Charter Hall Long WALE REIT

Annual Report 2020

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To view our Corporate Governance Statement, go to **charterhall.com.au/about-us/corporate-governance**

Charter Hall Long WALE REIT (CLW or the REIT) invests in and manages a high quality and diversified real estate portfolio predominantly leased to corporate and government tenants on long term leases.

Charter Hall Long WALE REIT is managed by Charter Hall Group (ASX:CHC). With over 29 years' experience in property investment and funds management, it's one of Australia's leading fully integrated property groups. Charter Hall uses its property expertise to access, deploy, manage and invest equity across the core sectors of office, industrial & logistics, retail and social infrastructure.

Cover image: 242 Exhibition Street, Melbourne VIC
Above: Arnott's Huntingwood, Sydney NSW

Strategy

The REIT's objective is to provide investors with stable and secure income, and the potential for both income and capital growth. We achieve this through our exposure to a long weighted average lease expiry (WALE) portfolio of properties. The REIT is actively managed to grow the portfolio through investments across multiple real estate sectors.

Number of properties
386
↑ 268 from FY19

Portfolio valuation
$3.6bn
↑ 70% from 30 June 2019

Occupancy
99.8%

Weighted Average Capitalisation Rate (WACR)
5.42%
↓ from 5.95% in FY19

Weighted Average Lease Expiry (WALE)
14.0 yrs
↑ from 12.5 years in FY19

Portfolio exposure to triple net leases (NNN)
46%

Note: Unless otherwise stated, metrics on this page and throughout the report are as at 30 June 2020, pro forma adjusted for the committed acquisition of Bunnings Palmerston announced on 4 November 2019.

bp Forestville
NSW

FY20 performance highlights

- Increased portfolio WALE
- Enhanced portfolio diversification
- Increased exposure to resilient, high quality tenants
- Earnings accretive investments
- Secure income for securityholders

Financial Performance

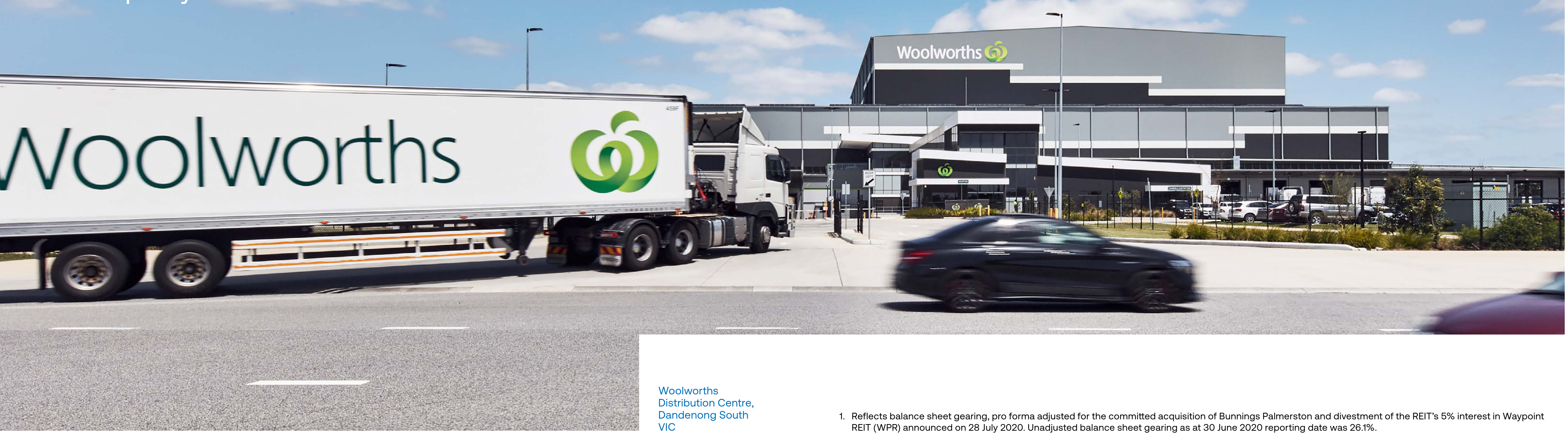
Operating earnings per share	Distributions per share	NTA per security
28.3c	28.3c	$4.47
↑ 5.2% from FY19	↑ 5.2% from FY19	↑ 9.3% from $4.09 as at 30 June 2019

Portfolio Performance

WALE	Valuation uplift
14.0 yrs	$96m
↑ from 12.5 years as at 30 June 2019	↑ 2.7% during FY20

Capital Management

New investments	Gearing[1]
$1.4bn	24.2%
↑ portfolio valuation to $3.6 billion	below target range of 25% - 35%



Woolworths Distribution Centre, Dandenong South VIC

1. Reflects balance sheet gearing, pro forma adjusted for the committed acquisition of Bunnings Palmerston and divestment of the REIT's 5% interest in Waypoint REIT (WPR) announced on 28 July 2020. Unadjusted balance sheet gearing as at 30 June 2020 reporting date was 26.1%.

> Charter Hall Long WALE REIT has had another year of strong operating performance, delivering stable and secure income and achieving both income and capital growth.
>
> **Avi Anger**
> Fund Manager

Left: Peeyush Gupta AM
Right: Avi Anger

Chair and Fund Manager's letter

Dear Securityholder

Charter Hall Long WALE REIT (CLW or the REIT) has had another year of strong operating performance. In FY20, we have delivered stable and secure income and achieved both income and capital growth. CLW reported operating earnings of 28.3 cents per security for FY20, up 5.2% from FY19 and distributions per security for FY20 of 28.3 cents, also up 5.2% on FY19, representing a 100% payout ratio.

It is important to note that this result was delivered against the backdrop of COVID-19 and the dislocation this has caused to the economy and the property sector in particular. CLW was one of very few A-REITs or stocks listed on the ASX to maintain guidance throughout the FY20 period. The deliberate focus on high quality tenants with the vast majority operating in non-discretionary industries, combined with the resilience of long leases to these tenants, has resulted in CLW delivering certainty and growth in earnings which few other A-REITs were able to.

Active management by the Charter Hall Group has enabled the REIT to continue to grow. This year, the REIT invested a further $1.4 billion across office, industrial & logistics, long WALE single tenant retail and telephone exchange properties. We also successfully raised $875 million of equity whilst maintaining balance sheet gearing at the lower end of our target gearing range.

Our commitment to value and WALE enhancing transactions for our securityholders has been demonstrated by the significant transactions completed during the period. As a result of WALE enhancing transactions and lease extensions with existing tenants, the WALE of the REIT has been extended to 14 years at year end, up from 12.5 years at 30 June 2019.

As a result of active management and selective acquisitions, we were able to upgrade our earnings guidance twice during the year. In addition to earnings growth of 5.2%, the focus on secure properties to high quality tenants also saw the Net Tangible Assets of the REIT rise from $4.09 as at 30 June 2019 to $4.47 at the 30 June 2020.

Active portfolio management approach increases WALE

> As a result of our active management of the portfolio, we have been able to extend the portfolio WALE, improve the tenancy profile, increase diversification and deliver earnings growth.

We continue to diversify our portfolio by tenant, industry, geography and property type and this, in turn, contributes to the stability of our cash flows and the defensiveness of the portfolio. At year end, the vast majority of our properties were leased to tenants operating in defensive, non-discretionary sectors. We have also strengthened the quality and diversity of our portfolio, welcoming new tenants such as BP Australia and Arnott's, while increasing our exposure to existing tenants including Telstra, the Australian Tax Office, Bunnings and Suez. Our rental revenue is now well diversified across sectors, with our largest weightings being to industrial & logistics (29%) and long WALE retail (27%) at year end.

Strategic long WALE acquisitions

Diversified, value-creating and accretive acquisitions are an important part of our strategy to grow and enhance CLW's portfolio. The REIT was very active in FY20 with acquisitions of $1.4 billion.

The new property acquisitions were spread across industrial & logistics, long WALE single tenant retail, telco exchanges and office and increased our exposure to strong listed companies and government tenants. Importantly, a number of these acquisitions were secured off-market, demonstrating the strength and benefits of being part of the Charter Hall platform. Pleasingly, a number have triple net leases, where the tenant bears all the outgoings and other costs of maintenance and capital expenditure associated with the properties, thereby enabling the REIT to avoid such expenditure.

At the start of the financial year, CLW acquired a 50% interest in a Charter Hall managed partnership that acquired a 49% interest in a portfolio of 36 key telecommunication exchange properties leased to Telstra on triple net leases with a 21 year WALE at acquisition. This portfolio introduced further diversification by way of the new subsector of telecommunications for the REIT. Moreover, the quality of the portfolio was further enhanced by high underlying land values, an 86% weighting to the eastern seaboard and major exposure to core Sydney and Melbourne CBD markets.

During the year, the REIT acquired a 50% interest in a Charter Hall managed partnership that acquired a 49% interest in a portfolio of 225 long WALE convenience retail properties leased to BP Australia Pty Ltd on triple net leases with a 20 year WALE at acquisition. The portfolio consists of the majority of BP's owned convenience retail properties in Australia. The portfolio is geographically diversified across seven Australian states and territories with 80% by value located on the eastern seaboard and 87% in major metropolitan locations.

In the long WALE retail sector, the REIT also acquired a new large format Bunnings store in Palmerston, Darwin. The construction of this centre is expected to complete post balance date in August 2020 and is now the second Bunnings store in the CLW portfolio. In addition, CLW furthered its relationship with Endeavour Drinks with the acquisition of the Indooroopilly Hotel, Brisbane. ▸

In the industrial & logistics sector, CLW acquired a 50% interest in the Arnott's Biscuits facility in Huntingwood, Sydney. This property is Arnott's primary national manufacturing and distribution facility and features a triple net lease with an initial lease term of 32 years. The facility is critical to the production of leading brands including Shapes, Tim Tams and Jatz.

In the office sector, the CLW acquired a 50% interest in a newly completed office development 'The Glasshouse' at Macquarie Park. This new office building is predominantly leased to the NSW Government on a 12 year lease. CLW was also able to further extend its relationship with major tenant Telstra, with the acquisition of a 15% interest in Telstra's global headquarters at 242 Exhibition Street, Melbourne, as well as an A-grade office building in Upper Mount Gravatt, Brisbane, leased to the Australian Tax Office.

Finally, the REIT also furthered its partnership with waste management and recycling tenant Suez, acquiring a waste transfer facility in North Ryde, Sydney. The property was acquired from Suez on a sale and leaseback basis, with a new 20 year, triple net lease from settlement.

These new properties contribute to our long WALE, strong tenants and quality properties strategy and add further strength and diversification to the REIT's portfolio.

Strong tenant customer relationships

Partnering with our tenant customers is an integral part of the success of CLW. During the period we further deepened our relationships with a number of important tenants through acquiring additional properties leased to them and completing several lease extensions.

In December, we announced a 6.6 year lease extension at the Coles Distribution Centre, Perth, increasing the remaining lease term at that property to 15 years. Charter Hall actively engaged with Coles to agree a lease extension to help Coles achieve its portfolio and business objectives while providing CLW investors with stable, long term income.

Finally, as well as acquiring an additional Suez property through a sale and lease-back transaction, post balance date, CLW completed a 2,100sqm warehouse expansion at the existing CLW SUEZ leased property in Welshpool, Perth. Upon completion, the lease term of the new warehouse and the existing facility has been reset from 11.5 years to 15 years.

High quality diversified portfolio

The REIT has a diversified portfolio with a long dated lease expiry profile. Following the FY20 acquisitions, at year end the REIT has 386 properties valued at $3.63 billion with a WALE of 14.0 years.

