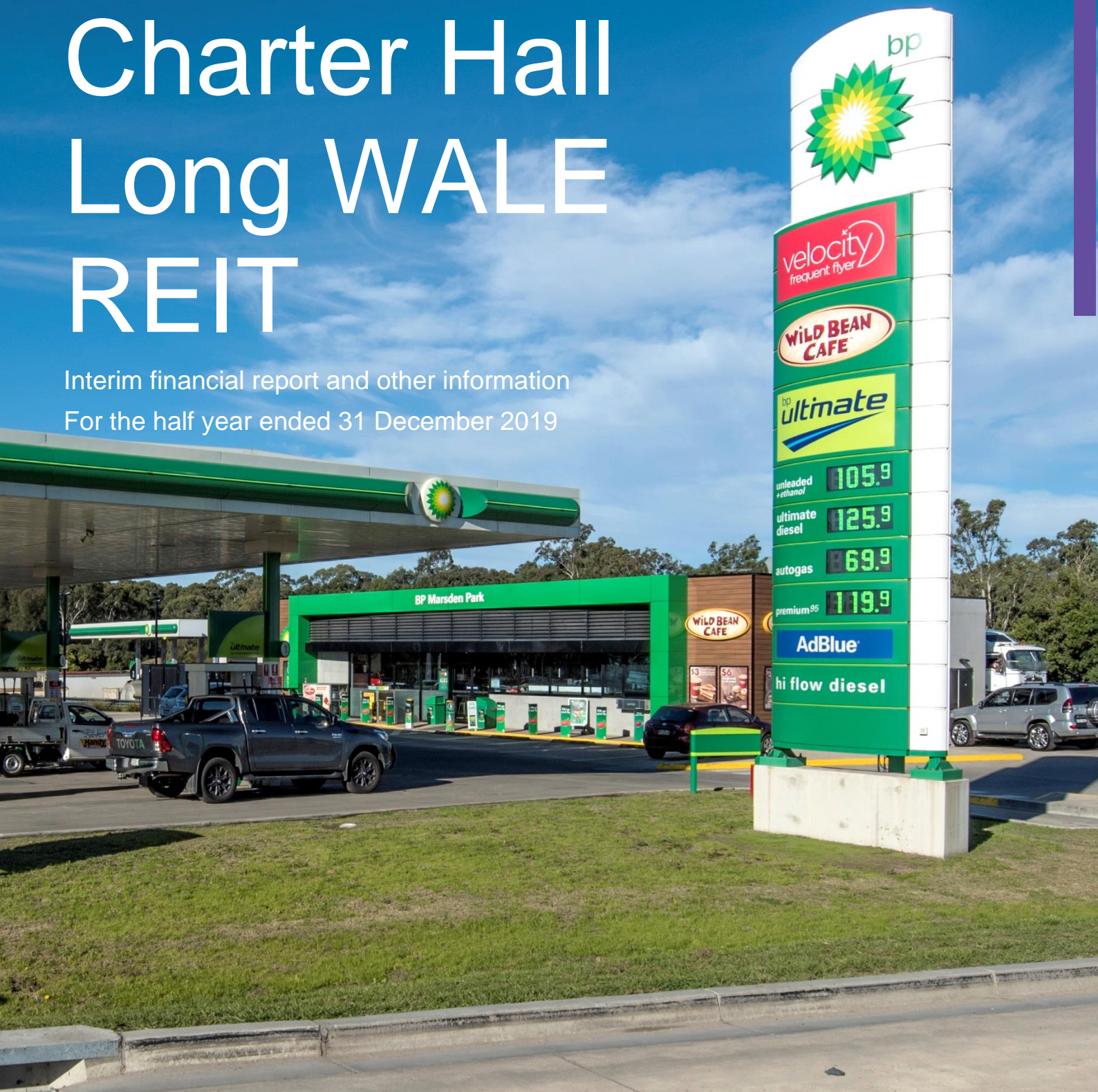


# Charter Hall Long WALE REIT

Interim financial report and other information  
For the half year ended 31 December 2019



## Important Notice

The Charter Hall Long WALE REIT (REIT or CLW) consists of the securities of the two 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); and
- LWR Finance Trust (“Finance Trust”) and its controlled entity (ARSN 614 713 138).

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 consolidated interim financial report and other information of Charter Hall Direct Industrial Fund ("DIF") and its controlled entities (together "Charter Hall Long WALE REIT", "REIT" or "CLW") and the consolidated interim financial report and other information of LWR Finance Trust and its controlled entity (together "Finance Trust") for the half year ended 31 December 2019. DIF and Finance Trust are collectively referred to as "Stapled Trusts".

CHWALE is the Responsible Entity of the Stapled Trusts and is a controlled entity of Charter Hall Limited.

### Principal activities

The principal activity of the REIT during the period was property investment. The principal activity of the Finance Trust during the period was financing the REIT through the Intra-Group Facility Agreement (IGFA). There were no significant changes in the nature of either the REIT's or Finance Trust's activities during the 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 AM - Chairman 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 for the half year ended 31 December 2019 are as follows:

|  | Number of<br>securities on issue<br>entitled to distribution | 31 Dec 2019<br>Cents<br>per security | \$'000        | Number of<br>securities on issue | 31 Dec 2018<br>Cents<br>per security | \$'000        |
|--|--|--------------------------------------|---------------|----------------------------------|--------------------------------------|---------------|
| <b>Ordinary securityholders of DIF</b> |  |                                      |               |                                  |                                      |               |
| 30 September                           | 376,622,409  | 7.00                                 | 26,364        | 232,300,142                      | 6.40                                 | 14,867        |
| 31 December*                           | 421,606,411  | 7.00                                 | 29,512        | 280,706,919                      | 6.50                                 | 18,246        |
| <b>Total distributions</b>             |  | <b>14.00</b>                         | <b>55,876</b> |                                  | <b>12.90</b>                         | <b>33,113</b> |

\* Stapled securities issued under the December 2019 Equity Raising are not entitled to distributions for the quarter ended 31 December 2019. The distribution for the quarter ended 31 December 2018 includes \$2.0 million paid on stapled securities issued at cum-price under the December 2018 Entitlement Offer.

Finance Trust did not declare any distributions in its own right in the current or prior reporting periods.

### Distribution Reinvestment Plan (DRP)

The REIT has established a Distribution Reinvestment Plan (DRP) under which securityholders may elect to have all or part of their distribution entitlements satisfied by the issues of new 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 \$5.8 million from the DRP for 30 September 2019 allotted on 14 November 2019. An additional \$4.6 million is expected to be raised from the DRP for the 31 December 2019 distribution to be allotted on 14 February 2020.

