management functions across office, retail and industrial sectors. Adrian graduated with a Bachelor of Business from Monash University, is a Certified Practising Accountant, a Fellow of the Financial Services Institute of Australasia, a Fellow Of the Royal Institute of Chartered Surveyors and is involved in numerous property industry groups including being Deputy Chair of the ICMD Division Council of the Property Council of Australia.	Nil	63,513

Directors' report (continued)

For the period ended 30 June 2017

Meetings of Directors

Name	Full meetings of Directors		Meetings of Audit, Risk and Compliance Committee	
	Eligible to attend	Attended	Eligible to attend	Attended
Peeyush Gupta	21	21	3	3
Glenn Fraser	21	21	3	3
Ceinwen Kirk-Lennox	21	21	3	3
David Harrison	21	17	-	-
Adrian Taylor	20	20	-	-

Company Secretary

Tracey Jordan was appointed Company Secretary for the Trust on 16 February 2016. Tracey has more than 25 years of experience in real estate and funds management, with extensive knowledge of real estate transactions, structuring, funds management, compliance and corporate governance. Tracey is a Solicitor of the Supreme Court of NSW, and has been admitted to the Supreme Court of the Australian Capital Territory and the High Court of Australia. She holds a Bachelor of Arts and a Bachelor of Laws degree from the University of Sydney.

Non-audit services

The Responsible Entity may decide to employ the auditor (PricewaterhouseCoopers) on assignments in addition to the statutory audit duties where the auditor's expertise and experience with the Trust are important.

Details of the amounts paid to the auditor for audit and non-audit services provided during the period are disclosed in Note 17 to the financial statements.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit, Risk and Compliance Committee, is satisfied that the provision of the non-audit services is compliant with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out in Note 17 of the financial statements, did not compromise the auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit, Risk and Compliance Committee to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Accounting Professional and Ethical Standards Board 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 11.

Rounding of amounts to the nearest hundred thousand dollars

As permitted by ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 (as amended) issued by the Australian Securities and Investments Commission relating to the 'rounding off' of amounts in the Director's report and financial statements, amounts in the Directors' report and financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated.

This report is made in accordance with a resolution of the Board of Directors of Charter Hall WALE Limited.



Peeyush Gupta
Chair

Sydney
17 August 2017



Auditor's Independence Declaration

As lead auditor for the audit of Canning Vale Logistics Trust No.1 for the period 22 September 2016 to 30 June 2017, 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.

A handwritten signature in black ink, appearing to read 'J A Dunning', with a stylized flourish at the end.

J A Dunning
Partner
PricewaterhouseCoopers

Sydney
17 August 2017

PricewaterhouseCoopers, ABN 52 780 433 757

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Statement of comprehensive income

For the period ended 30 June 2017

	Notes	22 Sep 2016 to 30 Jun 2017 \$'000
Revenue		
Property rental income		5,152
Total revenue		5,152
Other income		
Net fair value gain on investment property	7	711
Total other income		711
Total revenue and other income		5,863
Expenses		
Property expenses		(633)
Fund management fees	18	(236)
Costs associated with IPO	4	(656)
Administration and other expenses		(86)
Finance costs	11	(1,228)
Total expenses		(2,839)
Net profit for the period		3,024
Other comprehensive income		-
Total comprehensive income		3,024
Basic and diluted earnings per ordinary unitholder of the Trust		
Earnings per unit (cents)	3	1.66

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

Balance sheet

As at 30 June 2017

	Notes	30 Jun 2017 \$'000
Assets		
Current Assets		
Receivables	5	37
Other assets	6	2
Total current assets		39
Non-current assets		
Investment property	7	83,250
Total non-current assets		83,250
Total assets		83,289
Liabilities		
Current liabilities		
Payables	9	225
Distribution payable	10	831
Total current liabilities		1,056
Non-current liabilities		
Borrowings	11	44,619
Total non-current liabilities		44,619
Total liabilities		45,675
Net assets		37,614
Equity		
Contributed equity	12	20,968
Retained profits	13	16,646
Total equity		37,614

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

Statement of changes in equity

For the period ended 30 June 2017

Attributable to unitholders of Canning Vale Logistics Trust No. 1				
	Notes	Contributed equity \$'000	Retained profits \$'000	Total \$'000
Balance at 22 Sep 2016		65,783	17,785	83,568
Capital return	12	(69,907)	-	(69,907)
Unit redemptions	12	(12,337)	-	(12,337)
Units issued via IPO, net of equity raising costs	12	37,230	-	37,230
Units issued via DRP	12	199	-	199
Distributions provided for or paid	2	-	(4,163)	(4,163)
Total comprehensive income		-	3,024	3,024
Balance at 30 Jun 2017		20,968	16,646	37,614

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

Statement of cash flows

For the period ended 30 June 2017

	Notes	22 Sep 2016 to 30 Jun 2017 \$'000
Cash flows from operating activities		
Property rental income received		5,704
Property expenses paid		(500)
Funds management fees paid		(206)
Administration and other expenses paid		(80)
Net GST paid with respect to operating activities		(456)
Net cash flows from operating activities	14	4,462
Cash flows from investing activities		
Payments for investment properties		(185)
Net cash flows from investing activities		(185)
Cash flows from financing activities		
Repayments under Intra-Group Facility Agreement		(4,949)
Drawdowns under Intra-Group Facility Agreement		47,687
Costs associated with IPO		(268)
Net capital return paid on IPO	14	(45,403)
Distributions paid to unitholders	10	(1,390)
Net cash flows from financing activities		(4,323)
Net decrease in cash and cash equivalents		(46)
Cash at the beginning of the period		46
Cash and cash equivalents at the end of the period		-

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

Notes to the financial statements

For the period ended 30 June 2017

1 Summary of significant accounting policies

The Charter Hall Long WALE REIT (REIT or CLW) is a stapled group comprising of Canning Vale Logistics Trust No. 1 (Trust or CVLT1) and entities below (collectively referred to as the Stapled Trusts):

Stapled Entity

Charter Hall Direct Industrial Fund (DIF)

218 Bannister Road Trust (218 BRT)

CPOF Kogarah Holding Trust (CPOF KHT)

Franklin Street Property Trust (FSPT)

CHPT Dandenong Trust (CHPT DT)

LWR Finance Trust (Finance Trust)

Description

Owns all of the REIT's investment properties and equity accounted investments other than those listed below

50% ownership of Metcash, Canning Vale WA

50.1% ownership of Westpac, Kogarah NSW

100% ownership of ATO, Adelaide SA

50% ownership of Coles, Truganina VIC and 26% ownership of Woolworths, Dandenong VIC

Holds the REIT's bank debt and interest rate swaps through Charter Hall LWR Limited

The units of the Stapled Trusts (collectively referred to as the stapled securities) are listed on the Australian Securities Exchange and cannot be traded or dealt with separately. The seven entities comprising the stapled group remain separate legal entities in accordance with the *Corporations Act 2001*, and are each required to comply with the reporting and disclosure requirements of Accounting Standards and the *Corporations Act 2001*.

The accounting policies which have been adopted in the preparation of this annual financial report are set out below.

The custodian of the Trust is The Trust Company Limited. The custodian's registered office is Level 12, 123 Pitt Street, Sydney NSW 2000.

Canning Vale Logistics Trust No. 1 is a trust constituted in Australia. The nature of the operations and principal activities of the Trust are described in the Directors' Report.

The financial report for the period ended 30 June 2017 was authorised for issue by the directors on 17 August 2017. The directors have the power to amend and reissue the financial report.

(a) Basis of preparation

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

The financial statements are presented in Australian dollars, which is the Trust's functional and presentation currency.

Compliance with IFRS

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

Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- investment property – measured at fair value

New and amended standards adopted

No new accounting standards or amendments have come into effect for the period ended 30 June 2017 that affect the Trust's operations or reporting requirements.

Critical accounting estimates

The preparation of the financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates and management to exercise its judgement in the process of applying the Trust's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements are disclosed below:

- Investment property – Note 1(k)

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Trust and that are believed to be reasonable under the circumstances.

Notes to the financial statements (continued)

For the period ended 30 June 2017

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Net current asset deficiency

At 30 June 2017, the Trust has a net deficiency of current assets over current liabilities of \$1.0 million. The Trust will be able to meet its day-to-day working capital requirements from the available Intra-Group Facility and operating cash flows. The unitholders will only receive their distributions to the extent that the Trust has sufficient working capital.

Based on the facts set out above, the results and cash flows, there are reasonable grounds for the Trust to believe the Trust will be able to meet its debts as and when they become due and payable and accordingly the financial statements have been prepared on a going concern basis.

(b) Principles of consolidation

(i) Joint arrangements

Under AASB 11 *Joint Arrangements*, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

During the period, the Trust had a joint operation.

Joint operations

The Trust recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

There were no unrealised gains or losses on transactions between the Trust and its joint venture entity during the period.

(c) Segment reporting

The Trust has not produced segment reporting information as management had determined that only one operating segment exists. This is based on the information provided to the chief operating decision maker in accordance with AASB 8 *Operating Segments*. The segment is deemed to be property investment in Australia.

(d) Revenue recognition

Rental income

Property rental income represents income earned from the rental of Trust property (inclusive of outgoings recovered from tenants) and is recognised on a straight line basis over the lease term.

(e) Expenses

Property expenses, other expenses and outgoings, including rates, taxes and other property outgoings incurred in relation to investment property where such expenses are the responsibility of the Trust, are recognised on an accruals basis.

(f) Repairs and maintenance

Repairs and maintenance costs are charged as expenses when incurred. These repairs and maintenance costs will consist of those that, under the relevant lease agreements, are non-recoverable from tenants.

(g) Income tax

Under current Australian income tax legislation, the Trust is not liable to pay income tax provided its income for the period, as determined under the Trust's constitution, is fully distributed to unitholders, by way of cash or reinvestment.

The liability for capital gains tax that may arise if the Australian property was sold is not accounted for in these financial statements.

(h) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely

Notes to the financial statements (continued)

For the period ended 30 June 2017

1 Summary of significant accounting policies (continued)

(h) Impairment of assets (continued)

independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets that suffered impairment in prior periods are reviewed for possible reversal of the impairment at each reporting date.

(i) Cash and cash equivalents

For the purpose of presentation in the cash flow statement, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(j) Trade and other receivables

Trade and other receivables are initially recognised at the amounts due to the Trust. Rent and outgoing receivables are usually settled within 30 days of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off in the period in which they are identified. A provision for doubtful debts is raised where there is objective evidence that the Trust will not collect all amounts due. The amount of the provision is the difference between the carrying amount and estimated future cash flows. Cash flows relating to current receivables are not discounted.

(k) Investment property

Investment property comprises investment interests in land and buildings (including integral plant and equipment) held for the purpose of producing rental income, including property that is under construction for future use as investment property.

Initially, investment property is measured at cost including transaction costs. Subsequent to initial recognition, the investment property is stated at fair value. Fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. A "willing seller" is neither a forced seller nor one prepared to sell at a price not considered reasonable in the current market. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition. Gains and losses arising from changes in the fair values of investment property is included in the statement of comprehensive income in the period in which they arise.

At each balance date, the fair values of the investment property is assessed by the Responsible Entity with reference to independent valuation reports or through appropriate valuation techniques adopted by the Responsible Entity. Specific circumstances of the owner are not taken into account.

The fair value measurement of investment property takes into account the Trust's ability to generate economic benefits by using the asset in its highest and best use.

Each investment property is valued by an independent external valuer at least once every 12 months, or earlier, where the Responsible Entity deems it appropriate or believes there may be a material change in the carrying value of the property. Independent valuers are engaged on a rotational basis.

Where an independent valuation is not obtained, the factors taken into account, where appropriate, by the Directors in determining fair value may include:

- Assume a willing buyer and willing seller, without duress and an appropriate time to market the property to maximise price;
- Information obtained from valuers, sales and leasing agents, market research reports, vendors and potential purchasers;
- Capitalisation rates used to value the asset, market rental levels and lease expiries;
- Changes in interest rates;
- Asset replacement values;
- Discounted cash flow models;
- Available sales evidence;
- Comparisons to valuation professionals performing valuation assignments across the market; and
- Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

The carrying amount of investment property recorded in the balance sheet takes into consideration components relating to lease incentives, leasing costs and assets relating to fixed increases in operating lease rentals in future years.

Notes to the financial statements (continued)

For the period ended 30 June 2017

1 Summary of significant accounting policies (continued)

Where the Trust disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the statement of comprehensive income within net fair value gain/(loss) on investment property.

As the fair value method has been adopted for investment property, the buildings and any component thereof (including plant and equipment) are not depreciated. Taxation allowances for the depreciation of buildings and plant and equipment are claimed by the Trust and contribute to the tax deferred component of distributions.

Critical accounting estimates and judgements

Judgement is required in determining the following key assumptions:

- **Capitalisation rate:** The return represented by the income produced by an investment, expressed as a percentage. The rate is determined with regard to market evidence and the prior external valuation.
- **Discount rate:** The rate of return used to convert a future monetary sum or cash flow into present value when carrying out a discounted cash flow calculation. The rate is determined with regard to market evidence and the prior external valuation.
- **Terminal yield:** A percentage return applied to the expected net income following a hypothetical sale at the end of the cash flow period. The rate is determined with regard to market evidence and the prior external valuation.
- **Net market rent:** The estimated amount for which an interest in real property should be leased to a major tenant on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. The amount is determined with regard to market evidence and the prior external valuation.

(l) Lease incentives

Prospective lessees may be offered incentives as an inducement to enter into non-cancellable operating leases. These incentives may take various forms including rent-free periods, upfront cash payments, or a contribution to certain lessee costs such as a fitout contribution. Incentives are capitalised in the balance sheet as a component of investment property and amortised over the term of the lease as an adjustment to net rental income.

(m) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Trust. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowing using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

(o) Contributed equity

Units on issue are classified as equity and recognised at the fair value of the consideration received by the Trust. Transaction costs arising on the issue of equity are recognised directly in equity as a reduction in the proceeds of units to which the costs relate.

(p) Distributions paid and payable

A liability is recognised for the amount of any distribution declared by the Trust on or before the end of the reporting period but not distributed at balance date.

(q) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

A fair value measurement of a non-financial asset takes into account the Trust's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Notes to the financial statements (continued)

For the period ended 30 June 2017

1 Summary of significant accounting policies (continued)

The nominal value less estimated credit adjustments of trade receivables and payables approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Trust for similar financial instruments.

(r) Earnings per unit

Basic earnings per unit is determined by dividing statutory profit attributable to the unitholders by the weighted average number of units on issue during the period.

Diluted earnings per unit is determined by dividing statutory profit attributable to the unitholders by the weighted average number of ordinary units and dilutive potential ordinary units on issue during the period.

(s) Goods and Services Tax (GST)

Income, expenses, assets (with the exception of receivables) and liabilities (with the exception of payables) are recognised net of the amount of GST recoverable from the Australian Taxation Offices (ATO). The non-recoverable GST is recognised as part of the income, expense, asset or liability.

Receivables and payables are inclusive of GST. The net amount of GST recoverable from or payable to the Australian and overseas tax offices is included in receivables or payables in the balance sheet.

Cash flows relating to GST are included in the statement of cash flows 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.

(t) Impact of new standards and interpretations issued but not yet adopted by the Trust

Certain new accounting standards and interpretations have been published that are not mandatory for the period ended 30 June 2017 but are available for early adoption. The impact of these new standards and interpretations (to the extent relevant to the Trust) is set out below:

(i) AASB 9 *Financial Instruments* (applicable 1 January 2018)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets. The Trust currently plans to apply AASB 9 for the reporting period beginning on 1 July 2018. An initial assessment of the new standard has been undertaken and it is not expected to have a material impact on the Trust's financial statements.

(ii) AASB 15 *Revenue from Contracts with Customers* (applicable 1 January 2018)

The standard is based on the principle that revenue is recognised when control of a good or service is transferred to a customer, so the notion of control replaces the notion of risks and rewards. It applies to all contracts with customers except leases, financial instruments and insurance contracts. AASB 15 requires reporting entities to provide users of financial statements with more informative, relevant disclosures. An initial assessment has been performed on existing revenue streams. Based on this assessment, it is not expected that the Trust will be materially impacted.

(iii) AASB 16 *Leases* (applicable 1 January 2019 - early adoption allowed if AASB 15 is adopted at the same time)

The standard will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset. The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) will change. The accounting by lessors will not significantly change. The Trust currently plans to apply AASB 16 for the reporting period beginning on 1 July 2019. An initial assessment of the new standard has been undertaken and it is not expected to have a material impact on the Trust's financial statements.

(u) Rounding of amounts

Under the option provided by ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 (as amended) issued by the Australian Securities and Investments Commission relating to the 'rounding off' of amounts in the financial statements, amounts in the Trust's financial statements have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Notes to the financial statements (continued)

For the period ended 30 June 2017

2 Distributions paid or payable

	Cents per unit	\$'000
Total distribution for the period from 1 July 2016 to 21 September 2016 ¹	1.99	1,318
Total distribution for the period from 22 September 2016 to 30 June 2017 ²	1.56	2,845
Total distribution		4,163

¹ Represents distributions paid to former unitholders prior to the registration of the trust as a managed investment scheme.

² Calculated with reference to weighted average number of units (refer Note 3).

The Trust also made a capital distribution of \$69.9 million to former unitholders on 10 November 2016.

The distribution of 0.40 cents per unit for the quarter ended 30 June 2017 was declared on 21 June 2017 and paid on 14 August 2017.

3 Earnings per unit

	22 Sep 2016 to 30 Jun 2017
Basic and diluted earnings per ordinary unitholder	
Earnings per unit (cents) for profit from operations	1.66
Earnings used in the calculation of basic and diluted earnings per unit	
Net profit for the period (\$'000)	3,024
Weighted average number of units* used in the calculation of basic and diluted profit per unit (thousands)	182,673

*Takes into account conversion of each unit issued by the Trust into approximately 1.03 units on 10 November 2016.

4 Costs associated with IPO

	22 Sep 2016 to 30 Jun 2017 \$'000
Underwriting and offer management fees and cost	679
Advisers and consultant fees	269
	948
Treated as equity raising costs	292
Treated as expense in profit or loss	656
	948

5 Receivables

	30 Jun 2017 \$'000
Current assets	
Trade receivables	19
Accrued income	18
	37

6 Other assets

	30 Jun 2017 \$'000
Current assets	
Prepayments	2
	2

Notes to the financial statements (continued)

For the period ended 30 June 2017

7 Investment property

As at 30 June 2017, the investment property has been valued as set out below:

Property	Sector	Acquisition date	Date of latest independent valuation	Independent valuation \$'000	30 Jun 2017 Fair value \$'000
Metcash, Canning Vale, WA*	Industrial	10/11/16	30/06/17	83,250	83,250
Total				83,250	83,250

* 50% ownership accounted for as joint operations

A reconciliation of the carrying amount of investment properties at the beginning and end of the current period is set out below:

	30 Jun 2017 \$'000
Carrying amount at the beginning of the period	82,250
Capital expenditure	289
Revaluation adjustments	711
Carrying amount at the end of the period	83,250

The below table illustrates the key valuation assumptions used in the determination of the investment property fair value:

	30 Jun 2017
Capitalisation rate	7.25%
Lease expiry (years)	6.5
Vacancy rate	0.00%

The investment property is leased to a tenant under a long term operating lease with rent payable monthly. Minimum lease payments under non-cancellable operating leases of investment property not recognised in the financial statements are receivable as follows:

	30 Jun 2017 \$'000
Less than 1 year	6,041
1 to 5 years	24,927
Over 5 years	9,997
	40,965

8 Net tangible assets

	30 Jun 2017 \$'000
Total assets	83,289
Less: Total liabilities	45,675
Net tangible assets attributable to the Trust	37,614
Total number of securities on issue (thousands)	207,787
Net tangible asset backing per unit (\$)	0.18

Notes to the financial statements (continued)

For the period ended 30 June 2017

9 Payables

	30 Jun 2017 \$'000
Current liabilities	
Trade payables	13
Fund management fee payable	31
GST payable	35
Accruals	146
	225

10 Distribution payable

	22 Sep 2016 to 30 Jun 2017 \$'000
Current liabilities	
Opening balance	-
Distributions declared	4,163
Distributions paid	(1,390)
Distributions settled via intercompany account	14 (1,743)
Distributions reinvested	14 (199)
Closing balance	831

11 Borrowings

	30 Jun 2017 \$'000
Non-current	
Intra-Group Facility Agreement	44,619
	44,619

On 10 November 2016, the Trust entered an Intra-Group Facility Agreement (IGFA) with the other Stapled Trusts. This agreement expires in November 2021. Interest rates under IGFA are variable and reset periodically. As at 30 June 2017, the interest rate was 4.25% per annum.

12 Contributed equity

		22 Sep 2016 to 30 Jun 2017 \$'000
<i>Details</i>	<i>No. of units</i>	
Units on issue - 22 Sep 2016	66,266,651	65,782
Capital return	-	(69,907)
Change in number of units after unit re-organisation	1,688,173	-
Unit redemptions	(67,954,824)	(12,337)
Units issued via IPO	206,683,097	37,231
Units issued via DRP	1,104,078	199
Units on issue	207,787,175	20,968

As stipulated in the Trust's constitution, each unit represents a right to an individual share in the Trust and does not extend to a right to the underlying assets of the Trust. There are no separate classes of units.

Each unit confers the right to vote at meetings of unitholders, subject to any voting restrictions imposed on a unitholder under the *Corporations Act 2001* and the Australian Securities Exchange Listing Rules.

Distribution Reinvestment Plan (DRP)

The Trust, being a member of the REIT, has established a Distribution Reinvestment Plan (DRP) under which stapled securityholders may elect to have all or part of their distribution entitlements satisfied by the issues of new stapled securities rather than being paid in cash.

Notes to the financial statements (continued)

For the period ended 30 June 2017

12 Contributed equity (continued)

The DRP issue price is determined at a discount of 1.0% to the daily volume weighted average price of all stapled securities traded on the ASX during the 10 business days commencing on the third business day following the distribution record date. The Trust raised \$0.2 million from the DRP for the 31 March 2017 distribution and \$0.2 million from the DRP for the 30 June 2017 distribution.

13 Retained profits

	22 Sep 2016 to 30 Jun 2017 \$'000
Opening balance	17,785
Profit for the period	3,024
Distributions paid and payable	(4,163)
Closing balance	16,646

14 Reconciliation of profit to net cash flows from operating activities

	22 Sep 2016 to 30 Jun 2017 \$'000
Profit for the period	3,024
Non-cash items	
Net fair value movements on investment property	(711)
Capitalised interest on Intra-Group Facility	1,228
Classified as financing activities	
Costs associated with Initial Public Offering	656
Other	
Decrease in receivables and other assets	244
Increase in payables	21
Net cash flows from operating activities	4,462

Non-cash financing and investing activities

The following non-cash financing activities are not reflected in the statement of cash flows:

	22 Sep 2016 to 30 Jun 2017 \$'000
Distributions by the Trust during the period satisfied by the issue of units under the DRP	199
Distributions by the Trust during the period satisfied by settlement against intercompany account with the previous unitholder	1,743
	1,942
Gross consideration received from IPO	37,521
Equity raising fees paid to Joint Lead Managers	(680)
Capital return and unit redemptions paid to former unitholders	(82,244)
Net capital return paid on IPO	(45,403)

Notes to the financial statements (continued)

For the period ended 30 June 2017

15 Capital and financial risk management

(a) Capital risk management

The Trust, as a member of the REIT, optimises capital through the mix of available capital sources whilst complying with the terms of the IGFA, statutory and constitutional capital and distribution requirements, and continuing to operate as a going concern.

The Trust assesses its capital management approach as a key part of its overall strategy and it is regularly reviewed by management and the Board.

The Trust is able to alter its capital mix by issuing new units, activating the DRP, electing to have the DRP underwritten, adjusting the amount of distributions paid, activating a unit buyback program or selling assets to reduce borrowings.

The Trust also protects its assets by taking out insurance with creditworthy insurers.

(b) Financial risk management

The Trust's principal financial instruments comprise receivables, payables and borrowings.

The Trust's activities expose it to a variety of financial risks: market risk - interest rate risk, credit risk and liquidity risk.

The Trust manages its exposure to these financial risks in accordance with the Trust's Financial Risk Management (FRM) policy as approved by the Board. The policy sets out the Trust's approach to managing financial risks, the policies and controls utilised to minimise the potential impact of these risks on its performance and the roles and responsibilities of those involved in the management of these financial risks.

The Trust uses various measures to manage exposures to these types of risks. The Trust undertakes counterparty credit assessment and will seek to spread its credit exposures, where practical.

(c) Market risk – interest rate risk

Interest rate risk is the risk that changes in market interest rates will impact the earnings of the Trust.

The Trust is exposed to interest rate risk predominantly through borrowings. The counterparty to the Trust's IGFA is a subsidiary of the Finance Trust. The Finance Trust applies benchmark hedging bands across differing interest rate exposures and utilises interest rate swaps, to exchange floating interest rates to fixed interest rates, to centrally manage the REIT's exposure between these bands. Compliance with policy is reviewed regularly by management and is reported to the Board regularly.

The Trust has exposure to interest rate risk on its monetary liabilities, as shown in the table below:

	30 Jun 2017 \$'000
Floating rate	
Borrowings - IGFA	(44,619)
Net exposure	(44,619)

The table below demonstrates the sensitivity to reasonably possible changes in period end interest rates, with all other variables held constant. A negative amount in the table reflects a potential net reduction in profit or equity, while a positive amount reflects a potential net increase.

	30 Jun 2017 \$'000
Sensitivity	
Profit	
BBSW +1%	(167)
BBSW -1%	167
Equity	
BBSW +1%	(167)
BBSW -1%	167

At balance date the Trust only held variable rate debt. However, on a consolidated basis, the REIT has fixed 66% of its net floating interest rate exposure, through the use of interest rate swaps.

Notes to the financial statements (continued)

For the period ended 30 June 2017

15 Capital and financial risk management (continued)

(d) Liquidity risk

Liquidity risk arises if the Trust has insufficient liquid assets to meet its short term obligations. Liquidity risk is managed by maintaining sufficient cash balances and adequate committed credit facilities. Prudent liquidity management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The instruments entered into by the Trust were selected to ensure sufficient funds would be available to meet the ongoing cash requirements of the Trust.

The following table provides the contractual maturity of the Trust's floating rate financial liabilities and derivatives as at 30 June 2017. The amounts presented represent the future contractual undiscounted principal and interest cash flows and therefore do not equate to the value shown in the balance sheet. Repayments which are subject to notice are treated as if notice were given immediately.

	Carrying value \$'000	Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	Total \$'000
30 Jun 2017					
Financial liabilities					
Payables	225	225	-	-	225
Distribution payable	831	831	-	-	831
Borrowings	44,619	1,896	50,999	-	52,895
Total undiscounted financial liabilities	45,675	2,952	50,999	-	53,951

(e) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial asset and cause the Trust to incur a financial loss. The Trust has exposure to credit risk on all of its financial assets included in the Trust's balance sheet.

The Trust manages credit risk by performing credit reviews of prospective tenants, obtaining tenant collateral where appropriate and performing detailed reviews on tenant arrears.

The Trust has policies to review the aggregate exposures of debtors and tenancies across its portfolio. The Trust has significant concentrations of credit risk on its trade receivables. At 30 June 2017, the Metcash lease represents 100.0% of the total portfolio income.

The geographic concentration of credit exposure of the Trust's assets is based entirely in Australia.

All financial assets are neither past due or not impaired. The table below shows the ageing analysis of those rent receivables which are past due but not impaired:

	Less than 30 days \$'000	Past due but not impaired			Impaired \$'000	Total \$'000
		31 to 60 days \$'000	61 to 90 days \$'000	More than 90 days \$'000		
30 Jun 2017						
Trade receivables	19	-	-	-	-	19
	19	-	-	-	-	19

There are no significant financial assets that have had renegotiated terms that would otherwise have been past due or impaired.

(f) Offsetting financial assets and financial liabilities

The Trust does not have any financial assets or financial liabilities that are subject to set off to a net position.

Notes to the financial statements (continued)

For the period ended 30 June 2017

16 Fair value measurement

(a) Recognised fair value measurement

AASB 13 *Fair value measurement* requires disclosure of fair value measurement using the following fair value measurement hierarchy:

- i Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- ii Level 2 - 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).
- iii Level 3 - Inputs for the asset or liability that are not based on observable market data.

Financial assets and liabilities not carried at fair value have carrying values that reasonably approximate their fair values and are categorised within fair value as follows:

- Borrowings – Level 1.
- All financial assets and liabilities – Level 2.

The following table presents the Trust's assets and liabilities measured at fair value according to the fair value hierarchy at 30 June 2017:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Non-financial assets - recurring fair value measurement				
Investment property	-	-	83,250	83,250
Total assets	-	-	83,250	83,250

There were no transfers between levels of fair value measurement during the period.

The Trust's fair value accounting policy is disclosed in Note 1(q).

(b) Disclosed fair values

The following table represents the carrying amounts and fair values of borrowings at 30 June 2017. Fair value is estimated by discounting the future contractual cash flows at the current market interest rate curve since quoted prices are not available.

	30 Jun 2017 Carrying amount \$'000	Fair value \$'000
Non-current		
Intra-Group Facility Agreement	44,619	44,962
	44,619	44,962

(c) Valuation techniques used to derive level 3 fair values

In determining fair values of investment property, management has considered the nature, characteristics and risks of its investment property as well as the level of the fair value hierarchy.

Class of property	Fair value hierarchy	Fair value as at 30 Jun 2017 \$'000	Valuation technique	Inputs used to measure fair value	Range of unobservable inputs
Recurring fair value adjustments					
Industrial	Level 3	83,250	DCF, income capitalisation and direct comparison method	Net market rent (per sqm p.a.) Adopted capitalisation rate Adopted terminal yield Adopted discount rate	115 7.25% 7.50% 8.25%

Notes to the financial statements (continued)

For the period ended 30 June 2017

16 Fair value measurement (continued)

(c) Valuation techniques used to derive level 3 fair values (continued)

Term	Definition
Discounted Cash Flow (DCF) method	A method in which a discount rate is applied to future expected income streams to estimate the present value.
Income capitalisation method	A valuation approach that provides an indication of value by converting future cash flows to a single current capital value.
Direct comparison	This method assesses site value by direct comparison based on comparable sales ratios such as a rate per square metre of floor area and a dollar rate per unit site.
Net market rent	A net market rent is the estimated amount for which a property or space within a property should lease between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and wherein the parties have each acted knowledgeably, prudently and without compulsion. In a net rent, the owner recovers outgoings from the tenant on a pro-rata basis (where applicable).
Capitalisation rate	The return represented by the income produced by an investment, expressed as a percentage.
Terminal yield	A percentage return applied to the expected net income following a hypothetical sale at the end of the cash flow period.
Discount rate	A rate of return used to convert a future monetary sum or cash flow into present value.

The adopted valuation for investment property portfolios generally reflects a value somewhere between the valuations determined using discounted cash flow (DCF) method and the income capitalisation method.

The Board conducts investment property valuation process on a half yearly basis. All valuations are performed either by independent professionally qualified external valuers or by Charter Hall's internal valuation team and then are reviewed and approved by the Executive Property Valuations Committee, for recommendation to the Audit Risk and Compliance Committee and subsequent approval by the Board.

All properties held by the Trust must be independently valued at least once every 12 months. Where an internal valuation differs from the most recent independent valuation by +/- 5%, a new independent valuation is obtained.

Carrying values of all investment property measured at recurring fair value reflect the highest and best use value.

Sensitivity analysis

Significant input	Fair value measurement sensitivity to significant increase in input	Fair value measurement sensitivity to significant decrease in input
Net market rent (per sqm p.a.)	Increase	Decrease
Adopted capitalisation rate	Decrease	Increase
Adopted terminal yield	Decrease	Increase
Adopted discount rate	Decrease	Increase

17 Remuneration of auditors

During the period the auditor of the Trust, PricewaterhouseCoopers, earned the following remuneration:

	22 Sep 2016 to 30 Jun 2017 \$
Audit services	14,500
Taxation compliance services	2,504
Accounting and tax due diligence advice associated with IPO	33,002
	50,006

18 Related party transactions

(a) Responsible Entity

The Responsible Entity of the Trust is Charter Hall WALE Limited.

The registered office of the Responsible Entity is Level 20,1 Martin Place, Sydney NSW 2000.

Notes to the financial statements (continued)

For the period ended 30 June 2017

18 Related party transactions (continued)

(b) Directors

The following persons have held office as directors of the Responsible Entity from 1 September 2016 (date of appointment) and up to the date of this report:

- Peeyush Gupta - Chair and Non-Executive Director
- Glenn Fraser - Non-Executive Director
- Ceinwen Kirk-Lennox - Non-Executive Director
- David Harrison - Executive Director and Chief Executive Officer/Managing Director of Charter Hall Group
- Adrian Taylor - Executive Director

The following persons have held office as directors of the former Trustee, Bieson Pty Limited, from 1 July 2016 to 1 September 2016 (date of retirement):

- David Harrison - Executive Director and Chief Executive Officer/Managing Director of Charter Hall Group
- Adrian Taylor - Non-Executive Director
- Richard Stacker - Non-Executive Director
- Paul Ford - Non-Executive Director
- Francis Dundas - Non-Executive Director
- Simon Grieg - Non-Executive Director

(c) Transactions with related parties of the Responsible Entity

The responsible entity and its related parties held 41,461,705 units of the Trust as at 30 June 2017.

Amounts paid/payable to related party (excluding fund management fees detailed separately) for the period are as follows:

	30 Jun 2017
	\$
Charter Hall Holdings Pty Limited	
Property management fee	49,595
Accounting services	22,248
	71,843

(d) Trust management fees

Under the terms of the Trust's constitution, the Responsible Entity is entitled to receive a base fee calculated as 0.45% per annum of the look through value of the total assets of the Trust and payable monthly in arrears. Management fees for the period ended 30 June 2017 amounted to \$236,462.

(e) Outstanding payable balance with the Responsible Entity and its related parties

As at 30 June 2017, the outstanding payable balance with the Responsible Entity and its related parties was \$32,861.

(f) Key management personnel

Key management personnel (KMP) are defined in AASB 124 *Related Party Disclosures* as those having authority and responsibility for planning, directing and controlling the activities of the entity. The Responsible Entity meets the definition of key management personnel as it has this authority in relation to the activities of the Trust. The Trust paid directors fees of \$15,026 to the Responsible Entity.

Notes to the financial statements (continued)

For the period ended 30 June 2017

18 Related party transactions (continued)

(g) Director equity holdings

The number of units held directly, indirectly or beneficially by the Directors of the Responsible Entity or the Directors' related parties at 30 June 2017 is as follows:

	Units held 2017
Peeyush Gupta	382,111
Glenn Fraser	40,000
Ceinwen Kirk-Lennox	23,250
David Harrison	254,053
Adrian Taylor	63,513
	762,927

The aggregate number of units of the Trust acquired by the directors of the Responsible Entity or their related parties during the period is set out below:

	Units acquired 2017
Peeyush Gupta	382,111
Glenn Fraser	40,000
Ceinwen Kirk-Lennox	23,250
David Harrison	254,053
Adrian Taylor	63,513
	762,927

No units of the Trust were sold by the directors of the Responsible Entity or their related parties during the period.

19 Commitments and contingent liabilities

The Trust has no commitments or contingent liabilities as at 30 June 2017.

20 Events occurring after reporting date

In August 2017, the REIT announced the simplification of its stapled structure from seven to three components. The proposal is subject to Securityholders' approval on 15 September 2017.

The directors of the Responsible Entity are not aware of any matter or circumstance not otherwise dealt with in this report that has significantly affected or may significantly affect the operations of the Trust, the results of its operations or the state of affairs of the Trust in future financial years.

Directors' declaration to unitholders

In the opinion of the directors of Charter Hall WALE Limited, the Responsible Entity of Canning Vale Logistics Trust No. 1:

- a The financial statements and notes set out on pages 13 to 30 are in accordance with the *Corporations Act 2001*, including:
 - i complying with Accounting Standards, *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii giving a true and fair view of the Trust's financial position as at 30 June 2017 and of its performance for the financial period ended on that date; and
- b There are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given declarations by the Fund Manager, who performs the Chief Executive Officer function, and the Head of CLW and Industrial Finance, who performs the Chief Financial Officer function, required by section 295A of the *Corporations Act 2001*.