During the year, the percentage of properties with triple net leases has increased from 40% to 46%. In addition, the proportion of CLW's portfolio weighted to the East Coast of Australia has increased from 66% to 73%, improving portfolio diversity. The tenant roster also continues to improve with approximately 99% of the REIT's portfolio leased to ASX listed, Government and multinational tenants.

Finally, the portfolio has occupancy of 99.8% with no major lease expiries until FY24.

Prudent capital management

The REIT's balance sheet remains sound, with balance sheet gearing of 24.2% at 30 June, below our target range of 25–35%. Look-through gearing was 37.8% at year end. Properties with relatively higher debt levels have long WALE leases to investment grade tenants operating in defensive sectors. Importantly, this debt is also non-recourse to the REIT.

We further diversified the REIT's debt platform by establishing a total of $800 million of new balance sheet and joint venture debt facilities. These were with major Australian and international banks, further diversifying the REIT's lender pool.

Together these activities have resulted in a weighted average cost of debt of 3.1% for FY20 and a weighted average debt maturity of 3.9 year as at 30 June 2020.

The REIT was also active in managing the interest rate swap profile to minimise interest rate volatility, reflect the new additional debt in the REIT and take advantage of the historically low interest rate environment. As a result, 72% of our debt is hedged with a weighted average hedge maturity of 4.4 years. This hedging has the result of protecting earnings and distributions from interest rate movements within this time period.

Sustainability

Sustainability remains a critical part of enhancing our portfolio quality and is central to Charter Hall's approach to property management. Across our platform, we continue to explore opportunities to introduce sustainability initiatives that will deliver long-term outcomes that are positive to our securityholders, tenants and the communities in which our properties are located.

Across our portfolio, we have developed climate change adaption plans for our industrial properties in NSW, Victoria, South Australia and Tasmania. We've also been active in working with our tenants to install solar panels in some of our properties and now have 1.4MW of solar installed across our office and industrial portfolios. This has the potential to generate 1,854 MWh of energy, equivalent to powering 124 homes over a twelve month period.

The CLW Portfolio was awarded an A rating in public disclosure by GRESB, a leading organisation for assessing Environment, Social and Governance performance for real estate and infrastructure companies globally. CLW was also ranked 3rd in the NABERS Office Energy Sustainable Portfolios Index. CLW's office portfolio has been awarded a 4 Star Green Star Performance rating and CLW's industrial portfolio has been awarded a 2 Star Green Star Performance rating.

Outlook

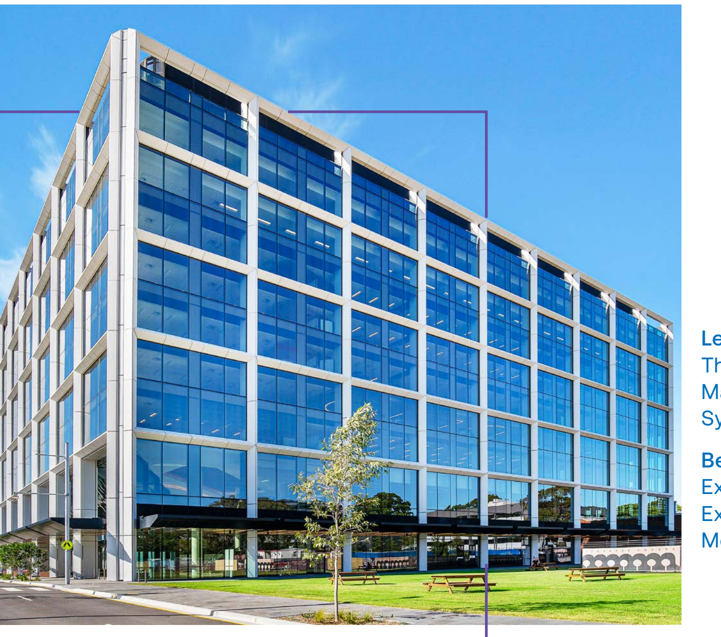
Based on information currently available (including with respect to the COVID-19 pandemic) and barring any unforeseen events, guidance for FY21 Operating EPS is no less than 29.1 cents per security, reflecting Operating EPS growth over FY20 of no less than 2.8%. The REIT maintains a target distribution payout ratio of 100% of operating earnings.

The REIT remains somewhat unique in the listed property sector, offering a broadly diversified portfolio across multiple property types, strong tenants and with the security of long leases. The REIT's financial results has demonstrated the benefits of these attributes in such uncertain times.

On behalf of the Board and Management Team, I would like to thank our Securityholders for their ongoing support. We understand that performance is important. As we continue to manage and grow the portfolio, we will endeavour to provide you with stable and secure income, and target income and capital growth over the long term.

Peeyush Gupta AM
Chair

Avi Anger
Fund Manager



Left:
The Glasshouse, Macquarie Park, Sydney NSW

Below:
Exhibition Street Exchange, Melbourne VIC

Portfolio performance[1]

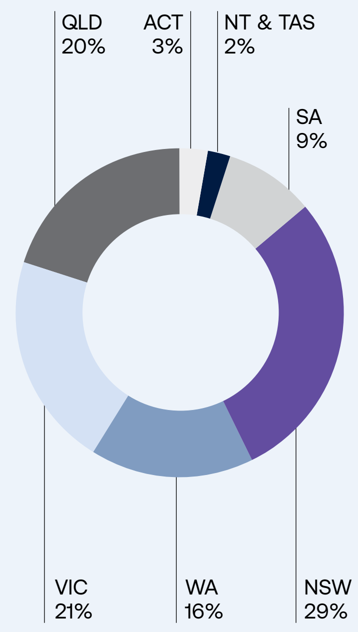
Portfolio summary

Number of properties	386
Property valuation (A$m)	3,630
Weighted Average Capitalisation Rate (WACR)	5.42%
Occupancy	99.8%
Weighted Average Lease Expiry (WALE)	14.0 years
Portfolio review type weighting: CPI-linked review / Fixed review	44% / 56%
Weighted Average Rental Review (WARR)	2.2%

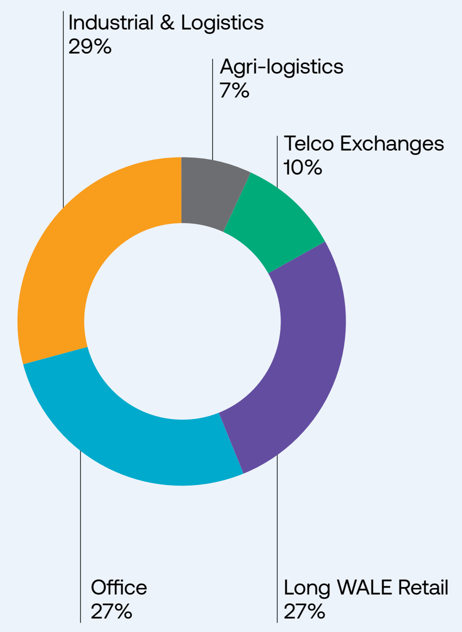
Tenant diversification[2]

Australian Government, NSW Government, Queensland Government, Government of South Australia	17%	Arnott's	4%
Telstra	14%	Westpac	3%
Woolworths, Endeavour Drinks	14%	Virgin australia	3%
bp	11%	suez	2%
Ingham's	8%	Bunnings warehouse	2%
colesgroup	6%	Linfox	2%
Metcash	6%	Electrolux	1%

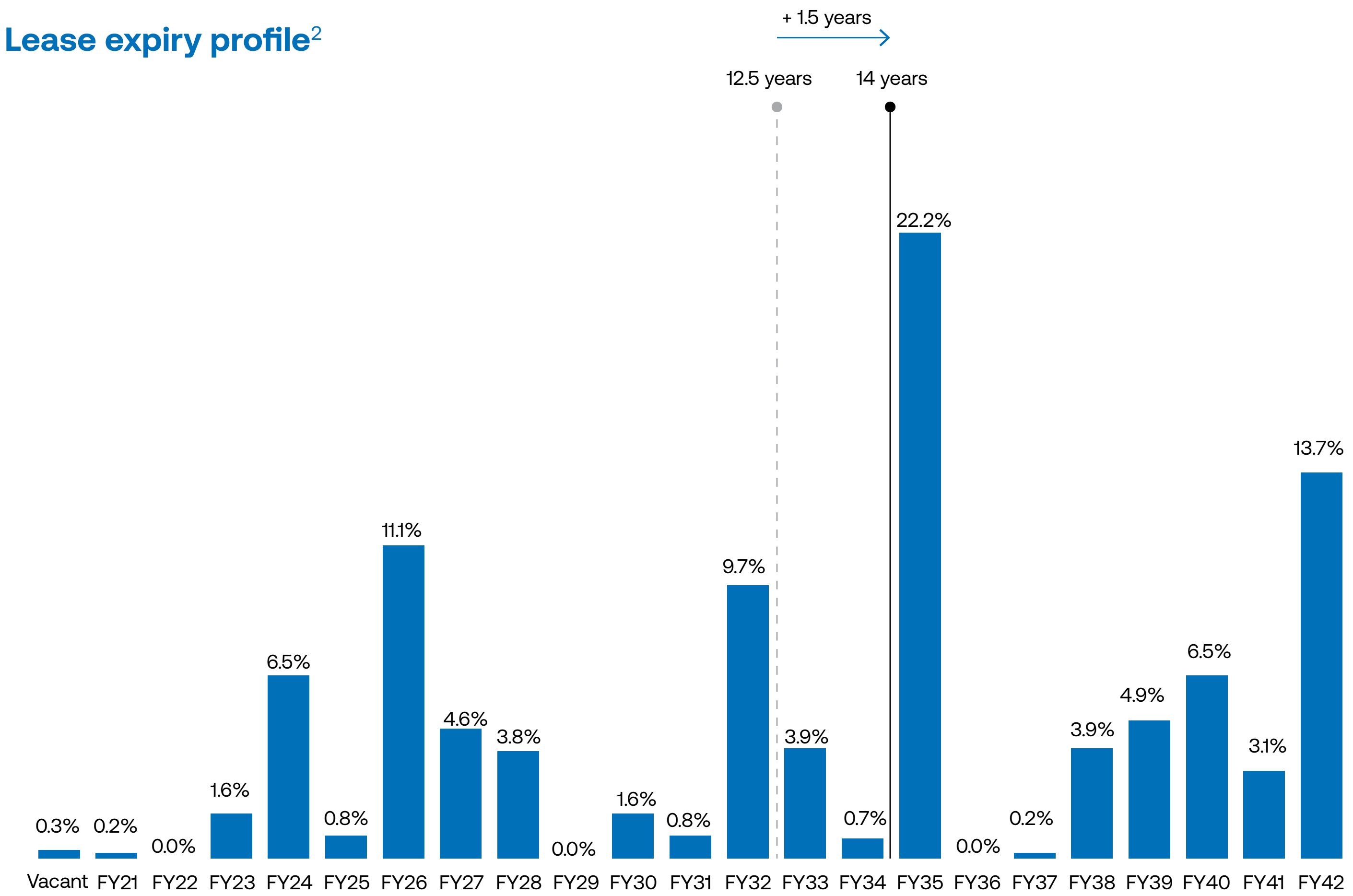
Geographic diversification[3]



Real estate sector diversification[3]



Lease expiry profile[2]



1. Metrics include on-completion valuation and lease term for Bunnings Palmerston.
2. Weighted by net passing income as at 30 June 2020 (REIT ownership interest).
3. Weighted by external valuation as at 30 June 2020 (REIT ownership interest).

Sustainability

Woolworths Distribution Centre, Dandenong South VIC

FY20 has been a year of global challenges from climate-related impacts of droughts, bushfires and floods, to socio-economic impacts of a global pandemic. We remain committed to our sustainable framework and continue to engage regularly with stakeholders to maintain our operations and commitments.