## Directors' report (continued)

### Review and results of operations

The financial results of the REIT and LWR Finance Trust are summarised as follows:

|   | Charter Hall<br>Long WALE REIT |                            | LWR<br>Finance Trust       |                            |
|---|--------------------------------|----------------------------|----------------------------|----------------------------|
|   | 6 months to<br>31 Dec 2019     | 6 months to<br>31 Dec 2018 | 6 months to<br>31 Dec 2019 | 6 months to<br>31 Dec 2018 |
| Revenue (\$'000)  | 59,609                         | 35,538                     | 11,543                     | 10,399                     |
| Statutory profit/(loss) for the half year (\$'000)          | 80,538                         | 26,273                     | 1,528                      | (3,312)                    |
| Basic earnings per stapled security (cents)                 | 21.59                          | 10.94                      | 0.41                       | (1.38)                     |
| Operating earnings of the REIT (\$'000)                     | 52,193                         | 31,103                     | -                          | -                          |
| Operating earnings of the REIT per stapled security (cents) | 13.99                          | 12.94                      | -                          | -                          |
| Distributions (\$'000)                                      | 55,876                         | 33,113                     | -                          | -                          |
| Distributions per stapled security (cents)                  | 14.00                          | 12.90                      | -                          | -                          |

|  | 31 Dec 2019 | 30 Jun 2019 | 31 Dec 2019 | 30 Jun 2019 |
|--|-------------|-------------|-------------|-------------|
| Total assets (\$'000)  | 2,790,281   | 1,905,082   | 556,971     | 527,519     |
| Total liabilities (\$'000)   | 616,416     | 583,627     | 574,969     | 547,045     |
| Net assets attributable to securityholders (\$'000)                            | 2,173,865   | 1,321,455   | (17,998)    | (19,526)    |
| Stapled securities on issue ('000)   | 481,181     | 322,986     | 481,181     | 322,986     |
| Net assets per stapled security (\$)   | 4.52        | 4.09        | (0.04)      | (0.06)      |
| Balance sheet gearing - total debt (net of cash) to total assets (net of cash) | 20.0%       | 27.5%       |             |             |
| Look through gearing - total debt (net of cash) to total assets (net of cash)  | 35.3%       | 34.3%       |             |             |

The REIT recorded a statutory profit of \$80.5 million for the half year ended 31 December 2019 (31 December 2018: \$26.3 million). Operating earnings amounted to \$52.2 million (14.0 cents per stapled security) for the half year ended 31 December 2019 (31 December 2018: \$31.1 million) and distributions of \$55.9 million (14.0 cents per stapled security) were declared for the same period (31 December 2018: \$33.1 million or 12.9 cents per stapled security).

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

|                                   | 6 months to<br>31 Dec 2019<br>\$'000 | 6 months to<br>31 Dec 2018<br>\$'000 |
|-----------------------------------|--------------------------------------|--------------------------------------|
| Net property income               | 74,862                               | 48,094                               |
| Interest income                   | 206                                  | 144                                  |
| Fund management fees              | (5,702)                              | (3,348)                              |
| Finance costs                     | (16,177)                             | (12,515)                             |
| Administration and other expenses | (996)                                | (1,272)                              |
| <b>Operating earnings*</b>        | <b>52,193</b>                        | <b>31,103</b>                        |

\* Further detail on Operating Earnings is contained in Note A1

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 that are not in the ordinary course of business or are capital in nature.

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.

## Directors' report (continued)

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

|   | 6 months to<br>31 Dec 2019<br>\$'000 | 6 months to<br>31 Dec 2018<br>\$'000 |
|---|--------------------------------------|--------------------------------------|
| <b>Operating earnings</b>   | <b>52,193</b>                        | 31,103                               |
| Net fair value gain on investment properties <sup>1</sup>                               | <b>36,554</b>                        | 12,489                               |
| Net gains/(losses) on derivative financial instruments <sup>1</sup>                     | <b>4,695</b>                         | (2,849)                              |
| Net fair value gains on financial asset   | <b>35</b>                            | 84                                   |
| Straightlining of rental income, amortisation of lease fees and incentives <sup>1</sup> | <b>5,331</b>                         | 2,364                                |
| Acquisition related costs   | <b>(17,241)</b>                      | (15,729)                             |
| Income support and development rebate   | <b>(1,029)</b>                       | (1,189)                              |
| <b>Statutory profit for the half year</b>   | <b>80,538</b>                        | 26,273                               |
| <b>Basic weighted average number of stapled securities ('000)</b>                       | <b>373,083</b>                       | 240,384                              |
| <b>Basic earnings per stapled security (cents)</b>                                      | <b>21.59</b>                         | 10.94                                |
| <b>Operating earnings per stapled security (cents)</b>                                  | <b>13.99</b>                         | 12.94                                |

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

### Property valuation gains

Valuation gains totalling \$83.3 million were recorded during the period (31 December 2018: \$30.7 million). These gains were partially offset by revaluation decrements attributable to acquisition costs of \$41.4 million (31 December 2018: \$15.8 million) and straightlining of rental income, amortisation of lease fees and incentives of \$5.3 million (31 December 2018: \$2.4 million).

### Significant changes in the state of affairs

#### Equity Raising

During August and September 2019, the REIT raised \$260.6 million of equity, issuing 50.1 million stapled securities at \$5.20 per stapled security to both institutional and retail investors. The proceeds were used to fund the acquisition of an effective 24.5% interest in a national portfolio of 36 Telco Exchange Properties ("Telstra Portfolio") and a 100% interest in an A-grade office building in Upper Mount Gravatt, Brisbane QLD as well as associated transaction and capital raising costs.

In November 2019, the REIT raised \$241.9 million of equity, issuing 44.0 million stapled securities at \$5.50 per stapled security to both institutional and retail investors. The proceeds were used to fund the acquisition of a 15% interest in the Global Headquarters of Telstra Corporation Limited at 242 Exhibition Street, Melbourne, a 50% interest in The Glasshouse 45-61 Waterloo Road, Macquarie Park NSW and a 100% interest in Bunnings Palmerston, Darwin NT.

In December 2019, the REIT raised \$318.7 million of equity, issuing 59.6 million stapled securities at \$5.35 per stapled security to institutional investors. The proceeds were used to fund the acquisition of an effective 24.5% interest in a national portfolio of 225 long WALE convenience retail properties leased to BP Australia Pty Ltd ("BP Portfolio") and a 50% interest in a property in Huntingwood, Sydney NSW leased to Arnott's Biscuits Pty Ltd.

#### Acquisitions

During the period, the REIT completed acquisition of the following assets:

|  | Acquisition date | Acquisition price<br>\$'000 |
|--|------------------|-----------------------------|
| Thales, Homebush, Sydney NSW                                     | 10/07/2019       | 46,218                      |
| Telstra Portfolio (National) (24.5% interest) <sup>1</sup>       | 2/09/2019        | 348,885                     |
| ATO, Upper Mount Gravatt, Brisbane QLD                           | 9/09/2019        | 63,597                      |
| Bunnings, Palmerston, Darwin NT <sup>2</sup>                     | 14/11/2019       | 15,000                      |
| 242 Exhibition Street, Melbourne VIC (15% interest) <sup>1</sup> | 3/12/2019        | 124,500                     |
| BP Portfolio (National) (24.5% interest) <sup>1</sup>            | 19/12/2019       | 414,406                     |
| Arnott's, Huntingwood NSW (50% interest) <sup>3</sup>            | 27/12/2019       | 198,900                     |
|  |                  | <b>1,211,506</b>            |

<sup>1</sup> Acquired interest in underlying property trust which holds the asset(s). Interest in 242 Exhibition Street, Melbourne VIC was acquired from related party

<sup>2</sup> Asset under development, acquisition price relates to land only, total value on completion \$42.3 million.

<sup>3</sup> This asset is held as a joint operation with a related party.