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



Peeyush Gupta

Director

Sydney

17 August 2017



Independent auditor's report

To the stapled security holders of Canning Vale Logistics Trust No. 1

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Canning Vale Logistics Trust No. 1 (the Registered Scheme) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Registered Scheme's financial position as at 30 June 2017 and of its financial performance for the period 22 September 2016 to 30 June 2017
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the balance sheet as at 30 June 2017
- the statement of comprehensive income for the period 22 September 2016 to 30 June 2017
- the statement of changes in equity for the period 22 September 2016 to 30 June 2017
- the cash flow statement for the period 22 September 2016 to 30 June 2017
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

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

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if

PricewaterhouseCoopers, ABN 52 780 433 757

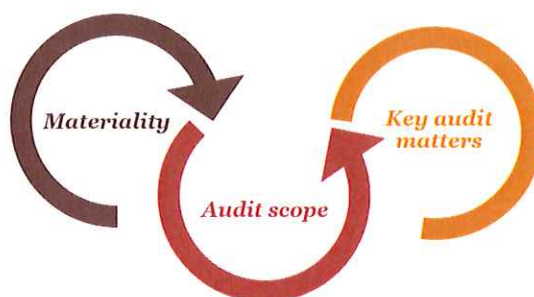
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individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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

The Registered Scheme's principal activity consists of property investment.



Materiality

- For the purpose of our audit we used overall materiality of \$0.3 million, which represents approximately 0.8% of the net assets of the Registered Scheme.
- 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 report as a whole.
- We chose net assets because, in our view, it is the industry benchmark against which the performance of the Registered Scheme is commonly measured and is a generally accepted industry benchmark. We selected 0.8% based on our professional judgement, noting it is within the range of commonly acceptable asset-related materiality thresholds.

Audit Scope

- Our audit focused on where the directors of the Responsible Entity made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- In all of our audits, we also address the risk of management override of internal controls, including whether there was evidence of bias by the directors that may represent a risk of material misstatement due to fraud.
- We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the structure of the Registered Scheme, the accounting processes and controls, and the industry in which the Registered Scheme operates.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the

context of our audit of the financial report 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. We communicated the key audit matters to the Audit, Risk and Compliance Committee.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment property (Refer to note 7) The Registered Scheme's investment property portfolio is comprised of a 50% share of an industrial property. At 30 June 2017 the carrying value of the Registered Scheme's share of the investment property was \$83.3 million. Investment property is valued at fair value at reporting date using either the income capitalisation approach or the discounted cash flow approach as described in note 1. The value of investment property is dependent on the valuation methodology adopted and the inputs into the valuation model. Factors such as prevailing market conditions, the individual nature, condition and location of property and the expected future income for property directly impact its fair value. Amongst others, the following assumptions are key in establishing fair value: • capitalisation rate • adopted discount rate. At the end of each reporting period, the Registered Scheme determines the fair value of its investment property portfolio in accordance with the Registered Scheme's valuation policy. This policy requires all properties to be externally valued by an independent valuation expert at least once every 12 months. If a property is not externally valued at balance date, the Registered Scheme performs an internal valuation. We focused on this matter because of the: • Relative significant size of the investment property balance in the consolidated balance sheet; • Material quantum of revaluation gains that directly impact the consolidated statement 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 several assumptions in the valuation methodology; and • Sensitivity of valuations to key input assumptions, specifically capitalisation and discount rates.	We obtained the latest independent property market reports to understand the prevailing market's condition in which the Registered Scheme invests. We compared prior valuation against current year valuation for the investment property, and noted that the movement in fair value is in line with overall movement in the market. We met with management and discussed the specifics of the property including lease expiries and capital expenditure. We reviewed the methodologies used by the Registered Scheme to determine the property's fair value. We compared market capitalisation rate and discount rate by location and asset grade to our independent expectation of a reasonable range determined based on benchmark market data for these assumptions. We considered the rationale supporting the rate applied in the valuation through discussions with management of the Registered Scheme and reviewed the methodologies used by the Registered Scheme to determine the property value. We also assessed the competency and capability of the external valuer and considered that the valuation was performed in accordance with the Registered Scheme's valuation policy.



Other information

The directors are responsible for the other information. The other information comprises the Director's Report included in the Registered Scheme's annual report for the period 22 September 2016 to 30 June 2017 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report 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 obtained prior to the date of our 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.

Responsibilities of the directors of the Responsible Entity for the financial report

The directors of Charter Hall WALE Limited, the responsible entity of the Registered Scheme, are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Registered Scheme 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 intend to liquidate the Registered Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 report.



A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers
PricewaterhouseCoopers

J A Dunning

J A Dunning
Partner

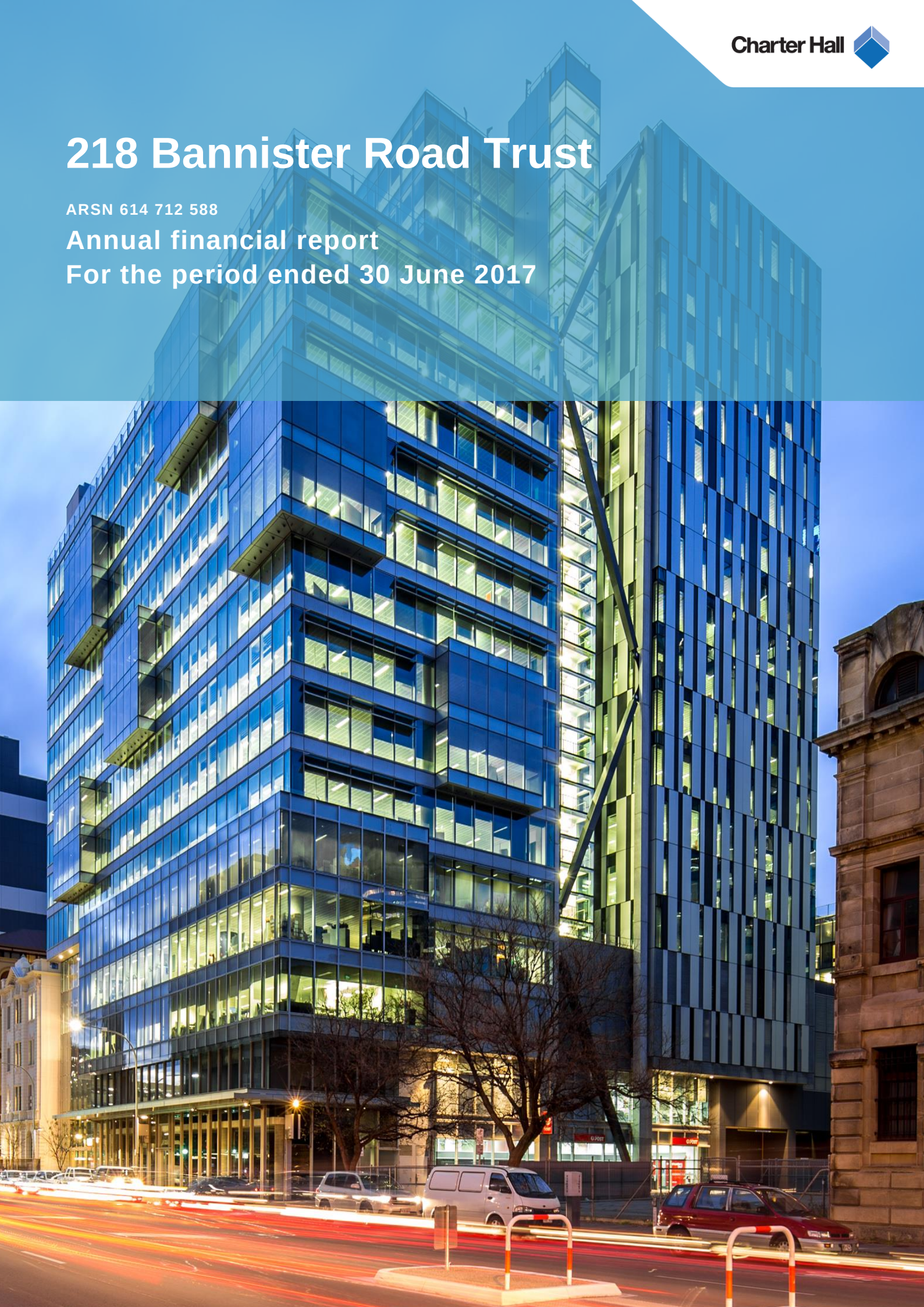
Sydney
17 August 2017



218 Bannister Road Trust

ARSN 614 712 588

Annual financial report
For the period ended 30 June 2017



Important Notice

The Charter Hall Long WALE REIT (REIT or CLW) was formed upon the stapling of the units of the seven Australian registered schemes listed below (collectively referred to as the Stapled Trusts):

- Charter Hall Direct Industrial Fund (DIF) and its controlled entities (ARSN 144 613 641);
- LWR Finance Trust (Finance Trust) and its controlled entity (ARSN 614 713 138);
- Canning Vale Logistics Trust No.1 (CVLT1) (ARSN 614 713 012);
- 218 Bannister Road Trust (218 BRT) (ARSN 614 712 588);
- CPOF Kogarah Holding Trust (CPOF KHT) and its controlled entity (ARSN 614 714 073);
- Franklin Street Property Trust (FSPT) (ARSN 614 714 206); and
- CHPT Dandenong Trust (CHPT DT) and its controlled entity (ARSN 614 712 506).

Charter Hall WALE Limited ABN 20 610 772 202; AFSL 486721 (CHWALE) is the responsible entity of the schemes listed above, and is a controlled entity of Charter Hall Limited ABN 57 113 531 150 (Charter Hall).

Past performance is not a reliable indicator of future performance. Due care and attention has been exercised in the preparation of forecast information; however, forecasts, by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of CHWALE. Actual results may vary from forecasts and any variation may be materially positive or negative.

This report has been prepared for general information purposes only and is not an offer or invitation for subscription or purchase of, or recommendation of, securities. It does not take into account the investment objectives, financial situation or needs of any investor. Before investing, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

CHWALE does not receive fees in respect of the general financial product advice it may provide; however, it will receive fees for operating the Stapled Trusts which, in accordance with the Stapled Trusts' constitutions, are calculated by reference to the value of the assets. Controlled entities of Charter Hall may also receive fees for managing the assets of, and providing resources to, the Stapled Trusts. Charter Hall and its related entities, together with their officers and directors, may hold securities in the Stapled Trusts from time to time.

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Directors' report

For the period ended 30 June 2017

The Directors of Charter Hall WALE Limited (CHWALE) present the directors' report and financial report of 218 Bannister Road Trust (Trust or 218 BRT) for the period ended 30 June 2017.

CHWALE was appointed as Responsible Entity of the Trust on 1 September 2016 upon the retirement of the previous Trustee, Bieson Pty Limited (Bieson).

The Trust was established on 25 January 2013 and registered as a managed investment scheme on 22 September 2016. The Trust was listed on the Australian Securities Exchange on 8 November 2016 and became a member of the Charter Hall Long WALE REIT consolidated group (REIT) on 10 November 2016 when its units were stapled to the units of the other six stapled trusts comprising the REIT.

The Trust's financial reporting period commenced on 22 September 2016, date of registration, and ended on 30 June 2017.

Principal activities

The principal activity of the Trust during the period was property investment. There were no significant changes in the nature of the Trust's activities during the financial period.

Directors

The following persons have held office as directors of the Responsible Entity from 1 September 2016 (date of appointment) and up to the date of this report:

- Peeyush Gupta - Non-Executive Director and Chair
- Glenn Fraser - Non-Executive Director
- Ceinwen Kirk-Lennox - Non-Executive Director
- David Harrison - Executive Director and Chief Executive Officer/Managing Director of Charter Hall Group
- Adrian Taylor - Executive Director

The following persons have held office as directors of the former Trustee, Bieson, from 1 July 2016 to 1 September 2016 (date of retirement):

- David Harrison - Executive Director and Chief Executive Officer/Managing Director of Charter Hall Group
- Adrian Taylor - Executive Director
- Richard Stacker - Executive Director
- Paul Ford - Executive Director
- Francis Dundas - Executive Director
- Simon Greig - Executive Director

Distributions

Distributions paid or declared during the period are as follows:

	Cents per unit	\$'000
Total distribution for the period from 1 July 2016 to 21 September 2016 ¹	1.95	1,318
Total distribution for the period from 22 September 2016 to 30 June 2017 ²	1.56	2,845
Total distribution		4,163

¹ Represents distributions paid to former unitholders prior to the registration of the trust as a managed investment scheme.

² Calculated with reference to weighted average number of units (refer Note 3).

The Trust also made a capital distribution of \$69.9 million to former unitholders on 10 November 2016.

The distribution of 0.40 cents per unit for the quarter ended 30 June 2017 was declared on 21 June 2017 and paid on 14 August 2017.

Directors' report (continued)

For the period ended 30 June 2017

Distribution Reinvestment Plan (DRP)

The Trust, being a member of the REIT, has established a Distribution Reinvestment Plan (DRP) under which stapled securityholders may elect to have all or part of their distribution entitlements satisfied by the issues of new stapled securities rather than being paid in cash.

The DRP issue price is determined at a discount of 1.0% to the daily volume weighted average price of all securities traded on the Australian Stock Exchange (ASX) during the 10 business days commencing on the third business day following the distribution record date. The Trust raised \$0.2 million from the DRP for the 31 March 2017 distribution and \$0.2 million from the DRP for the 30 June 2017 distribution.

Review and results of operations

The Trust recorded a statutory profit for the period of \$3.1 million which represents operating earnings of \$3.0 million and a revaluation gain of \$0.7 million, largely offset by \$0.7 million of costs associated with Initial Public Offering (IPO).

The table below sets out income and expenses that comprise operating earnings:

	22 Sep 2016 to 30 Jun 2017
	\$'000
Net property income	4,519
Interest income	16
Fund management fees	(240)
Finance costs	(1,205)
Administration and other expenses	(86)
Operating earnings	3,004

Operating earnings is a financial measure which represents profit/(loss) under Australian Accounting Standards adjusted for net fair value movements, non-cash accounting adjustments such as straight lining of rental income and amortisations and other unrealised or one-off items. Operating earnings also aligns to the Funds from Operations (FFO) as defined by the Property Council of Australia.

The inclusion of operating earnings as a measure of the Trust's profitability provides investors with the same basis that is used internally for evaluating operating segment performance. Operating earnings is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution to declare.

Reconciliation of operating earnings to statutory profit is set out below:

	22 Sep 2016 to 30 Jun 2017
	\$'000
Operating earnings	3,004
Net fair value movements on investment properties	711
Costs associated with IPO	(656)
Statutory profit for the period	3,059
Basic weighted average number of units (thousands)	182,673
Basic earnings per unit (cents)	1.67
Operating earnings per unit (cents)	1.64
Distribution per unit (cents)	1.56

Directors' report (continued)

For the period ended 30 June 2017

Review and results of operations (continued)

The financial results are summarised as follows:

	22 Sep 2016 to 30 Jun 2017
Revenue (\$ thousands)	5,168
Statutory profit for the period (\$ thousands)	3,059
Basic earnings per unit (cents)	1.67
Operating earnings (\$ thousands)	3,004
Operating earnings per unit (cents)	1.64
Distributions (\$ thousands)	2,845
Distributions per unit (cents)	1.56
	30 Jun 2017
Total assets (\$ thousands)	83,406
Total liabilities (\$ thousands)	45,756
Net assets attributable to unitholders (\$ thousands)	37,650
Units on issue (thousands)	207,787
Net assets per unit (\$)	0.18

Significant changes in the state of affairs

On 10 November 2016, the Trust returned capital of \$69.9 million to unitholders and redeemed units on issue for \$12.3 million. Immediately thereafter, the Trust issued 206.7 million units and raised \$37.2 million of equity through its Initial Public Offering (IPO).

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

Business strategies and prospects

The Trust's objective is to provide investors with stable and secure income and the potential for both income and capital growth through an exposure to a property portfolio with a long WALE.

The Trust aims to maintain and enhance the existing portfolio through active asset and property management and to grow the portfolio through the acquisition of assets that are predominantly leased to tenants with strong covenants on long-term leases.

The material business risks faced by the Trust that are likely to have an effect on its financial performance include:

Tenant concentration

The Trust's property is single tenanted. This exposes the value and performance of the property to the ability of the tenant to continue to meet its obligations under the lease agreement.

Re-leasing and vacancy

The Trust's property is currently 100% leased and the lease does not expire until 2023. There is a risk that the Trust may not be able to negotiate a suitable lease renewal. This may result in periods of vacancy which could result in a reduction in income received by the Trust, a reduction in the distributions of the Trust and a reduction in the value of the asset of the Trust. This risk is mitigated through active property and asset management. Any impact will depend on future economic conditions that are not known at balance date.

Funding

The Trust obtains necessary funding from LWR Finance Trust, another member of the REIT. An inability by LWR Finance Trust to obtain the necessary funding or refinancing of an existing debt facility, or a material increase in the cost of such funding (including increases in interest rates that are not hedged), may have an adverse impact on the Trust's performance and financial position. The REIT seeks to minimise this risk across the Stapled Trusts, including the Trust, through proactive refinancing and maintaining adequate liquidity to fund future forecast expenditure and hedging its interest rate exposure in accordance with the REIT's Board approved Financial Risk Management Policy.

Rental income and expenses risk

Distributions made by the Trust are largely dependent on the rents received from its tenant and expenses incurred during operations, which may be affected by a number of factors, including overall economic conditions and property market conditions.

Directors' report (continued)

For the period ended 30 June 2017

Matters subsequent to the end of the financial period

In August 2017, the REIT announced the simplification of its stapled structure from seven to three components. The proposal is subject to Securityholders' approval on 15 September 2017.

The directors of the Responsible Entity are not aware of any matter or circumstance not otherwise dealt within this report or the financial report that has significantly affected or may significantly affect the operations of the Trust, the results of its operations or the state of affairs of the Trust in future financial years.

Likely developments and expected results of operations

The consolidated financial statements have been prepared on the basis of current known market conditions. The extent to which a potential deterioration in either the capital or property markets that may have an impact on the results of the Trust are unknown. Such developments could influence property market valuations, the ability to refinance debt and the cost of such debt, or the ability to raise equity.

At the date of this report and to the best of the Directors' knowledge and belief, other than the proposed simplification of the REIT's stapled structure (refer to Matters subsequent to the end of the financial period), there are no other anticipated changes in the operations of the Trust which would have a material impact on the future results of the Trust. Property valuation changes and movements in interest rates may have a material impact on the Trust's results in future years, however, these cannot be reliably measured at the date of this report.

Indemnification and insurance of directors, officers and auditor

During the period, the Trust contributed to the premium for a contract insuring all directors, secretaries, executive officers and officers of the Trust and of each related body corporate of the Trust, with the balance of the premium paid by the Charter Hall Group and funds managed by members of the Charter Hall Group. In accordance with usual commercial practice, the insurance contract prohibits disclosure of details of the nature of the liabilities covered by the insurance, the limit of indemnity and the amount of the premium paid under the contract.

Provided the officers of the Responsible Entity act in accordance with the Trust's Constitution and the *Corporations Act 2001*, the officers are indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust. The insurance does not provide any cover for the independent auditor of the Trust or of a related party of the Trust. The Trust indemnifies the auditor (PricewaterhouseCoopers Australia) against any liability (including legal costs) for third party claims arising from a breach by the Trust of the auditor's engagement terms, except where prohibited by the *Corporations Act 2001*.

Fees paid to and interests held in the Trust by the Responsible Entity or its associates

Base fees of \$239,589 and other fees were paid or are payable to the Responsible Entity and its associates for the services provided during the period, in accordance with the Trust's constitution.

The interests in the Trust held by the Responsible Entity or its associates as at 30 June 2017 and other fees paid to its associates during the period are disclosed in Note 18 to the financial statements.

Interests in the Trust

The movement in units of the Trust during the period is set out below:

	22 Sep 2016 to 30 Jun 2017
Units on issue at the beginning of the period	67,725,823
Change in number of units after unit re-organisation	229,001
Unit redemptions	(67,954,824)
Units issued	
- via IPO	206,683,097
- via DRP	1,104,078
Units on issue at the end of the period	207,787,175

Environmental regulations

To the best of the directors' knowledge, the operations of the Trust have been undertaken in compliance with the applicable environmental regulations that apply to the Trust's activities.

Directors' report (continued)

For the period ended 30 June 2017

Information on current Directors

Director	Experience	Special responsibilities	Interest in units of the Trust
Peeyush Gupta	Appointed 6 May 2016 Peeyush was the co-founder and the inaugural Chief Executive Officer of Ipac Securities Limited, a pre-eminent wealth management firm. He has experience in starting and growing businesses, acquisitions and divestments, roll-ups and integration, general management, investment management and corporate governance. He is a Non-Executive Director of National Australia Bank Limited, Special Broadcasting Service (SBS), BNZ Life, and Insurance & Care (NSW). He is also currently the Chair of Charter Hall Direct Property Management Limited, Chair of MLC RE and IDPS Board and serves in a pro bono capacity as a trustee of Western Sydney University and the Australian School of Business Dean's Advisory Committee. Peeyush holds a Master of Business Administration in Finance from the Australian Graduate School of Management and a Bachelor of Arts in Computing Studies from the University of Canberra. Peeyush is also a Fellow of the Australian Institute of Company Directors.	Chair	382,111
Glenn Fraser	Appointed 6 May 2016 Glenn specialises in finance, infrastructure and property. He was a member of Transfield Holdings Advisory Board from 1999 to 2015. He was instrumental in Transfield Holdings' acquisition of a 50% interest in Charter Hall and its subsequent expansion and listing in 2005. Previously, Glenn was a Non-Executive Director of the Charter Hall Group from 6 April 2005 to 15 August 2012. Joining Transfield Holdings in 1996, Glenn was General Manager – Finance Project Development, where he was responsible for the financial elements of Transfield Holdings' infrastructure and property projects. Glenn was appointed Chief Financial Officer in 1999 of Transfield Holdings, which at that time had turnover in excess of \$1 billion per annum and over 8,000 staff. Glenn was a principal and director of a project finance advisory business, Perry Development Finance Pty Limited from 1985, which was sold to Hambros Corporate Finance Limited in 1995. Glenn holds a Bachelor of Commerce from the University of NSW, and is a member of the Institute of Chartered Accountants and a graduate of the Australian Institute of Company Directors.	Audit, Risk and Compliance Committee Chair	40,000

Directors' report (continued)

For the period ended 30 June 2017

Information on Current Directors (continued)

Director	Experience	Special responsibilities	Interest in units of the Trust
Ceinwen Kirk-Lennox	Appointed 28 June 2016 Ceinwen has over 32 years of experience in many aspects of property including agency, property development, project and construction management, and community development. Her executive career includes 26 years at Lendlease Corporation, where she held executive roles, running business units, client accounts and functions across the Lendlease Group. Ceinwen now runs her own consultancy, with clients across both private and public sectors. Ceinwen holds a Bachelor of Business (Land Economy) from the University of Western Sydney, and is a graduate of the Australian Institute of Company Directors. Ceinwen has 18 years' experience as an executive and non-executive director serving on a number of boards including both for-profit and not-for-profit companies. Ceinwen is a National Director of the Property Industry Foundation, and an Advisory Member of the Western Sydney Institute of TAFE.	Nil	23,250
David Harrison	Appointed 16 February 2016 David is Executive Directors of Charter Hall Group (ASX:CHC) and Charter Hall Retail REIT (ASX:CQR). He has 30 years of property market experience across office, retail and industrial sectors in multiple geographies globally. As Charter Hall's Managing Director and Group CEO, David is responsible for all aspects of the Charter Hall business, with specific focus on strategy and continuing the momentum from building an Investment Manager recognised as a multi-core sector market leader. David is an executive member of various Fund Boards and Partnership Investment Committees, Chair of the Executive Property Valuation Committee and Executive Leadership Group. David holds a Bachelor of Business Degree (Land Economy) from the University of Western Sydney, is a Fellow of the Australian Property Institute (FAPI) and holds a Graduate Diploma in Applied Finance from the Securities Institute of Australia. David is National Vice President on the Board of Directors for the Property Council of Australia and Chair of the Audit & Risk Committee. David is also a member of the Property Male Champions of Change.	Nil	254,053
Adrian Taylor	Appointed 18 July 2016 Adrian is Charter Hall's Group Executive - Office. He is a member of Charter Hall's Executive Leadership Group and the Chair of the Corporate Responsibility and Sustainability Committee. Adrian leads the office platform including setting the strategy and objectives for the wholesale office funds in conjunction with the Charter Hall fund managers and wholesale investors, and guides the asset management, property management, technical service and development teams. He has extensive capital transaction and capital management experience including debt and equity raising and deep joint venture experience in Australia and the US. He spent 15 years in listed REIT markets as General Manager, Chief Investment Officer and Chief Executive Officer of the Charter Hall Office REIT prior to its privatisation. In his prior role as Head of Wholesale Investment, he ran the investment management functions across office, retail and industrial sectors. Adrian graduated with a Bachelor of Business from Monash University, is a Certified Practising Accountant, a Fellow of the Financial Services Institute of Australasia, a Fellow Of the Royal Institute of Chartered Surveyors and is involved in numerous property industry groups including being Deputy Chair of the ICMD Division Council of the Property Council of Australia.	Nil	63,513

Directors' report (continued)

For the period ended 30 June 2017

Meetings of Directors

Name	Full meetings of Directors		Meetings of Audit, Risk and Compliance Committee	
	Eligible to attend	Attended	Eligible to attend	Attended
Peeyush Gupta	21	21	3	3
Glenn Fraser	21	21	3	3
Ceinwen Kirk-Lennox	21	21	3	3
David Harrison	21	17	-	-
Adrian Taylor	20	20	-	-

Company Secretary

Tracey Jordan was appointed Company Secretary for the Trust on 16 February 2016. Tracey has more than 25 years of experience in real estate and funds management, with extensive knowledge of real estate transactions, structuring, funds management, compliance and corporate governance. Tracey is a Solicitor of the Supreme Court of NSW, and has been admitted to the Supreme Court of the Australian Capital Territory and the High Court of Australia. She holds a Bachelor of Arts and a Bachelor of Laws degree from the University of Sydney.

Non-audit services

The Responsible Entity may decide to employ the auditor (PricewaterhouseCoopers) on assignments in addition to the statutory audit duties where the auditor's expertise and experience with the Trust are important.

Details of the amounts paid to the auditor for audit and non-audit services provided during the period are disclosed in Note 17 to the financial statements.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit, Risk and Compliance Committee, is satisfied that the provision of the non-audit services is compliant with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out in Note 17 of the financial statements, did not compromise the auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit, Risk and Compliance Committee to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Accounting Professional and Ethical Standards Board 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 11.

Rounding of amounts to the nearest hundred thousand dollars

As permitted by ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 (as amended) issued by the Australian Securities and Investments Commission relating to the 'rounding off' of amounts in the Director's report and financial statements, amounts in the Directors' report and financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated.

This report is made in accordance with a resolution of the Board of Directors of Charter Hall WALE Limited.



Peeyush Gupta
Chair

Sydney
17 August 2017



Auditor's Independence Declaration

As lead auditor for the audit of 218 Bannister Road Trust for the period 22 September 2016 to 30 June 2017, 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.

A handwritten signature in black ink, appearing to read 'J A Dunning', with a stylized flourish at the end.

J A Dunning
Partner
PricewaterhouseCoopers

Sydney
17 August 2017

Statement of comprehensive income

For the period ended 30 June 2017

	Notes	22 Sep 2016 to 30 Jun 2017 \$'000
Revenue		
Property rental income		5,152
Interest income		16
Total revenue		5,168
Other income		
Net fair value gain on investment property	7	711
Total other income		711
Total revenue and other income		5,879
Expenses		
Property expenses		(633)
Fund management fees	18	(240)
Costs associated with Initial Public Offering	4	(656)
Administration and other expenses		(86)
Finance costs	11	(1,205)
Total expenses		(2,820)
Net profit for the period		3,059
Other comprehensive income		-
Total comprehensive income		3,059
Basic and diluted earnings per ordinary unitholder of the Trust		
Earnings per unit (cents)	3	1.67

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

Balance sheet

As at 30 June 2017

	Notes	30 Jun 2017 \$'000
Assets		
Current Assets		
Cash and cash equivalents	5	117
Receivables	6	37
Other assets		2
Total current assets		156
Non-current assets		
Investment property	7	83,250
Total non-current assets		83,250
Total assets		83,406
Liabilities		
Current liabilities		
Payables	9	224
Distribution payable	10	831
Total current liabilities		1,055
Non-current liabilities		
Borrowings	11	44,701
Total non-current liabilities		44,701
Total liabilities		45,756
Net assets		37,650
Equity		
Contributed equity	12	22,767
Retained profits	13	14,883
Total equity		37,650

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

Statement of changes in equity

For the period ended 30 June 2017

Attributable to unitholders of 218 Bannister Road Trust				
	Notes	Contributed equity \$'000	Retained profits \$'000	Total \$'000
Balance at 22 Sep 2016		67,581	15,987	83,568
Capital return	12	(69,907)	-	(69,907)
Unit redemptions	12	(12,337)	-	(12,337)
Units issued via IPO, net of equity raising costs	12	37,231	-	37,231
Units issued via DRP	12	199	-	199
Distributions provided for or paid	2	-	(4,163)	(4,163)
Total comprehensive income		-	3,059	3,059
Balance at 30 Jun 2017		22,767	14,883	37,650

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

Statement of cash flows

For the period ended 30 June 2017

	Notes	22 Sep 2016 to 30 Jun 2017 \$'000
Cash flows from operating activities		
Property rental income received		5,704
Property expenses paid		(500)
Interest received		16
Fund management fees paid		(209)
Administration and other expenses paid		(80)
Net GST paid with respect to operating activities		(456)
Net cash flows from operating activities	14	4,475
Cash flows from investing activities		
Payments for investment properties		(185)
Net cash flows from investing activities		(185)
Cash flows from financing activities		
Repayments under Intra-Group Facility Agreement		(8,682)
Drawdowns under Intra-Group Facility Agreement		51,523
Costs associated with IPO		(268)
Net capital return paid on IPO	14	(45,403)
Distributions paid to unitholders	10	(1,390)
Net cash flows from financing activities		(4,220)
Net increase in cash and cash equivalents		70
Cash at the beginning of the period		47
Cash and cash equivalents at the end of the period	5	117

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

Notes to the financial statements

For the period ended 30 June 2017

1 Summary of significant accounting policies

The Charter Hall Long WALE REIT (REIT or CLW) is a stapled group comprising of 218 Bannister Road Trust (Trust or 218 BRT) and entities below (collectively referred to as the Stapled Trusts):

Stapled Entity

Charter Hall Direct Industrial Fund (DIF)

Canning Vale Logistics Trust No.1 (CVLT1)

CPOF Kogarah Holding Trust (CPOF KHT)

Franklin Street Property Trust (FSPT)

CHPT Dandenong Trust (CHPT DT)

LWR Finance Trust (Finance Trust)

Description

Owns all of the REIT's investment properties and equity accounted investments other than those listed above

50% ownership of Metcash, Canning Vale WA

50.1% ownership of Westpac, Kogarah NSW

100% ownership of ATO, Adelaide SA

50% ownership of Coles, Truganina VIC and 26% ownership of Woolworths, Dandenong VIC

Holds the REIT's bank debt and interest rate swaps through Charter Hall LWR Limited

The units of the Stapled Trusts (collectively referred to as the stapled securities) are listed on the ASX and cannot be traded or dealt with separately. The seven entities comprising the stapled group remain separate legal entities in accordance with the *Corporations Act 2001*, and are each required to comply with the reporting and disclosure requirements of Accounting Standards and the *Corporations Act 2001*.

The accounting policies which have been adopted in the preparation of this annual financial report are set out below.

The custodian of the Trust is The Trust Company (Australia) Limited. The custodian's registered office is Level 12, 123 Pitt Street, Sydney NSW 2000.

218 Bannister Road Trust is a trust constituted in Australia. The nature of the operations and principal activities of the Trust are described in the Directors' Report.

The financial report for the period ended 30 June 2017 was authorised for issue by the directors on 17 August 2017. The directors have the power to amend and reissue the financial report.

(a) Basis of preparation

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

The financial statements are presented in Australian dollars, which is the Trust's functional and presentation currency.

Compliance with IFRS

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

Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- investment property – measured at fair value

New and amended standards adopted

No new accounting standards or amendments have come into effect for the period ended 30 June 2017 that affect the Trust's operations or reporting requirements.

Critical accounting estimates

The preparation of the financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates and management to exercise its judgement in the process of applying the Trust's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements are disclosed below:

- Investment property – Note 1(k)

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Trust and that are believed to be reasonable under the circumstances.

Notes to the financial statements (continued)

For the period ended 30 June 2017

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Net current asset deficiency

At 30 June 2017, the Trust has a net deficiency of current assets over current liabilities of \$0.9 million. The Trust will be able to meet its day-to-day working capital requirements from the available Intra-Group Facility and operating cash flows. The unitholders will only receive their distributions to the extent that the Trust has sufficient working capital.

Based on the facts set out above, the results and cash flows, there are reasonable grounds for the Trust to believe the Trust will be able to meet its debts as and when they become due and payable and accordingly the financial statements have been prepared on a going concern basis.

(b) Principles of consolidation

(i) Joint arrangements

Under AASB 11 *Joint Arrangements*, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

During the period, the Trust had a joint operation.

Joint operations

The Trust recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

There were no unrealised gains or losses on transactions between the Trust and its joint venture entity during the period.

(c) Segment reporting

The Trust has not produced segment reporting information as management had determined that only one operating segment exists. This is based on the information provided to the chief operating decision maker in accordance with AASB 8 *Operating Segments*. The segment is deemed to be property investment in Australia.

(d) Revenue recognition

Rental income

Property rental income represents income earned from the rental of Trust property (inclusive of outgoings recovered from tenants) and is recognised on a straight line basis over the lease term.

Interest income

Interest income is recognised using the effective interest rate method.

(e) Expenses

Property expenses, other expenses and outgoings, including rates, taxes and other property outgoings incurred in relation to investment property where such expenses are the responsibility of the Trust, are recognised on an accruals basis.

(f) Repairs and maintenance

Repairs and maintenance costs are charged as expenses when incurred. These repairs and maintenance costs will consist of those that, under the relevant lease agreements, are non-recoverable from tenants.

(g) Income tax

Under current Australian income tax legislation, the Trust is not liable to pay income tax provided its income for the period, as determined under the Trust's constitution, is fully distributed to unitholders, by way of cash or reinvestment.

The liability for capital gains tax that may arise if the Australian property was sold is not accounted for in these financial statements.

(h) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Notes to the financial statements (continued)

For the period ended 30 June 2017

1 Summary of significant accounting policies (continued)

(h) Impairment of assets (continued)

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets that suffered impairment in prior periods are reviewed for possible reversal of the impairment at each reporting date.

(i) Cash and cash equivalents

For the purpose of presentation in the cash flow statement, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(j) Trade and other receivables

Trade and other receivables are initially recognised at the amounts due to the Trust. Rent and outgoing receivables are usually settled within 30 days of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off in the period in which they are identified. A provision for doubtful debts is raised where there is objective evidence that the Trust will not collect all amounts due. The amount of the provision is the difference between the carrying amount and estimated future cash flows. Cash flows relating to current receivables are not discounted.

(k) Investment property

Investment property comprises investment interests in land and buildings (including integral plant and equipment) held for the purpose of producing rental income, including property that is under construction for future use as investment property.

Initially, investment property is measured at cost including transaction costs. Subsequent to initial recognition, the investment property is stated at fair value. Fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. A "willing seller" is neither a forced seller nor one prepared to sell at a price not considered reasonable in the current market. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition. Gains and losses arising from changes in the fair values of investment property is included in the statement of comprehensive income in the period in which they arise.

At each balance date, the fair values of the investment property is assessed by the Responsible Entity with reference to independent valuation reports or through appropriate valuation techniques adopted by the Responsible Entity. Specific circumstances of the owner are not taken into account.

The fair value measurement of investment property takes into account the Trust's ability to generate economic benefits by using the asset in its highest and best use.

Each investment property is valued by an independent external valuer at least once every 12 months, or earlier, where the Responsible Entity deems it appropriate or believes there may be a material change in the carrying value of the property. Independent valuers are engaged on a rotational basis.

Where an independent valuation is not obtained, the factors taken into account, where appropriate, by the Directors in determining fair value may include:

- Assume a willing buyer and willing seller, without duress and an appropriate time to market the property to maximise price;
- Information obtained from valuers, sales and leasing agents, market research reports, vendors and potential purchasers;
- Capitalisation rates used to value the asset, market rental levels and lease expiries;
- Changes in interest rates;
- Asset replacement values;
- Discounted cash flow models;
- Available sales evidence;
- Comparisons to valuation professionals performing valuation assignments across the market; and
- Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Notes to the financial statements (continued)

For the period ended 30 June 2017

1 Summary of significant accounting policies (continued)

(k) Investment property (continued)

The carrying amount of investment property recorded in the balance sheet takes into consideration components relating to lease incentives, leasing costs and assets relating to fixed increases in operating lease rentals in future years.