Charter Hall Long WALE REIT aligns its policies and targets to those of the Charter Hall Group, for those properties within the fund's operational control. The Charter Hall Long WALE REIT delegates management of the properties to the Charter Hall Group and supports our sustainability and governance initiatives.

Environment: Climate resilience

13 CLIMATE ACTION

	FY20 Achievements	FY25 Targets	FY30 Targets
Carbon	Alignment with the TCFD Framework and development of Charter Hall's climate resilience strategy, with adoption of climate scenarios including low carbon economy scenario (RCP2.6) to inform net zero pathway to carbon reduction. Modelling Scope 1 and 2 net zero pathway, undertaken for office and industrial & logistics sector.[1]	Carbon neutral road map for operating assets. Work with tenant customers to understand Scope 3 footprint and approach.	100% reduction in Scope 1 and 2 emissions. Implement tenant reduction pathway.
Energy	1.4MW of solar installed across CLW industrial & logistics and office portfolios, in partnership with our tenant customers. When operating at capacity has potential to generate 1.8GWh of energy, equivalent to powering 124 homes. **Office asset — NABERS Energy rating** 12-26 Franklin Street, Adelaide SA — 5.5 Optima A 16 Parkland Road, Osborne Park WA — 4.0 Optima B 133 Hassler Road, Osborne Park WA — 5.5 28 MacGregor Street, Upper Mt Gravatt QLD — 5 7 Murray Rose Avenue, Sydney Olympic Park NSW — 5 **Sustainable portfolios** CLW awarded: – A-rating in GRESB Public Disclosure – 3rd in NABERS Office Energy Sustainable Portfolios Index, with a 5.24 Star NABERS Energy weighted average rating – 4 Star Green Star Performance for CLW office portfolio and 2 Star Green Star Performance for CLW industrial & logistics portfolio	Renewable energy strategy.	Operational portfolio electricity powered by renewable energy.
Biodiversity	Pathway to net zero Scope 1 and 2 emissions identified need for carbon offsets. Development of carbon offset framework to align with social sustainability and community outcomes.	Carbon offset project strategy.	Operational and construction emissions offset through the carbon offset project.
Physical adaptation	Alignment with the TCFD Framework and development of Charter Hall's climate resilience strategy. Adoption of climate scenarios including business-as-usual scenario (RCP8.5) to inform climate adaptation and resilience strategy. Climate change adaptation plans prepared for industrial & logistics assets in NSW, SA, VIC and TAS. COVID-19 impacted achievement of national completion for industrial & logistics assets by FY20. Target has been extended to FY21. Managing our environmental risk through development and adoption of environmental management systems (EMS) for office and industrial & logistics sectors. Certification of Charter Hall sector based EMS will be undertaken in FY21.	All office and industrial & logistics assets have climate change adaptation plans. Development of a climate change mitigation approach for the portfolio.	Capital improvements in portfolio that align with climate change adaptation plans.
Waste	Working with our waste contractors, we reviewed our approach to waste due to international changes in the waste industry. Commenced investigations into a circular economy approach.	Circular economy strategy. 50% waste diversion in operational assets.	One waste stream in Australian circular economy. 75% waste diversion in operational assets.
Water	CLW office assets achieved a 4.6 Star NABERS Water weighted average rating, exceeding rating target of 4 Stars. **Office asset — NABERS Water rating** 12-26 Franklin Street, Adelaide SA — 4 Optima A 16 Parkland Road, Osborne Park WA — 2.5 Optima B 133 Hassler Road, Osborne Park WA — 3.5 28 MacGregor Street, Upper Mt Gravatt QLD — 6 7 Murray Rose Avenue, Sydney Olympic Park NSW — 5	Sustainable water strategy. 4.0 Star NABERS Water weighted average rating in office.	Sustainable water commitments. 4.5 Star NABERS Water weighted average rating in office assets.

1. Modelling Scope 1 & 2 emissions commitments applies only to properties within operational control.

Social: Strong communities

	FY20 Achievements	FY25 Targets
Building better communities and generating employment opportunities	Charter Hall Group, the manager of CLW, has a Pledge 1% initiative where 1% of profits, time and space is pledged to the community. The Charter Hall Group Pledge 1% achievements include: – $933,000 donated to the community through our partnerships, including $500,000 for bushfire relief and recovery – Employees gave 2,000 hours in volunteering – 45,000 sqm in Pledge 1% space, valued at $1.9 million provided for community use	Pledge 1% targets: – People: 6,000 hours of volunteering – Place: up to 1% of underutilised space provided to community and/or health and wellbeing outcomes – Partnerships: create 250 meaningful youth employment outcomes, tracking to 500 youth employment outcomes by 2030 Create a national network of innovation enterprises.
Creating engaging customer experiences	Charter Hall Group, the manager of CLW, has undertaken tenant customer engagement surveys across office and industrial & logistics sectors. Further surveys were undertaken in the office sector during COVID-19 to understand tenant customer needs and support for our customers return to the office. Our workplace experience app Charli extended to all office properties, with over 8,000 users nationally, providing onsite and virtual events to connect and inform our customers. Stakeholder engagement plans prepared for 100% of office assets.	Ongoing place experience initiatives across our portfolio. Enhanced customer satisfaction experience in our assets. All office assets have stakeholder engagement plans.
Caring for our health and safety	Workplace Health and Safety review completed and implementation undertaken.	Workplace Health and Safety framework embedded in the Charter Hall Group business.

> Our community investment framework is about supporting meaningful employment within our local communities, as a means to address social issues impacting our communities.

Governance: Responsible business[1]

	FY20 Achievements	FY25 Targets
Business ethics and compliance	Maintained high ethical standards and our Risk Culture Index rating of 81%. 100% of Charter Hall Group participation in Risk and Compliance training, including integrity and compliance.	Responsible and ethical investment framework. Build on our Risk Culture Index. Continuous improvement and refinement of risk management frameworks across all risks, including workplace health and safety.
Responsible and sustainable supply chain	Implemented our Human Rights Framework across Charter Hall assets, developments and operations. 101 priority 1 suppliers invited to complete a modern slavery pre-qualification survey. – 64% of invited suppliers have completed or commenced the survey – 84% of completed supplier surveys state they understand the basic facts around modern slavery and have a general awareness Ongoing participation in Property Council of Australia's Modern Slavery Working Group and Cleaning Accountability Framework building certification scheme. Published annual UN Global Compact and Modern Slavery Statement in sustainability report.	Integrated sustainable and equitable supply chain management into assets and developments. Tier 1 supply chain screened for human rights and modern slavery considerations.
Climate governance	TCFD alignment underway. Climate resilience strategy developed to prepare our business for a low carbon economy and/or business-as-usual climate scenarios.	Ongoing alignment with TCFD.
Actively protecting the privacy of individuals and companies	Continued Charter Hall Group training on privacy, data security and governance. Ongoing Charter Hall Group management of our information security practices in alignment with the ISO 27001 framework and regulatory requirements.	Information security and privacy practices fully embedded in our operations and continuously evolved to the changing threat landscape.

1. Charter Hall Group, the manager of CLW, undertook the following governance initiatives and achievements, which applies to CLW assets and operations.

Board and management

Board of Directors

Peeyush Gupta AM
Chair

Ceinwen Kirk-Lennox
Independent Non-Executive Director

Glenn Fraser
Independent Non-Executive Director

David Harrison
Executive Director

See pages 29-31 for Director bios.

Management Team

Avi Anger
Fund Manager

Avi joined Charter Hall in 2003 and has worked across a number of areas of the business including transactions, advisory, development and investment management.

Prior to his current role as Fund Manager – Long WALE REIT, Avi was Head of Transactions and Advisory and was responsible for all property transactions of the Group and its managed funds.

Avi headed up the Transactions and Advisory division from March 2009 and played a key role in the growth of the Group's funds under management.

Prior to joining Charter Hall, Avi worked at Terrace Tower Group and Ernst & Young in the Corporate Advisory division.

Avi holds Bachelor of Commerce and Master of Commerce degrees from the University of New South Wales.

Scott Martin
Head of Finance - Diversified

Scott joined Charter Hall Group following the acquisition of Folkestone Limited in November 2018 where he held the position of Chief Financial Officer & Company Secretary since December 2005.

Scott has over 20 years' financial experience in Australia specialising in the property and construction industries.

Scott is a Chartered Accountant who began his career at Deloitte specialising in accounting, taxation and transaction services.

Scott is a member of the Institute of Chartered Accountants and holds a Bachelor of Commerce from the University of Melbourne.

Darryl Chua
Deputy Fund Manager

Darryl joined Charter Hall in 2016 and is responsible for the operation of the Charter Hall Long WALE REIT, particularly with respect to portfolio and capital management. Darryl has over 13 years' experience in real estate funds management and corporate finance.

Prior to joining Charter Hall, Darryl worked at Goodman Group in the Investment Management team and Macquarie Group in both its real estate financing division and its investment banking division, Macquarie Capital, specialising in real estate corporate advisory. Darryl holds a Bachelor of Laws from the University of Western Australia.

Telstra Canberra Head Office, Canberra ACT

Directors' report and financial report

For the year ended 30 June 2020

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Directors' report

The Directors of Charter Hall WALE Limited (CHWALE) present the consolidated 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 financial report and other information of LWR Finance Trust and its controlled entity (together "Finance Trust") for the year ended 30 June 2020. DIF and Finance Trust are collectively referred to as "Stapled Trusts". One of the stapled entities of a stapled structure is to be identified as the parent entity for the purposes of preparing a consolidated annual financial report. In accordance with this requirement, DIF has been identified as the parent entity (see D8(b)).

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 year was property investment. The principal activity of the Finance Trust during the year 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 financial year.

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 – 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 (resigned on 22 July 2020)

Distributions

Distributions paid or declared during the year are as follows:

	2020 Number of securities on issue entitled to distribution	2020 Cents per security	2020 $'000	2019 Number of securities on issue	2019 Cents per security	2019 $'000
Ordinary securityholders of DIF						
30 September	376,622,409	**7.00**	26,364	232,300,142	6.40	14,867
31 December[1]	421,606,411	**7.00**	29,512	280,706,919	6.50	18,246
31 March	487,931,538	**7.10**	34,643	282,039,579	6.90	19,461
30 June	489,111,617	**7.20**	35,216	322,986,420	7.10	22,932
Total distributions		**28.30**	**125,735**		26.90	75,506

[1] Stapled securities issued under the December 2019 Equity Raising were not entitled to distributions for the quarter ended 31 December 2019. The distribution for the quarter ended 31 December 2018 included $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 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. During the year, the REIT raised $21.6 million from the DRP (2019: $9.5 million). An additional $5.1 million is expected to be raised from the DRP for the 30 June 2020 distribution to be allotted on 14 August 2020 (2019: $6.0 million from DRP for the 30 June 2019 distribution allotted on 14 August 2019).

Directors' Report (continued)

Review and results of operations

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

	Charter Hall Long WALE REIT Year to 30 Jun 2020	Charter Hall Long WALE REIT Year to 30 Jun 2019	Finance Trust Year to 30 Jun 2020	Finance Trust Year to 30 Jun 2019
Revenue ($'000)	**126,678**	85,633	**26,469**	24,294
Statutory profit/(loss) for the year ($'000)	**122,415**	69,559	**(4,181)**	(19,160)
Basic earnings per stapled security (cents)	**28.47**	26.44	**(0.97)**	(7.28)
Operating earnings of the REIT ($'000)	**121,863**	70,810	**-**	-
Operating earnings of the REIT per stapled security (cents)	**28.34**	26.92	**-**	-
Distributions ($'000)	**125,735**	75,506	**-**	-
Distributions per stapled security (cents)	**28.30**	26.90	**-**	-

	30 Jun 2020	30 Jun 2019	**30 Jun 2020**	30 Jun 2019
Total assets ($'000)	**3,086,493**	1,905,082	**826,533**	527,519
Total liabilities ($'000)	**900,576**	583,627	**850,240**	547,045
Net assets attributable to securityholders ($'000)	**2,185,917**	1,321,455	**(23,707)**	(19,526)
Stapled securities on issue ('000)	**489,112**	322,986	**489,112**	322,986
Net assets per stapled security ($)	**4.47**	4.09	**(0.05)**	(0.06)
Balance sheet gearing - total debt (net of cash) to total assets (net of cash)	**26.1%**	27.5%		
Look through gearing - total debt (net of cash) to total assets (net of cash)	**39.0%**	34.3%		

The REIT recorded a statutory profit of $122.4 million for the year ended 30 June 2020 (2019: $69.6 million). Operating earnings amounted to $121.9 million (28.3 cents per stapled security) for the year ended 30 June 2020 (2019: $70.8 million; 26.9 cents per stapled security) and a distribution of $125.7 million (28.3 cents per stapled security) was declared for the same period (2019: $75.5 million; 26.9 cents per stapled security).