In addition, the Fund paid \$8.3 million as a deposit under a Put and Call option agreement to complete the acquisition of a property under development at The Glasshouse 45-61 Waterloo Road, Macquarie Park NSW for \$165.7 million. The Put and Call option agreement expires upon practical completion which is expected in March 2020.

## Directors' report (continued)

### Debt arrangements and hedging

During the period, Finance Trust on behalf of the REIT, entered into a new unsecured \$100 million facility with an offshore lender maturing in November 2024. During the same period, Finance Trust on behalf of the REIT, restructured \$525 million interest rate swaps, reducing the fixed rate from a range between 1.35% - 2.54% p.a. to 1.10% p.a. - 1.79% p.a.

In September 2019, as part of the Telstra Portfolio transaction, a debt facility was established at the associate level with a total facility limit of \$385.0 million (CLW share \$192.5 million) and a three-year term, with an option to extend for an additional two years.

As part of the 242 Exhibition Street, Melbourne VIC transaction a debt facility was established at the joint venture level with a total facility limit of \$466.5 million (CLW share \$70.0 million) and a five-year term.

In December 2019, as part of the BP Portfolio transaction sale, a debt facility was established at the associate level with a total facility limit of \$450.0 million (CLW share \$225.0 million) and a five-year term.

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

### Matters subsequent to the end of the financial period

In January 2020, the REIT raised \$31.7 million of equity, issuing 5.9 million stapled securities at \$5.35 per stapled security to retail investors.

The Directors of the Responsible Entity are not aware of any other matter or circumstance not otherwise dealt with in this report or the annual consolidated financial statements that has significantly affected or may significantly affect the operations of the REIT or Finance Trust, the results of their operations or the state of affairs of the REIT or Finance Trust in future financial years.

### 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 8.

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

### Directors' authorisation

The Directors' report is made in accordance with a resolution of the Board of Directors of Charter Hall WALE Limited. The financial statements were authorised for issue by the Directors on 10 February 2020. The Directors have the power to amend and re-issue the financial statements.



Peeyush Gupta AM  
Chairman

Sydney  
10 February 2020



## *Auditor's Independence Declaration*

As lead auditor for the review of Charter Hall Long WALE REIT and LWR Finance Trust for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Charter Hall Long WALE REIT, which comprises Charter Hall Direct Industrial Fund and the entities it controlled during the period (DIF) and the LWR Finance Trust and its controlled entity (Finance Trust).

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  
10 February 2020

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## Consolidated statements of comprehensive income

For the half year ended 31 December 2019

|   | Notes | Charter Hall<br>Long WALE REIT       |                                      | LWR<br>Finance Trust                 |                                      |
|---|-------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
|   |       | 6 months to<br>31 Dec 2019<br>\$'000 | 6 months to<br>31 Dec 2018<br>\$'000 | 6 months to<br>31 Dec 2019<br>\$'000 | 6 months to<br>31 Dec 2018<br>\$'000 |
| <b>Revenue</b>  |       |                                      |                                      |                                      |                                      |
| Property income   | A1    | 59,438                               | 35,413                               | -                                    | -                                    |
| Interest income   | A1    | 171                                  | 125                                  | 11,543                               | 10,399                               |
| <b>Total revenue</b>  |       | <b>59,609</b>                        | <b>35,538</b>                        | <b>11,543</b>                        | <b>10,399</b>                        |
| <b>Other income</b>   |       |                                      |                                      |                                      |                                      |
| Share of equity accounted profit  |       | 41,442                               | 31,047                               | -                                    | -                                    |
| Net fair value gain on financial assets   | B3    | 35                                   | 84                                   | -                                    | -                                    |
| Net fair value gain on investment properties  | B1    | 21,289                               | -                                    | -                                    | -                                    |
| <b>Total other income</b>   |       | <b>62,766</b>                        | <b>31,131</b>                        | <b>-</b>                             | <b>-</b>                             |
| <b>Total revenue and other income</b>   |       | <b>122,375</b>                       | <b>66,669</b>                        | <b>11,543</b>                        | <b>10,399</b>                        |
| <b>Expenses</b>   |       |                                      |                                      |                                      |                                      |
| Property expenses   |       | (9,021)                              | (5,664)                              | -                                    | -                                    |
| Fund management fees  |       | (5,661)                              | (3,348)                              | (28)                                 | (2)                                  |
| Finance costs   |       | (9,832)                              | (8,641)                              | (9,815)                              | (11,072)                             |
| Administration and other expenses   |       | (926)                                | (1,223)                              | (13)                                 | (9)                                  |
| Net fair value loss on investment properties  | B1    | -                                    | (3,163)                              | -                                    | -                                    |
| Net loss from derivative financial instruments                                      |       | (159)                                | (2,628)                              | (159)                                | (2,628)                              |
| Acquisition related costs   |       | (16,238)                             | (15,729)                             | -                                    | -                                    |
| <b>Total expenses</b>   |       | <b>(41,837)</b>                      | <b>(40,396)</b>                      | <b>(10,015)</b>                      | <b>(13,711)</b>                      |
| <b>Net profit / (loss) for the half year</b>  |       | <b>80,538</b>                        | <b>26,273</b>                        | <b>1,528</b>                         | <b>(3,312)</b>                       |
| Other comprehensive income  |       | -                                    | -                                    | -                                    | -                                    |
| <b>Total comprehensive income / (loss)</b>  |       | <b>80,538</b>                        | <b>26,273</b>                        | <b>1,528</b>                         | <b>(3,312)</b>                       |
| <b>Net profit / (loss) and Total comprehensive income / (loss) attributable to:</b> |       |                                      |                                      |                                      |                                      |
| DIF   |       | 79,010                               | 27,678                               | -                                    | -                                    |
| Stapled Trusts other than DIF   |       | 1,528                                | (1,405)                              | 1,528                                | (3,312)                              |
|   |       | <b>80,538</b>                        | <b>26,273</b>                        | <b>1,528</b>                         | <b>(3,312)</b>                       |
| <b>Basic and diluted earnings / (loss) per ordinary securityholder</b>              |       |                                      |                                      |                                      |                                      |
| Earnings per stapled security (cents)   | A2    | 21.59                                | 10.94                                | 0.41                                 | (1.38)                               |
| Earnings per unit of DIF / Finance Trust (cents)                                    | A2    | 21.18                                | 12.48                                | -                                    | -                                    |