Where the Trust disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the statement of comprehensive income within net fair value gain/(loss) on investment property.

As the fair value method has been adopted for investment property, the buildings and any component thereof (including plant and equipment) are not depreciated. Taxation allowances for the depreciation of buildings and plant and equipment are claimed by the Trust and contribute to the tax deferred component of distributions.

Critical accounting estimates and judgements

Judgement is required in determining the following key assumptions:

- **Capitalisation rate:** The return represented by the income produced by an investment, expressed as a percentage. The rate is determined with regard to market evidence and the prior external valuation.
- **Discount rate:** The rate of return used to convert a future monetary sum or cash flow into present value when carrying out a discounted cash flow calculation. The rate is determined with regard to market evidence and the prior external valuation.
- **Terminal yield:** A percentage return applied to the expected net income following a hypothetical sale at the end of the cash flow period. The rate is determined with regard to market evidence and the prior external valuation.
- **Net market rent:** The estimated amount for which an interest in real property should be leased to a major tenant on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. The amount is determined with regard to market evidence and the prior external valuation.

(l) Lease incentives

Prospective lessees may be offered incentives as an inducement to enter into non-cancellable operating leases. These incentives may take various forms including rent-free periods, upfront cash payments, or a contribution to certain lessee costs such as a fitout contribution. Incentives are capitalised in the balance sheet as a component of investment property and amortised over the term of the lease as an adjustment to net rental income.

(m) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Trust. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowing using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

(o) Contributed equity

Units on issue are classified as equity and recognised at the fair value of the consideration received by the Trust. Transaction costs arising on the issue of equity are recognised directly in equity as a reduction in the proceeds of units to which the costs relate.

(p) Distributions paid and payable

A liability is recognised for the amount of any distribution declared by the Trust on or before the end of the reporting period but not distributed at balance date.

(q) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

Notes to the financial statements (continued)

For the period ended 30 June 2017

1 Summary of significant accounting policies (continued)

A fair value measurement of a non-financial asset takes into account the Trust's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The nominal value less estimated credit adjustments of trade receivables and payables approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Trust for similar financial instruments.

(r) Earnings per unit

Basic earnings per unit is determined by dividing statutory profit attributable to the unitholders by the weighted average number of units on issue during the period.

Diluted earnings per unit is determined by dividing statutory profit attributable to the unitholders by the weighted average number of ordinary units and dilutive potential ordinary units on issue during the period.

(s) Goods and Services Tax (GST)

Income, expenses, assets (with the exception of receivables) and liabilities (with the exception of payables) are recognised net of the amount of GST recoverable from the Australian Taxation Offices (ATO). The non-recoverable GST is recognised as part of the income, expense, asset or liability.

Receivables and payables are inclusive of GST. The net amount of GST recoverable from or payable to the Australian and overseas tax offices is included in receivables or payables in the balance sheet.

Cash flows relating to GST are included in the statement of cash flows 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.

(t) Impact of new standards and interpretations issued but not yet adopted by the Trust

Certain new accounting standards and interpretations have been published that are not mandatory for the period ended 30 June 2017 but are available for early adoption. The impact of these new standards and interpretations (to the extent relevant to the Trust) is set out below:

(i) AASB 9 *Financial Instruments* (applicable 1 January 2018)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets. The Trust currently plans to apply AASB 9 for the reporting period beginning on 1 July 2018. An initial assessment of the new standard has been undertaken and it is not expected to have a material impact on the Trust's financial statements.

(ii) AASB 15 *Revenue from Contracts with Customers* (applicable 1 January 2018)

The standard is based on the principle that revenue is recognised when control of a good or service is transferred to a customer, so the notion of control replaces the notion of risks and rewards. It applies to all contracts with customers except leases, financial instruments and insurance contracts. AASB 15 requires reporting entities to provide users of financial statements with more informative, relevant disclosures. An initial assessment has been performed on existing revenue streams. Based on this assessment, it is not expected that the Trust will be materially impacted.

(iii) AASB 16 *Leases* (applicable 1 January 2019 - early adoption allowed if AASB 15 is adopted at the same time)

The standard will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset. The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) will change. The accounting by lessors will not significantly change. The Trust currently plans to apply AASB 16 for the reporting period beginning on 1 July 2019. An initial assessment of the new standard has been undertaken and it is not expected to have a material impact on the Trust's financial statements.

(u) Rounding of amounts

Under the option provided by ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 (as amended) issued by the Australian Securities and Investments Commission relating to the 'rounding off' of amounts in the financial

Notes to the financial statements (continued)

For the period ended 30 June 2017

1 Summary of significant accounting policies (continued)

statements, amounts in the Trust's financial statements have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

2 Distributions paid or payable

	Cents per unit	\$'000
Total distribution for the period from 1 July 2016 to 21 September 2016 ¹	1.95	1,318
Total distribution for the period from 22 September 2016 to 30 June 2017 ²	1.56	2,845
Total distribution		4,163

¹ Represents distributions paid to former unitholders prior to the registration of the trust as a managed investment scheme.

² Calculated with reference to weighted average number of units (Refer Note 3).

The Trust also made a capital distribution of \$69.9 million to former unitholders on 10 November 2016.

The distribution of 0.40 cents per unit for the quarter ended 30 June 2017 was declared on 21 June 2017 and paid on 14 August 2017.

3 Earnings per unit

	22 Sep 2016 to 30 Jun 2017
Basic and diluted earnings per ordinary unitholder	
Earnings per unit (cents) for profit from operations	1.67
Earnings used in the calculation of basic and diluted earnings per unit	
Net profit for the period (\$'000)	3,059
Weighted average number of units* used in the calculation of basic and diluted profit per unit (thousands)	182,673

*Takes into account conversion of each unit issued by the Trust into approximately 1.00 units on 10 November 2016.

4 Costs associated with IPO

	22 Sep 2016 to 30 Jun 2017 \$'000
Underwriting and offer management fees and cost	679
Advisers and consultant fees	269
	948
Treated as equity raising costs	292
Treated as expense in profit or loss	656
	948

5 Cash and cash equivalents

	30 Jun 2017 \$'000
Cash and cash equivalents	117
	117

Interest is receivable monthly in arrears. At 30 June 2017, the interest rate on the operating account was 1.55% p.a. and the interest rate on the cash management account was 1.75% p.a.

Notes to the financial statements (continued)

For the period ended 30 June 2017

6 Receivables

	30 Jun 2017 \$'000
Current assets	
Trade receivables	19
Accrued income	18
	37

7 Investment property

As at 30 June 2017, the investment property has been valued as set out below:

Property	Sector	Acquisition date	Date of latest independent valuation	Independent valuation \$'000	30 Jun 2017 Fair value \$'000
Metcash, Canning Vale, WA*	Industrial	10/11/16	30/06/17	83,250	83,250
Total				83,250	83,250

* 50% ownership accounted for as joint operations

A reconciliation of the carrying amount of investment properties at the beginning and end of the current period is set out below:

	30 Jun 2017 \$'000
Carrying amount at the beginning of the period	82,250
Capital expenditure	289
Revaluation adjustments	711
Carrying amount at the end of the period	83,250

The below table illustrates the key valuation assumptions used in the determination of the investment property fair value:

	30 Jun 2017
Capitalisation rate	7.25%
Lease expiry (years)	6.5
Vacancy rate	0.00%

The investment property is leased to tenants under long-term operating leases with rent payable monthly. Minimum lease payments under non-cancellable operating leases of investment property not recognised in the financial statements are receivable as follows:

	30 Jun 2017 \$'000
Less than 1 year	6,041
1 to 5 years	24,927
Over 5 years	9,997
	40,965

8 Net tangible assets

	30 Jun 2017 \$'000
Total assets	83,406
Less: Total liabilities	45,756
Net tangible assets attributable to the Trust	37,650
Total number of securities on issue (thousands)	207,787
Net tangible asset backing per unit (\$)	0.18

Notes to the financial statements (continued)

For the period ended 30 June 2017

9 Payables

	30 Jun 2017 \$'000
Current liabilities	
Trade payables	13
Fund management fee payable	31
GST payable	34
Accruals	146
	224

10 Distribution payable

		22 Sep 2016 to 30 Jun 2017 \$'000
	Note	
Current liabilities		
Opening balance		-
Distributions declared		4,163
Distributions paid		(1,390)
Distributions settled via intercompany account	14	(1,743)
Distributions reinvested	14	(199)
Closing balance		831

11 Borrowings

	30 Jun 2017 \$'000
Non-current	
Intra-Group Facility Agreement	44,701
	44,701

On 10 November 2016, the Trust entered an Intra-Group Facility Agreement (IGFA) with the other Stapled Trusts. This agreement expires in November 2021. Interest rates under IGFA are variable and reset periodically. As at 30 June 2017, the interest rate was 4.25% per annum.

12 Contributed equity

		22 Sep 2016 to 30 Jun 2017 \$'000
<i>Details</i>	<i>No. of units</i>	
Units on issue - 22 Sep 2016	67,725,823	67,581
Capital return	-	(69,907)
Change in number of units after unit re-organisation	229,001	-
Unit redemptions	(67,954,824)	(12,337)
Units issued via IPO	206,683,097	37,231
Units issued via DRP	1,104,078	199
Units on issue	207,787,175	22,767

As stipulated in the Trust's constitution, each unit represents a right to an individual share in the Trust and does not extend to a right to the underlying assets of the Trust. There are no separate classes of units.

Each unit confers the right to vote at meetings of unitholders, subject to any voting restrictions imposed on a unitholder under the *Corporations Act 2001* and the Australian Securities Exchange Listing Rules.

Distribution Reinvestment Plan (DRP)

The Trust, being a member of the REIT, has established a Distribution Reinvestment Plan (DRP) under which stapled securityholders may elect to have all or part of their distribution entitlements satisfied by the issues of new stapled securities rather than being paid in cash.

Notes to the financial statements (continued)

For the period ended 30 June 2017

The DRP issue price is determined at a discount of 1.0% to the daily volume weighted average price of all stapled securities traded on the ASX during the 10 business days commencing on the third business day following the distribution record date. The Trust raised \$0.2 million from the DRP for the 31 March 2017 distribution and \$0.2 million from the DRP for the 30 June 2017 distribution.

13 Retained profits

	22 Sep 2016 to 30 Jun 2017 \$'000
Opening balance	15,987
Profit for the period	3,059
Distributions paid and payable	(4,163)
Closing balance	14,883

14 Reconciliation of profit to net cash flows from operating activities

	22 Sep 2016 to 30 Jun 2017 \$'000
Profit for the period	3,059
Non-cash items	
Net fair value movements on investment property	(711)
Capitalised interest on Intra-Group Facility	1,205
Classified as financing activities	
Costs associated with Initial Public Offering	656
Other	
Decrease in receivables and other assets	245
Increase in payables	21
Net cash flows from operating activities	4,475

Non-cash financing and investing activities

The following non-cash financing activities are not reflected in the statement of cash flows:

	22 Sep 2016 to 30 Jun 2017 \$'000
Distributions by the Trust during the period satisfied by the issue of units under the DRP	199
Distributions by the Trust during the period satisfied by settlement against intercompany account with the previous unitholder	1,743
	1,942
Gross consideration received from IPO	37,521
Equity raising fees paid to Joint Lead Managers	(680)
Capital return and unit redemptions paid to former unitholders	(82,244)
Net capital return paid on IPO	(45,403)

15 Capital and financial risk management

(a) Capital risk management

The Trust, as a member of the REIT, optimises capital through the mix of available capital sources whilst complying with the terms of the IGFA, statutory and constitutional capital and distribution requirements, and continuing to operate as a going concern.

Notes to the financial statements (continued)

For the period ended 30 June 2017

The Trust assesses its capital management approach as a key part of its overall strategy and it is regularly reviewed by management and the Board.

The Trust is able to alter its capital mix by issuing new units, activating the DRP, electing to have the DRP underwritten, adjusting the amount of distributions paid, activating a unit buyback program or selling assets to reduce borrowings.

The Trust also protects its assets by taking out insurance with creditworthy insurers.

(b) Financial risk management

The Trust's principal financial instruments comprise receivables, payables and borrowings.

The Trust's activities expose it to a variety of financial risks: market risk - interest rate risk, credit risk and liquidity risk.

The Trust manages its exposure to these financial risks in accordance with the Trust's Financial Risk Management (FRM) policy as approved by the Board. The policy sets out the Trust's approach to managing financial risks, the policies and controls utilised to minimise the potential impact of these risks on its performance and the roles and responsibilities of those involved in the management of these financial risks.

The Trust uses various measures to manage exposures to these types of risks. The Trust undertakes counterparty credit assessment and will seek to spread its credit exposures, where practical.

(c) Market risk – interest rate risk

Interest rate risk is the risk that changes in market interest rates will impact the earnings of the Trust.

The Trust is exposed to interest rate risk predominantly through borrowings. The counterparty to the Trust's IGFA is a subsidiary of the Finance Trust. The Finance Trust applies benchmark hedging bands across differing interest rate exposures and utilises interest rate swaps, to exchange floating interest rates to fixed interest rates, to centrally manage the REIT's exposure between these bands. Compliance with policy is reviewed regularly by management and is reported to the Board regularly.

The Trust has exposure to interest rate risk on its monetary assets and liabilities, as shown in the table below:

	30 Jun 2017 \$'000
Floating rate	
Cash and cash equivalents	117
Borrowings - IGFA	(44,701)
Net exposure	(44,584)

The table below demonstrates the sensitivity to reasonably possible changes in period end interest rates, with all other variables held constant. A negative amount in the table reflects a potential net reduction in profit or equity, while a positive amount reflects a potential net increase.

	30 Jun 2017 \$'000
Sensitivity	
Profit	
BBSW +1%	(166)
BBSW -1%	166
Equity	
BBSW +1%	(166)
BBSW -1%	166

At balance date the Trust only held variable rate debt. However, on a consolidated basis, the REIT has fixed 66% of its net floating interest rate exposure, through the use of interest rate swaps.

(d) Liquidity risk

Liquidity risk arises if the Trust has insufficient liquid assets to meet its short term obligations. Liquidity risk is managed by maintaining sufficient cash balances and adequate committed credit facilities. Prudent liquidity management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The instruments entered into by the Trust were selected to ensure sufficient funds would be available to meet the ongoing cash requirements of the Trust.

Notes to the financial statements (continued)

For the period ended 30 June 2017

15 Capital and financial risk management (continued)

(d) Liquidity risk (continued)

The following table provides the contractual maturity of the Trust's floating rate financial liabilities and derivatives as at 30 June 2017. The amounts presented represent the future contractual undiscounted principal and interest cash flows and therefore do not equate to the value shown in the balance sheet. Repayments which are subject to notice are treated as if notice were given immediately.

	Carrying value \$'000	Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	Total \$'000
30 Jun 2017					
Financial liabilities					
Payables	224	224	-	-	224
Distribution payable	831	831	-	-	831
Borrowings	44,701	1,900	51,086	-	52,986
Total undiscounted financial liabilities	45,756	2,955	51,086	-	54,041

(e) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial asset and cause the Trust to incur a financial loss. The Trust has exposure to credit risk on all of its financial assets included in the Trust's balance sheet.

The Trust is exposed to credit risk on cash and cash equivalents. The Trust has policies that limit the amount of credit exposure to any financial institution. Cash transactions are limited to investment grade counterparties in accordance with the Trust's FRM policy. The Trust monitors the public credit rating of its counterparties.

The Trust manages this risk by performing credit reviews of prospective tenants, obtaining tenant collateral where appropriate and performing detailed reviews on tenant arrears.

The Trust has policies to review the aggregate exposures of debtors and tenancies across its portfolio. The Trust has significant concentrations of credit risk on its trade receivables. At 30 June 2017, the Metcash lease represents 100.0% of the total portfolio income.

The geographic concentration of credit exposure of the Trust's assets is based entirely in Australia.

All cash and cash equivalents and other receivables (apart from rent receivable) are neither past due or not impaired. The table below shows the ageing analysis of those rent receivables which are past due but not impaired:

	Past due but not impaired				Impaired \$'000	Total \$'000
	Less than 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	More than 90 days \$'000		
30 Jun 2017						
Trade receivables	19	-	-	-	-	19
	19	-	-	-	-	19

There are no significant financial assets that have had renegotiated terms that would otherwise have been past due or impaired.

(f) Offsetting financial assets and financial liabilities

The Trust does not have any financial assets or financial liabilities that are subject to set off to a net position.

Notes to the financial statements (continued)

For the period ended 30 June 2017

16 Fair value measurement

(a) Recognised fair value measurement

AASB 13 *Fair value measurement* requires disclosure of fair value measurement using the following fair value measurement hierarchy:

- i Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- ii Level 2 - 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).
- iii Level 3 - Inputs for the asset or liability that are not based on observable market data.

Financial assets and liabilities not carried at fair value have carrying values that reasonably approximate their fair values and are categorised within fair value as follows:

- Cash and cash equivalents and borrowings – Level 1.
- All other financial assets and liabilities – Level 2.

The following table presents the Trust's assets and liabilities measured at fair value according to the fair value hierarchy at 30 June 2017:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Non-financial assets - recurring fair value measurement				
Investment property	-	-	83,250	83,250
Total assets	-	-	83,250	83,250

There were no transfers between levels of fair value measurement during the period.

The Trust's fair value accounting policy is disclosed in Note 1(q).

(b) Disclosed fair values

The following table represents the carrying amounts and fair values of borrowings at 30 June 2017. Fair value is estimated by discounting the future contractual cash flows at the current market interest rate curve since quoted prices are not available.

	30 Jun 2017 Carrying amount \$'000	Fair value \$'000
Non-current		
Intra-Group Facility Agreement	44,701	45,041
	44,701	45,041

(c) Valuation techniques used to derive level 3 fair values

In determining fair values of investment property, management has considered the nature, characteristics and risks of its investment property as well as the level of the fair value hierarchy.

Class of property	Fair value hierarchy	Fair value as at 30 Jun 2017 \$'000	Valuation technique	Inputs used to measure fair value	Range of unobservable inputs
Recurring fair value adjustments					
Industrial	Level 3	83,250	DCF, income capitalisation and direct comparison method	Net market rent (per sqm p.a.) Adopted capitalisation rate Adopted terminal yield Adopted discount rate	115 7.25% 7.50% 8.25%

Notes to the financial statements (continued)

For the period ended 30 June 2017

16 Fair value measurement (continued)

Term	Definition
Discounted Cash Flow (DCF) method	A method in which a discount rate is applied to future expected income streams to estimate the present value.
Income capitalisation method	A valuation approach that provides an indication of value by converting future cash flows to a single current capital value.
Direct comparison	This method assesses site value by direct comparison based on comparable sales ratios such as a rate per square metre of floor area and a dollar rate per unit site.
Net market rent	A net market rent is the estimated amount for which a property or space within a property should lease between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and wherein the parties have each acted knowledgeably, prudently and without compulsion. In a net rent, the owner recovers outgoings from the tenant on a pro-rata basis (where applicable).
Capitalisation rate	The return represented by the income produced by an investment, expressed as a percentage.
Terminal yield	A percentage return applied to the expected net income following a hypothetical sale at the end of the cash flow period.
Discount rate	A rate of return used to convert a future monetary sum or cash flow into present value.

The adopted valuation for investment property portfolios generally reflects a value somewhere between the valuations determined using discounted cash flow (DCF) method and the income capitalisation method.

The Board conducts investment property valuation process on a half yearly basis. All valuations are performed either by independent professionally qualified external valuers or by Charter Hall's internal valuation team and then are reviewed and approved by the Executive Property Valuations Committee, for recommendation to the Audit Risk and Compliance Committee and subsequent approval by the Board.

All properties held by the Trust must be independently valued at least once every 12 months. Where an internal valuation differs from the most recent independent valuation by +/- 5%, a new independent valuation is obtained.

Carrying values of all investment property measured at recurring fair value reflect the highest and best use value.

Sensitivity analysis

Significant input	Fair value measurement sensitivity to significant increase in input	Fair value measurement sensitivity to significant decrease in input
Net market rent (per sqm p.a.)	Increase	Decrease
Adopted capitalisation rate	Decrease	Increase
Adopted terminal yield	Decrease	Increase
Adopted discount rate	Decrease	Increase

17 Remuneration of auditors

During the period the auditor of the Trust, PricewaterhouseCoopers, earned the following remuneration:

	22 Sep 2016 to 30 Jun 2017 \$
Audit services	14,500
Taxation compliance services	2,504
Accounting and tax due diligence advice associated with IPO	33,002
	50,006

18 Related party transactions

(a) Responsible Entity

The Responsible Entity of the Trust is Charter Hall WALE Limited.

The registered office of the Responsible Entity is Level 20,1 Martin Place, Sydney NSW 2000.

Notes to the financial statements (continued)

For the period ended 30 June 2017

18 Related party transactions (continued)

(b) Directors

The following persons have held office as directors of the Responsible Entity from 1 September 2016 (date of appointment) and up to the date of this report:

- Peeyush Gupta - Chair and Non-Executive Director
- Glenn Fraser - Non-Executive Director
- Ceinwen Kirk-Lennox - Non-Executive Director
- David Harrison - Executive Director and Chief Executive Officer/Managing Director of Charter Hall Group
- Adrian Taylor - Executive Director

The following persons have held office as directors of the former Trustee, Bieson Pty Limited, from 1 July 2016 to 1 September 2016 (date of retirement):

- David Harrison - Executive Director and Chief Executive Officer/Managing Director of Charter Hall Group
- Adrian Taylor - Non-Executive Director
- Richard Stacker - Non-Executive Director
- Paul Ford - Non-Executive Director
- Francis Dundas - Non-Executive Director
- Simon Grieg - Non-Executive Director

(c) Transactions with related parties of the Responsible Entity

The responsible entity and its related parties held 41,461,705 units of the Trust as at 30 June 2017.

Amounts paid/payable to related parties (excluding fund management fees detailed separately) for the period are as follows:

	30 Jun 2017
	\$
Charter Hall Holdings Pty Limited	
Property management fee	49,595
Accounting services	22,248
	71,843

(d) Trust management fees

Under the terms of the Trust's constitution, the Responsible Entity is entitled to receive a base fee calculated as 0.45% per annum of the look through value of the total assets of the Trust and payable monthly in arrears. Management fees for the period ended 30 June 2017 amounted to \$239,589.

(e) Outstanding payable balance with the Responsible Entity and its related parties

As at 30 June 2017, the outstanding payable balance with the Responsible Entity and its related parties was \$32,538.

(f) Key management personnel

Key management personnel (KMP) are defined in AASB 124 *Related Party Disclosures* as those having authority and responsibility for planning, directing and controlling the activities of the entity. The Responsible Entity meets the definition of key management personnel as it has this authority in relation to the activities of the Trust. The Trust paid directors fees of \$15,026 to the Responsible Entity.

Notes to the financial statements (continued)

For the period ended 30 June 2017

18 Related party transactions (continued)

(g) Director equity holdings

The number of units held directly, indirectly or beneficially by the Directors of the Responsible Entity or the Directors' related parties at 30 June 2017 is as follows:

	Units held 2017
Peeyush Gupta	382,111
Glenn Fraser	40,000
Ceinwen Kirk-Lennox	23,250
David Harrison	254,053
Adrian Taylor	63,513
	762,927

The aggregate number of units of the Trust acquired by the directors of the Responsible Entity or their related parties during the period is set out below:

	Units acquired 2017
Peeyush Gupta	382,111
Glenn Fraser	40,000
Ceinwen Kirk-Lennox	23,250
David Harrison	254,053
Adrian Taylor	63,513
	762,927

No units of the Trust were sold by the directors of the Responsible Entity or their related parties during the period.

19 Commitments and contingent liabilities

The Trust has no commitments or contingent liabilities as at 30 June 2017.

20 Events occurring after reporting date

In August 2017, the REIT announced the simplification of its stapled structure from seven to three components. The proposal is subject to Securityholders' approval on 15 September 2017.

The directors of the Responsible Entity are not aware of any matter or circumstance not otherwise dealt with in this report that has significantly affected or may significantly affect the operations of the Trust, the results of its operations or the state of affairs of the Trust in future financial years.

Directors' declaration to unitholders

In the opinion of the directors of Charter Hall WALE Limited, the Responsible Entity of 218 Bannister Road Trust:

- a The financial statements and notes set out on pages 13 to 30 are in accordance with the *Corporations Act 2001*, including:
 - i complying with Accounting Standards, *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii giving a true and fair view of the Trust's financial position as at 30 June 2017 and of its performance for the financial period ended on that date; and
- b There are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given declarations by the Fund Manager, who performs the Chief Executive Officer function, and the Head of CLW and Industrial Finance, who performs the Chief Financial Officer function, required by section 295A of the *Corporations Act 2001*

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



Peeyush Gupta

Director

Sydney

17 August 2017



Independent auditor's report

To the stapled security holders of 218 Bannister Road Trust

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of 218 Bannister Road Trust (the Registered Scheme) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Registered Scheme's financial position as at 30 June 2017 and of its financial performance for the period 22 September 2016 to 30 June 2017
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the balance sheet as at 30 June 2017
- the statement of comprehensive income for the period 22 September 2016 to 30 June 2017
- the statement of changes in equity for the period 22 September 2016 to 30 June 2017
- the cash flow statement for the period 22 September 2016 to 30 June 2017
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

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

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if

PricewaterhouseCoopers, ABN 52 780 433 757

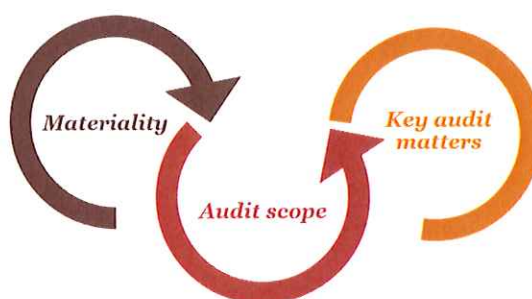
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individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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

The Registered Scheme's principal activity consists of property investment.



Materiality

- For the purpose of our audit we used overall materiality of \$0.3 million, which represents approximately 0.8% of the net assets of the Registered Scheme.
- 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 report as a whole.
- We chose net assets because, in our view, it is the industry benchmark against which the performance of the Registered Scheme is commonly measured and is a generally accepted industry benchmark. We selected 0.8% based on our professional judgement, noting it is within the range of commonly acceptable asset-related materiality thresholds.

Audit Scope

- Our audit focused on where the directors of the Responsible Entity made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- In all of our audits, we also address the risk of management override of internal controls, including whether there was evidence of bias by the directors that may represent a risk of material misstatement due to fraud.
- We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the structure of the Registered Scheme, the accounting processes and controls, and the industry in which the Registered Scheme operates.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the



context of our audit of the financial report 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. We communicated the key audit matters to the Audit, Risk and Compliance Committee.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment property (Refer to note 7) The Registered Scheme's investment property portfolio is comprised of a 50% share of an industrial property. At 30 June 2017 the carrying value of the Registered Scheme's share of the investment property was \$83.3 million. Investment property is valued at fair value at reporting date using either the income capitalisation approach or the discounted cash flow approach as described in note 1. The value of investment property is dependent on the valuation methodology adopted and the inputs into the valuation model. Factors such as prevailing market conditions, the individual nature, condition and location of property and the expected future income for property directly impact its fair value. Amongst others, the following assumptions are key in establishing fair value: • capitalisation rate • adopted discount rate. At the end of each reporting period, the Registered Scheme determines the fair value of its investment property portfolio in accordance with the Registered Scheme's valuation policy. This policy requires all properties to be externally valued by an independent valuation expert at least once every 12 months. If a property is not externally valued at balance date, the Registered Scheme performs an internal valuation. We focused on this matter because of the: • Relative significant size of the investment property balance in the consolidated balance sheet; • Material quantum of revaluation gains that directly impact the consolidated statement 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 several assumptions in the valuation methodology; and • Sensitivity of valuations to key input assumptions, specifically capitalisation and discount rates.	We obtained the latest independent property market reports to understand the prevailing markets' conditions in which the Registered Scheme invests. We compared prior valuation against current year valuation for the investment property, and noted that the movement in fair value is in line with overall movement in the market. We met with management and discussed the specifics of the property including lease expiries and capital expenditure. We reviewed the methodologies used by the Registered Scheme to determine the property's fair value. We compared the market capitalisation rate and discount rate by location and asset grade to our independent expectation of a reasonable range determined based on benchmark market data for these assumptions. We considered the rationale supporting the rate applied in the valuation through discussions with management of the Registered Scheme and reviewed the methodologies used by the Registered Scheme to determine the property value. We also assessed the competency and capability of the external valuer and considered that the valuation was performed in accordance with the Registered Scheme's valuation policy.



Other information

The directors are responsible for the other information. The other information comprises the Director's Report included in the Registered Scheme's annual report for the period 22 September 2016 to 30 June 2017 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report 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 obtained prior to the date of our 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.

Responsibilities of the directors of the Responsible Entity for the financial report

The directors of Charter Hall WALE Limited, the responsible entity of the Registered Scheme, are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Registered Scheme 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 intend to liquidate the Registered Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 report.



A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers
PricewaterhouseCoopers

J A Dunning

J A Dunning
Partner

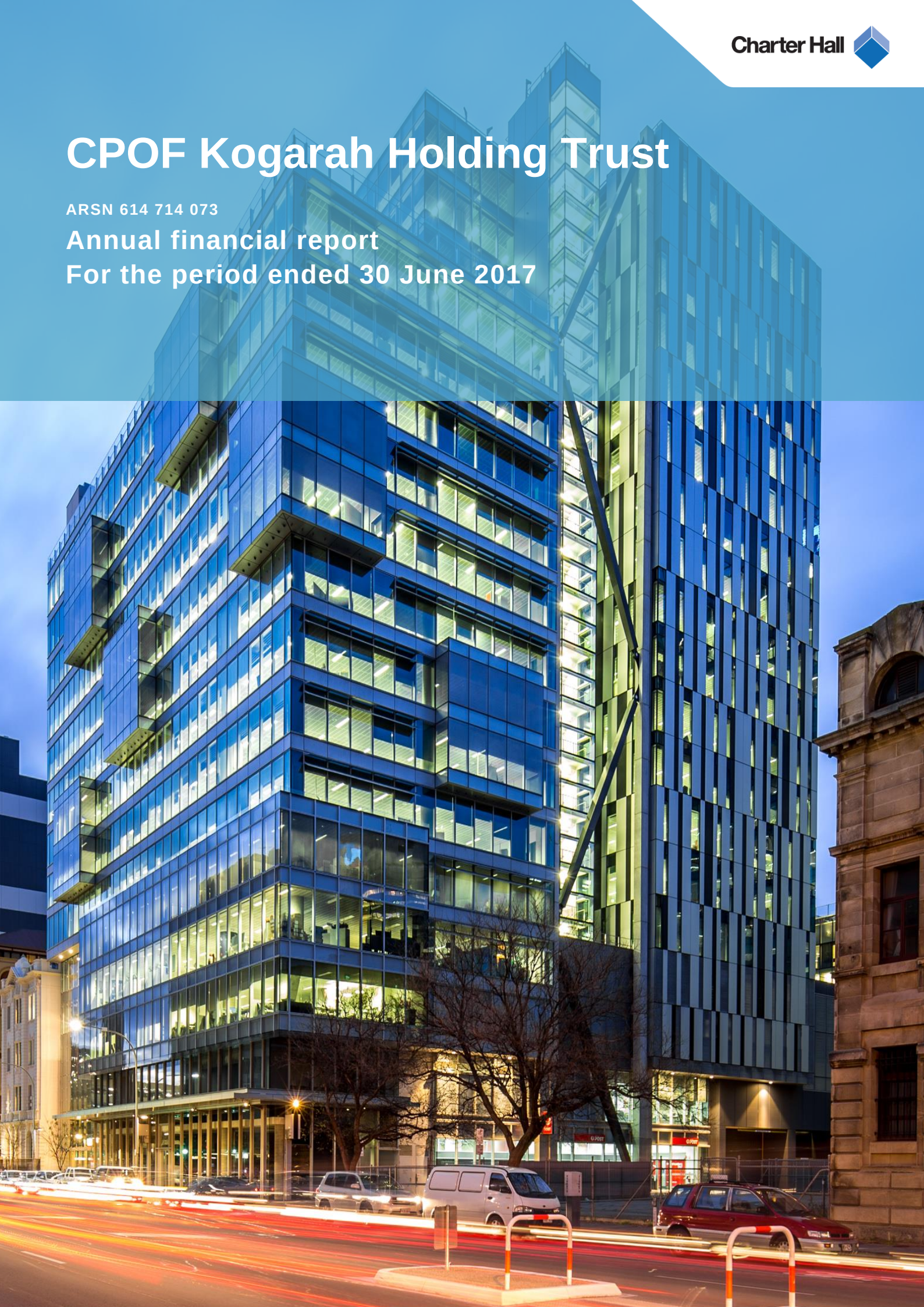
Sydney
17 August 2017



CPOF Kogarah Holding Trust

ARSN 614 714 073

Annual financial report
For the period ended 30 June 2017



Important Notice

The Charter Hall Long WALE REIT (REIT or CLW) was formed upon the stapling of the units of the seven Australian registered schemes listed below (collectively referred to as the “Stapled Trusts”):

- Charter Hall Direct Industrial Fund (DIF) and its controlled entities (ARSN 144 613 641);
- LWR Finance Trust (Finance Trust) and its controlled entity (ARSN 614 713 138);
- Canning Vale Logistics Trust No.1 (CVLT1) (ARSN 614 713 012);
- 218 Bannister Road Trust (218 BRT) (ARSN 614 712 588);
- CPOF Kogarah Holding Trust (CPOF KHT) and its controlled entity (ARSN 614 714 073);
- Franklin Street Property Trust (FSPT) (ARSN 614 714 206); and
- CHPT Dandenong Trust (CHPT DT) and its controlled entity (ARSN 614 712 506).

Charter Hall WALE Limited ABN 20 610 772 202; AFSL 486721 (CHWALE) is the responsible entity of the schemes listed above, and is a controlled entity of Charter Hall Limited ABN 57 113 531 150 (Charter Hall).

Past performance is not a reliable indicator of future performance. Due care and attention has been exercised in the preparation of forecast information; however, forecasts, by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of CHWALE. Actual results may vary from forecasts and any variation may be materially positive or negative.

This report has been prepared for general information purposes only and is not an offer or invitation for subscription or purchase of, or recommendation of, securities. It does not take into account the investment objectives, financial situation or needs of any investor. Before investing, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

CHWALE does not receive fees in respect of the general financial product advice it may provide; however, it will receive fees for operating the Stapled Trusts which, in accordance with the Stapled Trusts' constitutions, are calculated by reference to the value of the assets. Controlled entities of Charter Hall may also receive fees for managing the assets of, and providing resources to, the Stapled Trusts. Charter Hall and its related entities, together with their officers and directors, may hold securities in the Stapled Trusts from time to time.

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Directors' report

For the period ended 30 June 2017

The Directors of Charter Hall WALE Limited (CHWALE) present the directors' report and consolidated financial report of CPOF Kogarah Holding Trust (Trust or CPOF KHT) and its controlled entity for the period ended 30 June 2017.

The Trust was established on 22 April 2016 and registered as a managed investment scheme on 22 September 2016. The Trust was listed on the Australian Securities Exchange on 8 November 2016 and became a member of the Charter Hall Long WALE REIT consolidated group (REIT) on 10 November 2016 when its units were stapled to the units of the other six stapled trusts comprising the REIT.

The Trust's financial reporting period commenced on 22 September 2016, date of registration, and ended on 30 June 2017.

Principal activities

The principal activity of the Trust during the period was property investment. There were no significant changes in the nature of the Trust's activities during the financial period.

Directors

The following persons have held office as directors of the Responsible Entity during the period and up to the date of this report:

- Peeyush Gupta - Chair and Non-Executive Director
- Glenn Fraser - Non-Executive Director
- Ceinwen Kirk-Lennox - Non-Executive Director
- David Harrison - Executive Director and Chief Executive Officer/Managing Director of Charter Hall Group
- Adrian Taylor - Executive Director

Distributions

Distributions paid or declared during the period are as follows:

	Cents per unit	\$'000
Total distribution for the period from 1 July 2016 to 21 September 2016 ¹	1.33	1,245
Total distribution for the period from 22 September 2016 to 30 June 2017 ²	1.42	2,592
Total distribution		3,837

¹ Represents distributions paid to former unitholders prior to the registration of the trust as a managed investment scheme

² Calculated with reference to weighted average number of units (refer Note 3).