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

	30 Jun 2020 $'000	30 Jun 2019 $'000
Net property income	**173,730**	108,264
Distribution income	**2,885**	-
Interest income	**480**	320
Fund management fees	**(13,899)**	(7,569)
Finance costs	**(38,107)**	(27,712)
Administration and other expenses	**(3,226)**	(2,493)
Operating earnings*	**121,863**	70,810

* 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.

Operating earnings includes the rental revenue recognised in respect of tenants who have been (or will be) provided with rent free incentives as a result of COVID-19. This approach is consistent with the REIT's treatment of rent free incentives provided in the ordinary course of its operations which are amortised over the term of the lease. 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:

	30 Jun 2020 $'000	30 Jun 2019 $'000
Operating earnings	**121,863**	70,810
Net fair value movements on investment properties[1]	**39,251**	31,031
Net fair value movements on derivative financial instruments[1]	**(21,416)**	(20,186)
Net fair value movements on investments at fair value through profit or loss	**(2,267)**	145
Straightlining of rental income, amortisation of lease fees and incentives[1]	**4,320**	6,281
Acquisition and disposal related costs[1]	**(17,586)**	(16,794)
Income support and development rebate	**(1,695)**	(1,728)
Provision for rent relief[2]	**(55)**	-
Statutory profit for the year	**122,415**	69,559
Basic weighted average number of stapled securities ('000)	**430,000**	263,081
Basic earnings per stapled security (cents)	**28.47**	26.44
Operating earnings per stapled security (cents)	**28.34**	26.92

1 Includes the REIT's proportionate share of non-operating items of equity accounted investments on a look through basis.
2 Rent free incentives relating to COVID-19 expected to be agreed post 30 June 2020.

Property valuation gains

Valuation gains totalling $96.0 million were recorded during the period (2019: $63.8 million). These gains were partially offset by revaluation decrements attributable to acquisition costs of $52.4 million (2019: $26.5 million) and straightlining of rental income, amortisation of lease fees and incentives of $4.3 million (2019: $6.3 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 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.

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.

Directors' Report (continued)

Acquisitions

During the year, the REIT acquired the following assets:

	Acquisition date	Acquisition price $'000
Thales, Homebush, Sydney NSW	10/07/2019	46,218
Telstra Portfolio (National) (24.5% interest)[1]	02/09/2019	348,885
ATO, Upper Mount Gravatt, Brisbane QLD	09/09/2019	63,597
Bunnings, Palmerston, Darwin NT[2]	14/11/2019	15,000
242 Exhibition Street, Melbourne VIC (15% interest)[1]	03/12/2019	124,500
BP Portfolio (National) (24.5% interest)[1]	19/12/2019	414,406
Arnott's, Huntingwood NSW (50% interest)[3]	27/12/2019	198,900
Waypoint REIT (5% interest)	20/02/2020	103,566
Glasshouse, Macquarie Park NSW (50% interest)[3]	03/04/2020	166,397
Suez, North Ryde NSW	11/06/2020	15,000
		1,496,469

1 Acquired interest in underlying property trust which holds the asset(s). Interest in 242 Exhibition Street, Melbourne VIC was acquired from a related party.
2 Asset under development, acquisition price relates to land only, total value on completion $42.3 million.
3 This asset is held in a joint operation with a related party.

Debt arrangements and hedging

During the year, Finance Trust on behalf of the REIT, entered into three new 5 year term unsecured facilities totalling $350 million. In addition, Finance Trust on behalf of the REIT, restructured $485 million interest rate swaps, reducing the fixed rate from a range between 1.35% - 2.54% p.a. to 1.10% - 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 five-year term.

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

COVID-19 rent relief

The REIT has been working with tenants impacted by COVID-19 to provide rental relief in line with Australian Governments' legislation. This has resulted in an increased number of rent incentives and deferrals. For the period up to 30 June 2020 the REIT provided $295,973 in rental relief. Rent free incentives of $106,146 comprising $51,369 lease incentives finalised by the balance date and treated as a lease modification and $54,777 expensed as provision for rental relief for the incentives that were expected to be provided but had not been formally documented by 30 June 2020.

The remaining rent relief of $189,827 was provided in the form of rent deferrals of which an expected credit loss provision is held against these receivables.

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 diversified 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%.

The material business risks faced by the REIT that are likely to have an effect on its financial performance are set out below. A dedicated risk and compliance team are responsible for the ongoing review and monitoring of compliance and risk management systems. The Board regularly review material risks to ensure they remain within the REIT's agreed risk appetite.

Directors' Report (continued)

Risk		Description	Mitigation
External Risks	Property cycle risk and adverse market or economic conditions	Failure to insulate against property cycle downturns and slowing economic conditions may have an impact on asset values and investor returns.	We ensure we consistently deliver on strategy with a focus on investment in long WALE assets with contracted growth attributes. We undertake detailed annual strategic review for all assets to inform recycling of capital into new areas and formal exit strategies for investments.
	Structural change in commercial property	Disruptive competitors may have an impact on key tenants and on marginal tenancies. This may impact space requirements from tenants. Changing technology is changing tenant expectations.	By undertaking ongoing due diligence including demographics, environment, competitor threats, and by leveraging consultant expertise we ensure that we remain informed of market changes.
	Strategic challenges posed by COVID-19	COVID-19 will have tactical and economic impacts in the short term and is expected to have portfolio consequences in the longer term.	The senior management team is deeply connected to industry, tenants and key partners to inform ongoing planning to manage COVID-19 implications through the REIT.
Financial Risks	Debt and equity capital management	Effective capital management is required to meet the REIT's ongoing liquidity and funding requirements. The inability to raise new capital to pursue growth opportunities or to raise replacement capital at challenging points in the debt or equity markets cycle is a key risk. A relationship breakdown or termination of joint venture partnership may result in reputational or financial damage.	We mitigate these risks by implementation of our debt diversity strategy combined with regular monitoring and reporting on debt covenants and stress testing of liquidity positions. We have demonstrated strong performance and equity raising track record and access to diversified equity partners across sources. We manage our relationships with our partners through investment agreements including investment committee oversight of all key decisions with structured and pre-agreed reporting.
Operational Risks	Work, Health & Safety (WHS) obligations, critical safety incident or significant crisis	We have a commitment to promote and protect the health, safety and wellbeing of its people, customers, contractors and all users of the REIT's assets.	Our Group WHS Manager collaborates closely with property management teams to ensure the roll-out of enhanced contractor registration / on-boarding platforms, incident notification platform, ongoing Risk Audits and training on incident response and management.
	Technology and cyber security	There is increasing sophistication of cyber-attacks, particularly denial of service impact on Building Management Security. A reportable data breach may result in adverse impact on reputation and / or financial penalty.	The cyber security strategy and program continues with external validation and yearly review of IT policies against best practice. We undertake annual penetration tests against critical systems and properties and have brought all critical systems under IT General Controls (ITGC) including regular user access reviews. Our internal audit includes risk identification and assessment for new platforms. We also have a formal cyber insurance policy which covers incident remediation costs.
	Organisational culture and conduct	Our ongoing success depends on our ability to attract, engage and retain a motivated and high-performing workforce to deliver our strategic objectives and an inclusive culture that supports our values.	We have a Code of conduct in place with all employees and undertake consistent messaging and tone at the top regarding behaviour. We have a formal Whistleblower Policy in place and process to obtain regular employee feedback on culture and behaviours which is used to inform management decisions.
Environmental	Climate change	There is an increasing interest and expectation amongst investor groups on reporting against climate change risk. There has been the introduction of Task Force on Climate-related Financial Disclosures (TCFD) as a framework to address climate change through governance, risk management, metrics and targets.	We have undertaken physical climate change risk exposure assessments across assets and climate change adaptation plans are in development for assets. Climate change adaptation due diligence is undertaken during acquisition process. We have created a TCFD Working Group to inform climate resilience and reporting approach.
Regulatory	AFSL compliance	We are required to comply with Australian Financial Services Licence requirements through our established policies and frameworks.	Regular compliance reporting is undertaken to Audit, Risk and Compliance Committee (ARCC) including mandatory annual compliance training requirements for all employees. In addition, we have formalised compliance committees with annual external audit of compliance plans.
	Management of conflicts of interest	Inadequate management of tenant and acquisition conflicts may arise between Charter Hall managed funds or related party transactions may be inappropriately managed. There is also a risk that the REIT fails to pay market rate for related party services.	Conflict of Interest protocols are embedded in the business including annual declarations from all employees and directors, board reporting / approval for all related party transactions. We have in place a Compliance Plan / function including oversight of Conflict of Interest / Related Party protocols and formalised asset allocation protocols.

Matters subsequent to the end of the financial period

On 28 July 2020, the REIT sold its entire 5% holding in Waypoint REIT (ASX:WPR) for $2.61 per WPR security, totalling $101.6 million. CLW will receive a distribution of 7.41 cents per WPR security for the half year ended 30 June 2020, which together with the sale price, provides CLW with a positive total return of $0.9 million on its February 2020 entry price. The proceeds from the sale were used to partially repay the syndicated debt facility.

Directors' Report (continued)

In light of the sale of the 5% holding in Waypoint REIT, on 6 August 2020 the Board of the REIT approved restructuring the REIT's balance sheet interest rate swaps which will reduce the average fixed rate on these swaps from 1.30% to 0.20% at an expected cost of $20 million.

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.

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 or Finance Trust is 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 or Finance Trust which would have a material impact on their future results. 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 and Finance 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 year, the REIT and Finance Trust contributed to the premium for a contract to insure all directors, secretaries, executive officers and officers of the REIT and Finance Trust and of each related body corporate, 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 and Finance Trust's constitutions and the *Corporations Act 2001*, the officers are indemnified out of the assets of the REIT and Finance Trust against losses incurred while acting on behalf of the REIT and Finance Trust. The insurance does not provide cover for the independent auditors of the REIT or Finance Trust or of a related body corporate. The REIT and Finance Trust indemnifies the auditor (PricewaterhouseCoopers Australia) against any liability (including legal costs) for third party claims arising from a breach by the REIT or Finance Trust 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 $13.9 million (2019: $7.6 million) by the REIT and $110,989 (2019: $10,933) by the Finance Trust 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 and Finance Trust's constitutions as disclosed in Note D1 to the consolidated financial statements.

Interests in the REIT and Finance Trust held by the Responsible Entity or its associates as at 30 June 2020 are also disclosed in Note D1 to the consolidated financial statements.

Interests in the REIT and Finance Trust

	2020	2019
Securities on issue at the beginning of the year	**322,986,420**	232,300,142
Securities issued to fund acquisition of Franklin Street Property Trust (FSPT)	**-**	75,618,617
Change in number of securities after reorganisation	**-**	(75,618,617)
Securities issued during the year		
- via Distribution Reinvestment Plan	**4,189,217**	2,195,112
- via Entitlement Offers / Placement / Security Purchase Plan	**161,935,980**	88,491,166
Securities on issue at the end of the year	**489,111,617**	322,986,420

Environmental Regulations

The operations of the REIT and Finance Trust 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.