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

## Consolidated balance sheets

As at 31 December 2019

|   |       | Charter Hall<br>Long WALE REIT |                  | LWR<br>Finance Trust |                 |
|---|-------|--------------------------------|------------------|----------------------|-----------------|
|   |       | 31 Dec 2019                    | 30 Jun 2019      | 31 Dec 2019          | 30 Jun 2019     |
|   | Notes | \$'000                         | \$'000           | \$'000               | \$'000          |
| <b>Assets</b>                                     |       |                                |                  |                      |                 |
| <b>Current assets</b>                             |       |                                |                  |                      |                 |
| Cash and cash equivalents                         |       | 10,115                         | 6,413            | 1,471                | 1,053           |
| Receivables                                       |       | 34,202                         | 9,202            | 30                   | 20              |
| Other assets                                      |       | 9,722                          | 3,120            | -                    | -               |
| <b>Total current assets</b>                       |       | <b>54,039</b>                  | <b>18,735</b>    | <b>1,501</b>         | <b>1,073</b>    |
| <b>Non-current assets</b>                         |       |                                |                  |                      |                 |
| Investment properties                             | B1    | 1,703,687                      | 1,328,445        | -                    | -               |
| Investments accounted for using the equity method | B2    | 1,026,358                      | 551,051          | -                    | -               |
| Intra-group facility receivable                   | C1    | -                              | -                | 555,470              | 526,446         |
| Investment in financial assets at fair value      | B3    | 6,197                          | 6,851            | -                    | -               |
| <b>Total non-current assets</b>                   |       | <b>2,736,242</b>               | <b>1,886,347</b> | <b>555,470</b>       | <b>526,446</b>  |
| <b>Total assets</b>                               |       | <b>2,790,281</b>               | <b>1,905,082</b> | <b>556,971</b>       | <b>527,519</b>  |
| <b>Liabilities</b>                                |       |                                |                  |                      |                 |
| <b>Current liabilities</b>                        |       |                                |                  |                      |                 |
| Payables  |       | 5,509                          | 12,154           | 323                  | 385             |
| Distribution payable                              | A2    | 29,512                         | 22,932           | -                    | -               |
| Derivative financial instruments                  | C2    | 18                             | 8,126            | 18                   | 8,126           |
| Other liabilities                                 |       | 6,871                          | 2,033            | -                    | -               |
| <b>Total current liabilities</b>                  |       | <b>41,910</b>                  | <b>45,245</b>    | <b>341</b>           | <b>8,511</b>    |
| <b>Non-current liabilities</b>                    |       |                                |                  |                      |                 |
| Borrowings  | C1    | 563,829                        | 525,017          | 563,951              | 525,169         |
| Derivative financial instruments                  | C2    | 10,677                         | 13,365           | 10,677               | 13,365          |
| <b>Total non-current liabilities</b>              |       | <b>574,506</b>                 | <b>538,382</b>   | <b>574,628</b>       | <b>538,534</b>  |
| <b>Total liabilities</b>                          |       | <b>616,416</b>                 | <b>583,627</b>   | <b>574,969</b>       | <b>547,045</b>  |
| <b>Net assets / (liabilities)</b>                 |       | <b>2,173,865</b>               | <b>1,321,455</b> | <b>(17,998)</b>      | <b>(19,526)</b> |
| <b>Equity</b>                                     |       |                                |                  |                      |                 |
| <i>Equity holders of DIF</i>                      |       |                                |                  |                      |                 |
| Contributed equity                                | C3    | 2,108,642                      | 1,280,894        | -                    | -               |
| Retained profits                                  |       | 83,221                         | 60,087           | -                    | -               |
| <b>Parent entity interest</b>                     |       | <b>2,191,863</b>               | <b>1,340,981</b> | <b>-</b>             | <b>-</b>        |
| <i>Equity holders of Finance Trust</i>            |       |                                |                  |                      |                 |
| Contributed equity                                | C3    | 1,952                          | 1,952            | 1,952                | 1,952           |
| Retained profits / (losses)                       |       | (19,950)                       | (21,478)         | (19,950)             | (21,478)        |
| <b>Equity holders of Finance Trust</b>            |       | <b>(17,998)</b>                | <b>(19,526)</b>  | <b>(17,998)</b>      | <b>(19,526)</b> |
| <b>Total equity</b>                               |       | <b>2,173,865</b>               | <b>1,321,455</b> | <b>(17,998)</b>      | <b>(19,526)</b> |

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

## Consolidated statements of changes in equity

For the half year ended 31 December 2019

|   | Notes | Attributable to securityholders of DIF |                               | Total<br>\$'000  |
|---|-------|--|-------------------------------|------------------|
|   |       | Contributed<br>equity<br>\$'000        | Retained<br>profits<br>\$'000 |                  |
| <b>Balance at 1 July 2018</b>   |       | 661,453                                | 48,780                        | 710,233          |
| Total comprehensive income  |       | -                                      | 27,678                        | 27,678           |
| DIF's acquisition of Franklin Street<br>Property Trust ("FSPT")         | C3    | 232,353                                | -                             | 232,353          |
| Contributions of equity, net of issue costs                             | C3    | 191,847                                | -                             | 191,847          |
| Distributions provided for or paid                                      | A2    | -                                      | (33,113)                      | (33,113)         |
| <b>Balance at 31 December 2018</b>                                      |       | 1,085,653                              | 43,345                        | 1,128,998        |
| <b>Balance at 1 July 2019</b>   |       | 1,280,894                              | 60,087                        | 1,340,981        |
| Total comprehensive income  |       | -                                      | <b>79,010</b>                 | <b>79,010</b>    |
| Contributions of equity, net of issue costs                             | C3    | <b>827,748</b>                         | -                             | <b>827,748</b>   |
| Distributions provided for or paid                                      | A2    | -                                      | <b>(55,876)</b>               | <b>(55,876)</b>  |
| <b>Balance at 31 December 2019</b>                                      |       | <b>2,108,642</b>                       | <b>83,221</b>                 | <b>2,191,863</b> |
| <b>Attributable to securityholders of Stapled Trusts other than DIF</b> |       |  |                               |                  |
|   | Notes | Contributed<br>equity<br>\$'000        | Retained<br>profits<br>\$'000 | Total<br>\$'000  |
|   |       |  |                               |                  |
| <b>Balance at 1 July 2018</b>   |       | 174,175                                | 56,012                        | 230,187          |
| Total comprehensive income  |       | -                                      | (1,405)                       | (1,405)          |
| DIF's acquisition of FSPT   |       | (172,223)                              | (60,187)                      | (232,410)        |
| <b>Balance at 31 December 2018</b>                                      |       | 1,952                                  | (5,580)                       | (3,628)          |
| <b>Balance at 1 July 2019</b>   |       | 1,952                                  | (21,478)                      | (19,526)         |
| Total comprehensive income  |       | -                                      | <b>1,528</b>                  | <b>1,528</b>     |
| <b>Balance at 31 December 2019</b>                                      |       | <b>1,952</b>                           | <b>(19,950)</b>               | <b>(17,998)</b>  |

|                                    | Attributable to securityholders of LWR Finance Trust |                                 |                 |
|------------------------------------|--|---------------------------------|-----------------|
|                                    | Contributed<br>equity<br>\$'000                      | Accumulated<br>losses<br>\$'000 | Total<br>\$'000 |
| Notes                              |  |                                 |                 |
| <b>Balance at 1 July 2018</b>      | 1,952  | (2,318)                         | (366)           |
| Total comprehensive income         | -  | (3,312)                         | (3,312)         |
| <b>Balance at 31 December 2018</b> | 1,952  | (5,630)                         | (3,678)         |
| <b>Balance at 1 July 2019</b>      | 1,952  | (21,478)                        | (19,526)        |
| Total comprehensive income         | -  | <b>1,528</b>                    | <b>1,528</b>    |
| <b>Balance at 31 December 2019</b> | <b>1,952</b>   | <b>(19,950)</b>                 | <b>(17,998)</b> |