The Trust also made a capital distribution of \$80.7 million to former unitholders on 10 November 2016.

The distribution of 0.40 cents per unit for the quarter ended 30 June 2017 was declared on 21 June 2017 and paid on 14 August 2017.

Distribution Reinvestment Plan (DRP)

The Trust, being a member of the REIT, has established a Distribution Reinvestment Plan (DRP) under which stapled securityholders may elect to have all or part of their distribution entitlements satisfied by the issues of new stapled securities rather than being paid in cash.

The DRP issue price is determined at a discount of 1.0% to the daily volume weighted average price of all stapled securities traded on the Australian Stock Exchange (ASX) during the 10 business days commencing on the third business day following the distribution record date. The Trust raised \$0.2 million from the DRP for the 31 March 2017 distribution and \$0.2 million from the DRP for the 30 June 2017 distribution.

Directors' report (continued)

For the period ended 30 June 2017

Review and results of operations

The Trust recorded a statutory profit for the period of \$9.9 million which represents operating earnings of \$2.5 million and \$8.2m property revaluation offset by \$0.8 million of costs associated with Initial Public Offering (IPO).

The table below sets out income and expenses that comprise operating earnings:

	22 Sep 2016 to 30 Jun 2017
	\$'000
Share of operating earnings in investments accounted for using equity method	4,286
Fund management fees	(277)
Finance costs	(1,419)
Administration and other expenses	(117)
Operating earnings	2,473

Operating earnings is a financial measure which represents profit/(loss) under Australian Accounting Standards adjusted for net fair value movements, non-cash accounting adjustments such as straight lining of rental income and amortisations and other unrealised or one-off items. Operating earnings also aligns to the Funds from Operations (FFO) as defined by the Property Council of Australia.

The inclusion of operating earnings as a measure of the Trust's profitability provides investors with the same basis that is used internally for evaluating operating segment performance. Operating earnings is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution to declare.

Reconciliation of operating earnings to statutory profit is set out below:

	22 Sep 2016 to 30 Jun 2017
	\$'000
Operating earnings	2,473
Share of net fair value movements on investment properties in investments accounted for using equity method	8,162
Costs associated with IPO	(752)
Statutory profit for the period	9,883
Basic weighted average number of units (thousands)	182,673
Basic earnings per unit (cents)	5.41
Operating earnings per unit (cents)	1.35
Distribution per unit (cents)	1.42

The financial results are summarised as follows:

	22 Sep 2016 to 30 Jun 2017
Revenue (\$ thousands)	12,448
Statutory profit for the period (\$ thousands)	9,883
Basic earnings per unit (cents)	5.41
Operating earnings (\$ thousands)	2,473
Operating earnings per unit (cents)	1.35
Distributions (\$ thousands)	2,592
Distributions per unit (cents)	1.42
	30 Jun 2017
Total assets (\$ thousands)	102,611
Total liabilities (\$ thousands)	53,073
Net assets attributable to unitholders (\$ thousands)	49,538
Units on issue (thousands)	207,787
Net assets per unit (\$)	0.24

Directors' report (continued)

For the period ended 30 June 2017

Significant changes in the state of affairs

On 10 November 2016, the Trust returned capital of \$80.7 million to unitholders and redeemed units on issue for \$14.2 million. Immediately thereafter, the Trust issued 206.7 million units and raised \$43.0 million of equity through its IPO.

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

Business Strategies and Prospects

The Trust's objective is to provide investors with stable and secure income and the potential for both income and capital growth through an exposure to a property portfolio with a long WALE.

The Trust aims to maintain and enhance the existing portfolio through active asset and property management and to grow the portfolio through the acquisition of assets that are predominantly leased to tenants with strong covenants on long-term leases.

The material business risks faced by the Trust that are likely to have an effect on its financial performance include:

Tenant concentration

The Trust's property interest is single tenanted. This exposes the value and performance of the property to the ability of the tenant to continue to meet its obligations under the lease agreement.

Re-leasing and vacancy

The Trust's property interest is currently 100% leased and the lease does not expire until 2034. There is a risk that the Trust may not be able to negotiate a suitable lease renewal. This may result in periods of vacancy which could result in a reduction in income received by the Trust, a reduction in the distributions of the Trust and a reduction in the value of the asset of the Trust. This risk is mitigated through active property and asset management. Any impact will depend on future economic conditions that are not known at balance date.

Funding

The Trust obtains necessary funding from LWR Finance Trust, another member of the REIT. An inability by LWR Finance Trust to obtain the necessary funding or refinancing of an existing debt facility, or a material increase in the cost of such funding (including increases in interest rates that are not hedged), may have an adverse impact on the Trust's performance and financial position. The REIT seeks to minimise this risk across the Stapled Trusts, including the Trust, through proactive refinancing and maintaining adequate liquidity to fund future forecast expenditure and hedging its interest rate exposure in accordance with the REIT's Board approved Financial Risk Management Policy.

Rental income and expenses risk

Distributions made by the Trust are largely dependent on the rents received from its tenant and expenses incurred during operations, which may be affected by a number of factors, including overall economic conditions and property market conditions.

Matters subsequent to the end of the financial period

In August 2017, the REIT announced the simplification of its stapled structure from seven to three components. The proposal is subject to Securityholders' approval on 15 September 2017.

The directors of the Responsible Entity are not aware of any matter or circumstance not otherwise dealt within this report or the financial report that has significantly affected or may significantly affect the operations of the Trust, the results of its operations or the state of affairs of the Trust in future financial years.

Likely Developments and Expected Results of Operations

The consolidated financial statements have been prepared on the basis of current known market conditions. The extent to which a potential deterioration in either the capital or property markets that may have an impact on the results of the Trust are unknown. Such developments could influence property market valuations, the ability to refinance debt and the cost of such debt, or the ability to raise equity.

At the date of this report and to the best of the Directors' knowledge and belief, other than the proposed simplification of the REIT's stapled structure (refer to Matters subsequent to the end of the financial period), there are no other anticipated changes in the operations of the Trust which would have a material impact on the future results of the Trust. Property valuation changes and movements in interest rates may have a material impact on the Trust's results in future years, however, these cannot be reliably measured at the date of this report.

Directors' report (continued)

For the period ended 30 June 2017

Indemnification and insurance of directors, officers and auditor

During the period, the Trust contributed to the premium for a contract insuring all directors, secretaries, executive officers and officers of the Trust and of each related body corporate of the Trust, with the balance of the premium paid by the Charter Hall Group and funds managed by members of the Charter Hall Group. In accordance with usual commercial practice, the insurance contract prohibits disclosure of details of the nature of the liabilities covered by the insurance, the limit of indemnity and the amount of the premium paid under the contract.

Provided the officers of the Responsible Entity act in accordance with the Trust's Constitution and the *Corporations Act 2001*, the officers are indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust. The insurance does not provide any cover for the independent auditor of the Trust or of a related party of the Trust. The Trust indemnifies the auditor (PricewaterhouseCoopers Australia) against any liability (including legal costs) for third party claims arising from a breach by the Trust of the auditor's engagement terms, except where prohibited by the *Corporations Act 2001*.

Fees paid to and interests held in the Trust by the Responsible Entity or its associates

Base fees of \$277,079 and other fees were paid or are payable to the Responsible Entity and its associates for the services provided during the period, in accordance with the Trust's constitution.

The interests in the Trust held by the Responsible Entity or its associates as at 30 June 2017 and other fees paid to its associates during the period are disclosed in Note 18 to the consolidated financial statements.

Interests in the Trust

The movement in units of the Trust during the period is set out below:

	22 Sep 2016 to 30 Jun 2017
Units on issue at the beginning of the period	93,957,812
Change in the number of units after unit reorganisation	(26,002,988)
Unit redemptions	(67,954,824)
Units issued	
- via IPO	206,683,097
- via DRP	1,104,078
Units on issue at the end of the period	207,787,175

Environmental regulations

To the best of the directors' knowledge, the operations of the Trust have been undertaken in compliance with the applicable environmental regulations that apply to the Trust's activities.

Directors' report (continued)

For the period ended 30 June 2017

Information on Current Directors

Director	Experience	Special responsibilities	Interest in units of the Trust
Peeyush Gupta	Appointed 6 May 2016 Peeyush was the co-founder and the inaugural Chief Executive Officer of Ipac Securities Limited, a pre-eminent wealth management firm. He has experience in starting and growing businesses, acquisitions and divestments, roll-ups and integration, general management, investment management and corporate governance. He is a Non-Executive Director of National Australia Bank Limited, Special Broadcasting Service (SBS), BNZ Life, and Insurance & Care (NSW). He is also currently the Chair of Charter Hall Direct Property Management Limited, Chair of MLC RE and IDPS Board and serves in a pro bono capacity as a trustee of Western Sydney University and the Australian School of Business Dean's Advisory Committee. Peeyush holds a Master of Business Administration in Finance from the Australian Graduate School of Management and a Bachelor of Arts in Computing Studies from the University of Canberra. Peeyush is also a Fellow of the Australian Institute of Company Directors.	Chair	382,111
Glenn Fraser	Appointed 6 May 2016 Glenn specialises in finance, infrastructure and property. He was a member of Transfield Holdings Advisory Board from 1999 to 2015. He was instrumental in Transfield Holdings' acquisition of a 50% interest in Charter Hall and its subsequent expansion and listing in 2005. Previously, Glenn was a Non-Executive Director of the Charter Hall Group from 6 April 2005 to 15 August 2012. Joining Transfield Holdings in 1996, Glenn was General Manager – Finance Project Development, where he was responsible for the financial elements of Transfield Holdings' infrastructure and property projects. Glenn was appointed Chief Financial Officer in 1999 of Transfield Holdings, which at that time had turnover in excess of \$1 billion per annum and over 8,000 staff. Glenn was a principal and director of a project finance advisory business, Perry Development Finance Pty Limited from 1985, which was sold to Hambros Corporate Finance Limited in 1995. Glenn holds a Bachelor of Commerce from the University of NSW, and is a member of the Institute of Chartered Accountants and a graduate of the Australian Institute of Company Directors.	Audit, Risk and Compliance Committee Chair	40,000

Directors' report (continued)

For the period ended 30 June 2017

Information on Current Directors (continued)

Director	Experience	Special responsibilities	Interest in units of the Trust
Ceinwen Kirk-Lennox	Appointed 28 June 2016 Ceinwen has over 32 years of experience in many aspects of property including agency, property development, project and construction management, and community development. Her executive career includes 26 years at Lendlease Corporation, where she held executive roles, running business units, client accounts and functions across the Lendlease Group. Ceinwen now runs her own consultancy, with clients across both private and public sectors. Ceinwen holds a Bachelor of Business (Land Economy) from the University of Western Sydney, and is a graduate of the Australian Institute of Company Directors. Ceinwen has 18 years' experience as an executive and non-executive director serving on a number of boards including both for-profit and not-for-profit companies. Ceinwen is a National Director of the Property Industry Foundation, and an Advisory Member of the Western Sydney Institute of TAFE.	Nil	23,250
David Harrison	Appointed 16 February 2016 David is Executive Director of Charter Hall Group (ASX: CHC) and Charter Hall Retail REIT (ASX: CQR). He has 31 years of property market experience across office, retail and industrial sectors in multiple geographies globally. As Charter Hall's Managing Director and Group CEO, David is responsible for all aspects of the Charter Hall business, with specific focus on strategy and continuing the momentum from building an Investment Manager recognised as a multi-core sector market leader. David is an executive member of various Fund Boards and Partnership Investment Committees, Chair of the Executive Property Valuation Committee and Executive Leadership Group. David holds a Bachelor of Business Degree (Land Economy) from the University of Western Sydney, is a Fellow of the Australian Property Institute (FAPI) and holds a Graduate Diploma in Applied Finance from the Securities Institute of Australia. David is National Vice President on the Board of Directors for the Property Council of Australia and a Chair of the Audit and Risk Committee. David is also a member of the Property Male Champions of Change.	Nil	254,053

Directors' report (continued)

For the period ended 30 June 2017

Director	Experience	Special responsibilities	Interest in units of the Trust
Adrian Taylor	Appointed 18 July 2016 Adrian is Charter Hall's Group Executive - Office. He is a member of Charter Hall's Executive Leadership Group and the Chairs of the Corporate Responsibility and Sustainability Committee. Adrian leads the office platform including setting the strategy and objectives for the wholesale office funds in conjunction with the Charter Hall fund managers and wholesale investors, and guides the asset management, property management, technical service and development teams. He has extensive capital transaction and capital management experience including debt and equity raising and deep joint venture experience in Australia and the US. He spent 15 years in listed REIT markets as General Manager, Chief Investment Officer and Chief Executive Officer of the Charter Hall Office REIT prior to its privatisation. In his prior role as Head of Wholesale Investment, he ran the investment management functions across office, retail and industrial sectors. Adrian graduated with a Bachelor of Business from Monash University, is a Certified Practising Accountant, a Fellow of the Financial Services Institute of Australasia, a Fellow Of the Royal Institute of Chartered Surveyors and is involved in numerous property industry groups including being Deputy Chair of the ICMD Division Council of the Property Council of Australia.	Nil	63,513

Meetings of Directors

Name	Full meetings of Directors		Meetings of Audit, Risk and Compliance Committee	
	Eligible to attend	Attended	Eligible to attend	Attended
Peeyush Gupta	21	21	3	3
Glenn Fraser	21	21	3	3
Ceinwen Kirk-Lennox	21	21	3	3
David Harrison	21	17	-	-
Adrian Taylor	20	20	-	-

Company Secretary

Tracey Jordan was appointed Company Secretary for the Trust on 16 February 2016. Tracey has more than 25 years of experience in real estate and funds management, with extensive knowledge of real estate transactions, structuring, funds management, compliance and corporate governance. Tracey is a Solicitor of the Supreme Court of NSW, and has been admitted to the Supreme Court of the Australian Capital Territory and the High Court of Australia. She holds a Bachelor of Arts and a Bachelor of Laws degree from the University of Sydney.

Non-audit services

The Responsible Entity may decide to employ the auditor (PricewaterhouseCoopers) on assignments in addition to the statutory audit duties where the auditor's expertise and experience with the REIT are important.

Details of the amounts paid to the auditor for audit and non-audit services provided during the period are disclosed in Note 17 to the consolidated financial statements.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit, Risk and Compliance Committee, is satisfied that the provision of the non-audit services is compliant with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out in Note 17 of the consolidated financial statements, did not compromise the auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit, Risk and Compliance Committee to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Accounting Professional and Ethical Standards Board APES 110 *Code of Ethics for Professional Accountants*.

Directors' report (continued)

For the period ended 30 June 2017

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 12.

Rounding of amounts to the nearest hundred thousand dollars

As permitted by ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 (as amended) issued by the Australian Securities and Investments Commission relating to the 'rounding off' of amounts in the Director's report and consolidated financial statements, amounts in the Directors' report and consolidated financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated.

This report is made in accordance with a resolution of the Board of Directors of Charter Hall WALE Limited.



Peeyush Gupta
Chair

Sydney
17 August 2017



Auditor's Independence Declaration

As lead auditor for the audit of CPOF Kogarah Holding Trust for the period 22 September 2016 to 30 June 2017, 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 CPOF Kogarah Holding Trust and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'J A Dunning', with a stylized flourish at the end.

J A Dunning
Partner
PricewaterhouseCoopers

Sydney
17 August 2017

Consolidated statement of comprehensive income

For the period ended 30 June 2017

	Notes	22 Sep 2016 to 30 Jun 2017 \$'000
Other income		
Share of equity accounted profit	6	12,448
Total other income		12,448
Total revenue and other income		12,448
Expenses		
Fund management fees	18	(277)
Costs associated with Initial Public Offering	4	(752)
Administration and other expenses		(117)
Finance costs	10	(1,419)
Total expenses		(2,565)
Net profit for the period		9,883
Other comprehensive income		-
Total comprehensive income		9,883
Basic and diluted earnings per ordinary unitholder of the Trust		
Earnings per unit (cents)	3	5.41

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

Consolidated balance sheet

As at 30 June 2017

	Notes	30 Jun 2017 \$'000
Assets		
Current Assets		
Receivables	5	490
Other assets		3
Total current assets		493
Non-current assets		
Investments accounted for using equity method	6	102,118
Total non-current assets		102,118
Total assets		102,611
Liabilities		
Current liabilities		
Payables	8	80
Distribution payable	9	831
Total current liabilities		911
Non-current liabilities		
Borrowings	10	52,162
Total non-current liabilities		52,162
Total liabilities		53,073
Net assets		49,538
Equity		
Contributed equity	11	42,247
Retained profits	12	7,291
Total equity		49,538

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

Consolidated statement of changes in equity

For the period ended 30 June 2017

Attributable to unitholders of CPOF Kogarah Holding Trust				
	Notes	Contributed equity \$'000	Retained profits \$'000	Total \$'000
Balance at 22 Sep 2016		93,958	1,245	95,203
Capital return	11	(80,660)	-	(80,660)
Unit redemptions	11	(14,234)	-	(14,234)
Units issued via IPO, net of equity raising costs	11	42,959	-	42,959
Units issued via DRP	11	224	-	224
Total comprehensive income		-	9,883	9,883
Distributions provided for or paid	2	-	(3,837)	(3,837)
Balance at 30 Jun 2017		42,247	7,291	49,538

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

Consolidated cash flow statement

For the period ended 30 June 2017

		22 Sep 2016 to 30 Jun 2017 \$'000
	Notes	
Cash flows from operating activities		
Distributions received from investment in joint venture entities		4,148
Fund management fees paid		(240)
Administration and other expenses paid		(89)
Net GST paid with respect to operating activities		(15)
Net cash flows from operating activities	13	3,804
Net cash flows from investing activities		-
Cash flows from financing activities		
Repayments under Intra-Group Facility Agreement		(4,177)
Drawdowns under Intra-Group Facility Agreement		54,920
Net capital return paid on IPO	13	(52,385)
Costs associated with IPO		(302)
Distributions paid to unitholders	9	(1,860)
Net cash flows from financing activities		(3,804)
Net decrease in cash and cash equivalents		-
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period		-

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

Notes to the consolidated financial statements

For the period ended 30 June 2017

1 Summary of significant accounting policies

The Charter Hall Long WALE REIT (REIT or CLW) is a stapled group comprising of CPOF Kogarah Holding Trust (Trust or CPOF KHT) and its controlled entity and the entities below (collectively referred to as the Stapled Trusts):

Stapled Entity

Charter Hall Direct Industrial Fund (DIF)

Canning Vale Logistics Trust (CVLT1)

218 Bannister Road Trust (218 BRT)

Franklin Street Property Trust (FSPT)

CHPT Dandenong Trust (CHPT DT)

LWR Finance Trust (Finance Trust)

Description

Owns all of the REIT's investment properties and equity accounted investments other than those listed below

50% ownership of Metcash, Canning Vale WA

50% ownership of Metcash, Canning Vale WA

100% ownership of ATO, Adelaide SA

50% ownership of Coles, Truganina VIC and 26% ownership of Woolworths, Dandenong VIC

Holds the REIT's bank debt and interest rate swaps through Charter Hall LWR Limited

The units of the Stapled Trusts (collectively referred to as the stapled securities) are listed on the Australian Securities Exchange and cannot be traded or dealt with separately. The seven entities comprising the stapled group remain separate legal entities in accordance with the *Corporations Act 2001*, and are each required to comply with the reporting and disclosure requirements of Accounting Standards and the *Corporations Act 2001*.

The accounting policies which have been adopted in the preparation of this annual financial report are set out below.

The custodian of the Trust is The Trust Company (Australia) Limited. The custodian's registered office is Level 12, 123 Pitt Street, Sydney NSW 2000.

CPOF Kogarah Holding Trust is a trust constituted in Australia. The nature of the operations and principal activities of the Trust are described in the Directors' Report.

The financial report for the period ended 30 June 2017 was authorised for issue by the directors on 17 August 2017. The directors have the power to amend and reissue the financial report.

(a) Basis of preparation

These general purpose consolidated financial statements have been prepared in accordance with the requirements of the Trust's constitution, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. The Trust is a for-profit entity for the purpose of preparing the consolidated financial statements.

The consolidated financial statements are presented in Australian dollars, which is the Trust's functional and presentation currency.

Compliance with IFRS

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

Historical cost convention

The consolidated financial statements have been prepared on a historical cost convention.

New and amended standards adopted

No new accounting standards or amendments have come into effect for the period ended 30 June 2017 that affect the Trust's operations or reporting requirements.

Critical accounting estimates

The preparation of the consolidated financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates and management to exercise its judgement in the process of applying the Trust's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the consolidated financial statements are disclosed below:

- Consolidation decisions and classification of joint arrangements – Note 1(b)

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

1 Summary of significant accounting policies (continued)

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Trust and that are believed to be reasonable under the circumstances.

Net current asset deficiency

At 30 June 2017, the Trust has a net deficiency of current assets over current liabilities of \$0.4 million. The Trust will be able to meet its day-to-day working capital requirements from the available Intra-Group Facility. The unitholders will only receive their distributions to the extent that the Trust has sufficient working capital.

(b) Principles of consolidation

(i) Controlled entities

Subsidiaries are all entities over which the Trust has control. The Trust controls an entity when the Trust 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 Trust. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Trust.

(ii) Joint arrangements

Under AASB 11 *Joint Arrangements*, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

During the period, the Trust had an investment in Kogarah Trust joint venture entity (refer to Note 6).

Joint ventures

Interests in joint ventures are accounted for using the equity method, with investments initially recognised at cost and adjusted thereafter to recognise the Trust's share of post-acquisition profits or losses of the investee in profit or loss, and the Trust's share of movements in other comprehensive income of the investee in other comprehensive income. Distributions received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Trust's share of losses in an equity accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Trust does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Trust and its joint venture entity are eliminated to the extent of the Trust's interest in this entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investee have been changed where necessary to ensure consistency with the policies adopted by the Trust.

There were no unrealised gains or losses on transactions between the Trust and its joint venture entity during the period.

(c) Segment reporting

The Trust has not produced segment reporting information as management had determined that only one operating segment exists. This is based on the information provided to the chief operating decision maker in accordance with AASB 8 *Operating Segments*. The segment is deemed to be property investment in Australia.

(d) Revenue recognition

Interest income

Interest income is recognised using the effective interest rate method.

(e) Expenses

Expenses are recognised on an accruals basis.

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

1 Summary of significant accounting policies (continued)

(f) Income tax

Under current Australian income tax legislation, the Trust is not liable to pay income tax provided its income for the period, as determined under the Trust's constitution, is fully distributed to unitholders, by way of cash or reinvestment.

The liability for capital gains tax that may arise if the Australian property was sold is not accounted for in these financial statements.

(g) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets that suffered impairment in prior periods are reviewed for possible reversal of the impairment at each reporting date.

(h) Trade and other receivables

Trade and other receivables are initially recognised at the amounts due to the Trust. Rent and outgoings receivables are usually settled within 30 days of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off in the period in which they are identified. A provision for doubtful debts is raised where there is objective evidence that the Trust will not collect all amounts due. The amount of the provision is the difference between the carrying amount and estimated future cash flows. Cash flows relating to current receivables are not discounted.

(i) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Trust. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(j) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of comprehensive income over the period of the borrowing using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

(k) Contributed equity

Stapled securities on issue are classified as equity and recognised at the fair value of the consideration received by the Trust. Transaction costs arising on the issue of equity are recognised directly in equity as a reduction in the proceeds of units to which the costs relate.

(l) Distributions paid and payable

A liability is recognised for the amount of any distribution declared by the Trust on or before the end of the reporting period but not distributed at balance date.

(m) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

A fair value measurement of a non-financial asset takes into account the Fund's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The nominal value less estimated credit adjustments of trade receivables and payables approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

1 Summary of significant accounting policies (continued)

(n) Earning per unit

Basic earnings per unit is determined by dividing statutory profit attributable to the unitholders by the weighted average number of units on issue during the period.

Diluted profit per unit is determined by dividing statutory profit attributable to the unitholders by the weighted average number of ordinary units and dilutive potential ordinary units on issue during the period.

(o) Goods and Services Tax (GST)

Income, expenses, assets (with the exception of receivables) and liabilities (with the exception of payables) are recognised net of the amount of GST recoverable from the Australian Taxation Offices (ATO). The non-recoverable GST is recognised as part of the income, expense, asset or liability.

Receivables and payables are inclusive of GST. The net amount of GST recoverable from or payable to the Australian and overseas tax offices is included in receivables or payables in the consolidated balance sheet.

Cash flows relating to GST are included in the consolidated statement of cash flows 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.

(p) Parent entity financial information

The financial information for the parent entity, CPOF Kogarah Holding Trust, disclosed in Note 15, has been prepared on the same basis as the Trust's consolidated financial statements except as set out below:

(i) Investments in controlled entities

Investments in controlled entities are accounted for at cost in the financial statements of the parent entity. Such investments include both investments in equity securities issued by the controlled entity and other parent entity interests that in substance form part of the parent entity's investment in the controlled entity. These include investments in the form of interest-free loans which have no fixed contractual term and which have been provided to the controlled entity as an additional source of long term capital.

Distributions received from controlled entities are recognised in the parent entity's statement of comprehensive income, rather than deducted from the carrying amount of these investments.

(ii) Receivables and payables

Trade amounts receivable from controlled entities in the normal course of business and other amounts advanced on commercial terms and conditions are included in receivables. Similarly, amounts payable to controlled entities are included in payables.

(iii) Recoverable amount of assets

The carrying amounts of investments in controlled entities valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying value exceeds their recoverable amount, the assets are written down to the lower value. The write-down is expensed in the year in which it occurs.

(q) Impact of new standards and interpretations issued but not yet adopted by the Trust

Certain new accounting standards and interpretations have been published that are not mandatory for the period ended 30 June 2017 but are available for early adoption. The impact of these new standards and interpretations (to the extent relevant to the Trust) is set out below:

(i) AASB 9 *Financial Instruments* (applicable 1 January 2018)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets. The Trust currently plans to apply AASB 9 for the reporting period beginning on 1 July 2018. An initial assessment of the new standard has been undertaken and it is not expected to have a material impact on the Trust's consolidated financial statements.

(ii) AASB 15 *Revenue from Contracts with Customers* (applicable 1 January 2018)

The standard is based on the principle that revenue is recognised when control of a good or service is transferred to a customer, so the notion of control replaces the notion of risks and rewards. It applies to all contracts with customers except leases, financial instruments and insurance contracts. AASB 15 requires reporting entities to provide users of financial statements with more informative, relevant disclosures. An initial assessment has been performed on existing revenue streams. Based on this assessment, it is not expected that the Trust will be materially impacted.

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

1 Summary of significant accounting policies (continued)

(q) Impact of new standards and interpretations issued but not yet adopted by the Trust (continued)

(iii) **AASB 16 Leases (applicable 1 January 2019 - early adoption allowed if AASB 15 is adopted at the same time)**

The standard will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset. The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) will change. The accounting by lessors will not significantly change. The Trust currently plans to apply AASB 16 for the reporting period beginning on 1 July 2019. An initial assessment of the new standard has been undertaken and it is not expected to have a material impact on the Trust's consolidated financial statements.

(r) Rounding of amounts

Under the option provided by ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 (as amended) issued by the Australian Securities and Investments Commission relating to the 'rounding off' of amounts in the financial statements, amounts in the Trust's consolidated financial statements have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

2 Distributions paid or payable

	Cents per unit	\$'000
Total distribution for the period from 1 July 2016 to 21 September 2016 ¹	1.33	1,245
Total distribution for the period from 22 September 2016 to 30 June 2017²	1.42	2,592
Total distribution²		3,837

¹ Represents distributions paid to former unitholders prior to the registration of the trust as a managed investment scheme.

² Calculated with reference to weighted average number of units (refer Note 3).

The Trust also made a capital distribution of \$80.7 million to former unitholders on 10 November 2016.

The distribution of 0.40 cents per unit for the quarter ended 30 June 2017 was declared on 21 June 2017 and paid on 14 August 2017.

3 Earnings per unit

	22 Sep 2016 to 30 Jun 2017
Basic and diluted earnings per ordinary unitholder	
Earnings per unit (cents) for profit from operations	5.41
Earnings used in the calculation of basic and diluted loss per unit	
Net profit for the period (\$'000)	9,883
Weighted average number of units* used in the calculation of basic and diluted earnings per unit (thousands)	182,673

*Takes into account conversion of each unit issued by the Trust into approximately 0.72 units on 10 November 2016.

Notes to the financial statements (continued)

For the period ended 30 June 2017

4 Costs associated with IPO

	22 Sep 2016 to 30 Jun 2017 \$'000
Underwriting and offer management fees and cost	783
Advisers and consultant fees	297
	1,080
Treated as equity raising costs	328
Treated as expense in profit or loss	752
	1,080

5 Receivables

	30 Jun 2017 \$'000
Current assets	
Accrued income	27
Distribution receivable	463
	490

6 Investments accounted for using the equity method

Investment in joint venture entity

The Trust has an investment in a joint venture entity. The Trust exercises joint control over the joint venture entity, but neither the Trust nor its joint venture partners have control in their own right, irrespective of their ownership interest. The principal activity of the joint venture entity during the period was property investment. The investment is accounted for using the equity method of accounting (refer to Note 1 (b)). Information relating to the joint venture entity is detailed below:

Name of entity	Properties	30 Jun 2017 Ownership %	30 Jun 2017 \$'000
Kogarah Trust	Property investment	50.1%	102,118

	22 Sep 2016 to 30 Jun 2017 \$'000
Opening balance	93,956
Share of profit of equity accounted investment	12,448
Distribution received/receivable	(4,286)
Closing balance	102,118

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

6 Investments accounted for using the equity method (continued)

The financial statements of the joint venture entity is shown below:

	30 Jun 2017 \$'000
Kogarah Trust	
Summarised balance sheet	
Current assets	2,733
Non-current assets	203,500
Total assets	206,233
Current liabilities	2,405
Total liabilities	2,405
Net assets	203,828
Net assets - Trust share at 50.1%	102,118
Summarised statement of comprehensive income	
Revenue	9,316
Net profit	24,846
Total comprehensive income	24,846
Total comprehensive income - Trust share at 50.1%	12,448

7 Net tangible assets

	30 Jun 2017 \$'000
Total assets	102,611
Less: Total liabilities	53,073
Net tangible assets attributable to the Trust	49,538
Total number of units on issue (thousands)	207,787
Net tangible asset backing per units (\$)	0.24

8 Payables

	30 Jun 2017 \$'000
Current liabilities	
Fund management fee payable	37
Accruals	43
	80

9 Distribution payable

	22 Sep 2016 to 30 Jun 2017 \$'000
Current liabilities	
Opening balance	-
Distributions declared	3,837
Distributions paid	(1,860)
Distribution settled via intercompany account	13
Distributions reinvested	13
Closing balance	831

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

10 Borrowings

	30 Jun 2017 \$'000
Non-current	
Intra-Group Facility Agreement	52,162
	52,162

On 10 November 2016, the Trust entered an Intra-Group Facility Agreement (IGFA) with the other Stapled Trusts. This agreement expires in November 2021. Interest rates under IGFA are variable and reset periodically. As at 30 June 2017, the interest rate was 4.25% per annum.

11 Contributed equity

Details	No. of units	22 Sep 2016 to 30 Jun 2017 \$'000
Units on issue - 22 Sep 2016	93,957,812	93,958
Capital return	-	(80,660)
Change in number of units after unit re-organisation	(26,002,988)	-
Unit redemptions	(67,954,824)	(14,234)
Units issued via IPO	206,683,097	42,959
Units issued via DRP	1,104,078	224
Units on issue	207,787,175	42,247

As stipulated in the Trust's constitution, each unit represents a right to an individual share in the Trust and does not extend to a right to the underlying assets of the Trust. There are no separate classes of securities.

Each unit confers the right to vote at meetings of unitholders, subject to any voting restrictions imposed on a unitholder under the *Corporations Act 2001* and the Australian Securities Exchange Listing Rules.

Distribution Reinvestment Plan (DRP)

The Trust, being a member of the REIT, has established a Distribution Reinvestment Plan (DRP) under which stapled securityholders may elect to have all or part of their distribution entitlements satisfied by the issues of new stapled securities rather than being paid in cash.

The DRP issue price is determined at a discount of 1.0% to the daily volume weighted average price of all stapled securities traded on the ASX during the 10 business days commencing on the third business day following the distribution record date. The Trust raised \$0.2 million from the DRP for the 31 March 2017 distribution and \$0.2 million from the DRP for the 30 June 2017 distribution.

12 Retained profits

	22 Sep 2016 to 30 Jun 2017 \$'000
Opening balance	1,245
Profit for the period	9,883
Distributions paid and payable	(3,837)
Closing balance	7,291

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

13 Reconciliation of profit to net cash flows from operating activities

	22 Sep 2016 to 30 Jun 2017 \$'000
Profit for the period	9,883
Non-cash items	
Share of net fair value movements on investment properties in investments accounted for using equity method	(8,162)
Capitalised interest on IGFA	1,419
Classified as financing activity	
Costs associated with IPO	752
Other	
Increase in receivables	(168)
Increase in other payables	80
Net cash flows from operating activities	3,804

Non-cash financing and investing activities

The following non-cash financing activities are not reflected in the statement of cash flows:

	22 Sep 2016 to 30 Jun 2017 \$'000
Distributions by the Trust during the period satisfied by the issue of units under the DRP	224
Distributions by the Trust during the period satisfied by settlement against intercompany account with the previous unitholder	922
	1,146
Gross consideration received from IPO	43,293
Equity raising fees paid to Joint Lead Managers	(783)
Capital return and unit redemptions paid to former unitholders	(94,895)
Net capital return paid on IPO	(52,385)

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

14 Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity are shown below:

	30 Jun 2017 \$'000
Assets	
Current assets	492
Non-current assets	93,958
Total assets	94,450
Liabilities	
Current liabilities	912
Non-current liabilities	52,162
Total liabilities	53,074
Net assets	41,376
Equity	
Contributed equity	42,247
Accumulated loss	(871)
Total equity	41,376
	22 Sep 2016 to 30 Jun 2017 \$'000
Revenue	5,531
Net profit	2,966
Total comprehensive income	2,966

(b) Guarantees entered into by the parent entity

The parent entity has not provided any guarantees in relation to the debts of its equity accounted investments as at 30 June 2017.

(c) Commitments and contingent liabilities of the parent entity

The parent entity did not have any commitments or contingent liabilities as at 30 June 2017.

(d) Directors fees

The parent entity paid directors fees of \$17,478 to Charter Hall WALE Limited.

(e) Net current asset deficiency

At 30 June 2017, the parent entity has a net deficiency of current assets over current liabilities of \$0.4 million. The parent entity will be able to meet its day-to-day working capital requirements from the available Intra-Group Facility and operating cash flows. The unitholders will only receive their distributions to the extent that the parent entity has sufficient working capital.

15 Capital and financial risk management

(a) Capital risk management

The Trust, as a member of the REIT, optimises capital through the mix of available capital sources whilst complying with the terms of the IGFA, statutory and constitutional capital and distribution requirements, and continuing to operate as a going concern.

The Trust assesses its capital management approach as a key part of its overall strategy and it is regularly reviewed by management and the Board.

The Trust is able to alter its capital mix by issuing new units, activating the DRP, electing to have the DRP underwritten, adjusting the amount of distributions paid, activating a unit buyback program or selling assets to reduce borrowings.

The Trust also protects its assets by taking out insurance with creditworthy insurers.

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

15 Capital and financial risk management (continued)

(b) Financial risk management

The Trust's principal financial instruments comprise receivables, payables and borrowings.

The Trust's activities expose it to a variety of financial risks: market risk - interest rate risk, credit risk and liquidity risk.

The Trust manages its exposure to these financial risks in accordance with the Trust's Financial Risk Management (FRM) policy as approved by the Board. The policy sets out the Trust's approach to managing financial risks, the policies and controls utilised to minimise the potential impact of these risks on its performance and the roles and responsibilities of those involved in the management of these financial risks.

The Trust uses various measures to manage exposures to these types of risks. The Trust undertakes counterparty credit assessment and will seek to spread its credit exposures, where practical.

(c) Market risk – interest rate risk

Interest rate risk is the risk that changes in market interest rates will impact the earnings of the Trust.

The Trust is exposed to interest rate risk predominantly through borrowings. The counterparty to the Trust's IGFA is a subsidiary of the Finance Trust. The Finance Trust applies benchmark hedging bands across REIT's differing interest rate exposures and utilises interest rate swaps, to exchange floating interest rates to fixed interest rates, to centrally manage the REIT's exposure between these bands. Compliance with policy is reviewed regularly by management and is reported to the Board regularly.