Directors' Report (continued)

Information on Current Directors

Director	Experience	Special responsibilities	Interest in securities of the REIT/ Finance Trust
Peeyush Gupta AM	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"), Link Administration, 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. In 2019, Peeyush was awarded the Order of Australia (AM) "for significant service to business, and to the community, through governance and philanthropic roles". 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. Current listed directorships: National Australia Bank Limited (ASX: NAB) Link Administration Holdings Limited (ASX: LNK) Former listed directorships in the last three years: Nil	Chair	367,993
Glenn Fraser	Appointed 6 May 2016 Glenn is a professional non-executive director with significant experience in finance, infrastructure and property. He was a member of Transfield Holdings Advisory Board from 1999 to 2015. He was instrumental in Transfield Holding's 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 infrastructure and property projects. In 1999, Glenn was appointed Chief Financial Officer, 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 and is a member of the Institute of Chartered Accountants and a graduate of the Australian Institute of Company Directors. Current listed directorships: Nil Former listed directorships in the last three years: Nil	Audit, Risk & Compliance Committee Chair	63,900

Directors' Report (continued)

Director	Experience	Special responsibilities	Interest in securities of the REIT
Ceinwen Kirk-Lennox	Appointed 28 June 2016 Ceinwen has over 35 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 commercial 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 20 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 was appointed to the of the Greater Sydney Parkland Board in 2020, and continues as an Advisory Member of the Justice NSW Prison Bed Capacity Program. Current listed directorships: Nil Former listed directorships in the last three years: Nil	Nil	41,764
David Harrison	Appointed 16 February 2016 With a specific focus on strategy, David is responsible for all aspects of the Charter Hall business. Recognised as a multi-core sector market leader, David has over 33 years' global property market experience and has led transactions exceeding $25 billion of commercial, retail and industrial property assets. Under his stewardship, the Charter Hall Group portfolio has grown from $500 million to $38.9 billion of assets under management. David is a Fellow of the Australian Property Institute (FAPI) and Property Male Champion of Change. He is Vice- President of the Property Council of Australia, Chair of the Audit and Risk Committee and a member of the Nominations Committee. Director since 14 April 2016, National Vice-President since 30 March 2017. David's vision for Charter Hall is to ensure we always deliver on our promise of putting people at the heart of all we do and that our team-members are given opportunities to excel in their service to customers. 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. Current listed directorships: Charter Hall Group (ASX: CHC) Charter Hall Retail REIT (ASX: CQR) Former listed directorships in the last three years: Nil	Nil	402,587

Directors' Report (continued)

Director	Experience	Special responsibilities	Interest in securities of the REIT
Adrian Taylor	Appointed 18 July 2016 and resigned on 22 July 2020. Up until his date of resignation, Adrian Taylor was Charter Hall's Office CEO and a member of Charter Hall's Executive Committee, with over 26 years industry experience and 10 years with Charter Hall. Adrian was responsible for the strategy and objectives for our office funds, in partnership with our fund managers and capital partners including guiding the Asset Management, Development and Property Management teams to execute strategy whilst working alongside the capital transactions and treasury teams. Adrian's extensive capital management experience included debt and equity raising, alongside capital transaction and joint venture experience, both here in Australia and in the US. Before its privatisation, he was CEO of our office REIT. Involved in numerous property industry groups, including acting as a Division Councillor of the Property Council of Australia Capital Markets Division Council. Adrian's commercial acumen is matched by a social conscience, that leads to positive outcomes for communities. Adrian graduated with a Bachelor of Business from Monash University, is a Certified Practising Accountant, is 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 sitting on the Division Council of the Capital Markets Division of the Property Council of Australia. Current listed directorships: Nil Former listed directorships in the last three years: Nil	Nil	90,240

Meetings of Directors

	Full meetings of Directors		Meetings of Audit, Risk and Compliance Committee	
Name	Eligible to attend	Attended	Eligible to attend	Attended
Peeyush Gupta AM	11	10	4	4
Glenn Fraser	11	11	4	4
Ceinwen Kirk-Lennox	11	10	4	3
David Harrison	11	11	-	-
Adrian Taylor	11	11	-	-

Company Secretary

Mark Bryant was appointed as Company Secretary for the REIT and Finance Trust on 21 November 2017. Mark holds a Bachelor of Business (Accounting) and a Bachelor of Laws (Hons) and has over 15 years experience as a solicitor, including advising on listed company governance, securities law, funds management, real estate and general corporate law. Mark is the Group General Counsel and Company Secretary for the Charter Hall Group.

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 or Finance Trust are important.

Details of the amounts paid to the auditor for audit and non-audit services provided during the year are disclosed in Note D5 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 D5 to the consolidated financial statements, did not compromise the auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

Directors' Report (continued)

- 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 33.

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.

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

Directors' Authorisation

The Directors' report is made in accordance with a resolution of the Directors. The financial statements were authorised for issue by the Directors on 7 August 2020. The Directors have the power to amend and re-issue the financial statements.

Peeyush Gupta AM
Chair

Sydney
7 August 2020

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Charter Hall Direct Industrial Fund and LWR Finance Trust for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been:

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

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

This declaration is in respect of Charter Hall Direct Industrial Fund and the entities it controlled during the year and LWR Finance Trust and the entity it controlled during the year.

J A Dunning
Partner
PricewaterhouseCoopers

Sydney
7 August 2020

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Consolidated statements of comprehensive income

For the year ended 30 June 2020

	Notes	Charter Hall Long WALE REIT 2020 $'000	Charter Hall Long WALE REIT 2019 $'000	Finance Trust 2020 $'000	Finance Trust 2019 $'000
Revenue					
Property income	A1	**123,389**	85,376	**-**	-
Distribution income	A1	**2,885**	-	**-**	-
Interest income	A1	**404**	257	**26,469**	24,294
Total revenue		**126,678**	85,633	**26,469**	24,294
Other income					
Share of equity accounted profit	B2	**109,424**	47,577	**-**	-
Net fair value gain on financial assets	B3	**-**	145	**-**	-
Net fair value gain on investment properties	B1	**-**	14,779	**-**	-
Total other income		**109,424**	62,501	**-**	-
Total revenue and other income		**236,102**	148,134	**26,469**	24,294
Expenses					
Property expenses		**(19,371)**	(12,835)	**-**	-
Fund management fees	D1	**(13,575)**	(7,569)	**(111)**	(11)
Finance costs	C2	**(21,240)**	(19,644)	**(21,101)**	(24,096)
Administration and other expenses		**(2,914)**	(2,405)	**(28)**	(19)
Net loss from derivative financial instruments		**(9,410)**	(19,328)	**(9,410)**	(19,328)
Net fair value loss on investment properties	B1	**(28,118)**	-	**-**	-
Net fair value loss on financial assets	B3	**(2,267)**	-	**-**	-
Provision for rent relief*		**(55)**	-	**-**	-
Acquisition and disposal related costs		**(16,737)**	(16,794)	**-**	-
Total expenses		**(113,687)**	(78,575)	**(30,650)**	(43,454)
Net profit / (loss) for the year		**122,415**	69,559	**(4,181)**	(19,160)
Other comprehensive income		**-**	-	**-**	-
Total comprehensive income / (loss)		**122,415**	69,559	**(4,181)**	(19,160)
Net profit / (loss) and Total comprehensive income / (loss) attributable to:					
DIF		**126,596**	86,813	**-**	-
Stapled Trusts other than DIF		**(4,181)**	(17,254)	**(4,181)**	(19,160)
		122,415	69,559	**(4,181)**	(19,160)
Basic and diluted earnings / (loss) per ordinary securityholder					
Earnings per stapled security (cents)	A2	**28.47**	26.44	**(0.97)**	(7.28)
Earnings per unit of DIF / Finance Trust (cents)	A2	**29.44**	35.11	**(0.03)**	(0.01)

* Rent free incentives relating to COVID-19 expected to be agreed post 30 June 2020.

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

Consolidated balance sheets

As at 30 June 2020

	Notes	Charter Hall Long WALE REIT 2020 $'000	Charter Hall Long WALE REIT 2019 $'000	Finance Trust 2020 $'000	Finance Trust 2019 $'000
Assets					
Current assets					
Cash and cash equivalents		**38,425**	6,413	**14,339**	1,053
Receivables	D2	**20,322**	9,202	**-**	20
Other assets	D2	**850**	3,120	**-**	-
Total current assets		**59,597**	18,735	**14,339**	1,073
Non-current assets					
Investment properties	B1	**1,852,615**	1,328,445	**-**	-
Investments accounted for using the equity method	B2	**1,067,174**	551,051	**-**	-
Intra-group facility receivable	C2	**-**	-	**812,194**	526,446
Investment in financial assets at fair value	B3	**107,107**	6,851	**-**	-
Total non-current assets		**3,026,896**	1,886,347	**812,194**	526,446
Total assets		**3,086,493**	1,905,082	**826,533**	527,519
Liabilities					
Current liabilities					
Payables	D2	**8,638**	12,154	**266**	385
Distribution payable	A2	**35,216**	22,932	**-**	-
Derivative financial instruments	C3	**-**	8,126	**-**	8,126
Other liabilities	D2	**6,748**	2,033	**-**	-
Total current liabilities		**50,602**	45,245	**266**	8,511
Non-current liabilities					
Borrowings	C2	**829,906**	525,017	**829,906**	525,169
Derivative financial instruments	C3	**20,068**	13,365	**20,068**	13,365
Total non-current liabilities		**849,974**	538,382	**849,974**	538,534
Total liabilities		**900,576**	583,627	**850,240**	547,045
Net assets / (liabilities)		**2,185,917**	1,321,455	**(23,707)**	(19,526)
Equity					
Equity holders of DIF					
Contributed equity	C5	**2,148,676**	1,280,894	**-**	-
Retained profits		**60,948**	60,087	**-**	-
Parent entity interest		**2,209,624**	1,340,981	**-**	-
Equity holders of Finance Trust					
Contributed equity	C5	**1,952**	1,952	**1,952**	1,952
Retained profits / (losses)		**(25,659)**	(21,478)	**(25,659)**	(21,478)
Equity holders of Finance Trust		**(23,707)**	(19,526)	**(23,707)**	(19,526)
Total equity		**2,185,917**	1,321,455	**(23,707)**	(19,526)

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

Consolidated statements of changes in equity

For the year ended 30 June 2020

	Notes	Attributable to securityholders of DIF Contributed equity $'000	Retained profits $'000	Total $'000
Balance at 1 July 2018		661,453	48,780	710,233
Total comprehensive income		-	86,813	86,813
DIF's acquisition of FSPT	C5	232,409	-	232,409
Contributions of equity, net of issue costs	C5	387,032	-	387,032
Distributions provided for or paid	A2	-	(75,506)	(75,506)
Balance at 30 June 2019		1,280,894	60,087	1,340,981
Balance at 1 July 2019		**1,280,894**	**60,087**	**1,340,981**
Total comprehensive income		**-**	**126,596**	**126,596**
Contributions of equity, net of issue costs	C5	**867,782**	**-**	**867,782**
Distributions provided for or paid	A2	**-**	**(125,735)**	**(125,735)**
Balance at 30 June 2020		**2,148,676**	**60,948**	**2,209,624**