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

## Consolidated cash flow statements

For the half year ended 31 December 2019

|   | Charter Hall<br>Long WALE REIT |                            | LWR<br>Finance Trust       |                            |
|---|--------------------------------|----------------------------|----------------------------|----------------------------|
|   | 6 months to<br>31 Dec 2019     | 6 months to<br>31 Dec 2018 | 6 months to<br>31 Dec 2019 | 6 months to<br>31 Dec 2018 |
|   | \$'000                         | \$'000                     | \$'000                     | \$'000                     |
| <b>Cash flows from operating activities</b>                                   |                                |                            |                            |                            |
| Property rental income received   | 65,543                         | 34,802                     | -                          | -                          |
| Property expenses paid  | (10,198)                       | (9,637)                    | -                          | -                          |
| Distributions received from investments accounted for using the equity method | 18,430                         | 14,795                     | -                          | -                          |
| Interest received   | 164                            | 125                        | 110                        | 51                         |
| Finance costs paid  | (9,434)                        | (8,265)                    | (9,434)                    | (8,264)                    |
| Fund management fees paid   | (5,888)                        | (3,544)                    | (35)                       | (2)                        |
| Administration and other expenses paid  | (1,416)                        | (1,929)                    | (50)                       | (29)                       |
| Net GST paid with respect to operating activities                             | (2,310)                        | (2,673)                    | -                          | 17                         |
| <b>Net cash flows from operating activities</b>                               | <b>54,891</b>                  | <b>23,674</b>              | <b>(9,409)</b>             | <b>(8,227)</b>             |
| <b>Cash flows from investing activities</b>                                   |                                |                            |                            |                            |
| Payments for investment properties  | (383,162)                      | (447,654)                  | -                          | -                          |
| Payments for investments accounted for using the equity method                | (471,657)                      | (28,965)                   | -                          | -                          |
| Settlement of interest rate swaps   | (10,879)                       | -                          | (10,879)                   | -                          |
| Draws from income support fund  | 918                            | 705                        | -                          | -                          |
| Repayment under Intra-Group Facility Agreement                                | -                              | -                          | (860,227)                  | (495,577)                  |
| Drawdowns under Intra-Group Facility Agreement                                | -                              | -                          | 842,616                    | 396,148                    |
| Receipts from sale of investments properties                                  | -                              | 173,730                    | -                          | -                          |
| Payments for disposal of income support fund                                  | -                              | 7,711                      | -                          | -                          |
| Acquisition and disposal related costs  | -                              | (666)                      | -                          | (666)                      |
| <b>Net cash flows from investing activities</b>                               | <b>(864,780)</b>               | <b>(295,139)</b>           | <b>(28,490)</b>            | <b>(100,095)</b>           |
| <b>Cash flows from financing activities</b>                                   |                                |                            |                            |                            |
| Proceeds from issue of securities, net of equity raising costs                | 812,791                        | 192,227                    | -                          | -                          |
| Distributions paid to securityholders, net of DRP                             | (37,517)                       | (30,664)                   | -                          | -                          |
| Proceeds from borrowings (net of borrowing costs)                             | 340,217                        | 475,379                    | 340,217                    | 475,370                    |
| Repayment of borrowings   | (301,900)                      | (365,500)                  | (301,900)                  | (365,500)                  |
| <b>Net cash flows from financing activities</b>                               | <b>813,591</b>                 | <b>271,442</b>             | <b>38,317</b>              | <b>109,870</b>             |
| Net increase in cash and cash equivalents                                     | 3,702                          | (23)                       | 418                        | 1,548                      |
| Cash and cash equivalents at the beginning of the half year                   | 6,413                          | 5,515                      | 1,053                      | 175                        |
| <b>Cash and cash equivalents at the end of the half year</b>                  | <b>10,115</b>                  | <b>5,492</b>               | <b>1,471</b>               | <b>1,723</b>               |

The above consolidated cash flow statements should be read in conjunction with the accompanying notes.



## 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 four key sections:

- A. REIT performance** – provides key metrics used to measure financial performance.
- B. Property portfolio assets** – explains the investment property portfolio structure.
- C. Capital structure** – details of the REIT's structure.
- D. Further information** – provides additional disclosures relevant in understanding the REIT's financial statements.

|   |           |   |           |
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## A. 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 that are not in the ordinary course of business or are capital in nature.

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.

### A1. 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.

#### (b) Segment information provided to the Board

The operating earnings reported to the Board for the half year ended 31 December 2019 are as follows:

|  | 6 months to<br>31 Dec 2019<br>\$'000 | 6 months to<br>31 Dec 2018<br>\$'000 |
|--|--------------------------------------|--------------------------------------|
| Property lease revenue   | 56,859                               | 34,360                               |
| Services income  | 2,579                                | 1,054                                |
| <b>Property income</b>   | <b>59,438</b>                        | <b>35,414</b>                        |
| Income support and development rebate  | 1,029                                | 1,189                                |
| Non-cash adjustments   | (4,529)                              | (1,915)                              |
| Property expenses  | (9,021)                              | (5,664)                              |
| <b>Net property income from wholly owned properties (NPI)</b>                  | <b>46,917</b>                        | <b>29,024</b>                        |
| Share of operating earnings from investments accounted for using equity method | 21,524                               | 15,166                               |
| Interest income  | 171                                  | 125                                  |
| Fund management fees   | (5,661)                              | (3,348)                              |
| Finance costs  | (9,832)                              | (8,641)                              |
| Administration and other expenses  | (926)                                | (1,223)                              |
| <b>Operating earnings</b>  | <b>52,193</b>                        | <b>31,103</b>                        |
| Weighted average number of stapled securities                                  | 373,083                              | 240,384                              |
| Operating earnings per stapled security (cents)                                | 13.99                                | 12.94                                |

#### Services income

Services income principally includes non-lease income derived under lease agreements with tenants. Non-lease income relates to the proportion of property operating costs which are recoverable from tenants in accordance with lease agreements and relevant legislative acts.

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

|                                   | 6 months to<br>31 Dec 2019<br>\$'000 | 6 months to<br>31 Dec 2018<br>\$'000 |
|-----------------------------------|--------------------------------------|--------------------------------------|
| Net property income               | 74,862                               | 48,094                               |
| Interest income                   | 206                                  | 144                                  |
| Fund management fees              | (5,702)                              | (3,348)                              |
| Finance costs                     | (16,177)                             | (12,515)                             |
| Administration and other expenses | (996)                                | (1,272)                              |
| <b>Operating earnings</b>         | <b>52,193</b>                        | <b>31,103</b>                        |

## A. REIT performance (continued)

The reconciliation between operating earnings to statutory profit is set out below:

|   | 6 months to<br>31 Dec 2019<br>\$'000 | 6 months to<br>31 Dec 2018<br>\$'000 |
|---|--------------------------------------|--------------------------------------|
| <b>Operating earnings</b>   | <b>52,193</b>                        | 31,103                               |
| Net fair value gain on investment properties <sup>1</sup>                               | <b>36,554</b>                        | 12,489                               |
| Net gains/(losses) on derivative financial instruments <sup>1</sup>                     | <b>4,695</b>                         | (2,849)                              |
| Net fair value gains on financial asset   | <b>35</b>                            | 84                                   |
| Straightlining of rental income, amortisation of lease fees and incentives <sup>1</sup> | <b>5,331</b>                         | 2,364                                |
| Acquisition related costs   | <b>(17,241)</b>                      | (15,729)                             |
| Income support and development rebate   | <b>(1,029)</b>                       | (1,189)                              |
| <b>Statutory profit for the half year</b>   | <b>80,538</b>                        | 26,273                               |