The Trust has no exposure to interest rate risk on its monetary assets and liabilities, as shown in the table below:

	30 Jun 2017 \$'000
Floating rate	
Cash and cash equivalents	-
Borrowings	52,162
Net exposure	52,162

The table below demonstrates the sensitivity to reasonably possible changes in period end interest rates, with all other variables held constant. A negative amount in the table reflects a potential net reduction in profit or equity, while a positive amount reflects a potential net increase.

	30 Jun 2017 \$'000
Sensitivity	
Profit	
BBSW +1%	(195)
BBSW -1%	195
Equity	
BBSW +1%	(195)
BBSW -1%	195

At balance date the Trust only held variable rate debt. However, on a consolidated basis, the REIT has fixed 66% of its net floating interest rate exposure, through the use of interest rate swaps.

(d) Liquidity risk

Liquidity risk arises if the Trust has insufficient liquid assets to meet its short term obligations. Liquidity risk is managed by maintaining sufficient cash balances and adequate committed credit facilities. Prudent liquidity management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The instruments entered into by the Trust were selected to ensure sufficient funds would be available to meet the ongoing cash requirements of the Trust.

The following table provides the contractual maturity of the Trust's floating rate financial liabilities and derivatives as at 30 June 2017. The amounts presented represent the future contractual undiscounted principal and interest cash flows and therefore do

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

15 Capital and financial risk management (continued)

(d) Liquidity risk (continued)

not equate to the value shown in the balance sheet. Repayments which are subject to notice are treated as if notice were given immediately.

	Carrying value \$'000	Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	Total \$'000
30 Jun 2017					
Financial liabilities					
Payables	80	80	-	-	80
Distribution payable	831	831	-	-	831
Borrowings	52,162	2,217	59,616	-	61,833
Total undiscounted financial liabilities	53,073	3,128	59,616	-	62,744

(e) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial asset and cause the Trust to incur a financial loss. The Trust has exposure to credit risk on all of its financial assets included in the Trust's consolidated balance sheet.

The Trust is exposed to credit risk on cash and cash equivalents. The Trust has policies that limit the amount of credit exposure to any financial institution. Cash transactions are limited to investment grade counterparties in accordance with the Trust's FRM policy. The Trust monitors the public credit rating of its counterparties.

The Trust manages this risk by performing credit reviews of prospective tenants, obtaining tenant collateral where appropriate and performing detailed reviews on tenant arrears.

The Trust has policies to review the aggregate exposures of debtors and tenancies across its portfolio. The Trust has significant concentrations of credit risk on its trade receivables. At 30 June 2017, the largest individual lease in the joint venture is held by Westpac and represents 100% of the total portfolio income.

The geographic concentration of credit exposure of the Trust's assets is based entirely in Australia.

There are no significant financial assets that have had renegotiated terms that would otherwise have been past due or impaired.

(f) Offsetting financial assets and financial liabilities

The Trust does not have any financial assets or financial liabilities that are subject to set off to a net position.

16 Fair value measurement

(a) Recognised fair value measurement

AASB 13 *Fair value measurement* requires disclosure of fair value measurement using the following fair value measurement hierarchy:

- i Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- ii Level 2 - 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).
- iii Level 3 - Inputs for the asset or liability that are not based on observable market data.

Financial assets and liabilities not carried at fair value have carrying values that reasonably approximate their fair values and are categorised within fair value as follows:

- Borrowings – Level 1.
- All other financial assets and liabilities – Level 2.

The carrying amounts of Level 1 and Level 2 assets and liabilities are assumed to approximate their fair values.

There were no transfers between levels of fair value measurement during the period.

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

16 Fair value measurement (continued)

The Trust's fair value accounting policy is disclosed in Note 1(m).

The Trust did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2017.

(b) Disclosed fair values

The following table represents the carrying amounts and fair values of borrowings at 30 June 2017. Fair value is estimated by discounting the future contractual cash flows at the current market interest rate curve since quoted prices are not available.

	30 Jun 2017	
	Carrying amount	Fair value
	\$'000	\$'000
Non-current		
Intra-Group Facility Agreement	52,162	52,559
	52,162	52,559

17 Remuneration of auditors

During the period the auditor of the Trust, PricewaterhouseCoopers, earned the following remuneration:

	22 Sep 2016 to 30 Jun 2017
	\$
Audit services	14,500
Taxation compliance service	5,007
Accounting and tax due diligence advice associated with IPO	38,078
	57,585

18 Related party transactions

(a) Responsible Entity

The Responsible Entity of the Trust is Charter Hall WALE Limited.

The registered office of the Responsible Entity is Level 20,1 Martin Place, Sydney NSW 2000.

(b) Directors

The following persons have held office as directors of the Responsible Entity for the period up to the date of this report:

- Peeyush Gupta - Non-Executive Director and Chair
- Glenn Fraser - Non-Executive Director
- Ceinwen Kirk-Lennox - Non-Executive Director
- David Harrison - Executive Director and Chief Executive Officer/Managing Director of Charter Hall Group
- Adrian Taylor - Executive Director

(c) Transactions with related parties of the Responsible Entity

The responsible entity and its related parties held 41,461,705 units of the Trust as at 30 June 2017.

Amounts paid/payable to related party (excluding fund management fees detailed separately) for the period are as follows:

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

18 Related party transactions (continued)

(c) Transactions with related parties of the responsible entity (continued)

	30 Jun 2017
	\$
Charter Hall Holdings Pty Limited	
Property management fee	18,662
Accounting services	22,629
	41,291

(d) Trust management fees

Under the terms of the Trust's constitution, the Responsible Entity is entitled to receive a base fee calculated as 0.45% per annum of the look through value of the total assets of the Trust and payable monthly in arrears. Management fees for the period ended 30 June 2017 amounted to \$277,079.

(e) Outstanding payable balance with the Responsible Entity and its related parties

As at 30 June 2017, the outstanding payable balance with the Responsible Entity and its related parties was \$36,806.

(f) Key management personnel

Key management personnel (KMP) are defined in AASB 124 *Related Party Disclosures* as those having authority and responsibility for planning, directing and controlling the activities of the entity. The Responsible Entity meets the definition of key management personnel as it has this authority in relation to the activities of the Trust. The Trust paid directors fees of \$17,478 to the Responsible Entity.

(g) Director equity holdings

The number of units held directly, indirectly or beneficially by the Directors of the Responsible Entity or the Directors' related parties at 30 June 2017 is as follows:

	Units held 2017
Peeyush Gupta	382,111
Glenn Fraser	40,000
Ceinwen Kirk-Lennox	23,250
David Harrison	254,053
Adrian Taylor	63,513
	762,927

The aggregate number of units of the Trust acquired by the directors of the Responsible Entity or their related parties during the period is set out below:

	Units acquired 2017
Peeyush Gupta	382,111
Glenn Fraser	40,000
Ceinwen Kirk-Lennox	23,250
David Harrison	254,053
Adrian Taylor	63,513
	762,927

No units of the Trust were sold by the directors of the Responsible Entity or their related parties during the period.

19 Commitments and contingent liabilities

The Trust has no commitments or contingent liabilities as at 30 June 2017.

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

20 Interest in other entities

Material subsidiaries

The Trust's principal subsidiary at 30 June 2017 is set out below. It has contributed equity consisting solely of ordinary units that is held directly by the Trust, and the proportion of ownership interests held equals the voting rights held by the Trust. The country of incorporation or registration is also its principal place of business.

Name of entity	Country of incorporation / Place of business	Ownership interest held 30 Jun 2017	Principal activities
CPOF Kogarah Trust	Australia	100%	Property Investment

21 Events occurring after reporting date

In August 2017, the REIT announced the simplification of its stapled structure from seven to three components. The proposal is subject to Securityholders' approval on 15 September 2017.

The directors of the Responsible Entity are not aware of any matter or circumstance not otherwise dealt with in this report that has significantly affected or may significantly affect the operations of the Trust, the results of its operations or the state of affairs of the Trust in future financial years.

Directors' declaration to unitholders

In the opinion of the directors of Charter Hall WALE Limited, the Responsible Entity of CPOF Kogarah Holding Trust:

- a The consolidated financial statements and notes set out on pages 13 to 31 are in accordance with the *Corporations Act 2001*, including:
 - i complying with Accounting Standards, *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii giving a true and fair view of the Trust's financial position as at 30 June 2017 and of its performance for the financial period ended on that date; and
- b There are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given declarations by the Fund Manager, who performs the Chief Executive Officer function, and the Head of CLW and Industrial Finance, who performs the Chief Financial Officer function, required by section 295A of the *Corporations Act 2001*.

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



Peeyush Gupta

Director

Sydney

17 August 2017



Independent auditor's report

To the stapled security holders of CPOF Kogarah Holding Trust

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of CPOF Kogarah Holding Trust (the Registered Scheme) and its controlled entities (together the "Trust") is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Trust's financial position as at 30 June 2017 and of its financial performance for the period 22 September 2016 to 30 June 2017
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the consolidated balance sheet as at 30 June 2017
- the consolidated statement of comprehensive income for the period 22 September 2016 to 30 June 2017
- the consolidated statement of changes in equity for the period 22 September 2016 to 30 June 2017
- the consolidated cash flow statement for the period 22 September 2016 to 30 June 2017
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

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

PricewaterhouseCoopers, ABN 52 780 433 757

One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is 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 report.

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

The Trust's principal activity consists of property investment.



Materiality

- For the purpose of our audit we used overall materiality of \$0.4 million, which represents approximately 0.8% of the net assets of the Trust.
- 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 report as a whole.
- We chose net assets because, in our view, it is the industry benchmark against which the performance of the Trust is commonly measured and is a generally accepted industry benchmark. We selected 0.8% based on our professional judgement, noting it is within the range of commonly acceptable asset-related materiality thresholds.

Audit Scope

- Our audit focused on where the directors of the Responsible Entity made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- In all of our audits, we also address the risk of management override of internal controls, including whether there was evidence of bias by the directors that may represent a risk of material misstatement due to fraud.
- We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the structure of the Trust, the accounting processes and controls, and the industry in which the Trust operates.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report 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. We communicated the key audit matters to the Audit, Risk and Compliance Committee.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties, held in the joint venture accounted for under the equity method <i>(Refer to note 6)</i> The Trust's investment property portfolio is comprised of a 50.1% interest in an office property, held through a joint venture. At 30 June 2017 the carrying value of the Trust's share of the investment property held by the joint venture was \$102 million. Investment property is valued at fair value at reporting date using either the income capitalisation approach or the discounted cash flow approach as described in note 1. The value of investment property is dependent on the valuation methodology adopted and the inputs into the valuation model. Factors such as prevailing market conditions, the individual nature, condition and location of property and the expected future income for property directly impact its fair value. Amongst others, the following assumptions are key in establishing fair value: • capitalisation rate • adopted discount rate. At the end of each reporting period, the Trust determines the fair value of its investment property portfolio in accordance with the Trust's valuation policy. This policy requires all properties to be externally valued by an independent valuation expert at least once every 12 months. If a property is not externally valued at balance date, the Trust performs an internal valuation. We focused on this matter because of the: • Relative significant size of the investment property balance in the consolidated balance sheet of the joint venture; • Material quantum of revaluation gains that directly impact the consolidated statement of comprehensive income through the share of equity accounted profit; • Inherently subjective nature of investment	We obtained the latest independent property market reports to understand the prevailing market's condition in which the Trust invests. We compared prior valuation against current year valuation for the investment property, and noted that the movement in fair value was in line with overall movement in the market. We met with management and discussed the specifics of the property including market rent level and market rent growth assumptions. We reviewed the methodologies used by the Trust to determine the property's fair value. We compared market capitalisation rate and discount rate by location and asset grade to our independent expectation of a reasonable range determined based on benchmark market data for these assumptions. We considered the rationale supporting the rate applied in the valuation through discussions with management of the Trust and reviewed the methodologies used by the Trust to determine the property value. We also assessed the competency and capability of the external valuer and considered that the valuation was performed in accordance with the Trust's valuation policy.



Key audit matter	How our audit addressed the key audit matter
property valuation due to the use of several assumptions in the valuation methodology; and • Sensitivity of valuations to key input assumptions, specifically capitalisation and discount rates.	

Other information

The directors are responsible for the other information. The other information comprises the Director's Report included in the Trust's annual report for the period 22 September 2016 to 30 June 2017 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report 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 obtained prior to the date of our 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.

Responsibilities of the directors of the Responsible Entity for the financial report

The directors of Charter Hall WALE Limited, the responsible entity of the Trust, are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of 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 intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 report.

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

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

A handwritten signature in black ink that reads "PricewaterhouseCoopers".

PricewaterhouseCoopers

A handwritten signature in black ink that reads "J A Dunning".

J A Dunning
Partner

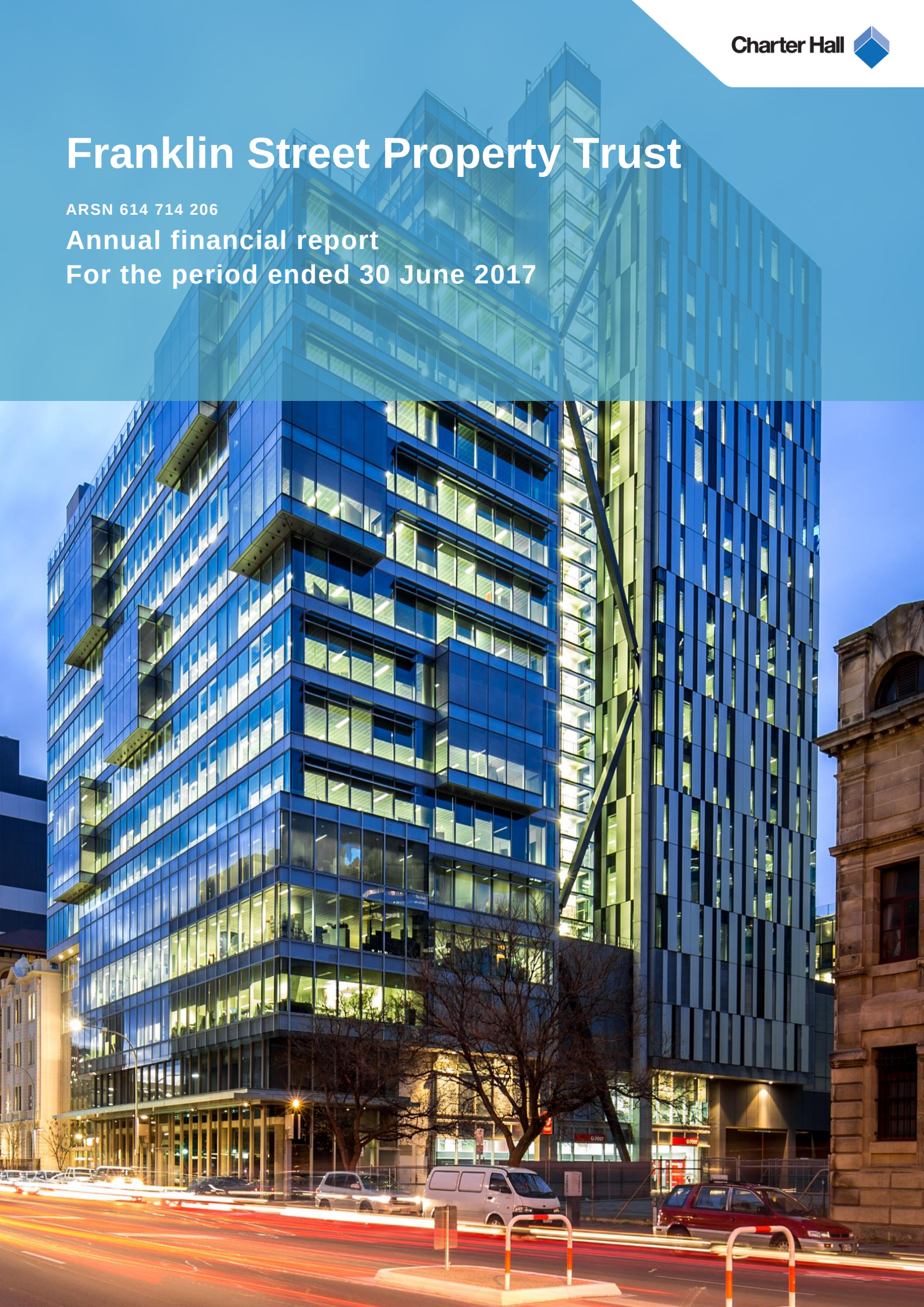
Sydney
17 August 2017



Franklin Street Property Trust

ARSN 614 714 206

Annual financial report
For the period ended 30 June 2017



Important Notice

The Charter Hall Long WALE REIT (REIT or CLW) was formed upon the stapling of the units of the seven Australian registered schemes listed below (collectively referred to as the Stapled Trusts):

- Charter Hall Direct Industrial Fund (DIF) and its controlled entities (ARSN 144 613 641);
- LWR Finance Trust (Finance Trust) and its controlled entity (ARSN 614 713 138);
- Canning Vale Logistics Trust No.1 (CVLT1) (ARSN 614 713 012);
- 218 Bannister Road Trust (218 BRT) (ARSN 614 712 588);
- CPOF Kogarah Holding Trust (CPOF KHT) and its controlled entity (ARSN 614 714 073);
- Franklin Street Property Trust (FSPT) (ARSN 614 714 206); and
- CHPT Dandenong Trust (CHPT DT) and its controlled entity (ARSN 614 712 506).

Charter Hall WALE Limited ABN 20 610 772 202; AFSL 486721 (CHWALE) is the responsible entity of the schemes listed above, and is a controlled entity of Charter Hall Limited ABN 57 113 531 150 (Charter Hall).

Past performance is not a reliable indicator of future performance. Due care and attention has been exercised in the preparation of forecast information; however, forecasts, by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of CHWALE. Actual results may vary from forecasts and any variation may be materially positive or negative.

This report has been prepared for general information purposes only and is not an offer or invitation for subscription or purchase of, or recommendation of, securities. It does not take into account the investment objectives, financial situation or needs of any investor. Before investing, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

CHWALE does not receive fees in respect of the general financial product advice it may provide; however, it will receive fees for operating the Stapled Trusts which, in accordance with the Stapled Trusts' constitutions, are calculated by reference to the value of the assets. Controlled entities of Charter Hall may also receive fees for managing the assets of, and providing resources to, the Stapled Trusts. Charter Hall and its related entities, together with their officers and directors, may hold securities in the Stapled Trusts from time to time.

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Directors' report

For the period ended 30 June 2017

The Directors of Charter Hall WALE Limited (CHWALE) present the directors' report and consolidated financial report of Franklin Street Property Trust (Trust or FSPT) for the period ended 30 June 2017.

CHWALE was appointed as Responsible Entity of the Trust on 6 September 2016 upon the retirement of the previous Trustee, Charter Hall Wholesale Management Limited (CHWML).

The Trust was established on 13 October 2010 and registered as a managed investment scheme on 22 September 2016. The Trust was listed on the Australian Securities Exchange on 8 November 2016 and became a member of the Charter Hall Long WALE REIT consolidated group (REIT) on 10 November 2016 when its units were stapled to the units of the other six stapled trusts comprising the REIT.

The Trust's financial reporting period commenced on 22 September 2016, date of registration, and ended on 30 June 2017.

Principal activities

The principal activity of the Trust during the period was property investment. There were no significant changes in the nature of the Trust's activities during the financial period.

Directors

The following persons have held office as directors of the Responsible Entity from 6 September 2016 (date of appointment) and up to the date of this report:

- Peeyush Gupta - Chair and Non-Executive Director
- Glenn Fraser - Non-Executive Director
- Ceinwen Kirk-Lennox - Non-Executive Director
- David Harrison - Executive Director and Chief Executive Officer/Managing Director of Charter Hall Group
- Adrian Taylor - Executive Director

The following persons have held office as directors of the former Trustee, CHWML, from 1 July 2016 to 6 September 2016 (date of retirement):

- David Harrison - Executive Director and Chief Executive Officer/Managing Director of Charter Hall Group
- Adrian Taylor - Executive Director
- Gregory Chubb - Executive Director
- Paul Ford - Executive Director

Distributions

Distributions paid or declared during the period are as follows:

	Cents per unit	\$'000
Total distribution for the period from 1 July 2016 to 21 September 2016 ¹	5.51	1,936
Total distribution for the period from 22 September 2016 to 30 June 2017 ²	5.30	9,668
Total distribution		11,604

¹ Represents distributions paid to former unitholders prior to the registration of the trust as a managed investment scheme

² Calculated with reference to weighted average number of units (refer Note 3).

The Trust also made a capital distribution of \$45.5 million to former unitholders on 10 November 2016.

A distribution of 1.60 cents per unit for the quarter ended 30 June 2017 was declared on 21 June 2017 and paid on 14 August 2017.

Directors' report (continued)

For the period ended 30 June 2017

Distribution Reinvestment Plan (DRP)

The Trust, being a member of the REIT, has established a Distribution Reinvestment Plan (DRP) under which stapled securityholders may elect to have all or part of their distribution entitlements satisfied by the issues of new stapled securities rather than being paid in cash.

The DRP issue price is determined at a discount of 1.0% to the daily volume weighted average price of all stapled securities traded on the Australian Stock Exchange (ASX) during the 10 business days commencing on the third business day following the distribution record date. The Trust raised \$1.1 million from the DRP for the 31 March 2017 distribution and \$0.9 million from the DRP for the 30 June 2017 distribution.

Review and results of operations

The Trust recorded a statutory loss for the period of \$16.2 million which represents operating earnings of \$9.2 million and net valuation gains of \$6.9 million on investment properties and financial assets and \$1.7 million fair value gains on derivative financial instruments offset by \$0.5 million loss on extinguishment of debt facility, \$3.6 million of costs associated with Initial Public Offering (IPO) and \$29.9 million loss on the disposal of two wholly owned subsidiaries of the Trust (refer to page 6).

The table below sets out income and expenses that comprise operating earnings:

	22 Sep 2016 to 30 Jun 2017 \$'000
Net property income	13,391
Interest income	18
Fund management fees	(951)
Finance costs	(2,994)
Administration and other expenses	(279)
Operating earnings	9,185

Operating earnings is a financial measure which represents profit/(loss) under Australian Accounting Standards adjusted for net fair value movements, non-cash accounting adjustments such as straight lining of rental income and amortisations and other unrealised or one-off items. Operating earnings also aligns to the Funds from Operations (FFO) as defined by the Property Council of Australia.

The inclusion of operating earnings as a measure of the Trust's profitability provides investors with the same basis that is used internally for evaluating operating segment performance. Operating earnings is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution to declare.

Reconciliation of operating earnings to statutory profit is set out below:

	22 Sep 2016 to 30 Jun 2017 \$'000
Operating earnings	9,185
Net fair value movements on investment properties	6,699
Net fair value movements on derivative financial instruments	1,664
Net fair value gain on financial assets	190
Other income	226
Loss on extinguishment of debt facility	(479)
Straightlining of rental income	(259)
Costs associated with IPO	(3,588)
Loss on disposal of subsidiaries	(29,859)
Statutory loss for the period	(16,221)
Basic weighted average number of units (thousands)	182,582
Basic loss per unit (cents)	(8.89)
Operating earnings per unit (cents)	5.03
Distribution per unit (cents)	5.30

Directors' report (continued)

For the period ended 30 June 2017

Review and results of operations (continued)

The financial results are summarised as follows:

	22 Sep 2016 to 30 Jun 2017
Revenue (\$ thousands)	16,227
Statutory loss for the period (\$ thousands)	(16,221)
Basic loss per unit (cents)	(8.89)
Operating earnings (\$ thousands)	9,185
Operating earnings per unit (cents)	5.03
Distributions (\$ thousands)	9,668
Distributions per unit (cents)	5.30
	30 Jun 2017
Total assets (\$ thousands)	288,034
Total liabilities (\$ thousands)	81,139
Net assets attributable to unitholders (\$ thousands)	206,895
Units on issue (thousands)	207,787
Net assets per unit (\$)	1.00

Significant changes in the state of affairs

On 10 November 2016, the Trust returned capital of \$45.5 million to unitholders and redeemed units on issue for \$68.3 million. Immediately thereafter, the Trust issued 206.7 million units and raised \$206.0 million of equity through its IPO.

Under the terms of the IPO, two development assets held by the Trust were to be retained by the former unitholders. The Trust transferred the sub-trusts holding these assets to a trust owned by the same unitholders for nominal consideration. The Trust recorded a loss on disposal of \$29.9 million and the related trust recorded an equal and offsetting gain on bargain purchase.

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

Business strategies and prospects

The Trust's objective is to provide investors with stable and secure income and the potential for both income and capital growth through an exposure to a property portfolio with a long WALE.

The Trust aims to maintain and enhance the existing portfolio through active asset and property management.

The material business risks faced by the Trust that are likely to have an effect on its financial performance include:

Tenant concentration

The Trust's property has a significant tenant concentration. This exposes the value and performance of the property to the ability of those tenants to continue to meet their obligations under the respective lease agreements.

Re-leasing and vacancy

The REIT's portfolio is currently 100% leased and has no major forecast lease expiries prior to 2023. There is a risk that the Trust may not be able to negotiate suitable lease renewals. This may result in periods of vacancy which could result in a reduction in income received by the Trust, a reduction in the distributions of the Trust and a reduction in the value of the asset of the Trust. This risk is mitigated through active property and asset management. Any impact will depend on future economic conditions that are not known at balance date.

Funding

The Trust obtains necessary funding from LWR Finance Trust, another member of the REIT. An inability by LWR Finance Trust to obtain the necessary funding or refinancing of an existing debt facility, or a material increase in the cost of such funding (including increases in interest rates that are not hedged), may have an adverse impact on the Trust's performance and financial position. The REIT seeks to minimise this risk across the Stapled Trusts, including the Trust, through proactive refinancing and maintaining adequate liquidity to fund future forecast expenditure and hedging its interest rate exposure in accordance with the REIT's Board approved Financial Risk Management Policy.

Directors' report (continued)

For the period ended 30 June 2017

Rental income and expenses risk

Distributions made by the Trust are largely dependent on the rents received from its tenants and expenses incurred during operations, which may be affected by a number of factors, including overall economic conditions and property market conditions.

Matters subsequent to the end of the financial period

The directors of the Responsible Entity are not aware of any matter or circumstance not otherwise dealt within this report or the financial report that has significantly affected or may significantly affect the operations of the Trust, the results of its operations or the state of affairs of the Trust in future financial years.

Likely developments and expected results of operations

The consolidated financial statements have been prepared on the basis of current known market conditions. The extent to which a potential deterioration in either the capital or property markets that may have an impact on the results of the Trust are unknown. Such developments could influence property market valuations, the ability to refinance debt and the cost of such debt, or the ability to raise equity.

At the date of this report and to the best of the Directors' knowledge and belief, there are no other anticipated changes in the operations of the Trust which would have a material impact on the future results of the Trust. Property valuation changes and movements in interest rates may have a material impact on the Trust's results in future years, however, these cannot be reliably measured at the date of this report.

Indemnification and insurance of directors, officers and auditor

During the period, the Trust contributed to the premium for a contract insuring all directors, secretaries, executive officers and officers of the Trust and of each related body corporate of the Trust, with the balance of the premium paid by the Charter Hall Group and funds managed by members of the Charter Hall Group. In accordance with usual commercial practice, the insurance contract prohibits disclosure of details of the nature of the liabilities covered by the insurance, the limit of indemnity and the amount of the premium paid under the contract.

Provided the officers of the Responsible Entity act in accordance with the Trust's Constitution and the *Corporations Act 2001*, the officers are indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust. The insurance does not provide any cover for the independent auditor of the Trust or of a related party of the Trust. The Trust indemnifies the auditor (PricewaterhouseCoopers Australia) against any liability (including legal costs) for third party claims arising from a breach by the Trust of the auditor's engagement terms, except where prohibited by the *Corporations Act 2001*.

Fees paid to and interests held in the Trust by the Responsible Entity or its associates

Base fees of \$950,171 and other fees were paid or are payable to the Responsible Entity and its associates for the services provided during the period, in accordance with the Trust's constitution.

The interests in the Trust held by the Responsible Entity or its associates as at 30 June 2017 and other fees paid to its associates during the period are disclosed in Note 20 to the consolidated financial statements.

Interests in the Trust

The movement in units of the Trust during the period is set out below:

	22 Sep 2016 to 30 Jun 2017
Units on issue at the beginning of the period	34,620,222
Units issued prior to IPO	504,890
Redemption of Class B units	(20)
Change in the number of units after unit reorganisation	32,829,732
Unit redemptions	(67,954,824)
Units issued	
- via IPO	206,683,097
- via DRP	1,104,078
Units on issue at the end of the period	207,787,175

Directors' report (continued)

For the period ended 30 June 2017

Environmental regulations

To the best of the directors' knowledge, the operations of the Trust have been undertaken in compliance with the applicable environmental regulations that apply to the Trust's activities.

Information on Current Directors

Director	Experience	Special responsibilities	Interest in units of the Trust
Peeyush Gupta	Appointed 6 May 2016 Peeyush was the co-founder and the inaugural Chief Executive Officer of Ipac Securities Limited, a pre-eminent wealth management firm. He has experience in starting and growing businesses, acquisitions and divestments, roll-ups and integration, general management, investment management and corporate governance. He is a Non-Executive Director of National Australia Bank Limited, Special Broadcasting Service (SBS), BNZ Life, and Insurance & Care (NSW). He is also currently the Chair of Charter Hall Direct Property Management Limited, Chair of MLC RE and IDPS Board and serves in a pro bono capacity as a trustee of Western Sydney University and the Australian School of Business Dean's Advisory Committee. Peeyush holds a Master of Business Administration in Finance from the Australian Graduate School of Management and a Bachelor of Arts in Computing Studies from the University of Canberra. Peeyush is also a Fellow of the Australian Institute of Company Directors.	Chair	382,111
Glenn Fraser	Appointed 6 May 2016 Glenn specialises in finance, infrastructure and property. He was a member of Transfield Holdings Advisory Board from 1999 to 2015. He was instrumental in Transfield Holdings' acquisition of a 50% interest in Charter Hall and its subsequent expansion and listing in 2005. Previously, Glenn was a Non-Executive Director of the Charter Hall Group from 6 April 2005 to 15 August 2012. Joining Transfield Holdings in 1996, Glenn was General Manager – Finance Project Development, where he was responsible for the financial elements of Transfield Holdings' infrastructure and property projects. Glenn was appointed Chief Financial Officer in 1999 of Transfield Holdings, which at that time had turnover in excess of \$1 billion per annum and over 8,000 staff. Glenn was a principal and director of a project finance advisory business, Perry Development Finance Pty Limited from 1985, which was sold to Hambros Corporate Finance Limited in 1995. Glenn holds a Bachelor of Commerce from the University of NSW, and is a member of the Institute of Chartered Accountants and a graduate of the Australian Institute of Company Directors.	Audit, Risk and Compliance Committee Chair	40,000

Directors' report (continued)

For the period ended 30 June 2017

Information on Current Directors (continued)

Director	Experience	Special responsibilities	Interest in units of the Trust
Ceinwen Kirk-Lennox	Appointed 28 June 2016 Ceinwen has over 32 years of experience in many aspects of property including agency, property development, project and construction management, and community development. Her executive career includes 26 years at Lendlease Corporation, where she held executive roles, running business units, client accounts and functions across the Lendlease Group. Ceinwen now runs her own consultancy, with clients across both private and public sectors. Ceinwen holds a Bachelor of Business (Land Economy) from the University of Western Sydney, and is a graduate of the Australian Institute of Company Directors. Ceinwen has 18 years' experience as an executive and non-executive director serving on a number of boards including both for-profit and not-for-profit companies. Ceinwen is a National Director of the Property Industry Foundation, and an Advisory Member of the Western Sydney Institute of TAFE.	Nil	23,250
David Harrison	Appointed 16 February 2016 David is Executive Director of Charter Hall Group (ASX: CHC) and Charter Hall Retail REIT (ASX: CQR). He has 31 years of property market experience across office, retail and industrial sectors in multiple geographies globally. As Charter Hall's Managing Director and Group CEO, David is responsible for all aspects of the Charter Hall business, with specific focus on strategy and continuing the momentum from building an Investment Manager recognised as a multi-core sector market leader. David is an executive member of various Fund Boards and Partnership Investment Committees, Chair of the Executive Property Valuation Committee and Executive Leadership Group. David holds a Bachelor of Business Degree (Land Economy) from the University of Western Sydney, is a Fellow of the Australian Property Institute (FAPI) and holds a Graduate Diploma in Applied Finance from the Securities Institute of Australia. David is National Vice President on the Board of Directors for the Property Council of Australia and Chair of the Audit and Risk Committee. David is also a member of the Property Male Champions of Change.	Nil	254,053

Directors' report (continued)

For the period ended 30 June 2017

Director	Experience	Special responsibilities	Interest in units of the Trust
Adrian Taylor	Appointed 18 July 2016 Adrian is Charter Hall's Group Executive - Office. He is a member of Charter Hall's Executive Leadership Group and the Chair of the Corporate Responsibility and Sustainability Committee. Adrian leads the office platform including setting the strategy and objectives for the wholesale office funds in conjunction with the Charter Hall fund managers and wholesale investors, and guides the asset management, property management, technical service and development teams. He has extensive capital transaction and capital management experience including debt and equity raising and deep joint venture experience in Australia and the US. He spent 15 years in listed REIT markets as General Manager, Chief Investment Officer and Chief Executive Officer of the Charter Hall Office REIT prior to its privatisation. In his prior role as Head of Wholesale Investment, he ran the investment management functions across office, retail and industrial sectors. Adrian graduated with a Bachelor of Business from Monash University, is a Certified Practising Accountant, a Fellow of the Financial Services Institute of Australasia, a Fellow Of the Royal Institute of Chartered Surveyors and is involved in numerous property industry groups including being Deputy Chair of the ICMD Division Council of the Property Council of Australia.	Nil	63,513

Meetings of Directors

Name	Full meetings of Directors		Meetings of Audit, Risk and Compliance Committee	
	Eligible to attend	Attended	Eligible to attend	Attended
Peeyush Gupta	21	21	3	3
Glenn Fraser	21	21	3	3
Ceinwen Kirk-Lennox	21	21	3	3
David Harrison	21	17	-	-
Adrian Taylor	20	20	-	-

Company Secretary

Tracey Jordan was appointed Company Secretary for the Trust on 16 February 2016. Tracey has more than 25 years of experience in real estate and funds management, with extensive knowledge of real estate transactions, structuring, funds management, compliance and corporate governance. Tracey is a Solicitor of the Supreme Court of NSW, and has been admitted to the Supreme Court of the Australian Capital Territory and the High Court of Australia. She holds a Bachelor of Arts and a Bachelor of Laws degree from the University of Sydney.

Non-audit services

The Responsible Entity may decide to employ the auditor (PricewaterhouseCoopers) on assignments in addition to the statutory audit duties where the auditor's expertise and experience with the REIT are important.

Details of the amounts paid to the auditor for audit and non-audit services provided during the period are disclosed in Note 19 to the consolidated financial statements.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit, Risk and Compliance Committee, is satisfied that the provision of the non-audit services is compliant with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out in Note 19 of the consolidated financial statements, did not compromise the auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit, Risk and Compliance Committee to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Accounting Professional and Ethical Standards Board APES 110 *Code of Ethics for Professional Accountants*.

Directors' report (continued)

For the period ended 30 June 2017

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 12.

Rounding of amounts to the nearest hundred thousand dollars

As permitted by ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 (as amended) issued by the Australian Securities and Investments Commission relating to the 'rounding off' of amounts in the Director's report and consolidated financial statements, amounts in the Directors' report and consolidated financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated.

This report is made in accordance with a resolution of the Board of Directors of Charter Hall WALE Limited.



Peeyush Gupta
Chair

Sydney
17 August 2017



Auditor's Independence Declaration

As lead auditor for the audit of Franklin Street Property Trust for the period 22 September 2016 to 30 June 2017, 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 Franklin Street Property Trust and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'J A Dunning', with a large, stylized loop at the end.