	Notes	Attributable to securityholders of Stapled Trusts other than DIF Contributed equity $'000	Retained profits $'000	Total $'000
Balance at 1 July 2018		174,125	56,012	230,137
Total comprehensive income		-	(17,254)	(17,254)
DIF's acquisition of FSPT		(172,173)	(60,236)	(232,409)
Balance at 30 June 2019		1,952	(21,478)	(19,526)
Balance at 1 July 2019		**1,952**	**(21,478)**	**(19,526)**
Total comprehensive income		**-**	**(4,181)**	**(4,181)**
Balance at 30 June 2020		**1,952**	**(25,659)**	**(23,707)**

Consolidated statements of changes in equity (continued)

	Notes	Attributable to securityholders of Finance Trust Contributed equity $'000	Accumulated losses $'000	Total $'000
Balance at 1 July 2018		1,952	(2,318)	(366)
Total comprehensive income		-	(19,160)	(19,160)
Balance at 30 June 2019		1,952	(21,478)	(19,526)
Balance at 1 July 2019		1,952	(21,478)	(19,526)
Total comprehensive income		**-**	**(4,181)**	**(4,181)**
Balance at 30 June 2020		**1,952**	**(25,659)**	**(23,707)**

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

Consolidated cash flow statements

For the year ended 30 June 2020

		Charter Hall Long WALE REIT		Finance Trust	
	Notes	**2020 $'000**	2019 $'000	**2020 $'000**	2019 $'000
Cash flows from operating activities					
Property rental income received		**131,804**	85,515	**-**	-
Property expenses paid		**(18,866)**	(15,697)	**-**	-
Distributions received from investment in joint venture entities		**48,526**	30,212	**-**	-
Interest and other income received		**404**	257	**272**	114
Finance costs paid		**(19,429)**	(18,784)	**(19,429)**	(18,784)
Fund management fees paid		**(15,726)**	(8,147)	**(132)**	(6)
Administration and other expenses paid		**(3,394)**	(3,465)	**(109)**	(41)
Net GST paid with respect to operating activities		**(6,779)**	(6,208)	**33**	17
Net cash flows from operating activities	A3	**116,540**	63,683	**(19,365)**	(18,700)
Cash flows from investing activities					
Payments for investment properties		**(551,559)**	(598,327)	**-**	-
Receipts from sale of investments properties		**-**	173,730	**-**	-
Settlement of interest rate swaps		**(10,879)**	-	**(10,879)**	
Payments for investments in joint venture entities		**(476,894)**	(61,680)	**-**	-
Payments for financial assets at fair value		**(103,566)**	-		
Payments for disposal of income support fund		**-**	7,711	**-**	-
Draws from income support fund		**1,043**	1,728	**-**	-
Repayment under Intra-Group Facility Agreement		**-**	-	**(1,147,331)**	(682,618)
Drawdowns under Intra-Group Facility Agreement		**-**	-	**887,863**	606,995
Acquisition and disposal related costs		**-**	(666)	**-**	(666)
Net cash flows from investing activities		**(1,141,855)**	(477,504)	**(270,347)**	(76,289)
Cash flows from financing activities					
Proceeds from issue of securities, net of equity raising costs		**846,192**	377,732	**-**	-
Distributions paid to securityholders		**(91,863)**	(58,880)	**-**	-
Proceeds from borrowings (net of borrowing costs)		**824,198**	511,867	**824,198**	511,867
Repayment of borrowings		**(521,200)**	(416,000)	**(521,200)**	(416,000)
Net cash flows from financing activities		**1,057,327**	414,719	**302,998**	95,867
Net increase in cash and cash equivalents		**32,012**	898	**13,286**	878
Cash and cash equivalents at the beginning of the year		**6,413**	5,515	**1,053**	175
Cash and cash equivalents at the end of the year		**38,425**	6,413	**14,339**	1,053

The above consolidated cash flow statements 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:

		Charter Hall Long WALE REIT		LWR Finance Trust	
	Note	**2020 $'000**	2019 $'000	**2020 $'000**	2019 $'000
Distributions by the REIT during the year satisfied by the issue of stapled securities under the DRP	A2, C5	**(21,590)**	(9,490)	**-**	-

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 and financial risk management** – details how the REIT manages its exposure to capital and financial risks.
- **D. Further 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:

- Consolidation decisions and classification of joint arrangements - B2 Investment in joint venture entities
- Fair value estimation – B1 Investment properties
- Derivative financial instruments – C3 Derivative financial instruments

Coronavirus (COVID-19) impact

In preparing its financial statements the REIT has considered the current and ongoing impact that the COVID-19 pandemic has had on its business operations and upon the business operations of its tenant customers. In assessing such impacts management have relied upon certain key estimates to evaluate current and future business conditions. Inherent in any estimate is a level of uncertainty. In particular, due to COVID-19, estimation uncertainty is associated with:

- the extent and duration of the disruption to the REIT's tenant customers arising from the actions by governments, businesses and consumers to contain the spread of the virus;
- the extent and duration of the expected economic downturn, including:
  - the disruption to capital markets;
  - deteriorating credit and liquidity concerns, impacting the ability of the REIT's tenants to meet their rental obligations;
  - increasing unemployment and declines in a need for commercial leasing space;

  which the REIT will continue to monitor and adapt as new information is available;
- the effectiveness of government and central bank measures that have and will be put in place to support businesses and consumers through this disruption and economic downturn,

- judgements in property valuations such as letting up time, incentives provided and vacancy.

During the period March to June 2020, the COVID-19 pandemic did not have a material impact on the REIT given the REIT's defensive, non-discretionary income profile.

The introduction of State Governments' legislation (Code of Conduct) created a framework to administer tenant support to those tenants whose operations were negatively impact by COVID-19. The REIT's share of tenant support included $106,416 in the form of rent free incentives and $189,827 in the form of deferrals.

The uncertainty of the impact of COVID-19 has been considered in the independent valuations received, resulting in no material impact to valuations (other than Virgin Brisbane, QLD; refer to B1(d) for further details) given the defensive, non-discretionary income profile of the REIT's property portfolio.

In response to the increased uncertainty the REIT has assessed the carrying values of its assets and liabilities in light of COVID-19. Specific areas of assessment include impairment testing, refining methodologies and calculation of expect credit losses, fair value measurement of investment properties and associated disclosures within the financial statements.

The REIT has developed various accounting estimates in this report based on forecasts of economic conditions which reflect expectations and assumptions as at 30 June 2020 about future events that the Directors believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing forecasts. The underlying assumptions are also subject to uncertainties which are often outside the control of the REIT. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in this report.

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. Operating earnings includes the rental revenue recognised in respect of tenants who have been (or will be) provided with rent free incentives as a result of COVID-19. This approach is consistent with the REIT's treatment of rent free incentives provided in the ordinary course of its operations which are amortised over the term of the lease.

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 year ended 30 June 2020 are as follows:

	30 Jun 2020 $'000	30 Jun 2019 $'000
Property lease revenue	**118,395**	81,960
Services income	**4,994**	3,416
Property income	**123,389**	85,376
Income support and development rebate	**1,695**	1,728
Non-cash adjustments	**(4,033)**	(5,291)
Property expenses	**(19,371)**	(12,835)
Net property income from wholly owned properties (NPI)	**101,680**	68,978
Share of operating earnings from investments accounted for using equity method	**54,623**	31,193
Distribution income	**2,885**	-
Interest income	**404**	257
Fund management fees	**(13,575)**	(7,569)
Finance costs	**(21,240)**	(19,644)
Administration and other expenses	**(2,914)**	(2,405)
Operating earnings	**121,863**	70,810
Weighted average number of stapled securities	**430,000**	263,081
Operating earnings per stapled security (cents)	**28.34**	26.92

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

	30 Jun 2020 $'000	30 Jun 2019 $'000
Net property income*	**173,730**	108,264
Distribution income	**2,885**	-
Interest income	**480**	320
Fund management fees	**(13,899)**	(7,569)
Finance costs	**(38,107)**	(27,712)
Administration and other expenses	**(3,226)**	(2,493)
Operating earnings*	**121,863**	70,810

* Top five tenants are 61% (2019: 71%) of rental revenue.

A. REIT performance (continued)

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

	30 Jun 2020 $'000	30 Jun 2019 $'000
Operating earnings	**121,863**	70,810
Net fair value movements on investment properties[1]	**39,251**	31,031
Net fair value movements on derivative financial instruments[1]	**(21,416)**	(20,186)
Net fair value movements on investments at fair value through profit or loss	**(2,267)**	145
Straightlining of rental income, amortisation of lease fees and incentives[1]	**4,320**	6,281
Acquisition and disposal related costs[1]	**(17,586)**	(16,794)
Income support and development rebate	**(1,695)**	(1,728)
Provision for rent relief[2]	**(55)**	-
Statutory profit for the year	**122,415**	69,559

1 Includes the REIT's proportionate share of non-operating items of equity accounted investments on a look through basis.
2 Rent free incentives relating to COVID-19 expected to be agreed at 30 June 2020.

Property lease revenue

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

Minimum lease payments to be received includes future amounts to be received on non-cancellable operating leases, not recognised in the financial statements at balance date. A proportion of this balance includes amounts receivable for recovery of operating costs on gross and semi-gross leases which will be accounted for as revenue from contracts with customers as this income is earned. The remainder will be accounted for as property rental income as it is earned. Amounts receivable under non-cancellable operating leases where the REIT's right to consideration for a service directly corresponds with the value of the service provided to the customer have not been included (for example, variable amounts payable by tenants for their share of the operating costs of the asset).

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 $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
2020	**119,364**	**476,904**	**971,586**	**1,567,854**
2019	98,843	392,183	727,559	1,218,585

Lease modification

Rent free incentives agreed by 30 June have been treated as lease modifications. The impact of modification accounting is that the reduced rental income will be recognised on a straight-line basis over the remaining lease term. If agreements were not finalised by 30 June the equivalent of the rent free incentive has been expensed as provision for rent relief.

Services income

Other 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 lease agreements and relevant legislative acts.

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.

A. REIT performance (continued)

A2. Distributions and earnings per security

(a) Distributions paid and payable

	2020 Number of securities on issue entitled to distribution	2020 Cents per security	2020 $'000	2019 Number of securities on issue	2019 Cents per security	2019 $'000
Ordinary securityholders of DIF						
30 September	376,622,409	**7.00**	26,364	232,300,142	6.40	14,867
31 December[1]	421,606,411	**7.00**	29,512	280,706,919	6.50	18,246
31 March	487,931,538	**7.10**	34,643	282,039,579	6.90	19,461
30 June	489,111,617	**7.20**	35,216	322,986,420	7.10	22,932
Total distributions		**28.30**	**125,735**		26.90	75,506

1 Stapled securities issued under the December 2019 Equity Raising were not entitled to distributions for the quarter ended 31 December 2019. The distribution for the quarter ended 31 December 2018 included $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 year by 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. Operating earnings amounted to $121.9 million (28.3 cents per stapled security) for the year ended 30 June 2020 (2019: $70.8 million; 26.9 cents per stapled security) and a distribution of $125.7 million (28.3 cents per stapled security) was declared for the same period (2019: $75.5 million; 26.9 cents per stapled security).

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 securityholders, by way of cash or reinvestment.

Earnings per stapled security

	Charter Hall Long WALE REIT 2020	Charter Hall Long WALE REIT 2019	Finance Trust 2020	Finance Trust 2019
Basic and diluted earnings				
Earnings/(loss) per stapled security (cents)	**28.47**	26.44	**(0.97)**	(7.28)
Operating earnings of the REIT per stapled security (cents)	**28.34**	26.92	**N/A**	N/A
Earnings of the parent entity (cents)^	**29.44**	35.11	**(0.03)**	(0.01)
Earnings used in the calculation of basic and diluted earnings per stapled security				
Net profit/(loss) for the year ($'000)	**122,415**	69,559	**(4,181)**	(19,160)
Net profit/(loss) of the parent entity for the year ($'000)	**126,596**	86,813	**(139)**	(30)
Operating earnings of the REIT for the year ($'000)	**121,863**	70,810	**N/A**	N/A
Weighted average number of stapled securities used in the calculation of basic and diluted earnings per stapled security ('000)	**430,000**	263,081	**430,000**	263,081

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 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.