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

## A2. Distributions and earnings per security

### (a) Distributions paid and payable

|  | 31 Dec 2019                      |                                 | 31 Dec 2018   |
|--|----------------------------------|---------------------------------|---|
|  | Number of<br>securities on issue | Cents<br>per security<br>\$'000 | Number of<br>securities on issue<br>Cents<br>per security<br>\$'000 |
| <b>Ordinary securityholders of DIF</b> |                                  |                                 |   |
| 30 September                           | 376,622,409                      | <b>7.00</b>                     | 232,300,142   |
| 31 December*                           | 421,606,411                      | <b>7.00</b>                     | 280,706,919   |
| <b>Total distributions</b>             |                                  | <b>14.00</b>                    | 12.90   |
|  |                                  | <b>55,876</b>                   | 33,113  |

\* Stapled securities issued under the December 2019 Equity Raising are not entitled to distributions for the quarter ended 31 December 2019. The distribution for the quarter ended 31 December 2018 includes \$2.0 million paid on stapled securities issued at cum-price under the December 2018 Entitlement Offer.

No distributions were paid or declared during the period by LWR Finance Trust.

Pursuant to the REIT's constitutions, the amount distributed to securityholders is at the discretion of the Responsible Entity. The Responsible Entity uses operating earnings as a guide to assessing an appropriate distribution to declare.

### Earnings per stapled security

|   | Charter Hall<br>Long WALE REIT |                            | LWR<br>Finance Trust       |
|---|--------------------------------|----------------------------|----------------------------|
|   | 6 months to<br>31 Dec 2019     | 6 months to<br>31 Dec 2018 | 6 months to<br>31 Dec 2019 |
| <b>Basic and diluted earnings</b>   |                                |                            |                            |
| Earnings/(loss) per stapled security (cents)  | <b>21.59</b>                   | 10.94                      | <b>0.41</b>                |
| Operating earnings of the REIT per stapled security (cents)   | <b>13.99</b>                   | 12.94                      | <b>N/A</b>                 |
| Earnings of the parent entity (cents) <sup>^</sup>  | <b>21.18</b>                   | 12.48                      | <b>-</b>                   |
| <b>Earnings used in the calculation of basic and diluted earnings per stapled security</b>                                      |                                |                            |                            |
| Net profit/(loss) for the period (\$'000)   | <b>80,538</b>                  | 26,273                     | <b>1,528</b>               |
| Net profit/(loss) of the parent entity for the period (\$'000)  | <b>79,010</b>                  | 27,678                     | <b>(41)</b>                |
| Operating earnings of the REIT for the period (\$'000)  | <b>52,193</b>                  | 31,103                     | <b>N/A</b>                 |
| Weighted average number of stapled securities used in the calculation of basic and diluted earnings per stapled security ('000) | <b>373,083</b>                 | 240,384                    | <b>373,083</b>             |
|   |                                |                            | 240,384                    |

<sup>^</sup> Takes into account conversion of each security issued by DIF into approximately 0.75 securities on 22 August 2018.

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

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 period.

## B. Property portfolio assets

The REIT's property portfolio assets comprise directly held investment properties, indirectly held interests in investment property held through joint ventures, associates and investments in financial assets at fair value. Investment properties comprise investment interests in land and buildings held for long term rental yields.

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

|   | Note | 31 Dec 2019<br>\$'000 | 30 Jun 2019<br>\$'000 |
|---|------|-----------------------|-----------------------|
| Investment properties                             | B1   | 1,703,687             | 1,328,445             |
| Investments accounted for using the equity method | B2   | 1,026,358             | 551,051               |
| Investment in financial asset at fair value       | B3   | 6,197                 | 6,851                 |
| <b>Total property portfolio assets</b>            |      | <b>2,736,242</b>      | <b>1,886,347</b>      |

The valuation policies stated in B1 also apply to property held in joint operations (B1) and joint ventures and associates (B2).

### B1. Investment properties

#### Reconciliation of the carrying amount of investment properties at the beginning and end of the period

|  | Notes | 6 months to<br>31 Dec 2019<br>\$'000 | Year to<br>30 Jun 2019<br>\$'000 |
|--|-------|--------------------------------------|----------------------------------|
| Carrying amount at the beginning of the period   |       | 1,328,445                            | 855,564                          |
| Additions  |       | 326,554                              | 565,299                          |
| Acquisition and disposal costs incurred  |       | 22,870                               | 22,512                           |
| Disposals  |       | -                                    | (135,000)                        |
| Revaluation increment  |       | 48,688                               | 42,582                           |
| Revaluation decrement attributable to acquisition costs, straightlining of rental income and amortisation of incentives and leasing fees |       | (27,399)                             | (27,803)                         |
| Straightlining of rental income and amortisation of incentives and leasing fees  |       | 4,529                                | 5,291                            |
| <b>Carrying amount at the end of the period</b>  |       | <b>1,703,687</b>                     | <b>1,328,445</b>                 |

## B. Property portfolio assets (continued)

### B2. Investments accounted for using the equity method

The REIT accounts for investments in joint venture entities and associates using the equity method. 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. An associate is an entity over which the REIT has significant influence. The principal activity of all joint venture entities and associates during the period was property investment.

Management regularly reviews equity accounted investments for impairment by reference to changes in circumstances or contractual arrangements, external independent property valuations and market conditions, using generally accepted market practices. When a recoverable amount is estimated through a value in use calculation, critical judgements and estimates are made regarding future cash flows and an appropriate discount rate.

Information relating to the investments accounted for using the equity method is detailed below:

| Name of entity                         | Properties                                    | 31 Dec 2019 | 30 Jun 2019 | 31 Dec 2019 | 30 Jun 2019 |
|--|---|-------------|-------------|-------------|-------------|
|  |   | Ownership % | Ownership % | \$'000      | \$'000      |
| Perth RDC Trust                        | Coles, Perth WA                               | 49.9%       | 49.9%       | 141,645     | 124,199     |
| LWIP                                   | ALH (National Portfolio)                      | 49.9%       | 49.9%       | 245,734     | 233,456     |
| CH DC Fund                             | Woolworths, Dandenong VIC                     | 26.0%       | 26.0%       | 63,687      | 61,742      |
| Kogarah Trust                          | Westpac, Kogarah NSW                          | 50.1%       | 50.1%       | 111,809     | 105,804     |
| CH BBD Trust                           | Brisbane Bus Depot, Brisbane QLD              | 50.0%       | 50.0%       | 26,552      | 25,850      |
| Charter Hall Exchange Wholesale Trust* | 49% in Telstra Portfolio (National Portfolio) | 50.0%       | -           | 167,158     | -           |
| CH 242 Exhibition Street Holding Trust | 242 Exhibition Street, Melbourne VIC          | 15.0%       | -           | 61,445      | -           |
| CH Dartmoor Wholesale Fund*            | 49% in BP Portfolio (National Portfolio)      | 50.0%       | -           | 208,328     | -           |
|  |   |             |             | 1,026,358   | 551,051     |

\* Investment in associate.