J A Dunning
Partner
PricewaterhouseCoopers

Sydney
17 August 2017

PricewaterhouseCoopers, ABN 52 780 433 757

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Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated statement of comprehensive income

For the period ended 30 June 2017

	Notes	22 Sep 2016 to 30 Jun 2017 \$'000
Revenue		
Property rental income		15,983
Interest and other income		244
Total revenue		16,227
Other income		
Net fair value gain on investment property	7	6,699
Net fair value gain on financial assets	8	190
Net gain on derivative financial instruments		1,664
Total other income		8,553
Total revenue and other income		24,780
Expenses		
Property expenses		(2,851)
Fund management fees		(951)
Costs associated with Initial Public Offering	4	(3,588)
Administration and other expenses		(279)
Finance costs	12	(3,473)
Loss on disposal of subsidiaries	7	(29,859)
Total expenses		(41,001)
Loss for the period		(16,221)
Other comprehensive income		-
Total comprehensive loss		(16,221)
Basic and diluted loss per ordinary unitholder of the Trust		
Loss per unit (cents)	3	(8.89)

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

Consolidated balance sheet

As at 30 June 2017

	Notes	30 Jun 2017 \$'000
Assets		
Current Assets		
Cash and cash equivalents	5	836
Other assets	6	8
Total current assets		844
Non-current assets		
Investment property	7	270,000
Investment in financial assets at fair value	8	17,190
Total non-current assets		287,190
Total assets		288,034
Liabilities		
Current liabilities		
Payables	10	903
Distribution payable	11	3,325
Total current liabilities		4,228
Non-current liabilities		
Borrowings	12	76,911
Total non-current liabilities		76,911
Total liabilities		81,139
Net assets		206,895
Equity		
Contributed equity	13	146,950
Retained profits	14	59,945
Total equity		206,895

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

Consolidated statement of changes in equity

For the period ended 30 June 2017

Attributable to unitholders of Franklin Street Property Trust				
	Notes	Contributed equity \$'000	Retained profits \$'000	Total \$'000
Balance at 22 Sep 2016		51,494	87,770	139,264
Unit issuance	13	2,135	-	2,135
Capital return	13	(45,504)	-	(45,504)
Unit redemptions	13	(68,256)	-	(68,256)
Units issued via IPO, net of equity raising costs	13	205,995	-	205,995
Units issued via DRP	13	1,086	-	1,086
Distribution provided for or paid	2	-	(11,604)	(11,604)
Total comprehensive loss		-	(16,221)	(16,221)
Balance at 30 Jun 2017		146,950	59,945	206,895

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

Consolidated cash flow statement

For the period ended 30 June 2017

		22 Sep 2016 to 30 Jun 2017 \$'000
	Notes	
Cash flows from operating activities		
Property rental income received		16,189
Property expenses paid		(4,161)
Interest and other income received		244
Finance costs paid		(827)
Fund management fees paid		(1,109)
Administration and other expenses paid		(76)
Net GST paid with respect to operating activities		(1,355)
Net cash flows from operating activities	15	8,905
Cash flows from investing activities		
Payments for investment properties		(16)
Payments for income support		(17,000)
Cash transferred on disposal of subsidiaries		(1,355)
Settlement of interest rate swaps		(6,863)
Net cash flows from investing activities		(25,234)
Cash flows from financing activities		
Repayments under Intra-Group Facility Agreement		(100,640)
Drawdowns under Intra-Group Facility Agreement		175,418
Costs associated with IPO		(1,420)
Proceeds from issue of units, net of equity raising costs	15	90,080
Distributions paid to unitholders	11	(5,058)
Proceeds from borrowings		300
Repayment of borrowings		(144,500)
Net cash flows from financing activities		14,180
Net decrease in cash and cash equivalents		(2,149)
Cash at the beginning of the period		2,985
Cash and cash equivalents at the end of the period		836

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

Notes to the consolidated financial statements

For the period ended 30 June 2017

1 Summary of significant accounting policies

The Charter Hall Long WALE REIT (REIT or CLW) is a stapled group comprising of Franklin Street Property Trust (Trust or FSPT) and the entities below (collectively referred to as the Stapled Trusts):

Stapled Entity

Charter Hall Direct Industrial Fund (DIF)

Canning Vale Logistics Trust No. 1 (CVLT1)

218 Bannister Road Trust (218 BRT)

CPOF Kogarah Holding Trust (CPOF KHT)

CHPT Dandenong Trust (CHPT DT)

LWR Finance Trust (Finance Trust)

Description

Owns all of the REIT's investment properties and equity accounted investments other than those listed below

50% ownership of Metcash, Canning Vale WA

50% ownership of Metcash, Canning Vale WA

50.1% ownership of Westpac, Kogarah NSW

50% ownership of Coles, Truganina VIC and 26% ownership of Woolworths, Dandenong VIC

Holds the REIT's bank debt and interest rate swaps through Charter Hall LWR Limited

The units of the Stapled Trusts (collectively referred to as the stapled securities) are listed on the Australian Securities Exchange and cannot be traded or dealt with separately. The seven entities comprising the stapled group remain separate legal entities in accordance with the *Corporations Act 2001*, and are each required to comply with the reporting and disclosure requirements of Accounting Standards and the *Corporations Act 2001*.

The accounting policies which have been adopted in the preparation of this annual financial report are set out below.

The custodian of the Trust is The Trust Company (Australia) Limited. The custodian's registered office is Level 12, 123 Pitt Street, Sydney NSW 2000.

Franklin Street Property Trust is a trust constituted in Australia. The nature of the operations and principal activities of the Trust are described in the Directors' Report.

The financial report for the period ended 30 June 2017 was authorised for issue by the directors on 17 August 2017. The directors have the power to amend and reissue the financial report.

(a) Basis of preparation

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

The consolidated financial statements are presented in Australian dollars, which is the Trust's functional and presentation currency.

Compliance with IFRS

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

Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for the following:

- derivative financial instruments – measured at fair value
- investments in financial assets held at fair value – measured at fair value
- investment property – measured at fair value

New and amended standards adopted

No new accounting standards or amendments have come into effect for the period ended 30 June 2017 that affect the Trust's operations or reporting requirements.

Critical accounting estimates

The preparation of the consolidated financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates and management to exercise its judgement in the process of applying the Trust's

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

1 Summary of significant accounting policies (continued)

accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the consolidated financial statements are disclosed below:

- Investment property – Note 1(k)

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Trust and that are believed to be reasonable under the circumstances.

Net current asset deficiency

At 30 June 2017, the Trust has a net deficiency of current assets over current liabilities of \$3.4 million. The Trust will be able to meet its day-to-day working capital requirements from the available Intra-Group Facility and operating cash flows. The unitholders will only receive their distributions to the extent that the Trust has sufficient working capital.

Based on the facts set out above, the results and cash flows, there are reasonable grounds for the Trust to believe the Trust will be able to meet its debts as and when they become due and payable and accordingly the consolidated financial statements have been prepared on a going concern basis.

(b) Principles of consolidation

(i) Controlled entities

Subsidiaries are all entities over which the Trust has control. The Trust controls an entity when the Trust 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 Trust. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Trust.

(c) Segment reporting

The Trust has not produced segment reporting information as management had determined that only one operating segment exists. This is based on the information provided to the chief operating decision maker in accordance with AASB 8 *Operating Segments*. The segment is deemed to be property investment in Australia.

(d) Revenue recognition

Rental income

Property rental income represents income earned from the rental of Trust property (inclusive of outgoings recovered from tenants) and is recognised on a straight line basis over the lease term.

Interest income

Interest income is recognised using the effective interest rate method.

(e) Expenses

Property expenses, other expenses and outgoings, including rates, taxes and other property outgoings incurred in relation to investment property where such expenses are the responsibility of the Trust, are recognised on an accruals basis.

(f) Repairs and maintenance

Repairs and maintenance costs and minor renewals are charged as expenses when incurred. These repairs and maintenance costs will consist of those that, under the relevant lease agreements, are non-recoverable from tenants.

(g) Income tax

Under current Australian income tax legislation, the Trust is not liable to pay income tax provided its income for the period, as determined under the Trust's constitution, is fully distributed to unitholders, by way of cash or reinvestment.

The liability for capital gains tax that may arise if the Australian property was sold is not accounted for in these financial statements.

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

1 Summary of significant accounting policies (continued)

(h) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets that suffered impairment in prior periods are reviewed for possible reversal of the impairment at each reporting date.

(i) Cash and cash equivalents

For the purpose of presentation in the cash flow statement, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated balance sheet.

(j) Trade and other receivables

Trade and other receivables are initially recognised at the amounts due to the Trust. Rent and outgoing receivables are usually settled within 30 days of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off in the period in which they are identified. A provision for doubtful debts is raised where there is objective evidence that the Trust will not collect all amounts due. The amount of the provision is the difference between the carrying amount and estimated future cash flows. Cash flows relating to current receivables are not discounted.

(k) Investment property

Investment property comprises investment interests in land and buildings (including integral plant and equipment) held for the purpose of producing rental income, including property that is under construction for future use as investment property.

Initially, investment property is measured at cost including transaction costs. Subsequent to initial recognition, the investment property is stated at fair value. Fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. A "willing seller" is neither a forced seller nor one prepared to sell at a price not considered reasonable in the current market. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition. Gains and losses arising from changes in the fair values of investment property is included in the consolidated statement of comprehensive income in the period in which they arise.

At each balance date, the fair values of the investment property is assessed by the Responsible Entity with reference to independent valuation reports or through appropriate valuation techniques adopted by the Responsible Entity. Specific circumstances of the owner are not taken into account.

The fair value measurement of investment property takes into account the Trust's ability to generate economic benefits by using the asset in its highest and best use.

Each investment property is valued by an independent external valuer at least once every 12 months, or earlier, where the Responsible Entity deems it appropriate or believes there may be a material change in the carrying value of the property. Independent valuers are engaged on a rotational basis.

Where an independent valuation is not obtained, the factors taken into account, where appropriate, by the Directors in determining fair value may include:

- Assume a willing buyer and willing seller, without duress and an appropriate time to market the property to maximise price;
- Information obtained from valuers, sales and leasing agents, market research reports, vendors and potential purchasers;
- Capitalisation rates used to value the asset, market rental levels and lease expiries;
- Changes in interest rates;
- Asset replacement values;
- Discounted cash flow models;
- Available sales evidence;
- Comparisons to valuation professionals performing valuation assignments across the market; and

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

1 Summary of significant accounting policies (continued)

(k) Investment property (continued)

- Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

The carrying amount of investment property recorded in the consolidated balance sheet takes into consideration components relating to lease incentives, leasing costs and assets relating to fixed increases in operating lease rentals in future years.

Where the Trust disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the consolidated statement of comprehensive income within net fair value gain/(loss) on investment property.

As the fair value method has been adopted for investment property, the buildings and any component thereof (including plant and equipment) are not depreciated. Taxation allowances for the depreciation of buildings and plant and equipment are claimed by the Trust and contribute to the tax deferred component of distributions.

Critical accounting estimates and judgements

Judgement is required in determining the following key assumptions:

- Capitalisation rate:** The return represented by the income produced by an investment, expressed as a percentage. The rate is determined with regard to market evidence and the prior external valuation.
- Discount rate:** The rate of return used to convert a future monetary sum or cash flow into present value when carrying out a discounted cash flow calculation. The rate is determined with regard to market evidence and the prior external valuation.
- Terminal yield:** A percentage return applied to the expected net income following a hypothetical sale at the end of the cash flow period. The rate is determined with regard to market evidence and the prior external valuation.
- Net market rent:** The estimated amount for which an interest in real property should be leased to a major tenant on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. The amount is determined with regard to market evidence and the prior external valuation.

(l) Lease incentives

Prospective lessees may be offered incentives as an inducement to enter into non-cancellable operating leases. These incentives may take various forms including rent-free periods, upfront cash payments, or a contribution to certain lessee costs such as a fitout contribution. Incentives are capitalised in the consolidated balance sheet as a component of investment property and amortised over the term of the lease as an adjustment to net rental income.

(m) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Trust. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of comprehensive income over the period of the borrowing using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

(o) Contributed equity

Stapled securities on issue are classified as equity and recognised at the fair value of the consideration received by the Trust. Transaction costs arising on the issue of equity are recognised directly in equity as a reduction in the proceeds of units to which the costs relate.

(p) Distributions paid and payable

A liability is recognised for the amount of any distribution declared by the Trust on or before the end of the reporting period but not distributed at balance date.

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

1 Summary of significant accounting policies (continued)

(q) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

A fair value measurement of a non-financial asset takes into account the Trust's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The nominal value less estimated credit adjustments of trade receivables and payables approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Trust for similar financial instruments.

(r) Loss per unit

Basic loss per unit is determined by dividing statutory loss attributable to the unitholders by the weighted average number of units on issue during the period.

Diluted loss per unit is determined by dividing statutory loss attributable to the unitholders by the weighted average number of ordinary units and dilutive potential ordinary units on issue during the period.

(s) Goods and Services Tax (GST)

Income, expenses, assets (with the exception of receivables) and liabilities (with the exception of payables) are recognised net of the amount of GST recoverable from the Australian Taxation Offices (ATO). The non-recoverable GST is recognised as part of the income, expense, asset or liability.

Receivables and payables are inclusive of GST. The net amount of GST recoverable from or payable to the Australian and overseas tax offices is included in receivables or payables in the consolidated balance sheet.

Cash flows relating to GST are included in the consolidated statement of cash flows 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.

(t) Parent entity financial information

The financial information for the parent entity, Franklin Street Property Trust, disclosed in Note 17, has been prepared on the same basis as the Trust's consolidated financial statements except as set out below:

(i) Investments in controlled entities

Investments in controlled entities are accounted for at cost in the financial statements of the parent entity. Such investments include both investments in equity securities issued by the controlled entity and other parent entity interests that in substance form part of the parent entity's investment in the controlled entity. These include investments in the form of interest-free loans which have no fixed contractual term and which have been provided to the controlled entity as an additional source of long term capital.

Distributions received from controlled entities are recognised in the parent entity's statement of comprehensive income, rather than deducted from the carrying amount of these investments.

(ii) Receivables and payables

Trade amounts receivable from controlled entities in the normal course of business and other amounts advanced on commercial terms and conditions are included in receivables. Similarly, amounts payable to controlled entities are included in payables.

(iii) Recoverable amount of assets

The carrying amounts of investments in controlled entities, associates and joint ventures valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying value exceeds their recoverable amount, the assets are written down to the lower value. The write-down is expensed in the year in which it occurs.

(u) Impact of new standards and interpretations issued but not yet adopted by the Trust

Certain new accounting standards and interpretations have been published that are not mandatory for the period ended 30 June 2017 but are available for early adoption. The impact of these new standards and interpretations (to the extent relevant to the Trust) is set out below:

Notes to the financial statements (continued)

For the period ended 30 June 2017

1 Summary of significant accounting policies (continued)

(s) Impact of new standards and interpretations issued but not yet adopted by the Trust (continued)

(i) AASB 9 Financial Instruments (applicable 1 January 2018)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets. The Trust currently plans to apply AASB 9 for the reporting period beginning on 1 July 2018. An initial assessment of the new standard has been undertaken and it is not expected to have a material impact on the Trust's financial statements.

(ii) AASB 15 Revenue from Contracts with Customers (applicable 1 January 2018)

The standard is based on the principle that revenue is recognised when control of a good or service is transferred to a customer, so the notion of control replaces the notion of risks and rewards. It applies to all contracts with customers except leases, financial instruments and insurance contracts. AASB 15 requires reporting entities to provide users of financial statements with more informative, relevant disclosures. An initial assessment has been performed on existing revenue streams. Based on this assessment, it is not expected that the Trust will be materially impacted.

(ii) AASB 16 Leases (applicable 1 January 2019 - early adoption allowed if AASB 15 is adopted at the same time)

The standard will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset. The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) will change. The accounting by lessors will not significantly change. The Trust currently plans to apply AASB 16 for the reporting period beginning on 1 July 2019. An initial assessment of the new standard has been undertaken and it is not expected to have a material impact on the Trust's financial statements.

(v) Rounding of amounts

Under the option provided by ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 (as amended) issued by the Australian Securities and Investments Commission relating to the 'rounding off' of amounts in the financial statements, amounts in the Trust's consolidated financial statements have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

2 Distributions paid or payable

	Cents per unit	\$'000
Total distribution for the period from 1 July 2016 to 21 September 2016 ¹	5.51	1,936
Total distribution for the period from 22 September 2016 to 30 June 2017 ²	5.30	9,668
Total distribution		11,604

¹ Represents distributions paid to former unitholders prior to the registration of the trust as a managed investment scheme.

² Calculated with reference to weighted average number of units (refer to note 3).

The Trust also made a capital distribution of \$45.5 million to former unitholders on 10 November 2016.

The distribution of 1.60 cents per unit for the quarter ended 30 June 2017 was declared on 21 June 2017 and paid on 14 August 2017.

3 Loss per unit

	22 Sep 2016 to 30 Jun 2017
Basic and diluted loss per ordinary unitholder	
Loss per unit (cents) for profit from operations	(8.89)
Loss used in the calculation of basic and diluted loss per unit	
Net loss for the period (\$'000)	(16,221)
Weighted average number of units* used in the calculation of basic and diluted loss per unit (thousands)	182,582

*Takes into account conversion of each unit issued by the Trust into approximately 1.93 units on 10 November 2016.

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

4 Costs associated with IPO

	22 Sep 2016 to 30 Jun 2017 \$'000
Underwriting and offer management fees and cost	3,756
Advisers and consultant fees	1,435
	5,191
Treated as equity raising costs	1,603
Treated as expense in profit or loss	3,588
	5,191

5 Cash and cash equivalents

	30 Jun 2017 \$'000
Cash and cash equivalents	836
	836

Interest is receivable monthly in arrears. At 30 June 2017, the interest rate on the operating account was 1.55% p.a. and the interest rate on the cash management account was 1.75% p.a.

6 Other assets

	30 Jun 2017 \$'000
Current assets	
Prepayments	8
	8

7 Investment property

As at 30 June 2017, the investment property has been valued as set out below:

Property	Acquisition date	Date of latest independent valuation	Independent valuation \$'000	30 Jun 2017 Fair value \$'000
ATO, Adelaide SA	30/06/11	30/06/17	270,000	270,000
Total			270,000	270,000

A reconciliation of the carrying amount of investment property at the beginning and end of the financial period is set out below:

	22 Sep 2016 to 30 Jun 2017 \$'000
Carrying amount at the beginning of the period	291,229
Additions	253
Straightlining of rental income	(259)
Revaluation increment attributable to straightlining of rental income	259
Revaluation increment	6,439
Disposal*	(27,921)
Carrying amount at the end of the period	270,000

* Prior to IPO, the Trust transferred its interest in FSPT GPO Trust and FSPT Site 7 Trust to a trust owned by the former unitholders for nominal consideration. The subsidiaries held two investment properties at 141 King William Street, Adelaide SA and 2-10 Franklin Street, Adelaide SA with a combined carrying value of \$27.9 million on the date of transfer.

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

7 Investment property (continued)

A loss on disposal equal to the net tangible assets of these subsidiaries (\$29.9 million) has been recognised in these financial statements. An equal and offsetting gain on bargain purchase was recorded in the financial statements of the related trust.

The below table illustrates the key valuation assumptions used in the determination of the investment property fair value:

	30 Jun 2017
Capitalisation rate	5.88%
Lease expiry (years)	10.0
Vacancy rate	0.00%

The investment property is leased to tenants under long term operating leases with rent payable monthly. Minimum lease payments under non-cancellable operating leases of investment property not recognised in the consolidated financial statements are receivable as follows:

	30 Jun 2017 \$'000
Less than 1 year	19,880
1 to 5 years	83,008
Over 5 years	113,462
	216,350

8 Investment in financial assets at fair value

	22 Sep 2016 to 30 Jun 2017 \$'000
Carrying amount at the beginning of the period	-
Additions	17,000
Net fair value movement	190
Closing balance	17,190

Income support account

In acquiring the ATO, Adelaide SA property, \$17 million was deposited into an escrow account which can be drawn down prior to the expiry of the ATO's lease to compensate the REIT for:

- potential reductions in income
- a vacancy in respect of the property arising;
- any incentives payable to a tenant at the property;
- any leasing costs payable in connection with a tenancy at the property;
- any increase in property outgoings and repair and maintenance expenses; and
- any other operating or capital costs relating to the Property.

There were no withdrawals from the income support account during the year.

9 Net tangible assets

	30 Jun 2017 \$'000
Total assets	288,034
Less: Total liabilities	81,139
Net tangible assets attributable to the Trust	206,895
Total number of units on issue (thousands)	207,787
Net tangible asset backing per unit (\$)	1.00

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

10 Payables

	30 Jun 2017 \$'000
Current liabilities	
Trade payables	18
Fund management fee payable	106
GST payable	129
Accruals	650
	903

11 Distribution payable

	22 Sep 2016 to 30 Jun 2017 \$'000
Current liabilities	
Opening balance	2,135
Distributions declared	9,469
Distributions paid	(5,058)
Distributions reinvested	(3,221)
	3,325

12 Borrowings

	30 Jun 2017 \$'000
Non-current	
Intra-Group Facility Agreement	76,911
	76,911

On 10 November 2016, the Trust entered an Intra-Group Facility Agreement (IGFA) with the other Stapled Trusts. This agreement expires in November 2021. Interest rates under IGFA are variable and reset periodically. As at 30 June 2017, the interest rate was 4.25% per annum.

13 Contributed equity

		22 Sep 2016 to 30 Jun 2017 \$'000
<i>Details</i>	<i>No. of units</i>	
Units on issue - 22 Sep 2016	34,620,222	51,494
Unit issuance	504,890	2,135
Redemption of Class B units	(20)	-
Capital return	-	(45,504)
Change in number of units after unit re-organisation	32,829,732	-
Unit redemptions	(67,954,824)	(68,256)
Units issued via IPO	206,683,097	205,995
Units issued via DRP	1,104,078	1,086
Units on issue	207,787,175	146,950

As stipulated in the Trust's constitution, each unit represents a right to an individual share in the Trust and does not extend to a right to the underlying assets of the Trust. There are no separate classes of units.

Each unit confers the right to vote at meetings of unitholders, subject to any voting restrictions imposed on a unitholder under the *Corporations Act 2001* and the Australian Securities Exchange Listing Rules.

Distribution Reinvestment Plan (DRP)

The Trust, being a member of the REIT, has established a Distribution Reinvestment Plan (DRP) under which stapled securityholders may elect to have all or part of their distribution entitlements satisfied by the issues of new stapled securities rather than being paid in cash.

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

13 Contributed equity (continued)

The DRP issue price is determined at a discount of 1.0% to the daily volume weighted average price of all stapled securities traded on the ASX during the 10 business days commencing on the third business day following the distribution record date. The Trust raised \$1.1 million from the DRP for the 31 March 2017 distribution and \$0.9 million from the DRP for the 30 June 2017 distribution.

14 Retained profits

	22 Sep 2016 to 30 Jun 2017 \$'000
Opening balance	87,770
Loss for the period	(16,221)
Distributions paid and payable	(11,604)
Closing balance	59,945

15 Reconciliation of profit to net cash flows from operating activities

	22 Sep 2016 to 30 Jun 2017 \$'000
Loss for the period	(16,221)
Non-cash items	
Net fair value movements on investment property	(6,699)
Net fair value movements on derivative financial instruments	(1,664)
Net fair value gain on financial assets	(190)
Loss on disposal of subsidiaries	29,859
Straightlining of rental income	259
Loss on extinguishment of debt facility and amortisation of borrowing costs	654
Capitalised interest on Intra-Group Facility	2,133
Classified as financing activity	
Costs associated with IPO	3,588
Other	
Decrease in receivables and other assets	414
Decrease in payables	(3,228)
Net cash flows from operating activities	8,905

Non-cash financing and investing activities

The following non-cash financing activities are not reflected in the statement of cash flows:

	22 Sep 2016 to 30 Jun 2017 \$'000
Distributions by the Trust during the period satisfied by the issue of units under the DRP – pre-IPO	2,135
Distributions by the Trust during the period satisfied by the issue of units under the DRP – post-IPO	1,086
	3,221
Gross consideration received from IPO	207,599
Equity raising fees paid to Joint Lead Managers	(3,759)
Capital return and unit redemptions paid to former unitholders	(113,760)
Net capital return paid on IPO	90,080

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

16 Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity are shown below:

	30 Jun 2017 \$'000
Assets	
Current assets	844
Non-current assets	287,190
Total assets	288,034
Liabilities	
Current liabilities	4,228
Non-current liabilities	76,911
Total liabilities	81,139
Net assets	206,895
Equity	
Contributed equity	146,950
Retained profits	59,945
Total equity	206,895
	22 Sep 2016 to 30 Jun 2017 \$'000
Net loss	(16,221)
Total comprehensive loss	(16,221)

(b) Guarantees entered into by the parent entity

The parent entity has not provided any guarantees in relation to the debts of its subsidiaries as at 30 June 2017.

(c) Commitments and contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2017.

The parent entity did not have any contractual commitments for the acquisition of investment property as at 30 June 2017.

(d) Directors fees

The parent entity paid directors fees of \$50,893 to Charter Hall WALE Limited.

(e) Net current asset deficiency

At 30 June 2017, the parent entity has a net deficiency of current assets over current liabilities of \$3.4 million. The parent entity will be able to meet its day-to-day working capital requirements from the available loan facility and operating cash flows. The unitholders will only receive their distributions to the extent that the parent entity has sufficient working capital.

17 Capital and financial risk management

(a) Capital risk management

The Trust, as a member of the REIT, optimises capital through the mix of available capital sources whilst complying with the terms of the IGFA, statutory and constitutional capital and distribution requirements, and continuing to operate as a going concern.

The Trust assesses its capital management approach as a key part of its overall strategy and it is regularly reviewed by management and the Board.

The Trust is able to alter its capital mix by issuing new units, activating the DRP, electing to have the DRP underwritten, adjusting the amount of distributions paid, activating a unit buyback program or selling assets to reduce borrowings.

The Trust also protects its assets by taking out insurance with creditworthy insurers.

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

17 Capital and financial risk management (continued)

(b) Financial risk management

The Trust's principal financial instruments comprise cash and cash equivalents, receivables, payables and borrowings.

The Trust's activities expose it to a variety of financial risks: market risk - interest rate risk, credit risk and liquidity risk.

The Trust manages its exposure to these financial risks in accordance with the Trust's Financial Risk Management (FRM) policy as approved by the Board. The policy sets out the Trust's approach to managing financial risks, the policies and controls utilised to minimise the potential impact of these risks on its performance and the roles and responsibilities of those involved in the management of these financial risks.

The Trust uses various measures to manage exposures to these types of risks. The Trust undertakes counterparty credit assessment and will seek to spread its credit exposures, where practical.

(c) Market risk – interest rate risk

Interest rate risk is the risk that changes in market interest rates will impact the earnings of the Trust.

The Trust is exposed to interest rate risk predominantly through borrowings. The counterparty to the Trust's IGFA is a subsidiary of the Finance Trust. The Finance Trust applies benchmark hedging bands across REIT's differing interest rate exposures and utilises interest rate swaps, to exchange floating interest rates to fixed interest rates, to centrally manage the REIT's exposure between these bands. Compliance with policy is reviewed regularly by management and is reported to the Board regularly.

The Trust has exposure to interest rate risk on its monetary assets and liabilities, as shown in the table below:

	30 Jun 2017 \$'000
Floating rate	
Cash and cash equivalents	836
Borrowings - IGFA	(76,911)
Net exposure	(76,075)

The table below demonstrates the sensitivity to reasonably possible changes in period end interest rates, with all other variables held constant. A negative amount in the table reflects a potential net reduction in profit or equity, while a positive amount reflects a potential net increase.

	30 Jun 2017 \$'000
Sensitivity	
Profit	
BBSW +1%	(279)
BBSW -1%	279
Equity	
BBSW +1%	(279)
BBSW -1%	279

At balance date the Trust only held variable rate debt. However, on a consolidated basis, the REIT has fixed 66% of its net floating interest rate exposure, through the use of interest rate swaps.

(d) Liquidity risk

Liquidity risk arises if the Trust has insufficient liquid assets to meet its short term obligations. Liquidity risk is managed by maintaining sufficient cash balances and adequate committed credit facilities. Prudent liquidity management implies maintaining sufficient cash and the availability of funding under the IGFA. The instruments entered into by the Trust were selected to ensure sufficient funds would be available to meet the ongoing cash requirements of the Trust.

The following table provides the contractual maturity of the Trust's floating rate financial liabilities as at 30 June 2017. The amounts presented represent the future contractual undiscounted principal and interest cash flows and therefore do not equate

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

17 Capital and financial risk management (continued)

(d) Liquidity risk (continued)

to the value shown in the balance sheet. Repayments which are subject to notice are treated as if notice were given immediately.

	Carrying value \$'000	Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	Total \$'000
30 Jun 2017					
Financial liabilities					
Payables	903	903	-	-	903
Distribution payable	3,325	3,325	-	-	3,325
Borrowings	76,911	3,269	87,902	-	91,171
Total undiscounted financial liabilities	81,139	7,497	87,902	-	95,399

(e) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial asset and cause the Trust to incur a financial loss. The Trust has exposure to credit risk on all of its financial assets included in the Trust's consolidated balance sheet.

The Trust is exposed to credit risk on cash and cash equivalents. The Trust has policies that limit the amount of credit exposure to any financial institution. Cash transactions are limited to investment grade counterparties in accordance with the Trust's FRM policy. The Trust monitors the public credit rating of its counterparties.

The Trust manages this risk by performing credit reviews of prospective tenants, obtaining tenant collateral where appropriate and performing detailed reviews on tenant arrears.

The Trust has policies to review the aggregate exposures of debtors and tenancies across its portfolio. The Trust has significant concentrations of credit risk on its trade receivables. At 30 June 2017, the largest individual lease, held by the Australian Taxation Office, represents 92.0% of the total portfolio income.

The geographic concentration of credit exposure of the Trust's assets is based entirely in Australia.

(f) Offsetting financial assets and financial liabilities

The Trust does not have any financial assets or financial liabilities that are subject to set off to a net position.

18 Fair value measurement

(a) Recognised fair value measurement

AASB 13 *Fair value measurement* requires disclosure of fair value measurement using the following fair value measurement hierarchy:

- i Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- ii Level 2 - 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).
- iii Level 3 - Inputs for the asset or liability that are not based on observable market data.

Financial assets and liabilities not carried at fair value have carrying values that reasonably approximate their fair values and are categorised within fair value as follows:

- Cash and cash equivalents and borrowings – Level 1; and
- All other financial assets and liabilities – Level 2.

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

18 Fair value measurement (continued)

(a) Recognised fair value measurement (continued)

The following table presents the Trust's assets and liabilities measured at fair value according to the fair value hierarchy at 30 June 2017:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets - recurring fair value measurement				
Investment in financial assets at fair value	-	-	17,190	17,190
Non-financial assets - recurring fair value measurement				
Investment property	-	-	270,000	270,000
Total assets	-	-	287,190	287,190

There were no transfers between levels of fair value measurement during the period.

The Trust's fair value accounting policy is disclosed in Note 1(q).

(b) Disclosed fair values

The following table represents the carrying amounts and fair values of borrowings at 30 June 2017. Fair value is estimated by discounting the future contractual cash flows at the current market interest rate curve since quoted prices are not available.

	30 Jun 2017 Carrying amount \$'000	Fair value \$'000
Non-current		
Intra-Group Facility Agreement	76,911	77,496
	76,911	77,496

(d) Valuation techniques used to derive level 3 fair values

In determining fair values of investment property and investments in financial assets at fair value, management has considered the nature, characteristics and risks of the investment property and investment in financial assets at fair value as well as the level of the fair value hierarchy.

Class of property	Fair value hierarchy	Fair value as at 30 Jun 2017 \$'000	Valuation technique	Inputs used to measure fair value	Range of unobservable inputs
Recurring fair value adjustments – investment property					
Office	Level 3	270,000	DCF, income capitalisation and direct comparison method	Net market rent (per sqm p.a.) Adopted capitalisation rate Adopted terminal yield Adopted discount rate	\$422 5.88% 6.65% 6.75%
Recurring fair value adjustments – investment in financial assets at fair value					
Income support	Level 3	17,190	DCF	Adopted discount rate	1.75%

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

18 Fair value measurement (continued)

(d) Valuation techniques used to derive level 3 fair values (continued)

Term	Definition
Discounted Cash Flow (DCF) method	A method in which a discount rate is applied to future expected income streams to estimate the present value.
Income capitalisation method	A valuation approach that provides an indication of value by converting future cash flows to a single current capital value.
Direct comparison	This method assesses site value by direct comparison based on comparable sales ratios such as a rate per square metre of floor area and a dollar rate per unit site.
Net market rent	A net market rent is the estimated amount for which a property or space within a property should lease between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and wherein the parties have each acted knowledgeably, prudently and without compulsion. In a net rent, the owner recovers outgoings from the tenant on a pro-rata basis (where applicable).
Capitalisation rate	The return represented by the income produced by an investment, expressed as a percentage.
Terminal yield	A percentage return applied to the expected net income following a hypothetical sale at the end of the cash flow period.
Discount rate	A rate of return used to convert a future monetary sum or cash flow into present value.

The adopted valuation for investment property portfolios generally reflects a value somewhere between the valuations determined using discounted cash flow (DCF) method and the income capitalisation method.

The Board conducts investment property valuation process on a half yearly basis. All valuations are performed either by independent professionally qualified external valuers or by Charter Hall's internal valuation team and then are reviewed and approved by the Executive Property Valuations Committee, for recommendation to the Audit Risk and Compliance Committee and subsequent approval by the Board.

Properties held by the Trust must be independently valued at least once every 12 months. Where an internal valuation differs from the most recent independent valuation by +/- 5%, a new independent valuation is obtained.

Carrying values of all investment property measured at recurring fair value reflect the highest and best use value.

Sensitivity analysis

Significant input	Fair value measurement sensitivity to significant increase in input	Fair value measurement sensitivity to significant decrease in input
Net market rent (per sqm p.a.)	Increase	Decrease
Adopted capitalisation rate	Decrease	Increase
Adopted terminal yield	Decrease	Increase
Adopted discount rate	Decrease	Increase

19 Remuneration of auditors

During the period the auditor of the Trust, PricewaterhouseCoopers, earned the following remuneration:

	22 Sep 2016 to 30 Jun 2017 \$
Audit services	23,500
Taxation compliance service	2,986
Accounting and tax due diligence advice associated with IPO	194,592
	221,078

20 Related party transactions

(a) Responsible Entity

The Responsible Entity of the Trust is Charter Hall WALE Limited.

The registered office of the Responsible Entity is Level 20,1 Martin Place, Sydney NSW 2000.

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

20 Related party transactions (continued)

(b) Directors

The following persons have held office as directors of the Responsible Entity from 6 September 2016 (date of appointment) and up to the date of this report:

- Peeyush Gupta - Chair and Non-Executive Director
- Glenn Fraser - Non-Executive Director
- Ceinwen Kirk-Lennox - Non-Executive Director
- David Harrison - Executive Director and Chief Executive Officer/Managing Director of Charter Hall Group
- Adrian Taylor - Executive Director

The following persons have held office as directors of the former Trustee, CHWML, up to 6 September 2016 (date of retirement):

- David Harrison - Executive Director and Chief Executive Officer/Managing Director of Charter Hall Group
- Adrian Taylor - Executive Director
- Gregory Chubb - Executive Director
- Paul Ford - Executive Director

(c) Transactions with related parties of the Responsible Entity

The responsible entity and its related parties held 41,461,705 units of the Trust as at 30 June 2017.

Amounts paid/payable to related party (excluding fund management fees detailed separately) for the period are as follows:

	30 Jun 2017
	\$
Charter Hall Holdings Pty Limited	
Development management fees*	18,000
Accounting services	37,080
	55,080

* Paid by the Trust prior to the formation of the REIT

(d) Trust management fees

Under the terms of the Trust's constitution, the Responsible Entity is entitled to receive a base fee calculated as 0.45% per annum (0.40% per annum prior to listing) of the look through value of the total assets of the Trust and payable monthly in arrears. Management fees for the period ended 30 June 2017 amounted to \$950,171.

(e) Outstanding payable balance with the Responsible Entity and its related parties

As at 30 June 2017, the outstanding payable balance with the Responsible Entity and its related parties was \$126,245.

(f) Key management personnel

Key management personnel (KMP) are defined in AASB 124 *Related Party Disclosures* as those having authority and responsibility for planning, directing and controlling the activities of the entity. The Responsible Entity meets the definition of key management personnel as it has this authority in relation to the activities of the Trust. The Trust paid directors fees of \$50,893 to the Responsible Entity.

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

20 Related party transactions (continued)

(g) Director equity holdings

The number of units held directly, indirectly or beneficially by the Directors of the Responsible Entity or the Directors' related parties at 30 June 2017 is as follows:

	Units held 2017
Peeyush Gupta	382,111
Glenn Fraser	40,000
Ceinwen Kirk-Lennox	23,250
David Harrison	254,053
Adrian Taylor	63,513
	762,927

The aggregate number of units of the Trust acquired by the directors of the Responsible Entity or their related parties during the period is set out below:

	Units acquired 2017
Peeyush Gupta	382,111
Glenn Fraser	40,000
Ceinwen Kirk-Lennox	23,250
David Harrison	254,053
Adrian Taylor	63,513
	762,927

No units of the Trust were sold by the directors of the Responsible Entity or their related parties during the period.