A. REIT performance (continued)

A3. Reconciliation of net profit to operating cash flow

	Charter Hall Long WALE REIT		Finance Trust	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Profit for the year	**122,415**	69,559	**(4,181)**	(19,160)
Non-cash items				
Net fair value movements on financial assets	**2,267**	(145)	**-**	-
Net fair value movements on investment properties	**28,118**	(14,779)	**-**	-
Net fair value movements on derivative financial instruments	**9,410**	19,328	**9,410**	19,994
Share of non-operating earnings from investments accounted for using the equity method	**(54,801)**	(16,385)	**-**	-
Straightlining of rental income and amortisation of incentives	**(4,033)**	(5,291)	**-**	-
Debt extinguishment and amortisation of borrowing costs	**1,891**	743	**1,739**	1,124
Provision for rent relief*	**55**	-	**-**	-
Capitalised interest on Intra-Group Facility	**-**	-	**(26,197)**	(20,692)
Classified as investing activities				
Acquisition and disposal related	**16,737**	16,794	**-**	-
Classified as financing activities				
(Increase)/decrease in trade and other receivables	**(11,701)**	(2,389)	**21**	(1)
Increase/(decrease) in trade and other payables	**6,182**	(3,752)	**(157)**	35
Net cash flows from operating activities	**116,540**	63,683	**(19,365)**	(18,700)

* Rent free incentives relating to COVID-19 expected to be agreed post 30 June 2020.

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 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	**2020 $'000**	2019 $'000
Investment properties	B1	**1,852,615**	1,328,445
Investments in joint ventures	B2	**1,067,174**	551,051
Investment in financial asset at fair value	B3	**107,107**	6,851
Total property portfolio assets		**3,026,896**	1,886,347

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

Summary of acquisition and disposal costs directly expensed to the statement of comprehensive income in relation to transactions which occurred during the year:

Costs in relation to transactions with:	**2020 $'000**	2019 $'000
Investment properties	**180**	15,061
Investments in joint ventures	**16,557**	1,733
Total	**16,737**	16,794

B1. 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.

Assets held for sale

Investment properties are classified as assets held for sale when it is highly probable that the carrying amount will be recovered principally through a sale transaction rather than through continuing use. Investment properties classified as held for sale are measured at fair value. Assets which are classified as held for sale are classified as current assets as it is expected they will be divested within the coming reporting period.

(a) Valuation techniques and key judgements

In determining fair value of investment properties and assets held for sale, management has considered the nature, characteristics and risks of its investment properties. Such risks include but are not limited to the property cycle, structural changes in the current and future macro-economic environment. In particular, the impact of COVID-19 on underlying tenant businesses was considered.

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

	Fair value $'000	Net market rent ($ sq.m./p.a.)	Adopted capitalisation rate (% p.a.)	Adopted terminal yield (% p.a.)	Adopted discount rate (% p.a.)
2020	**1,852,615**	**17 - 896**	**4.25 - 8.00**	**4.25 – 8.25**	**5.75 - 8.50**
2019	1,328,445	16 - 921	4.75 - 8.25	5.00 - 7.75	6.25 - 8.00

B. 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.

If the capitalisation rate expanded by 25 basis points, fair value of all wholly owned investment properties would reduce by $77.2 million from the fair value as at 30 June 2020 (including the REIT's share of joint venture properties $159.6 million). And if the capitalisation rate compressed by 25 basis points, the fair value would increase by $84.2 million from the fair value as of 30 June 2020 (including the REIT's share of joint venture properties $175.2 million).

The REIT considers capitalisation rates the most significant assumption that is subject to estimation uncertainty given the nature of its portfolio. Accordingly sensitivities to the fair value of investment properties (including those owned by the REIT's joint ventures) have been provided around reasonable possible movements in the capitalisation rate.

In addition to the above, all valuations have considered the impact of COVID-19 including any rent relief to be provided to tenants under the Commercial Leases Code of Conduct.

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

	Notes	2020 $'000	2019 $'000
Carrying amount at the beginning of the period		**1,328,445**	855,564
Additions		**513,377**	565,299
Acquisition and disposal costs incurred		**34,878**	22,512
Disposals		**-**	(135,000)
Revaluation increment		**10,793**	42,582
Revaluation decrement attributable to acquisition costs, straightlining of rental income, and amortisation of incentives and leasing fees		**(38,911)**	(27,803)
Straightlining of rental income and amortisation of incentives and leasing fees		**4,033**	5,291
Carrying amount at the end of the period		**1,852,615**	1,328,445

B. Property portfolio assets (continued)

(d) List of investment properties

As at 30 June 2020, the investment properties have been valued as set out below:

Properties	Sector	Acquisition date	Date of latest independent valuation	Independent valuation $'000	2020 Fair value $'000	2019 Fair value $'000
Investment properties						
ATO, Adelaide SA[1]	Office	10/11/16	30/06/20	142,500	**142,500**	136,250
Virgin, Brisbane QLD[2]	Office	04/01/18	30/06/20	52,500	**52,500**	95,500
40 Tank Street, Brisbane QLD[1]	Office	20/08/18	30/06/20	45,500	**45,500**	48,750
85 George Street. Brisbane QLD[1]	Office	19/10/18	30/06/20	53,500	**53,585**	46,750
Optima Centre, Perth WA[1]	Office	26/10/18	30/06/20	64,000	**64,000**	62,700
Telstra, Canberra ACT[3]	Office	14/06/19	30/06/20	109,100	**109,100**	108,500
Bunnings, Mackay QLD	Retail	03/07/17	30/06/20	32,250	**32,250**	30,000
Coles, Waterford, Brisbane QLD	Retail	10/09/18	30/06/20	23,100	**23,100**	22,400
Toll Holdings, Altona North VIC	Industrial	02/07/10	30/06/20	33,700	**33,700**	33,500
Australia Post, Kingsgrove NSW	Industrial	05/11/10	30/06/20	25,450	**25,450**	24,750
Woolworths, Hoppers Crossing VIC	Industrial	22/06/12	30/06/20	56,900	**56,900**	47,250
Coates Hire, Kingston QLD	Industrial	12/09/12	30/06/20	35,500	**35,500**	33,900
Electrolux, Beverly SA	Industrial	17/12/12	30/06/20	41,650	**41,650**	36,500
Coles, Truganina VIC[1]	Industrial	10/11/16	30/06/20	63,500	**63,500**	57,875
Metcash, Canning Vale WA	Industrial	10/11/16	30/06/20	171,000	**171,000**	169,750
Suez Portfolio (National)[4]	Industrial	23/12/16	30/06/20	105,365	**105,378**	81,770
National Archives, Chester Hill NSW	Industrial	23/10/18	30/06/20	64,100	**64,100**	57,300
Ingham's Portfolio (National)	Agrilogistics	28/12/18	30/06/20	240,500	**240,502**	235,000
Thales, Homebush NSW[3]	Office	10/07/19	30/06/20	48,000	**48,000**	-
ATO, Upper Mount Gravatt SA	Office	09/09/19	30/06/20	64,000	**64,000**	-
Bunnings, Palmerston NT[5]	Retail	14/11/19	30/06/20	15,000	**15,000**	-
Arnott's, Huntingwood NSW[1]	Industrial	27/12/19	30/06/20	198,900	**198,908**	-
Glasshouse, Macquarie Park NSW[1]	Office	03/04/20	30/06/20	166,400	**166,492**	-
Total				**1,852,415**	**1,852,615**	1,328,445

1 50% ownership accounted for as joint operations with related parties.
2 Virgin Australia (the tenant) remains in voluntary administration at the time of this report, the valuation reflects the scenario whereby the tenant terminates the lease and the building is vacant.
3 Leasehold.
4 Suez, North Ryde acquired on 11 June 2020 for $15.0 million. Date of latest independent valuation for this property is 28 April 2020.
5 Land portion settled and property under development expected to settle in October 2020.

Joint operations

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.

B. Property portfolio assets (continued)

B2. Investment in joint venture entities

The REIT accounts for investments in joint venture entities and associates using 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 year 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 joint venture entities is detailed below:

Name of entity	Properties	2020 Ownership %	2019 Ownership %	2020 $'000	2019 $'000
Perth RDC Trust	Coles, Perth WA	**49.9%**	49.9%	**145,973**	124,199
LWIP Trust ("LWIP")	ALH (National Portfolio)	**49.9%**	49.9%	**249,596**	233,456
CH DC Fund	Woolworths, Dandenong VIC	**26.0%**	26.0%	**68,216**	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%	**26,368**	25,850
Charter Hall Exchange Wholesale Trust ("Exchange Trust")	49% in Telstra Portfolio (National Portfolio)	**50.0%**	-	**160,276**	-
CH 242 Exhibition Street Holding Trust	242 Exhibition St, Melbourne VIC	**15.0%**	-	**60,024**	-
CH Dartmoor Wholesale Fund ("Dartmoor Trust")	49% in BP Portfolio (National Portfolio)	**50.0%**	-	**244,912**	-
				1,067,174	551,051

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

	2020 $'000	2019 $'000
Balance at the beginning of the year	**551,051**	474,147
Additions (including acquisition costs)	**476,894**	61,680
Acquisition costs written off	**(16,557)**	(1,733)
Share of equity accounted profit	**109,424**	47,577
Distributions received and receivable	**(53,638)**	(30,620)
Balance at the end of the year	**1,067,174**	551,051

B. 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:

2020	Perth Trust $'000	LWIP $'000	Kogarah Trust $'000	Exchange Trust $'000	Dartmoor Trust $'000	Other trusts* $'000	Total $'000
Summarised balance sheet:							
Cash and cash equivalents	2,545	4,586	2,276	5,026	462	7,061	21,956
Other current assets	337	3,909	450	2,668	11,536	2,295	21,195
Non-current assets	292,000	871,900	223,020	697,966	924,140	1,214,000	4,223,026
Current liabilities	(2,350)	(11,607)	(2,574)	(2,850)	(9,658)	(15,804)	(44,843)
Derivative financial instruments - non-current liabilities	-	(1,957)	-	(9,440)	(11,794)	(8,663)	(31,854)
Borrowings - non-current liabilities	-	(366,639)	-	(372,818)	(424,861)	(483,625)	(1,647,943)
Net assets	292,532	500,192	223,172	320,552	489,825	715,264	2,541,537
REIT's share in %	49.9	49.9	50.1	50.0	50.0		
REIT's share in $'000 and carrying value	145,973	249,596	111,809	160,276	244,912	154,608	1,067,174

*Includes CH DC Fund, CH BBD Trust and 242 Exhibition Trust

=							
Revenue	20,551	57,203	12,811	25,360	108,352	45,676	269,953
Interest expense	-	(15,622)	-	(8,498)	(6,264)	(8,007)	(38,391)
Profit/(loss) for the year	43,655	56,195	23,630	(5,976)	68,535	54,859	240,898
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	43,655	56,195	23,630	(5,976)	68,535	54,859	240,898
REIT's share in $'000	21,784	28,041	11,839	(2,988)	34,268	10,029	102,973
REIT's share of distribution received in $'000	7,420	15,994	5,834	8,356	9,088	6,946	53,638

2019	Perth RDC Trust $'000	LWIP $'000	CH DC Fund $'000	Kogarah Trust $'000	CH BBD Trust $'000	Total $'000
Summarised balance sheet:						
Cash and cash equivalents	797	613	1,556	2,332	498	5,796
Other current assets	-	2,920	233	377	274	3,804
Non-current assets	249,250	833,100	237,000	211,000	102,500	1,632,850
Current liabilities	(1,151)	(10,586)	(1,321)	(2,523)	(364)	(15,945)
Derivative financial instruments - non-current liabilities	-	(1,760)	-	-	(179)	(1,939)
Borrowings - non-current liabilities	-	(356,439)	-	-	(51,029)	(407,468)
Net assets	248,896	467,848	237,468	211,186	51,700	1,217,098
REIT's share in %	49.9	49.9	26.0	50.1	50.0	
REIT's share in $'000 and carrying value	124,199	233,456	61,742	105,804	25,850	551,051
Summarised statement of comprehensive						
Revenue	19,901	54,266	15,924	12,571	566	103,228
Interest expense	-	(16,333)	-	-	-	(16,333)
Profit for the year	16,614	55,734	27,166	15,427	(6,166)	108,775
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	16,614	55,734	27,166	15,427	(6,166)	108,775
REIT's share in $'000	8,290	27,578	7,063	7,729	(3,083)	47,577
REIT's share of distribution received in $'000	7,176	14,230	3,331	5,752	131	30,620

Note: no comparative information is provided for Exchange Trust, 242 Exhibition Trust and Dartmoor Trust because the REIT acquired interest in these entities in the year ended 30 June 2020.