### B3. Investments in financial assets at fair value

|   | 6 months to<br>31 Dec 2019 | Year to<br>30 Jun 2019 |
|---|----------------------------|------------------------|
|   | \$'000                     | \$'000                 |
| Balance at the beginning of the period  | 6,851                      | 15,661                 |
| Withdrawals                             | (689)                      | (1,244)                |
| Disposals                               | -                          | (7,711)                |
| Net fair value gains on financial asset | 35                         | 145                    |
| <b>Balance at the end of the period</b> | <b>6,197</b>               | <b>6,851</b>           |

In determining fair values of investments in financial assets at fair value, management has considered the nature, characteristics and risks of its investments in financial assets at fair value as well as the level of the fair value hierarchy. The fair value of the financial asset is the REIT's share of the fair value of the escrow account purchased in the acquisition of the property at ATO, Adelaide SA.

### B4. Commitments and contingent liabilities

As at 31 December 2019, the REIT had a commitment of \$26.3 million to fund the development at Bunnings Palmerston, Darwin NT with expected practical completion in late 2020 and a further \$3.7 million of other capital commitments (31 December 2018: \$16.0 million of capital commitments).

In addition, the REIT entered into a Put and Call option agreement to complete the acquisition of a property under development at The Glasshouse 45-61 Waterloo Road, Macquarie Park NSW for \$165.7 million. The Put and Call option agreement expires upon practical completion which is expected in March 2020.

The REIT's share in the commitments and contingent liabilities of joint venture and associate entities is \$7.9 million (31 December 2018: nil).

The Finance Trust had no commitments or contingent liabilities at 31 December 2019 (31 December 2018: nil).



## C. Capital structure

### C1. Borrowings and liquidity

#### (a) Borrowings

All borrowings are classified as non-current liabilities as they have maturities greater than 12 months.

|                               | 31 Dec 2019           |            | 30 Jun 2019           |            |
|-------------------------------|-----------------------|------------|-----------------------|------------|
|                               | Total carrying amount | Fair value | Total carrying amount | Fair value |
|                               | \$'000                | \$'000     | \$'000                | \$'000     |
| Bank loan - term debt         | 566,700               | 567,378    | 527,800               | 530,860    |
| Unamortised borrowing cost    | (2,871)               | -          | (2,783)               | -          |
| Total                         | 563,829               | 567,378    | 525,017               | 530,860    |
| Balance available for drawing | 213,300               |            | 152,200               |            |

#### Bank loans

|                          | Maturity Date | Facility limit at 31 Dec 2019 | Utilised amount at 31 Dec 2019 | Facility limit at 30 Jun 2019 | Utilised amount at 30 Jun 2019 |
|--------------------------|---------------|-------------------------------|--------------------------------|-------------------------------|--------------------------------|
|                          |               | \$'000                        | \$'000                         | \$'000                        | \$'000                         |
| Syndicated bank facility | February 2023 | 480,000                       | 466,700                        | 480,000                       | 475,200                        |
| Bilateral facility       | August 2023   | 100,000                       | -                              | 100,000                       | 25,100                         |
| Bilateral facility       | July 2024     | 100,000                       | -                              | 100,000                       | 27,500                         |
| Bilateral facility       | November 2024 | 100,000                       | 100,000                        | -                             | -                              |
|                          |               | 780,000                       | 566,700                        | 680,000                       | 527,800                        |

#### Intra-Group Facility Agreement

|                                     | 31 Dec 2019 | 30 Jun 2019 |
|-------------------------------------|-------------|-------------|
|                                     | \$'000      | \$'000      |
| <b>Loans receivable under IGFA</b>  |             |             |
| Charter Hall Direct Industrial Fund | 555,470     | 526,446     |
|                                     | 555,470     | 526,446     |

On 10 November 2016, Finance Trust entered an Intra-Group Facility Agreement (IGFA) with the other Stapled Trusts. This agreement expires in November 2021. On 28 December 2018, the Intra-Group Facility Agreement (IGFA) was amended to reflect the REIT's new simplified structure and the acquisition of the Ingham's portfolio on 28 December 2018 held by LWR AL Holding Trust, a subsidiary of DIF.

Interest rates under the IGFA are variable and reset periodically. As at 31 December 2019, the interest rate under the IGFA was 4.50% (30 June 2019: 4.50%) per annum.

#### Borrowing in Joint Ventures and Associates

As at balance date, LWIP has a \$170.0 million syndicated debt facility and \$200.0 million US Private Placement (USPP) notes. The syndicated debt facility matures in December 2023 and USPP notes mature in May 2027.

As part of the BCC Bus Network Terminal, Eagle Farm, Brisbane, QLD transaction, a debt facility was established at the joint venture level with a total facility limit of \$51.3 million (CLW share \$25.6 million) and a 5 year term maturing in May 2024.

Charter Hall Exchange Wholesale Trust has a \$385.0 million (CLW share \$192.5 million) debt facility with a 3 year term maturing in September 2022, with an option to extend by additional 2 years.

CH 242 Exhibition Street Holding Trust has a \$466.5 million (CLW share \$70.0 million) syndicated debt facility with a 5 year term maturing in August 2024.

CH Dartmoor Wholesale Fund has a \$450.0 million (CLW share \$225.0 million) syndicated debt facility with a 5 year term maturing in December 2024.

## C. Capital structure (continued)

### (b) Finance costs

|   | Charter Hall<br>Long WALE REIT |                            | LWR<br>Finance Trust       |                            |
|---|--------------------------------|----------------------------|----------------------------|----------------------------|
|   | 6 months to<br>31 Dec 2019     | 6 months to<br>31 Dec 2018 | 6 months to<br>31 Dec 2019 | 6 months to<br>31 Dec 2018 |
|   | \$'000                         | \$'000                     | \$'000                     | \$'000                     |
| <b>Finance costs incurred on financial instruments:</b> |                                |                            |                            |                            |
| - At amortised cost                                     | 8,500                          | 8,383                      | 8,483                      | 9,365                      |
| - At amortised cost - related party*                    | -                              | -                          | -                          | 1,449                      |
| - Fair value through profit and loss                    | 1,332                          | 258                        | 1,332                      | 258                        |
|   | <b>9,832</b>                   | <b>8,641</b>               | <b>9,815</b>               | <b>11,072</b>              |

\* Relates to costs incurred under IGFA.

### C2. Derivative financial instruments

Amounts reflected in the financial statements are as follows:

| Balance Sheet                                      | 31 Dec 2019     |                     | 30 Jun 2019     |                     |
|--|-----------------|---------------------|-----------------|---------------------|
|  | Asset<br>\$'000 | Liability<br>\$'000 | Asset<br>\$'000 | Liability<br>\$'000 |
| <b>Current</b>                                     |                 |                     |                 |                     |
| Interest rate swaps                                | -               | 18                  | -               | 8,126               |
| Total current derivative financial instruments     | -               | 18                  | -               | 8,126               |
| <b>Non-current</b>                                 |                 |                     |                 |                     |
| Interest rate swaps                                | -               | 10,677              | -               | 13,365              |
| Total non-current derivative financial instruments | -               | 10,677              | -               | 13,365              |
| Total derivative financial assets/liabilities      | -               | 10,695              | -               | 21,491              |