21 Commitments and contingent liabilities

The Trust has no commitments or contingent liabilities as at 30 June 2017.

22 Events occurring after reporting date

The directors of the Responsible Entity are not aware of any matter or circumstance not otherwise dealt with in this report that has significantly affected or may significantly affect the operations of the Trust, the results of its operations or the state of affairs of the Trust in future financial years.

Directors' declaration to unitholders

In the opinion of the directors of Charter Hall WALE Limited, the Responsible Entity of Franklin Street Property Trust:

- a The consolidated financial statements and notes set out on pages 13 to 33 are in accordance with the *Corporations Act 2001*, including:
 - i complying with Accounting Standards, *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii giving a true and fair view of the Trust's financial position as at 30 June 2017 and of its performance for the financial period ended on that date; and
- b There are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given declarations by the Fund Manager, who performs the Chief Executive Officer function, and the Head of CLW and Industrial Finance, who performs the Chief Financial Officer function, required by section 295A of the *Corporations Act 2001*.

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



Peeyush Gupta

Director

Sydney

17 August 2017



Independent auditor's report

To the stapled security holders of Franklin Street Property Trust

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Franklin Street Property Trust (the Registered Scheme) and its controlled entities (together the "Trust") is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Trust's financial position as at 30 June 2017 and of its financial performance for the period 22 September 2016 to 30 June 2017
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2017
- the consolidated statement of comprehensive income for the period 22 September 2016 to 30 June 2017
- the consolidated statement of changes in equity for the period 22 September 2016 to 30 June 2017
- the consolidated cash flow statement for the period 22 September 2016 to 30 June 2017
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

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

PricewaterhouseCoopers, ABN 52 780 433 757

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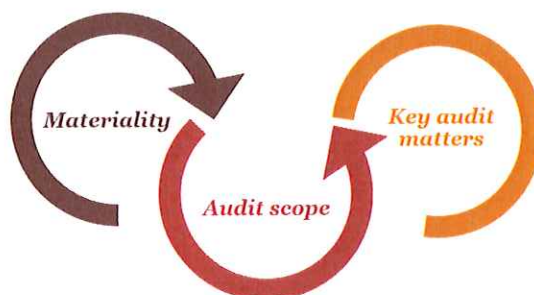
Liability limited by a scheme approved under Professional Standards Legislation.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is 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 report.

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

The Trust's principal activity consists of property investment.



Materiality

- For the purpose of our audit we used overall materiality of \$1.7 million, which represents approximately 0.8% of the net assets of the Trust.
- 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 report as a whole.
- We chose net assets because, in our view, it is the industry benchmark against which the performance of the Trust is commonly measured and is a generally accepted industry benchmark. We selected 0.8% based on our professional judgement, noting it is within the range of commonly acceptable asset-related materiality thresholds.

Audit Scope

- Our audit focused on where the directors of the Responsible Entity made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- In all of our audits, we also address the risk of management override of internal controls, including whether there was evidence of bias by the directors that may represent a risk of material misstatement due to fraud.
- We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the structure of the Trust, the accounting processes and controls, and the industry in which the Trust operates.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report 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. We communicated the key audit matters to the Audit, Risk and Compliance Committee.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment property (Refer to note 7) The Registered Scheme's investment property portfolio is comprised of an office property. At 30 June 2017 the carrying value of the Trust's investment property portfolio was \$270 million. Investment property is valued at fair value at reporting date using either the income capitalisation approach or the discounted cash flow approach as described in note 1. The value of investment property is dependent on the valuation methodology adopted and the inputs into the valuation model. Factors such as prevailing market conditions, the individual nature, condition and location of property and the expected future income for property directly impact its fair value. Amongst others, the following assumptions are key in establishing fair value: • capitalisation rate • adopted discount rate. At the end of each reporting period, the Trust determines the fair value of its investment property portfolio in accordance with the Trust's valuation policy. This policy requires all properties to be externally valued by an independent valuation expert at least once every 12 months. If a property is not externally valued at balance date, the Trust performs an internal valuation. We focused on this matter because of the: • Relative significant size of the investment property balance in the consolidated balance sheet; • Material quantum of revaluation gains that directly impact the consolidated statement 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 several assumptions in the valuation methodology; and	We obtained the latest independent property market reports to understand the prevailing market's condition in which the Trust invests. We compared prior valuation against current year valuation for the investment property, and noted that the movement in fair value was in line with overall movement in the market. We met with management and discussed the specifics of the property including lease expiries and market rent assumptions. We reviewed the methodologies used by Trust to determine the property's fair value. We compared market capitalisation rates and discount rates by location and asset grade to our independent expectation of a reasonable range determined based on benchmark market data for these assumptions. We considered the rationale supporting the rate applied in the valuation through discussions with management of the Trust and reviewed the methodologies used by Trust to determine the property value. We also assessed the competency and capability of the external valuer and considered that the valuation was performed in accordance with the Trust's valuation policy.

Key audit matter	How our audit addressed the key audit matter
Sensitivity of valuations to key input assumptions, specifically capitalisation and discount rates.	
Loss on Disposal of GPO and Site 7 (Refer to note 7) Prior to the stapling (as discussed in note 7), under the terms of the implementation agreement, the Trust disposed of its interest in two development assets, FSPT GPO Trust and FSPT Site 7 Trust for \$2 consideration. These assets were transferred to subtrusts owned by the same unitholders of FSPT. As a result of the above, a loss on disposal equal to the net tangible assets of these subsidiaries of \$29.9m on the date of disposal has been recognised in the statement of comprehensive income while an offsetting gain on purchase has been recognised in the newly formed vehicle.	We have discussed this transaction with management and reviewed legal documentation (i.e. implementation agreement, share register of new subtrusts, board resolution) in order to corroborate the nature of the transaction. We have ensured the accuracy of the loss on disposal recognised in the statement of comprehensive income by recalculating the net tangible assets of FSPT GPO Trust and FSPT Site 7 Trust as at transaction date and ensuring deconsolidation of the interest in the disposed sub-trusts was properly reflected in the accounting system. We have assessed the accounting treatment for this transaction and concur with management about the recognition of the loss.

Other information

The directors are responsible for the other information. The other information comprises the Director's Report included in the Trust's annual report for the period 22 September 2016 to 30 June 2017 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report 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 obtained prior to the date of our 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.

Responsibilities of the directors of the Responsible Entity for the financial report

The directors of Charter Hall WALE Limited, the responsible entity of the Trust, are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



In preparing the financial report, the directors are responsible for assessing the ability of 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 intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 report.

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

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.


PricewaterhouseCoopers



J A Dunning
Partner

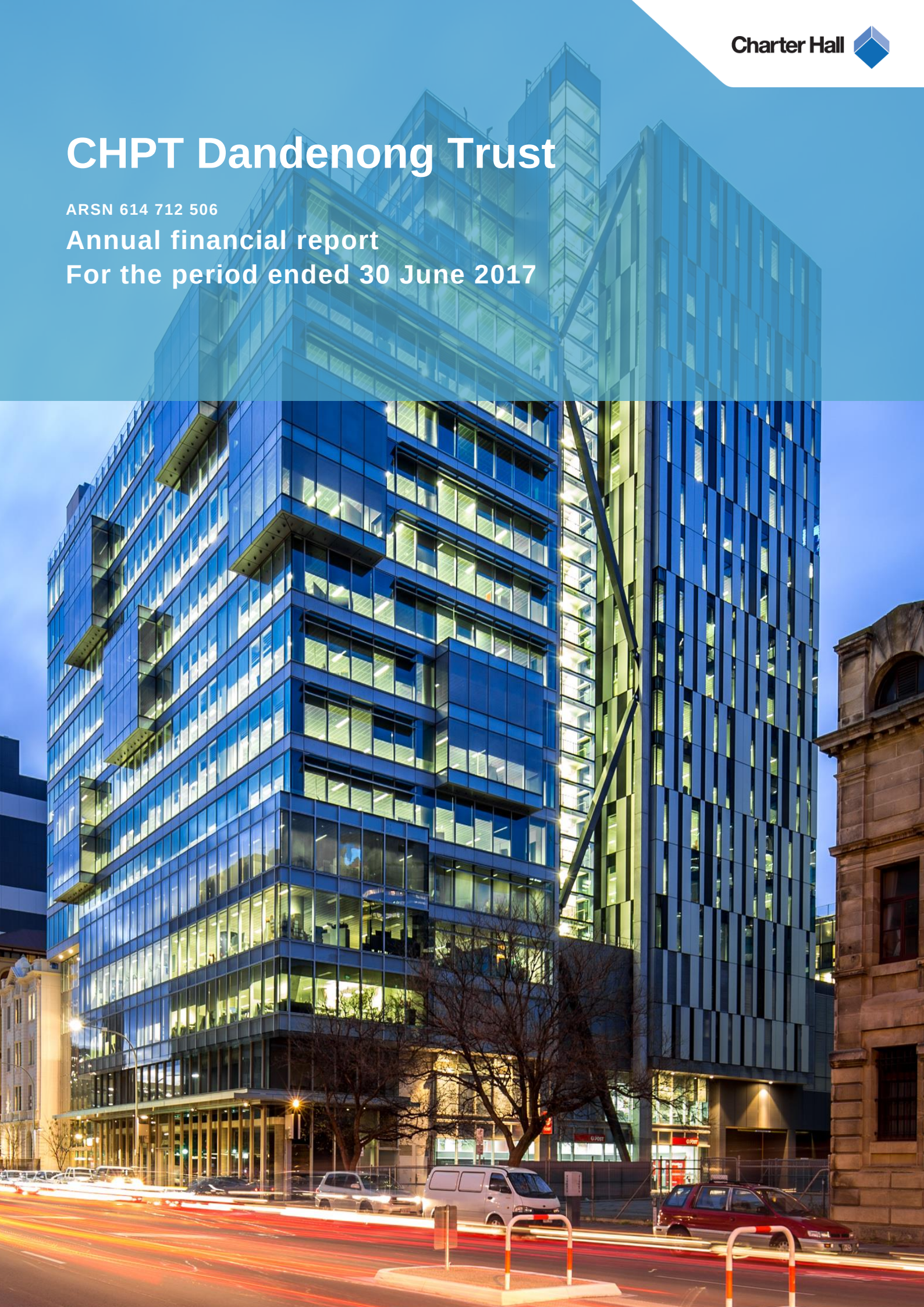
Sydney
17 August 2017



CHPT Dandenong Trust

ARSN 614 712 506

Annual financial report
For the period ended 30 June 2017



Important Notice

The Charter Hall Long WALE REIT (REIT or CLW) was formed upon the stapling of the units of the seven Australian registered schemes listed below (collectively referred to as the Stapled Trusts):

- Charter Hall Direct Industrial Fund (DIF) and its controlled entities (ARSN 144 613 641);
- LWR Finance Trust (Finance Trust) and its controlled entity (ARSN 614 713 138);
- Canning Vale Logistics Trust No.1 (CVLT1) (ARSN 614 713 012);
- 218 Bannister Road Trust (218 BRT) (ARSN 614 712 588);
- CPOF Kogarah Holding Trust (CPOF KHT) and its controlled entity (ARSN 614 714 073);
- Franklin Street Property Trust (FSPT) (ARSN 614 714 206); and
- CHPT Dandenong Trust (CHPT DT) and its controlled entity (ARSN 614 712 506).

Charter Hall WALE Limited ABN 20 610 772 202; AFSL 486721 (CHWALE) is the responsible entity of the schemes listed above, and is a controlled entity of Charter Hall Limited ABN 57 113 531 150 (Charter Hall).

Past performance is not a reliable indicator of future performance. Due care and attention has been exercised in the preparation of forecast information; however, forecasts, by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of CHWALE. Actual results may vary from forecasts and any variation may be materially positive or negative.

This report has been prepared for general information purposes only and is not an offer or invitation for subscription or purchase of, or recommendation of, securities. It does not take into account the investment objectives, financial situation or needs of any investor. Before investing, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

CHWALE does not receive fees in respect of the general financial product advice it may provide; however, it will receive fees for operating the Stapled Trusts which, in accordance with the Stapled Trusts' constitutions, are calculated by reference to the value of the assets. Controlled entities of Charter Hall may also receive fees for managing the assets of, and providing resources to, the Stapled Trusts. Charter Hall and its related entities, together with their officers and directors, may hold securities in the Stapled Trusts from time to time.

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Directors' report

For the period ended 30 June 2017

The Directors of Charter Hall WALE Limited (CHWALE) present the directors' report and consolidated financial report of CHPT Dandenong Trust (Trust or CHPT DT) and its controlled entity for the period ended 30 June 2017.

CHWALE was appointed as Responsible Entity of the Trust on 1 September 2016 upon the retirement of the previous Trustee, Charter Hall Funds Management Limited (CHFML).

The Trust was established on 9 November 2015 and registered as a managed investment scheme on 22 September 2016. The Trust was listed on the Australian Securities Exchange on 8 November 2016 and became a member of the Charter Hall Long WALE REIT consolidated group (REIT) on 10 November 2016 when its units were stapled to the units of the other six stapled trusts comprising the REIT.

The Trust's financial reporting period commenced on 22 September 2016, date of registration, and ended on 30 June 2017.

Principal activities

The principal activity of the Trust during the period was property investment. There were no significant changes in the nature of the Trust's activities during the financial period.

Directors

The following persons have held office as directors of the Responsible Entity from 1 September (date of appointment) and up to the date of this report:

- Peeyush Gupta - Chair and Non-Executive Director
- Glenn Fraser - Non-Executive Director
- Ceinwen Kirk-Lennox - Non-Executive Director
- David Harrison - Executive Director and Chief Executive Officer/Managing Director of Charter Hall Group
- Adrian Taylor - Executive Director

The following persons have held office as directors of the former Trustee, CHFML, from 1 July 2016 to 1 September 2016 (date of retirement):

- David Clarke - Chair and Non-Executive Director
- Anne Brennan - Non-Executive Director
- Phillip Garling - Non-Executive Director
- David Harrison - Executive Director and Chief Executive Officer/Managing Director of Charter Hall Group
- Peter Kahan - Non-Executive Director
- Colin McGowan - Non-Executive Director
- Karen Moses - Non-Executive Director (Appointed 1 September 2016)

Distributions

Distributions paid or declared during the period are as follows:

	Cents per unit	\$'000
Total distribution for the period from 1 July 2016 to 21 September 2016 ¹	0.63	371
Total distribution for the period from 22 September 2016 to 30 June 2017 ²	0.57	1,025
Total distribution		1,396

¹ Represents distributions paid to former unitholders prior to the registration of the trust as a managed investment scheme.

² Calculated with reference to weighted average number of units (refer Note 3).

The Trust also made a capital distribution of \$50.0 million to former unitholders on 10 November 2016.

The distribution of 0.10 cents per unit for the quarter ended 30 June 2017 was declared on 21 June 2017 and paid on 14 August 2017.

Directors' report (continued)

For the period ended 30 June 2017

Distribution Reinvestment Plan (DRP)

The Trust, being a member of the REIT, has established a Distribution Reinvestment Plan (DRP) under which stapled securityholders may elect to have all or part of their distribution entitlements satisfied by the issues of new stapled securities rather than being paid in cash.

The DRP issue price is determined at a discount of 1.0% to the daily volume weighted average price of all stapled securities traded on the Australian Stock Exchange (ASX) during the 10 business days commencing on the third business day following the distribution record date. The Trust raised \$0.1 million from the DRP for the 31 March 2017 distribution and \$0.1 million from the DRP for the 30 June 2017 distribution.

Review and results of operations

The Trust recorded a statutory profit for the period of \$2.1 million which represents operating earnings of \$1.1 million and net valuation gains of \$2.1 million largely offset by \$1.1 million of costs associated with Initial Public Offering (IPO).

The table below sets out income and expenses that comprise operating earnings:

	22 Sep 2016 to 30 Jun 2017
	\$'000
Net property income	2,128
Share of operating earnings in investments accounted for using equity method	184
Interest income	7
Fund management fees	(163)
Finance costs	(928)
Administration and other expenses	(106)
Operating earnings	1,122

Operating earnings is a financial measure which represents profit/(loss) under Australian Accounting Standards adjusted for net fair value movements, non-cash accounting adjustments such as straight lining of rental income and amortisations and other unrealised or one-off items. Operating earnings also aligns to the Funds from Operations (FFO) as defined by the Property Council of Australia.

The inclusion of operating earnings as a measure of the Trust's profitability provides investors with the same basis that is used internally for evaluating operating segment performance. Operating earnings is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution to declare.

Reconciliation of operating earnings to statutory profit is set out below:

	22 Sep 2016 to 30 Jun 2017
	\$'000
Operating earnings	1,122
Share of net fair value movements on investment properties accounted for using the equity method	2,138
Net fair value movements on investment properties	(724)
Straightlining of rental income	663
Costs associated with IPO	(477)
Acquisition costs	(587)
Statutory profit for the period	2,135
Basic weighted average number of units (thousands)	180,889
Basic earnings per unit (cents)	1.18
Operating earnings per unit (cents)	0.62
Distribution per unit (cents)	0.57

Directors' report (continued)

For the period ended 30 June 2017

Review and results of operations (continued)

The financial results are summarised as follows:

	22 Sep 2016 to 30 Jun 2017
Revenue (\$ thousands)	3,088
Statutory profit for the period (\$ thousands)	2,135
Basic earnings per unit (cents)	1.18
Operating earnings (\$ thousands)	1,122
Operating earnings per unit (cents)	0.62
Distributions (\$ thousands)	1,025
Distributions per unit (cents)	0.57
	30 Jun 2017
Total assets (\$ thousands)	62,145
Total liabilities (\$ thousands)	37,142
Net assets attributable to unitholders (\$ thousands)	25,003
Units on issue (thousands)	207,787
Net assets per unit (\$)	0.12

Significant changes in the state of affairs

On 10 November 2016, the Trust returned capital of \$50.0 million to unitholders and redeemed units on issue for \$8.8 million. Immediately thereafter, the Trust issued 206.7 million units and raised \$26.7 million of equity through its IPO.

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

Business strategies and prospects

The Trust's objective is to provide investors with stable and secure income and the potential for both income and capital growth through an exposure to a property portfolio with a long WALE.

The Trust aims to maintain and enhance the existing portfolio through active asset and property management and to grow the portfolio through the acquisition of assets that are predominantly leased to tenants with strong covenants on long-term leases.

The material business risks faced by the Trust that are likely to have an effect on its financial performance include:

Tenant concentration

All properties in the Trust's portfolio are single tenanted. This exposes the value and performance of the portfolio to the ability of those tenants to continue to meet their obligations under the respective lease agreements.

Re-leasing and vacancy

All of the properties in the Trust's portfolio are currently 100% leased and have no major forecast lease expiry prior to 2032. There is a risk that the Trust may not be able to negotiate suitable lease renewals. This may result in periods of vacancy which could result in a reduction in income received by the Trust, a reduction in the distributions of the Trust and a reduction in the value of the asset of the Trust. This risk is mitigated through active property and asset management. Any impact will depend on future economic conditions that are not known at balance date.

Funding

The Trust obtains necessary funding from LWR Finance Trust, another member of the REIT. An inability to obtain the necessary funding or refinancing of an existing debt facility, or a material increase in the cost of such funding (including increases in interest rates that are not hedged), may have an adverse impact on the Trust's performance and financial position. The REIT seeks to minimise this risk across the Stapled Trusts including the Trust, through proactive refinancing and maintaining adequate liquidity to fund future forecast expenditure and hedging its interest rate exposure in accordance with the REIT's Board approved Financial Risk Management Policy.

Directors' report (continued)

For the period ended 30 June 2017

Rental income and expenses risk

Distributions made by the Trust are largely dependent on the rents received from its tenants and expenses incurred during operations, which may be affected by a number of factors, including overall economic conditions and property market conditions.

Matters subsequent to the end of the financial period

In August 2017, the REIT announced the simplification of its stapled structure from seven to three components. The proposal is subject to Securityholders' approval on 15 September 2017.

The directors of the Responsible Entity are not aware of any matter or circumstance not otherwise dealt within this report or the financial report that has significantly affected or may significantly affect the operations of the Trust, the results of its operations or the state of affairs of the Trust in future financial years.

Likely developments and expected results of operations

The consolidated financial statements have been prepared on the basis of current known market conditions. The extent to which a potential deterioration in either the capital or property markets that may have an impact on the results of the Trust are unknown. Such developments could influence property market valuations, the ability to refinance debt and the cost of such debt, or the ability to raise equity.

At the date of this report and to the best of the Directors' knowledge and belief, other than the proposed simplification of the REIT's stapled structure (refer to Matters subsequent to the end of the financial period), there are no other anticipated changes in the operations of the Trust which would have a material impact on the future results of the Trust. Property valuation changes and movements in interest rates may have a material impact on the Trust's results in future years, however, these cannot be reliably measured at the date of this report.

Indemnification and insurance of directors, officers and auditor

During the period, the Trust contributed to the premium for a contract insuring all directors, secretaries, executive officers and officers of the Trust and of each related body corporate of the Trust, with the balance of the premium paid by the Charter Hall Group and funds managed by members of the Charter Hall Group. In accordance with usual commercial practice, the insurance contract prohibits disclosure of details of the nature of the liabilities covered by the insurance, the limit of indemnity and the amount of the premium paid under the contract.

Provided the officers of the Responsible Entity act in accordance with the Trust's Constitution and the *Corporations Act 2001*, the officers are indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust. The insurance does not provide any cover for the independent auditor of the Trust or of a related party of the Trust. The Trust indemnifies the auditor (PricewaterhouseCoopers Australia) against any liability (including legal costs) for third party claims arising from a breach by the Trust of the auditor's engagement terms, except where prohibited by the *Corporations Act 2001*.

Fees paid to and interests held in the Trust by the Responsible Entity or its associates

Base fees of \$163,455 and other fees were paid or are payable to the Responsible Entity and its associates for the services provided during the period, in accordance with the Trust's constitution.

The interests in the Trust held by the Responsible Entity or its associates as at 30 June 2017 and other fees paid to its associates during the period are disclosed in Note 21 to the consolidated financial statements.

Interests in the Trust

The movement in units of the Trust during the period is set out below:

	22 Sep 2016 to 30 Jun 2017
Units on issue at the beginning of the period	4,599,231
Units issued prior to IPO	54,224,847
Change in the number of units after unit reorganisation	9,130,746
Unit redemption	(67,954,824)
Units issued	
- via IPO	206,683,097
- via DRP	1,104,078
Units on issue at the end of the period	207,787,175

Directors' report (continued)

For the period ended 30 June 2017

Environmental regulations

To the best of the directors' knowledge, the operations of the Trust have been undertaken in compliance with the applicable environmental regulations that apply to the Trust's activities.

Information on Current Directors

Director	Experience	Special responsibilities	Interest in units of the Trust
Peeyush Gupta	Appointed 6 May 2016 Peeyush was the co-founder and the inaugural Chief Executive Officer of Ipac Securities Limited, a pre-eminent wealth management firm. He has experience in starting and growing businesses, acquisitions and divestments, roll-ups and integration, general management, investment management and corporate governance. He is a Non-Executive Director of National Australia Bank Limited, Special Broadcasting Service (SBS), BNZ Life, and Insurance & Care (NSW). He is also currently the Chair of Charter Hall Direct Property Management Limited, Chair of MLC RE and IDPS Board and serves in a pro bono capacity as a trustee of Western Sydney University, and the Australian School of Business Dean's Advisory Committee. Peeyush holds a Master of Business Administration in Finance from the Australian Graduate School of Management and a Bachelor of Arts in Computing Studies from the University of Canberra. Peeyush is also a Fellow of the Australian Institute of Company Directors.	Chair	382,111
Glenn Fraser	Appointed 6 May 2016 Glenn specialises in finance, infrastructure and property. He was a member of Transfield Holdings Advisory Board from 1999 to 2015. He was instrumental in Transfield Holdings' acquisition of a 50% interest in Charter Hall and its subsequent expansion and listing in 2005. Previously, Glenn was a Non-Executive Director of the Charter Hall Group from 6 April 2005 to 15 August 2012. Joining Transfield Holdings in 1996, Glenn was General Manager – Finance Project Development, where he was responsible for the financial elements of Transfield Holdings' infrastructure and property projects. Glenn was appointed Chief Financial Officer in 1999 of Transfield Holdings, which at that time had turnover in excess of \$1 billion per annum, and over 8,000 staff. Glenn was a principal and director of a project finance advisory business, Perry Development Finance Pty Limited from 1985, which was sold to Hambros Corporate Finance Limited in 1995. Glenn holds a Bachelor of Commerce from the University of NSW, and is a member of the Institute of Chartered Accountants and a graduate of the Australian Institute of Company Directors.	Audit, Risk & Compliance Committee Chair	40,000

Directors' report (continued)

For the period ended 30 June 2017

Information on Current Directors (continued)

Director	Experience	Special responsibilities	Interest in units of the Trust
Ceinwen Kirk-Lennox	Appointed 6 May 2016 Ceinwen has over 32 years of experience in many aspects of property including agency, property development, project and construction management, and community development. Her executive career includes 26 years at Lendlease Corporation, where she held executive roles, running business units, client accounts and functions across the Lendlease Group. Ceinwen now runs her own consultancy, with clients across both private and public sectors. Ceinwen holds a Bachelor of Business (Land Economy) from the University of Western Sydney, and is a graduate of the Australian Institute of Company Directors. Ceinwen brings 18 years' experience as an executive and non-executive director serving on a number of boards including both for-profit and not-for-profit companies. Ceinwen is a National Director of the Property Industry Foundation, and an Advisory Member of the Western Sydney Institute of TAFE.	Nil	23,250
David Harrison	Appointed 6 May 2016 David is Executive Director of Charter Hall Group (ASX: CHC) and Charter Hall Retail REIT (ASX: CQR). He has 31 years of property market experience across office, retail and industrial sectors in multiple geographies globally. As Charter Hall's Managing Director and Group CEO, David is responsible for all aspects of the Charter Hall business, with specific focus on strategy and continuing the momentum from building an Investment Manager recognised as a multi-core sector market leader. David is an executive member of various Fund Boards and Partnership Investment Committees, Chair of the Executive Property Valuation Committee and Executive Leadership Group. David holds a Bachelor of Business Degree (Land Economy) from the University of Western Sydney, is a Fellow of the Australian Property Institute (FAPPI) and holds a Graduate Diploma in Applied Finance from the Securities Institute of Australia. David is National Vice President on the Board of Directors for the Property Council of Australia and Chair of the Audit and Risk Committee. David is also a member of the Property Male Champions of Change.	Nil	254,053

Directors' report (continued)

For the period ended 30 June 2017

Director	Experience	Special responsibilities	Interest in units of the Trust
Adrian Taylor	Appointed 6 May 2016 Adrian is Charter Hall's Group Executive - Office. He is a member of Charter Hall's Executive Leadership Group and the Chairs of the Corporate Responsibility and Sustainability Committee. Adrian leads the office platform including setting the strategy and objectives for the wholesale office funds in conjunction with the Charter Hall fund managers and wholesale investors, and guides the asset management, property management, technical service and development teams. He has extensive capital transaction and capital management experience including debt and equity raising and deep joint venture experience in Australia and the US. He spent 15 years in listed REIT markets as General Manager, Chief Investment Officer and Chief Executive Officer of the Charter Hall Office REIT prior to its privatisation. In his prior role as Head of Wholesale Investment, he ran the investment management functions across office, retail and industrial sectors. Adrian graduated with a Bachelor of Business from Monash University, is a Certified Practising Accountant, a Fellow of the Financial Services Institute of Australasia, a Fellow Of the Royal Institute of Chartered Surveyors and is involved in numerous property industry groups including being Deputy Chair of the ICMD Division Council of the Property Council of Australia.	Nil	63,513

Meetings of Directors

Name	Full meetings of Directors		Meetings of Audit, Risk and Compliance Committee	
	Eligible to attend	Attended	Eligible to attend	Attended
Peeyush Gupta	21	21	3	3
Glenn Fraser	21	21	3	3
Ceinwen Kirk-Lennox	21	21	3	3
David Harrison	21	17	-	-
Adrian Taylor	20	20	-	-

Company Secretary

Tracey Jordan was appointed Company Secretary for the Trust on 16 February 2016. Tracey has more than 25 years of experience in real estate and funds management, with extensive knowledge of real estate transactions, structuring, funds management, compliance and corporate governance. Tracey is a Solicitor of the Supreme Court of NSW, and has been admitted to the Supreme Court of the Australia Capital Territory and the High Court of Australia. She holds a Bachelor of Arts and a Bachelor of Laws degree from the University of Sydney.

Non-audit services

The Responsible Entity may decide to employ the auditor (PricewaterhouseCoopers) on assignments in addition to the statutory audit duties where the auditor's expertise and experience with the Trust are important.

Details of the amounts paid to the auditor for audit and non-audit services provided during the period are disclosed in Note 20 to the consolidated financial statements.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit, Risk and Compliance Committee, is satisfied that the provision of the non-audit services is compliant with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out in Note 20 of the consolidated financial statements, did not compromise the auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit, Risk and Compliance Committee to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Accounting Professional and Ethical Standards Board APES 110 *Code of Ethics for Professional Accountants*.

Directors' report (continued)

For the period ended 30 June 2017

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 12.

Rounding of amounts to the nearest hundred thousand dollars

As permitted by ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 (as amended) issued by the Australian Securities and Investments Commission relating to the 'rounding off' of amounts in the Director's report and consolidated financial statements, amounts in the Directors' report and consolidated financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated.

This report is made in accordance with a resolution of the Board of Directors of Charter Hall WALE Limited.



Peeyush Gupta
Chair

Sydney
17 August 2017



Auditor's Independence Declaration

As lead auditor for the audit of CHPT Dandenong Trust for the period 22 September 2016 to 30 June 2017, 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 CHPT Dandenong Trust and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'J A Dunning', with a large, stylized loop at the end.

J A Dunning
Partner
PricewaterhouseCoopers

Sydney
17 August 2017

Consolidated statement of comprehensive income

For the period ended 30 June 2017

	Notes	22 Sep 2016 to 30 Jun 2017 \$'000
Revenue		
Property rental income		3,081
Interest income		7
Total revenue		3,088
Other income		
Share of equity accounted profit	9	2,322
Total revenue and other income		5,410
Expenses		
Property expenses		(290)
Fund management fees	21	(163)
Costs associated with Initial Public Offering	4	(477)
Acquisition costs		(587)
Administration and other expenses		(106)
Net fair value loss on investment property	8	(724)
Finance costs	13	(928)
Total expenses		(3,275)
Net profit for the period		2,135
Other comprehensive income		-
Total comprehensive income		2,135
Basic and diluted earnings per ordinary unitholder of the Trust		
Earnings per unit (cents)	3	1.18

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

Consolidated balance sheet

As at 30 June 2017

	Notes	30 Jun 2017 \$'000
Assets		
Current Assets		
Cash and cash equivalents	5	582
Receivables	6	95
Other assets	7	16
Total current assets		693
Non-current assets		
Investment property	8	52,000
Investments accounted for using equity method	9	9,452
Total non-current assets		61,452
Total assets		62,145
Liabilities		
Current liabilities		
Payables	11	176
Distribution payable	12	208
Total current liabilities		384
Non-current liabilities		
Borrowings	13	36,758
Total non-current liabilities		36,758
Total liabilities		37,142
Net assets		25,003
Equity		
Contributed equity	14	26,720
Accumulated losses	15	(1,717)
Total equity		25,003

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

Consolidated statement of changes in equity

For the period ended 30 June 2017

Attributable to unitholders of CHPT Dandenong Trust				
	Notes	Contributed equity \$'000	Accumulated losses \$'000	Total \$'000
Balance at 22 Sep 2016		4,599	(2,456)	2,143
Unit issuance	14	54,225	-	54,225
Capital return	14	(50,039)	-	(50,039)
Unit redemptions	14	(8,830)	-	(8,830)
Units issued via IPO, net of equity raising costs	14	26,645	-	26,645
Units issued via DRP	14	120	-	120
Distributions provided for or paid	2	-	(1,396)	(1,396)
Total comprehensive income		-	2,135	2,135
Balance at 30 Jun 2017		26,720	(1,717)	25,003

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

Consolidated cash flow statement

For the period ended 30 June 2017

	Notes	22 Sep 2016 to 30 Jun 2017 \$'000
Cash flows from operating activities		
Property rental income received		2,651
Property expenses paid		(74)
Distributions received from investment in joint venture entities		178
Interest received		7
Fund management fees paid		(142)
Administration and other expenses paid		(93)
Net GST paid with respect to operating activities		(309)
Net cash flows from operating activities	16	2,218
Cash flows from investing activities		
Payments for investment properties		(804)
Payments for investments accounted for using equity method		(2,600)
Net cash flows from investing activities		(3,404)
Cash flows from financing activities		
Repayments under Intra-Group Facility Agreement		(2,097)
Drawdowns under Intra-Group Facility Agreement		37,927
Costs associated with IPO		(789)
Net capital return paid on IPO	16	(32,498)
Distributions paid to unitholders		(1,068)
Net cash flows from financing activities		1,475
Net increase in cash and cash equivalents		289
Cash and cash equivalents at the beginning of the period		293
Cash and cash equivalents at the end of the period	5	582

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

Notes to the consolidated financial statements

For the period ended 30 June 2017

1 Summary of significant accounting policies

The Charter Hall Long WALE REIT (REIT or CLW) is a stapled group comprising of CHPT Dandenong Trust (Trust or CHPT DT) and its controlled entity and the entities below (collectively referred to as the Stapled Trusts):

Stapled Entity

Charter Hall Direct Industrial Fund (DIF)

Canning Vale Logistics Trust No. 1 (CVLT1)

218 Bannister Road Trust (218 BRT)

CPOF Kogarah Holding Trust (CPOF KHT)

Franklin Street Property Trust (FSPT)

LWR Finance Trust (Finance Trust)

Description

Owns all of the REIT's investment properties and equity accounted investments other than those listed below

50% ownership of Metcash, Canning Vale WA

50% ownership of Metcash, Canning Vale WA

50.1% ownership of Westpac, Kogarah NSW

100% ownership of ATO, Adelaide SA

Holds the REIT's bank debt and interest rate swaps through Charter Hall LWR Limited

The units of the Stapled Trusts (collectively referred to as the stapled securities) are listed on the Australian Securities Exchange and cannot be traded or dealt with separately. The seven entities comprising the stapled group remain separate legal entities in accordance with the Corporations Act 2001, and are each required to comply with the reporting and disclosure requirements of Accounting Standards and the Corporations Act 2001.

The accounting policies which have been adopted in the preparation of this annual financial report are set out below.

The custodian of the Trust is The Trust Company (Australia) Limited. The custodian's registered office is Level 12, 123 Pitt Street, Sydney NSW 2000.

CHPT Dandenong Trust is a trust constituted in Australia. The nature of the operations and principal activities of the Trust are described in the Directors' Report.

The financial report for the period ended 30 June 2017 was authorised for issue by the directors on 17 August 2017. The directors have the power to amend and reissue the financial report.

(a) Basis of preparation

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

The consolidated financial statements are presented in Australian dollars, which is the Trust's functional and presentation currency.

Compliance with IFRS

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

Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for the following:

- investment property – measured at fair value

New and amended standards adopted

No new accounting standards or amendments have come into effect for the period ended 30 June 2017 that affect the Trust's operations or reporting requirements.

Critical accounting estimates

The preparation of the consolidated financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates and management to exercise its judgement in the process of applying the Trust's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the consolidated financial statements are disclosed below:

- Investment property – Note 1(k)

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Trust and that are believed to be reasonable under the circumstances.

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation

(i) Controlled entities

Subsidiaries are all entities over which the Trust has control. The Trust controls an entity when the Trust 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 Trust. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated.

Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Accounting policies of controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Trust.

(ii) Joint arrangements

Under AASB 11 *Joint Arrangements*, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

During the period, the Trust had both joint operations and joint ventures.

Joint operations (Coles, Truganina VIC)

The Trust recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the consolidated financial statements under the appropriate headings.

Joint ventures (Woolworths, Dandenong VIC)

Interests in joint ventures are accounted for using the equity method, with investments initially recognised at cost and adjusted thereafter to recognise the Trust's share of post-acquisition profits or losses of the investee in profit or loss, and the Trust's share of movements in other comprehensive income of the investee in other comprehensive income. Distributions received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Trust's share of losses in an equity accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Trust does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Trust and its joint venture entity are eliminated to the extent of the Trust's interest in this entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investee have been changed where necessary to ensure consistency with the policies adopted by the Trust.