### (a) 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.

## C. Capital structure (continued)

### C3. Contributed equity

| Details   | No. of Securities  | Charter Hall<br>Long WALE REIT |                        | LWR<br>Finance Trust       |                        |
|---|--------------------|--------------------------------|------------------------|----------------------------|------------------------|
|   |                    | 6 months to<br>31 Dec 2019     | Year to<br>30 Jun 2019 | 6 months to<br>31 Dec 2019 | Year to<br>30 Jun 2019 |
|   |                    | \$'000                         | \$'000                 | \$'000                     | \$'000                 |
| Securities on issue - 1 July 2018   | 232,300,142        |                                | 661,453                |                            | 1,952                  |
| Securities issued to fund acquisition of FSPT                                   | 75,618,617         |                                | 232,409                | -                          | -                      |
| Change in number of securities after  | (75,618,617)       |                                | -                      | -                          | -                      |
| Securities issued via equity raise, net of issue costs                          | 88,491,166         |                                | 377,542                | -                          | -                      |
| Securities issued via DRP   | 2,195,112          |                                | 9,490                  | -                          | -                      |
| Securities on issue - 30 June 2019  | 322,986,420        | <b>1,280,894</b>               | 1,280,894              | <b>1,952</b>               | 1,952                  |
| Securities issued via equity raise, net of issue costs                          | 156,017,380        | <b>815,970</b>                 |                        | -                          |                        |
| Securities issued via DRP   | 2,176,874          | <b>11,778</b>                  |                        | -                          |                        |
| Securities on issue - 31 December 2019  | 481,180,674        | <b>2,108,642</b>               |                        | <b>1,952</b>               |                        |
| <b>Balance at the end of the period attributable to the securityholders of:</b> |                    |                                |                        |                            |                        |
| DIF   | <b>481,180,674</b> | <b>2,108,642</b>               | 1,278,942              | -                          | -                      |
| Finance Trust   | <b>481,180,674</b> | <b>1,952</b>                   | 1,952                  | <b>1,952</b>               | 1,952                  |

As stipulated in the REIT's constitutions, each security 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 securities 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 securityholders may elect to have all or part of their distribution entitlements satisfied by the issues of new 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 \$5.8 million from the DRP for 30 September 2019 allotted on 14 November 2019. An additional \$4.6 million is expected to be raised from the DRP for the 31 December 2019 distribution to be allotted on 14 February 2020.

#### Equity raising

During August and September 2019, the REIT raised \$260.6 million of equity, issuing 50.1 million stapled securities at \$5.20 per stapled security to both institutional and retail investors. The proceeds were used to fund the acquisition of an effective 24.5% interest in a national portfolio of 36 Telco Exchange Properties ("Telstra Portfolio") and a 100% interest in an A-grade office building in Upper Mount Gravatt, Brisbane QLD as well as associated transaction and capital raising costs.

In November 2019, the REIT raised \$241.9 million of equity, issuing 44.0 million stapled securities at \$5.50 per stapled security to both institutional and retail investors. The proceeds were used to fund the acquisition of a 15% interest in the Global Headquarters of Telstra Corporation Limited at 242 Exhibition Street, Melbourne, a 50% interest in The Glasshouse 45-61 Waterloo Road, Macquarie Park NSW and a 100% interest in Bunnings Palmerston, Darwin NT.

In December 2019, the REIT raised \$318.7 million of equity, issuing 59.6 million stapled securities at \$5.35 per stapled security to institutional investors. The proceeds were used to fund the acquisition of an effective 24.5% interest in a national portfolio of 225 long WALE convenience retail properties leased to BP Australia Pty Ltd ("BP Portfolio") and a 50% interest in a property in Huntingwood, Sydney leased to Arnott's Biscuits Pty Ltd.

## D. Further Information

### D1. Events occurring after balance date

In January 2020, the REIT raised \$31.7 million of equity, issuing 5.9 million stapled securities at \$5.35 per stapled security to retail investors.

The Directors of the Responsible Entity are not aware of any other matter or circumstance not otherwise dealt with in this report or the annual consolidated financial statements that has significantly affected or may significantly affect the operations of the REIT or Finance Trust, the results of their operations or the state of affairs of the REIT or Finance Trust in future financial years.

### D2. Other significant accounting policies

#### (a) Basis of preparation

The interim financial report of the Charter Hall Long WALE REIT comprises Charter Hall Direct Industrial Fund, LWR Finance Trust and their respective controlled entities.

These general purpose consolidated financial statements for the half year ended 31 December 2019 have been prepared in accordance with the REIT's and Finance Trust's constitutions, Australian Accounting Standard AASB 134 *Interim Financial Reporting* 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.

The interim financial report does not include all notes normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the Charter Hall Long WALE REIT during the half year ended 31 December 2019 in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

#### (b) Net asset deficiency in Finance Trust

At 31 December 2019, the Finance Trust has a net deficiency of total assets over total liabilities of \$18.0 million (30 June 2019: \$19.5 million). The Finance Trust will be able to meet their day-to-day working capital requirements from readily accessible credit facilities of \$213.3 million and operating cashflows.

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

#### (c) Comparative information

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

#### (d) 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 REIT's and Finance Trust's consolidated financial statements have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

#### (e) Impact of new standards and interpretations issued and adopted by the REIT and Finance Trust

The REIT and Finance Trust adopted AASB 16 *Leases* from 1 July 2019. The REIT and Finance Trust have elected to utilise the retrospective transitional concessions. There is no material impact on the REIT's or Finance Trust's financial statements upon adopting the new standard.

## 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 and LWR Finance Trust:

- a the consolidated financial statements and notes set out on pages 9 to 22 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 and LWR Finance Trust's financial position as at 31 December 2019 and of its performance for the half year ended on that date; and
- b there are reasonable grounds to believe that the REIT and LWR Finance Trust will be able to pay their debts as and when they become due and payable.

Note D3(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, 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 AM

Director

Sydney

10 February 2020





## **Independent auditor's review report to the stapled securityholders of Charter Hall Long WALE REIT and LWR Finance Trust**

### ***Report on the half-year financial reports***

We have reviewed the accompanying half-year financial reports of Charter Hall Long WALE REIT and LWR Finance Trust, which comprise the consolidated balance sheets as at 31 December 2019, the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated cash flow statements for the half-year ended on that date, selected other explanatory notes and the directors' declaration to stapled securityholders.

The Charter Hall Long WALE REIT (the REIT) comprises Charter Hall Direct Industrial Fund and the entities it controlled during the period (DIF) and LWR Finance Trust and its controlled entity (Finance Trust).

### ***Directors of the Responsible Entity's responsibility for the half-year financial reports***

The directors of the Responsible Entity of the Charter Hall Long WALE REIT and LWR Finance Trust are responsible for the preparation of the half-year financial reports that give a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors of the Responsible Entity determine is necessary to enable the preparation of the half-year financial reports that give a true and fair view and are free from material misstatement whether due to fraud or error.

### ***Auditor's responsibility***

Our responsibility is to express a conclusion on the half-year financial reports based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial reports are not in accordance with the *Corporations Act 2001* including giving a true and fair view of the REIT's and Finance Trust's financial position as at 31 December 2019 and their performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Charter Hall Long WALE REIT and the LWR Finance Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial reports.

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

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### *Independence*

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

### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial reports of Charter Hall Long WALE REIT and LWR Finance Trust are not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of Charter Hall Long WALE REIT's and LWR Finance Trust's financial position as at 31 December 2019 and of their performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

*J A Dunning*

J A Dunning  
Partner

Sydney  
10 February 2020