There were no unrealised gains or losses on transactions between the Trust and its joint venture entity during the period.

(c) Segment reporting

The Trust has not produced segment reporting information as management had determined that only one operating segment exists. This is based on the information provided to the chief operating decision maker in accordance with AASB 8 *Operating Segments*. The segment is deemed to be property investment in Australia.

(d) Revenue recognition

Rental income

Property rental income represents income earned from the rental of Trust property (inclusive of outgoings recovered from tenants) and is recognised on a straight line basis over the lease term.

Interest income

Interest income is recognised using the effective interest rate method.

(e) Expenses

Property expenses, other expenses and outgoings, including rates, taxes and other property outgoings incurred in relation to investment property where such expenses are the responsibility of the Trust, are recognised on an accruals basis.

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

1 Summary of significant accounting policies (continued)

(f) Repairs and maintenance

Repairs and maintenance costs are charged as expenses when incurred. These repairs and maintenance costs will consist of those that, under the relevant lease agreements, are non-recoverable from tenants.

(g) Income tax

Under current Australian income tax legislation, the Trust is not liable to pay income tax provided its income for the period, as determined under the Trust's constitution, is fully distributed to unitholders, by way of cash or reinvestment.

The liability for capital gains tax that may arise if the Australian property was sold is not accounted for in these financial statements.

(h) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets that suffered impairment in prior periods are reviewed for possible reversal of the impairment at each reporting date.

(i) Cash and cash equivalents

For the purpose of presentation in the cash flow statement, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated balance sheet.

(j) Trade and other receivables

Trade and other receivables are initially recognised at the amounts due to the Trust. Rent and outgoing receivables are usually settled within 30 days of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off in the period in which they are identified. A provision for doubtful debts is raised where there is objective evidence that the Trust will not collect all amounts due. The amount of the provision is the difference between the carrying amount and estimated future cash flows. Cash flows relating to current receivables are not discounted.

(k) Investment property

Investment property comprises investment interests in land and buildings (including integral plant and equipment) held for the purpose of producing rental income, including property that is under construction for future use as investment property.

Initially, investment property is measured at cost including transaction costs. Subsequent to initial recognition, the investment property is stated at fair value. Fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. A "willing seller" is neither a forced seller nor one prepared to sell at a price not considered reasonable in the current market. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition. Gains and losses arising from changes in the fair values of investment property is included in the consolidated statement of comprehensive income in the period in which they arise.

At each balance date, the fair values of the investment property is assessed by the Responsible Entity with reference to independent valuation reports or through appropriate valuation techniques adopted by the Responsible Entity. Specific circumstances of the owner are not taken into account.

The fair value measurement of investment property takes into account the Trust's ability to generate economic benefits by using the asset in its highest and best use.

Each investment property is valued by an independent external valuer at least once every 12 months, or earlier, where the Responsible Entity deems it appropriate or believes there may be a material change in the carrying value of the property. Independent valuers are engaged on a rotational basis.

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

1 Summary of significant accounting policies (continued)

(k) Investment property (continued)

Where an independent valuation is not obtained, the factors taken into account, where appropriate, by the Directors in determining fair value may include:

- Assume a willing buyer and willing seller, without duress and an appropriate time to market the property to maximise price;
- Information obtained from valuers, sales and leasing agents, market research reports, vendors and potential purchasers;
- Capitalisation rates used to value the asset, market rental levels and lease expiries;
- Changes in interest rates;
- Asset replacement values;
- Discounted cash flow models;
- Available sales evidence;
- Comparisons to valuation professionals performing valuation assignments across the market; and
- Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

The carrying amount of investment property recorded in the consolidated balance sheet takes into consideration components relating to lease incentives, leasing costs and assets relating to fixed increases in operating lease rentals in future years.

Where the Trust disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the consolidated statement of comprehensive income within net fair value gain/(loss) on investment property.

As the fair value method has been adopted for investment property, the buildings and any component thereof (including plant and equipment) are not depreciated. Taxation allowances for the depreciation of buildings and plant and equipment are claimed by the Trust and contribute to the tax deferred component of distributions.

Critical accounting estimates and judgements

Judgement is required in determining the following key assumptions:

- **Capitalisation rate:** The return represented by the income produced by an investment, expressed as a percentage. The rate is determined with regard to market evidence and the prior external valuation.
- **Discount rate:** The rate of return used to convert a future monetary sum or cash flow into present value when carrying out a discounted cash flow calculation. The rate is determined with regard to market evidence and the prior external valuation.
- **Terminal yield:** A percentage return applied to the expected net income following a hypothetical sale at the end of the cash flow period. The rate is determined with regard to market evidence and the prior external valuation.
- **Net market rent:** The estimated amount for which an interest in real property should be leased to a major tenant on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. The amount is determined with regard to market evidence and the prior external valuation.

(l) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Trust. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(m) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of comprehensive income over the period of the borrowing using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

1 Summary of significant accounting policies (continued)

(n) Contributed equity

Stapled securities on issue are classified as equity and recognised at the fair value of the consideration received by the Trust. Transaction costs arising on the issue of equity are recognised directly in equity as a reduction in the proceeds of units to which the costs relate.

(o) Distributions paid and payable

A liability is recognised for the amount of any distribution declared by the Trust on or before the end of the reporting period but not distributed at balance date.

(p) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

A fair value measurement of a non-financial asset takes into account the Fund's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The nominal value less estimated credit adjustments of trade receivables and payables approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

(q) Earnings per unit

Basic earnings per unit is determined by dividing statutory profit attributable to the unitholders by the weighted average number of units on issue during the period.

Diluted earnings per unit is determined by dividing statutory profit attributable to the unitholders by the weighted average number of ordinary units and dilutive potential ordinary units on issue during the period.

(r) Goods and Services Tax (GST)

Income, expenses, assets (with the exception of receivables) and liabilities (with the exception of payables) are recognised net of the amount of GST recoverable from the Australian Taxation Offices (ATO). The non-recoverable GST is recognised as part of the income, expense, asset or liability.

Receivables and payables are inclusive of GST. The net amount of GST recoverable from or payable to the Australian and overseas tax offices is included in receivables or payables in the consolidated balance sheet.

Cash flows relating to GST are included in the consolidated statement of cash flows 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.

(s) Parent entity financial information

The financial information for the parent entity, CHPT Dandenong Trust, disclosed in Note 17, has been prepared on the same basis as the Trust's consolidated financial statements except as set out below:

(i) Investments in controlled entities, associates and joint ventures

Investments in controlled entities, associates and joint ventures are accounted for at cost in the financial statements of the parent entity. Such investments include both investments in equity units issued by the controlled entity and other parent entity interests that in substance form part of the parent entity's investment in the controlled entity. These include investments in the form of interest-free loans which have no fixed contractual term and which have been provided to the controlled entity as an additional source of long term capital.

Distributions received from controlled entities, associates and joint ventures are recognised in the parent entity's statement of comprehensive income, rather than deducted from the carrying amount of these investments.

(ii) Receivables and payables

Trade amounts receivable from controlled entities in the normal course of business and other amounts advanced on commercial terms and conditions are included in receivables. Similarly, amounts payable to controlled entities are included in payables.

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

1 Summary of significant accounting policies (continued)

(s) Parent entity financial information (continued)

(iii) Recoverable amount of assets

The carrying amounts of investments in controlled entities valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying value exceeds their recoverable amount, the assets are written down to the lower value. The write-down is expensed in the year in which it occurs.

(t) Impact of new standards and interpretations issued but not yet adopted by the Trust

Certain new accounting standards and interpretations have been published that are not mandatory for the period ended 30 June 2017 but are available for early adoption. The impact of these new standards and interpretations (to the extent relevant to the Trust) is set out below:

(i) AASB 9 *Financial Instruments* (applicable 1 January 2018)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets. The Trust currently plans to apply AASB 9 for the reporting period beginning on 1 July 2018. An initial assessment of the new standard has been undertaken and it is not expected to have a material impact on the Trust's consolidated financial statements.

(i) AASB 15 *Revenue from Contracts with Customers* (applicable 1 January 2018)

The standard is based on the principle that revenue is recognised when control of a good or service is transferred to a customer, so the notion of control replaces the notion of risks and rewards. It applies to all contracts with customers except leases, financial instruments and insurance contracts. AASB 15 requires reporting entities to provide users of financial statements with more informative, relevant disclosures. An initial assessment has been performed on existing revenue streams. Based on this assessment, it is not expected that the Trust will be materially impacted.

(ii) AASB 16 *Leases* (applicable 1 January 2019 - early adoption allowed if AASB 15 is adopted at the same time)

The standard will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset. The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) will change. The accounting by lessors will not significantly change. The Trust currently plans to apply AASB 16 for the reporting period beginning on 1 July 2019. An initial assessment of the new standard has been undertaken and it is not expected to have a material impact on the Trust's consolidated financial statements.

(u) Rounding of amounts

Under the option provided by ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 (as amended) issued by the Australian Securities and Investments Commission relating to the 'rounding off' of amounts in the financial statements, amounts in the Company and the Trust's consolidated financial statements have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

2 Distributions paid or payable

	Cents per unit	\$'000
Total distribution for the period from 1 July 2016 to 21 September 2016 ¹	0.63	371
Total distribution for the period from 22 September 2016 to 30 June 2017 ²	0.57	1,025
Total distribution		1,396

¹ Represents distributions paid to former unitholders prior to the registration of the trust as a managed investment scheme.

² Calculated with reference to weighted average number of units (refer Note 3).

The Trust also made a capital distribution of \$50.0 million to former unitholders on 10 November 2016.

The distribution of 0.10 cents per unit for the quarter ended 30 June 2017 was declared on 21 June 2017 and paid on 14 August 2017.

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

3 Earnings per unit

	22 Sep 2016 to 30 Jun 2017
Basic and diluted earnings per ordinary unitholder	
Earnings per unit (cents) for profit from operations	1.18
Earnings used in the calculation of basic and diluted earnings per unit	
Net earnings for the period (\$'000)	2,135
Weighted average number of units* used in the calculation of basic and diluted units per unit (thousands)	180,889

*Takes into account conversion of each unit issued by the Trust into approximately 1.16 units on 10 November 2016.

4 Costs associated with IPO

	22 Sep 2016 to 30 Jun 2017 \$'000
Underwriting and offer management fees and cost	486
Advisers and consultant fees	196
	682
Treated as equity raising costs	205
Treated as expense in profit or loss	477
	682

5 Cash and cash equivalents

	30 Jun 2017 \$'000
Cash and cash equivalents	582
	582

Interest is receivable monthly in arrears. At 30 June 2017, the interest rate on the operating account was 1.55% p.a. and the interest rate on the cash management account was 1.75% p.a.

6 Receivables

	30 Jun 2017 \$'000
Current assets	
Trade receivables	31
Distribution receivable*	64
	95

*The distribution receivable from CH DC Fund was received in July 2017.

7 Other assets

	30 Jun 2017 \$'000
Current assets	
Prepayments	16
	16

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

8 Investment property

As at 30 June 2017, the investment property has been valued as set out below:

Property	Sector	Acquisition date	Date of latest independent valuation	Independent valuation \$'000	30 Jun 2017 Fair value \$'000
Coles, Truganina VIC*	Industrial	11/08/16	30/06/17	52,000	52,000
Total				52,000	52,000

* 50% ownership accounted for as joint operations

The below table illustrates the key valuation assumptions used in the determination of the investment property fair value:

	30 Jun 2017
Capitalisation rate	5.38%
Lease expiry (years)	15.0
Vacancy rate	0.00%

A reconciliation of the carrying amount of investment property at the beginning and end of the financial period is set out below:

	22 Sep 2016 to 30 Jun 2017 \$'000
Carrying amount at the beginning of the period	51,250
Additions	13
Acquisition costs incurred	798
Revaluation decrement attributable to acquisition costs	(798)
Revaluation adjustment attributable to straightlining of rental income	(663)
Straightlining of rental income	663
Revaluation increment	737
Closing balance	52,000

The investment property is leased to a tenant under a long term operating lease with rent payable monthly. Minimum lease payments under non-cancellable operating leases of investment property not recognised in the consolidated financial statements are receivable as follows:

	30 Jun 2017 \$'000
Less than 1 year	2,955
1 to 5 years	12,861
Over 5 years	40,627
	56,443

9 Investments accounted for using the equity method

Investment in joint venture entity

The Trust has an investment in a joint venture entity. The Trust exercises joint control over the joint venture entity, but neither the Trust nor its joint venture partners have control in their own right, irrespective of their ownership interest. The principal activity of the joint venture entity during the period was property investment. The investment is accounted for using the equity method of accounting (refer to Note 1 (b)). Information relating to the joint venture entity is detailed below:

Name of entity	Properties	30 Jun 2017 Ownership %	30 Jun 2017 \$'000
CH DC Fund	Woolworths, Dandenong VIC	26.0%	9,452
			9,452

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

9 Investments accounted for using the equity method (continued)

	22 Sep 2016 to 30 Jun 2017 \$'000
Opening balance	4,714
Additions	2,600
Share of profit of equity accounted investment	2,322
Distribution received/receivable	(184)
Closing balance	9,452

The financial statements of the joint venture entity is shown below:

	CH DC Fund \$'000
2017	
Summarised balance sheet:	
Cash and cash equivalents	428
Other current assets	1,412
Non-current assets	34,778
Current liabilities	(264)
Net assets	36,354
Trust's share in %	26.0%
Trust's share in net assets at 26.0%	9,452
Summarised statement of comprehensive income:	
Revenue	-
Profit for the period	8,931
Total comprehensive income	8,931
Total comprehensive income – Trust share at 26.0%	2,322

10 Net tangible assets

	30 Jun 2017 \$'000
Total assets	62,145
Less: Total liabilities	37,142
Net tangible assets attributable to the Trust	25,003
 Total number of securities on issue (thousands)	 207,787
Net tangible asset backing per unit (\$)	0.12

11 Payables

	30 Jun 2017 \$'000
Current liabilities	
Fund management fee payable	22
GST payable	21
Accruals	133
	176

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

12 Distribution payable

		22 Sep 2016 to 30 Jun 2017 \$'000
	Note	
Current liabilities		
Opening balance		-
Distributions declared		1,396
Distributions paid		(1,068)
Distributions reinvested	16	(120)
Closing balance		208

13 Borrowings

	30 Jun 2017 \$'000
Non-current	
Intra-Group Facility Agreement	36,758
	36,758

On 10 November 2016, the Trust entered an Intra-Group Facility Agreement (IGFA) with the other Stapled Trusts. This agreement expires in November 2021. Interest rates under IGFA are variable and reset periodically. As at 30 June 2017, the interest rate was 4.25% per annum.

14 Contributed equity

Details	No. of units	22 Sep 2016 to 30 Jun 2017 \$'000
Units on issue - 22 Sep 2016	4,599,231	4,599
Unit issued prior to IPO	54,224,847	54,225
Capital return	-	(50,039)
Change in number of units after unit re-organisation	9,130,746	-
Unit redemptions	(67,954,824)	(8,830)
Units issued via IPO	206,683,097	26,645
Units issued via DRP	1,104,078	120
Units on issue	207,787,175	26,720

As stipulated in the Trust's constitution, each unit represents a right to an individual share in the Trust and does not extend to a right to the underlying assets of the Trust. There are no separate classes of units.

Each unit confers the right to vote at meetings of unitholders, subject to any voting restrictions imposed on a unitholder under the *Corporations Act 2001* and the Australian Securities Exchange Listing Rules.

Distribution Reinvestment Plan (DRP)

The Trust, being a member of the REIT, has established a Distribution Reinvestment Plan (DRP) under which stapled securityholders may elect to have all or part of their distribution entitlements satisfied by the issues of new stapled securities rather than being paid in cash.

The DRP issue price is determined at a discount of 1.0% to the daily volume weighted average price of all stapled securities traded on the ASX during the 10 business days commencing on the third business day following the distribution record date. The Trust raised \$0.1 million from the DRP for the 31 March 2017 distribution and expects to raise \$0.1 million from the DRP for the 30 June 2017 distribution.

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

15 Accumulated losses

	22 Sep 2016 to 30 Jun 2017 \$'000
Opening balance	(2,456)
Profit for the period	2,135
Distributions paid and payable	(1,396)
Closing balance	(1,717)

16 Reconciliation of profit to net cash flows from operating activities

	22 Sep 2016 to 30 Jun 2017 \$'000
Profit for the period	2,135
Non-cash items	
Share of net fair value movements on investment properties in investments accounted for using the equity method	(2,138)
Net fair value movements on investment property	724
Straightlining of rental income	(663)
Capitalised interest on IGFA	928
Classified as financing activities	
Costs associated with IPO	477
Acquisition costs	587
Other	
Decrease in receivables	48
Increase in payables	120
Net cash flows from operating activities	2,218

Non-cash financing and investing activities

The following non-cash financing activities are not reflected in the statement of cash flows:

	22 Sep 2016 to 30 Jun 2017 \$'000
Distributions by the Trust during the period satisfied by the issue of units under the DRP	120
	120
Gross consideration received from IPO	26,858
Equity raising fees paid to Joint Lead Managers	(486)
Capital return and unit redemptions paid to former unitholders	(58,870)
Net capital return paid on IPO	(32,498)

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

17 Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity are shown below:

	30 Jun 2017 \$'000
Assets	
Current assets	801
Non-current assets	61,424
Total assets	62,225
Liabilities	
Current liabilities	222
Non-current liabilities	36,758
Total liabilities	36,980
Net assets	25,245
Equity	
Contributed equity	26,720
Accumulated losses	(1,475)
Total equity	25,245
	22 Sep 2016 to 30 Jun 2017 \$'000
Net loss	(85)
Total comprehensive loss	(85)

(b) Guarantees entered into by the parent entity

The parent entity has not provided any guarantees in relation to the debts of its subsidiaries as at 30 June 2017.

(c) Commitments and contingent liabilities of the parent entity

As at 30 June 2017 the Trust has a \$49.4 million equity commitment to CH DC Fund being the balance owing on partially paid units which will be used to fund the development of the Woolworths Distribution Centre in Dandenong South, VIC.

The parent entity did not have any contingent liabilities as at 30 June 2017.

(d) Directors fees

The parent entity paid directors fees of \$10,298 to Charter Hall WALE Limited.

18 Capital and financial risk management

(a) Capital risk management

The Trust, as a member of the REIT, optimises capital through the mix of available capital sources whilst complying with the terms of the IGFA, statutory and constitutional capital and distribution requirements, and continuing to operate as a going concern.

The Trust assesses its capital management approach as a key part of its overall strategy and it is regularly reviewed by management and the Board.

The Trust is able to alter its capital mix by issuing new units, activating the DRP, electing to have the DRP underwritten, adjusting the amount of distributions paid, activating a unit buyback program or selling assets to reduce borrowings.

The Trust also protects its assets by taking out insurance with creditworthy insurers.

(b) Financial risk management

The Trust's principal financial instruments comprise cash and cash equivalents, receivables, payables and borrowings.

The Trust's activities expose it to a variety of financial risks: market risk - interest rate risk, credit risk and liquidity risk.

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

18 Capital and financial risk management (continued)

(b) Financial Risk Management (continued)

The Trust manages its exposure to these financial risks in accordance with the Trust's Financial Risk Management (FRM) policy as approved by the Board. The policy sets out the Trust's approach to managing financial risks, the policies and controls utilised to minimise the potential impact of these risks on its performance and the roles and responsibilities of those involved in the management of these financial risks.

The Trust uses various measures to manage exposures to these types of risks. The Trust undertakes counterparty credit assessment and will seek to spread its credit exposures, where practical.

(c) Market risk – interest rate risk

Interest rate risk is the risk that changes in market interest rates will impact the earnings of the Trust.

The Trust is exposed to interest rate risk predominantly through borrowings. The counterparty to the Trust's IGFA is a subsidiary of the Finance Trust. The Finance Trust applies benchmark hedging bands across the REIT's differing interest rate exposures and utilises interest rate swaps, to exchange floating interest rates to fixed interest rates, to centrally manage the REIT's exposure between these bands. Compliance with policy is reviewed regularly by management and is reported to the REIT's Board regularly.

The Trust has exposure to interest rate risk on its monetary assets and liabilities, as shown in the table below:

	30 Jun 2017 \$'000
Floating rate	
Cash and cash equivalents	582
Borrowings - IGFA	(36,758)
Net exposure	(36,176)

The table below demonstrates the sensitivity to reasonably possible changes in period end interest rates, with all other variables held constant. A negative amount in the table reflects a potential net reduction in profit or equity, while a positive amount reflects a potential net increase.

	30 Jun 2017 \$'000
Sensitivity	
Profit	
BBSW +1%	(131)
BBSW -1%	131
Equity	
BBSW +1%	(131)
BBSW -1%	131

At balance date the Trust only held variable rate debt. However, on a consolidated basis, the REIT has fixed 66% of its net floating interest rate exposure, through the use of interest rate swaps.

(d) Liquidity risk

Liquidity risk arises if the Trust has insufficient liquid assets to meet its short term obligations. Liquidity risk is managed by maintaining sufficient cash balances and adequate committed credit facilities. Prudent liquidity management implies maintaining sufficient cash and the availability of funding under the IGFA. The instruments entered into by the Trust were selected to ensure sufficient funds would be available to meet the ongoing cash requirements of the Trust.

The following table provides the contractual maturity of the Trust's floating rate financial liabilities as at 30 June 2017. The amounts presented represent the future contractual undiscounted principal and interest cash flows and therefore do not equate

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

18 Capital and financial risk management (continued)

(d) Liquidity risk (continued)

to the value shown in the balance sheet. Repayments which are subject to notice are treated as if notice were given immediately.

	Carrying value \$'000	Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	Total \$'000
30 Jun 2017					
Financial liabilities					
Payables	176	176	-	-	176
Distribution payable	208	208	-	-	208
Borrowings	36,758	1,562	42,011	-	43,573
Total undiscounted financial liabilities	37,142	1,946	42,011	-	43,957

(e) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial asset and cause the Trust to incur a financial loss. The Trust has exposure to credit risk on all of its financial assets included in the Trust's consolidated balance sheet.

The Trust is exposed to credit risk on cash and cash equivalents. The Trust has policies that limit the amount of credit exposure to any financial institution. Cash transactions are limited to investment grade counterparties in accordance with the Trust's FRM policy. The Trust monitors the public credit rating of its counterparties.

The Trust manages this risk by performing credit reviews of prospective tenants, obtaining tenant collateral where appropriate and performing detailed reviews on tenant arrears.

The Trust has policies to review the aggregate exposures of debtors across its portfolio. The Trust has significant concentrations of credit risk on its trade receivables. At 30 June 2017, the Coles lease represents 91.9% of the total portfolio income.

The geographic concentration of credit exposure of the Trust's assets is based entirely in Australia.

All cash and cash equivalents and other receivables (apart from rent receivable) are neither past due or not impaired. The table below shows the ageing analysis of those rent receivables which are past due but not impaired:

	Past due but not impaired				Impaired \$'000	Total \$'000
	Less than 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	More than 90 days \$'000		
30 Jun 2017						
Trade receivables	-	-	-	31	-	31
	-	-	-	31	-	31

There are no significant financial assets that have had renegotiated terms that would otherwise have been past due or impaired.

(f) Offsetting financial assets and financial liabilities

The Trust does not have any financial assets or financial liabilities that are subject to set off to a net position.

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

19 Fair value measurement

(a) Recognised fair value measurement

AASB 13 *Fair value measurement* requires disclosure of fair value measurement using the following fair value measurement hierarchy:

- i Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- ii Level 2 - 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).
- iii Level 3 - Inputs for the asset or liability that are not based on observable market data.

Financial assets and liabilities not carried at fair value have carrying values that reasonably approximate their fair values and are categorised within fair value as follows:

- Cash and cash equivalents and borrowings – Level 1.
- All other financial assets and liabilities – Level 2.

The following table presents the Trust's assets and liabilities measured at fair value according to the fair value hierarchy at 30 June 2017:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Non-financial assets - recurring fair value measurement				
Investment property	-	-	52,000	52,000
Total assets	-	-	52,000	52,000

There were no transfers between levels of fair value measurement during the period.

The Trust's fair value accounting policy is disclosed in Note 1(p).

(b) Disclosed fair values

The following table represents the carrying amounts and fair values of borrowings at 30 June 2017. Fair value is estimated by discounting the future contractual cash flows at the current market interest rate curve since quoted prices are not available.

	30 Jun 2017 Carrying amount \$'000	Fair value \$'000
Non-current		
Intra-Group Facility Agreement	36,758	37,038
	36,758	37,038

(c) Valuation techniques used to derive level 3 fair values

In determining fair values of investment property, management has considered the nature, characteristics and risks of its investment property as well as the level of the fair value hierarchy.

Class of property	Fair value hierarchy	Fair value as at 30 Jun 2017 \$'000	Valuation technique	Inputs used to measure fair value	Range of unobservable inputs
Recurring fair value adjustments					
Industrial	Level 3	52,000	DCF, income capitalisation and direct comparison method	Net market rent (per sqm p.a.) Adopted capitalisation rate Adopted terminal yield Adopted discount rate	161 5.38% 5.88% 7.25%

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

19 Fair value measurement (continued)

(c) Valuation techniques used to derive level 3 fair values (continued)

Term	Definition
Discounted Cash Flow (DCF) method	A method in which a discount rate is applied to future expected income streams to estimate the present value.
Income capitalisation method	A valuation approach that provides an indication of value by converting future cash flows to a single current capital value.
Direct comparison	This method assesses site value by direct comparison based on comparable sales ratios such as a rate per square metre of floor area and a dollar rate per unit site.
Net market rent	A net market rent is the estimated amount for which a property or space within a property should lease between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and wherein the parties have each acted knowledgeably, prudently and without compulsion. In a net rent, the owner recovers outgoings from the tenant on a pro-rata basis (where applicable).
Capitalisation rate	The return represented by the income produced by an investment, expressed as a percentage.
Terminal yield	A percentage return applied to the expected net income following a hypothetical sale at the end of the cash flow period.
Discount rate	A rate of return used to convert a future monetary sum or cash flow into present value.

The adopted valuation for investment property portfolios generally reflects a value somewhere between the valuations determined using discounted cash flow (DCF) method and the income capitalisation method.

The Board conducts investment property valuation process on a half yearly basis. All valuations are performed either by independent professionally qualified external valuers or by Charter Hall's internal valuation team and then are reviewed and approved by the Executive Property Valuations Committee, for recommendation to the Audit Risk and Compliance Committee and subsequent approval by the Board.

All properties held by the Trust must be independently valued at least once every 12 months. Where an internal valuation differs from the most recent independent valuation by +/- 5%, a new independent valuation is obtained.

Carrying values of all investment property measured at recurring fair value reflect the highest and best use value.

Sensitivity analysis

Significant input	Fair value measurement sensitivity to significant increase in input	Fair value measurement sensitivity to significant decrease in input
Net market rent (per sqm p.a.)	Increase	Decrease
Adopted capitalisation rate	Decrease	Increase
Adopted terminal yield	Decrease	Increase
Adopted discount rate	Decrease	Increase

20 Remuneration of auditors

	22 Sep 2016 to 30 Jun 2017 \$
Amounts paid or payable to PricewaterhouseCoopers Australian form for:	
Audit services	14,500
Taxation compliance service	5,007
Accounting and tax due diligence advice associated with IPO	23,622
	43,129

21 Related party transactions

(a) Responsible Entity

The Responsible Entity of the Trust is Charter Hall WALE Limited.

The registered office of the Responsible Entity is Level 20,1 Martin Place, Sydney NSW 2000.

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

21 Related party transactions (continued)

(b) Directors

The following persons have held office as directors of the Responsible Entity from 1 September 2016 (date of appointment) and up to the date of this report:

- Peeyush Gupta - Chair and Non-Executive Director
- Glenn Fraser - Non-Executive Director
- Ceinwen Kirk-Lennox - Non-Executive Director
- David Harrison - Executive Director and Chief Executive Officer/Managing Director of Charter Hall Group
- Adrian Taylor - Executive Director

The following persons have held office as directors of the former Trustee, CHFML, from 1 July 2016 to 1 September 2016 (date of retirement):

- David Clarke - Chair and Non-Executive Director
- Anne Brennan - Non-Executive Director
- Phillip Garling - Non-Executive Director
- David Harrison - Executive Director and Chief Executive Officer/Managing Director of Charter Hall Group
- Peter Kahan - Non-Executive Director
- Colin McGowan - Non-Executive Director
- Karen Moses - Non-Executive Director (Appointed 1 September 2016)

(c) Transactions with related parties of the Responsible Entity

The responsible entity and its related parties held 41,461,705 units of the Trust as at 30 June 2017.

Amounts paid/payable to related party transactions (excluding fund management fees detailed separately) for the period are as follows:

	30 Jun 2017
	\$
Charter Hall Holdings Pty Limited	
Property management fee	26,299
Acquisition fees	1,073,969
Accounting services	22,248
Project management fee	15,770
	1,138,286

(d) Trust management fees

Under the terms of the Trust's constitution, the Responsible Entity is entitled to receive a base fee calculated as 0.45% per annum of the look through value of the total assets of the Trust and payable monthly in arrears. Management fees for the period ended 30 June 2017 amounted to \$163,455.

(e) Outstanding payable balance with the Responsible Entity and its related parties

As at 30 June 2017, the outstanding net payable balance with the Responsible Entity and its related parties was \$21,443.

(f) Key management personnel

Key management personnel (KMP) are defined in AASB 124 *Related Party Disclosures* as those having authority and responsibility for planning, directing and controlling the activities of the entity. The Responsible Entity meets the definition of key management personnel as it has this authority in relation to the activities of the Trust. The Trust paid directors fees of \$10,298 to the Responsible Entity.

Notes to the consolidated financial statements (continued)

For the period ended 30 June 2017

21 Related party transactions (continued)

(g) Director equity holdings

The number of units held directly, indirectly or beneficially by the Directors of the Responsible Entity or the Directors' related parties at 30 June 2017 is as follows:

	Units held 2017
Peeyush Gupta	382,111
Glenn Fraser	40,000
Ceinwen Kirk-Lennox	23,250
David Harrison	254,053
Adrian Taylor	63,513
	762,927

The aggregate number of units of the Trust acquired by the directors of the Responsible Entity or their related parties during the period is set out below:

	Units acquired 2017
Peeyush Gupta	382,111
Glenn Fraser	40,000
Ceinwen Kirk-Lennox	23,250
David Harrison	254,053
Adrian Taylor	63,513
	762,927

No units of the Trust were sold by the directors of the Responsible Entity or their related parties during the period.

22 Commitments and contingent liabilities

As at 30 June 2017 the Trust has a \$49.4 million equity commitment to CH DC Fund being the balance owing on partially paid units which will be used to fund the development of the Woolworths Distribution Centre in Dandenong South, VIC.

The Trust has no contingent liabilities as at 30 June 2017.

23 Interest in other entities

Material subsidiaries

The Trust's principal subsidiary at 30 June 2017 is set out below. Unless otherwise stated, it has contributed equity consisting solely of ordinary units that is held directly by the Trust, and the proportion of ownership interests held equals the voting rights held by the Trust. The country of incorporation or registration is also its principal place of business.

Name of entity	Country of incorporation / Place of business	Ownership interest held 30 Jun 2017	Principal activities
LWR Truganina Trust	Australia	100%	Property Investment

24 Events occurring after reporting date

In August 2017, the REIT announced the simplification of its stapled structure from seven to three components. The proposal is subject to Securityholders' approval on 15 September 2017.

The directors of the Responsible Entity are not aware of any matter or circumstance not otherwise dealt with in this report that has significantly affected or may significantly affect the operations of the Trust, the results of its operations or the state of affairs of the Trust in future financial years.

Directors' declaration to unitholders

In the opinion of the directors of Charter Hall WALE Limited, the Responsible Entity of CHPT Dandenong Trust:

- a The consolidated financial statements and notes set out on pages 13 to 34 are in accordance with the *Corporations Act 2001*, including:
 - i complying with Accounting Standards, *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii giving a true and fair view of the Trust's financial position as at 30 June 2017 and of its performance for the financial period ended on that date; and
- b There are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given declarations by the Fund Manager, who performs the Chief Executive Officer function, and the Head of CLW and Industrial Finance, who performs the Chief Financial Officer function, required by section 295A of the *Corporations Act 2001*.

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



Peeyush Gupta

Director

Sydney

17 August 2017



Independent auditor's report

To the stapled security holders of CHPT Dandenong Trust

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of CHPT Dandenong Trust (the Registered Scheme) and its controlled entities (together the "Trust") is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Trust's financial position as at 30 June 2017 and of its financial performance for the period 22 September 2016 to 30 June 2017
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the consolidated balance sheet as at 30 June 2017
- the consolidated statement of comprehensive income for the period 22 September 2016 to 30 June 2017
- the consolidated statement of changes in equity for the period 22 September 2016 to 30 June 2017
- the consolidated cash flow statement for the period 22 September 2016 to 30 June 2017
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

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

PricewaterhouseCoopers, ABN 52 780 433 757

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is 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 report.

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

The Trust's principal activity consists of property investment.



Materiality

- For the purpose of our audit we used overall materiality of \$0.2 million, which represents approximately 0.8% of the net assets of the Trust.
- 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 report as a whole.
- We chose net assets because, in our view, it is the industry benchmark against which the performance of the Trust is commonly measured and is a generally accepted industry benchmark. We selected 0.8% based on our professional judgement, noting it is within the range of commonly acceptable asset-related materiality thresholds.

Audit Scope

- Our audit focused on where the directors of the Responsible Entity made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- In all of our audits, we also address the risk of management override of internal controls, including whether there was evidence of bias by the directors that may represent a risk of material misstatement due to fraud.
- We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the structure of the Trust, the accounting processes and controls, and the industry in which the Trust operates.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report 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. We communicated the key audit matters to the Audit, Risk and Compliance Committee.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties. Includes the investment property held in the joint venture accounted for under the equity method (Refer to note 8 & 9) The Trust's investment property portfolio is comprised of a 50% share of an industrial property, as well as a 26% interest in a property under development held by a joint venture. At 30 June 2017 the carrying value of the Trust's share of investment property (excluding investment property held in equity accounted investments) was \$52 million. The carrying value of the Trust's share of investment property held by the joint venture was \$9 million. Investment property is valued at fair value at reporting date using either the income capitalisation approach or the discounted cash flow approach as described in note 1. The value of investment property is dependent on the valuation methodology adopted and the inputs into the valuation model. Factors such as prevailing market conditions, the individual nature, condition and location of property and the expected future income for property directly impact its fair value. Amongst others, the following assumptions are key in establishing fair value: • capitalisation rate • adopted discount rate. At the end of each reporting period, the Trust determines the fair value of its investment property portfolio in accordance with the Trust's valuation policy. This policy requires all properties to be externally valued by an independent valuation expert at least once every 12 months. If a property is not externally valued at balance date, the Trust performs an internal valuation. We focused on this matter because of the: • Relative significant size of the investment property balance in the consolidated balance sheet; • Material quantum of revaluation gains that directly impact the consolidated statement of	We obtained the latest independent property market reports to understand the prevailing markets' conditions in which the Trust invests. We compared prior valuations against current year valuations for the investment properties, and noted that the movements in fair values were in line with overall movements in the market. We met with management and discussed the specifics of the individual properties including capital expenditure and status of development process. We reviewed the methodologies used by the Trust to determine the properties' fair value. We compared market capitalisation rates and discount rates by location and asset grade to our independent expectation of a reasonable range determined based on benchmark market data for these assumptions. Where capitalisation rates and discount rates fell outside of our anticipated ranges, we considered the rationale supporting the rate applied in the valuation through discussions with management of the Trust and reviewed the methodologies used by the Trust to determine the property values. For external valuations, we also assessed the competency and capability of the external valuers and considered that the valuations were performed in accordance with the Trust's valuation policy.



<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
comprehensive income through the net fair value gain/loss of investment properties;	
• Inherently subjective nature of investment property valuations due to the use of several assumptions in the valuation methodology; and • Sensitivity of valuations to key input assumptions, specifically capitalisation and discount rates.	

Other information

The directors are responsible for the other information. The other information comprises the Director's Report included in the Trust's annual report for the period 22 September 2016 to 30 June 2017 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report 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 obtained prior to the date of our 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.

Responsibilities of the directors of the Responsible Entity for the financial report

The directors of Charter Hall WALE Limited, the responsible entity of the Trust, are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of 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 intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

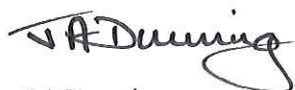


Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.


PricewaterhouseCoopers


J A Dunning
Partner

Sydney
17 August 2017