B. Property portfolio assets (continued)

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 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. Distributions 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.

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.

B3. Investments in financial assets at fair value

	2020	2019
	$'000	$'000
Interest in Waypoint REIT	**101,230**	-
Income support account	**5,877**	6,851
Total property portfolio assets	**107,107**	6,851

	2020	2019
	$'000	$'000
Balance at the beginning of the year	**6,851**	15,661
Additions	**103,566**	-
Withdrawals	**(1,043)**	(1,244)
Disposals	**-**	(7,711)
Net fair value movement on investment at fair value	**(2,267)**	145
Balance at the end of the year	**107,107**	6,851

Interest in Waypoint REIT (ASX: WPR)

On 20 February 2020, the REIT acquired 5% interest in Waypoint REIT for $103.6 million at $2.66 per security. These investments are classified as level 1 on the fair value hierarchy as the inputs used to determine fair value are quoted prices.

Income support account

The REIT maintains a stake in the income support account which can be drawn from 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.

During the year, income support of $1.0 million was drawn from the income support account (2019: $1.2 million).

B4. Commitments and contingent liabilities

As at the balance date, the REIT had a commitment of $27.3 million to fund the development at Bunnings Palmerston, Darwin NT with expected practical completion in late 2020 and a further $4.5 million of other capital commitments (2019: $51.1 million of capital commitments). Finance Trust had no commitments as at 30 June 2020 (2019: nil).

As at 30 June 2020, the REIT and Finance Trust have no contingent liabilities (2019: nil).

The REIT's share in the commitments and contingent liabilities of joint venture entities, other than those described above, total nil (2019: nil).

C. 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.

C1. 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 2020 was 26.1% (30 June 2019: 27.5%).

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

C2. 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. Figures below represent both the REIT and Finance Trust.

	2020		2019	
	Total carrying amount	**Fair value**	Total carrying amount	Fair value
	$'000	**$'000**	$'000	$'000
Bank loan - term debt	**832,700**	**821,766**	527,800	530,860
Unamortised borrowing cost	**(2,794)**	**-**	(2,783)	-
Total	**829,906**	**821,766**	525,017	530,860
Balance available for drawing	**197,300**		152,200	

Bank loans

	Maturity Date	**Facility limit at 30 Jun 2020 $'000**	**Utilised amount at 30 Jun 2020 $'000**	Facility limit at 30 Jun 2019 $'000	Utilised amount at 30 Jun 2019 $'000
Syndicated bank facility	February 2023	**480,000**	**302,700**	480,000	475,200
Bilateral facility	August 2023	**100,000**	**100,000**	100,000	25,100
Bilateral facility	July 2024	**100,000**	**100,000**	100,000	27,500
Bilateral facility	November 2024	**100,000**	**100,000**	-	-
Bilateral facility	March 2025	**150,000**	**150,000**	-	-
Bilateral facility	April 2025	**100,000**	**80,000**	-	-
		1,030,000	**832,700**	680,000	527,800

Covenants

Syndicated and bilateral facilities are repayable immediately if any of the following occurs:

- the REIT defaults on payments of interest or principal;
- interest cover ratio falls below 2.00:1;
- total liabilities to total tangible assets ratio exceeds 50%;
- priority indebtedness for non-recourse debt of the REIT over the total look through tangible assets exceeds 27.5%;
- the aggregate of priority debt and any secured finance debt exceeds $20 million; and
- total unsecured debt over unencumbered assets of the REIT exceeds 60%.

C. Capital structure and financial risk management (continued)

Intra-Group Facility Agreement

	2020 $'000	2019 $'000
Loans receivable under IGFA		
Charter Hall Direct Industrial Fund	**812,194**	526,446
	812,194	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 2019, 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 2019 held by LWR AL Holding Trust, a subsidiary of DIF.

Interest rates under the IGFA are variable and reset periodically. As at 30 June 2020, the interest rate under the IGFA was 4.50% (30 June 2019: 4.50%) per annum.

Borrowing in Joint Ventures

	Maturity Date	Facility limit at 30 Jun 2020 at 100% $'000	Facility limit at 30 Jun 2020 REIT's share $'000	Facility limit at 30 Jun 2019 at 100% $'000	Facility limit at 30 Jun 2019 REIT's share $'000
LWIP – syndicated debt facility	December 2023	**170,000**	**84,830**	170,000	84,830
LWIP – US Private Placement notes (USPP)	May 2027	**200,000**	**99,800**	200,000	99,800
CH BBD Trust – debt facility	May 2024	**51,250**	**25,625**	51,250	25,625
Exchange Trust	September 2022	**385,000**	**192,500**	-	-
242 Exhibition Street	August 2024	**466,500**	**69,975**	-	-
Dartmoor Trust	December 2024	**450,000**	**225,000**	-	-
		1,722,750	**697,730**	421,250	210,255

Net debt reconciliation

The table below sets out an analysis of net debt and the movements in net debt during the year.

	2018 $'000	Movement in borrowing costs $'000	Movement in cash $'000	2019 $'000	Movement in borrowing costs $'000	Movement in cash $'000	2020 $'000
Bank debt	430,100		97,700	527,800	**-**	304,900	**832,700**
Borrowing costs	(2,019)	(764)		(2,783)	(11)	-	**(2,794)**
Total borrowings	428,081	(764)	97,700	525,017	(11)	304,900	**829,906**
Cash	(5,515)		(898)	(6,413)	-	(32,012)	**(38,425)**
Net debt	422,566	(764)	96,802	518,604	(11)	272,888	**791,481**

(b) Finance costs

	Charter Hall Long WALE REIT 2020 $'000	2019 $'000	Finance Trust 2020 $'000	2019 $'000
Finance costs incurred on financial instruments:				
- At amortised cost	**18,331**	18,922	**18,192**	19,222
- At amortised cost - related party*	**-**	-	**-**	3,487
- Fair value through profit and loss	**2,909**	722	**2,909**	1,387
	21,240	19,644	**21,101**	24,096

* Relates to costs incurred under IGFA.

C. Capital structure and financial risk management (continued)

C3. Derivative financial instruments

The REIT, through Finance Trust, 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 Finance Trust, on behalf of the REIT, is a party to $485 million of new interest rate swaps. At balance date, 72% (2019: 91%) of the REIT's direct and joint venture interest rate exposure was hedged. The Finance Trust, on behalf of the REIT, is entitled 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 2020, the fixed rates varied from 1.10% to 1.79% per annum (2019: 1.35% to 2.54% per annum). Amounts reflected in the financial statements are as follows:

Balance Sheet	2020 Asset $'000	2020 Liability $'000	2019 Asset $'000	2019 Liability $'000
Current				
Interest rate swaps	**-**	**-**	-	8,126
Total current derivative financial instruments	**-**	**-**	-	8,126
Non-current				
Interest rate swaps	**-**	**20,068**	-	13,365
Total non-current derivative financial instruments	**-**	**20,068**	-	13,365
Total derivative financial assets/liabilities	**-**	**20,068**	-	21,491

As at 30 June 2020, the notional principal amount and period of expiry of the interest rate swap contracts are as follows:

	1 year or less $'000	1 - 2 years $'000	2 - 3 years $'000	3 - 4 years $'000	More than 4 years $'000	Total $'000
2020	**-**	**240,000**	**-**	**145,000**	**100,000**	**485,000**
2019	40,000	-	240,000	-	245,000	525,000

(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.

C. Capital structure and financial risk management (continued)

C4. 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.

C. Capital structure and financial risk management (continued)

(a) Market risk – Interest rate risk

The table below shows the REIT and Finance Trust's exposure to interest rate risk.

	Charter Hall Long WALE REIT 2020 $'000	Charter Hall Long WALE REIT 2019 $'000	Finance Trust 2020 $'000	Finance Trust 2019 $'000
Fixed rate				
Borrowings - joint venture entities[1]	**99,800**	99,800	**-**	-
Net fixed rate exposure	**99,800**	99,800	**-**	-
Floating rate				
Cash	**(38,425)**	(6,413)	**(14,339)**	(1,053)
Cash - joint venture entities[1]	**(9,317)**	(2,526)	**-**	-
Loans receivable	**-**	-	**(812,194)**	(526,446)
Borrowings	**832,700**	527,800	**832,700**	527,800
Borrowings - joint venture entities[1]	**574,964**	104,218	**-**	-
	1,359,922	623,079	**6,167**	301
Derivative financial instruments				
Interest rate swaps - floating to fixed[2]	**(485,000)**	(525,000)	**(485,000)**	(525,000)
Interest rate swaps - floating to fixed - joint venture	**(495,445)**	(42,445)	**-**	-
Net floating rate exposure	**379,477**	55,634	**(478,833)**	(524,699)

[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.

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 2020, with all other variables remaining constant. The change in interest payable on the REIT's and Finance Trust's floating rate interest bearing liabilities, is partially offset by changes in the fair value of derivative financial instruments hedging this exposure.

Charter Hall Long WALE REIT

	2020 Interest expense $'000	2020 Net gain/(loss) from derivative financial instruments $'000	2020 Profit and loss $'000	2020 Other comprehensive income $'000	2019 Profit and loss $'000	2019 Other comprehensive income $'000
Australian interest rates						
+ 1.00%	**(3,795)**	**38,466**	**34,671**	**-**	18,432	-
- 1.00%	**3,795**	**(40,864)**	**(37,069)**	**-**	(19,373)	-

Finance Trust

	2020 Interest expense $'000	2020 Net gain/(loss) from derivative financial instruments $'000	2020 Profit and loss $'000	2020 Other comprehensive income $'000	2019 Profit and loss $'000	2019 Other comprehensive income $'000
Australian interest rates						
+ 1.00%	**4,788**	**12,970**	**17,758**	**-**	17,598	-
- 1.00%	**(4,788)**	**(13,528)**	**(18,316)**	**-**	(18,478)	-

Sensitivity analysis presented above does not take into account 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 and Finance Trust in the future periods.

C. Capital structure and financial risk management (continued)

(b) Liquidity risk

The following table provides the contractual maturity of the REIT's and Finance Trust's fixed and floating rate financial liabilities and derivatives as at balance date. The amounts presented represent the future contractual undiscounted principal and interest cash 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.

Charter Hall Long WALE REIT

	Carrying value $'000	Less than 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
2020					
Financial liabilities					
Payables	**(8,638)**	**(8,638)**	**-**	**-**	**(8,638)**
Distribution payable	**(35,216)**	**(35,216)**	**-**	**-**	**(35,216)**
Borrowings	**(829,906)**	**(8,422)**	**(859,798)**	**-**	**(868,220)**
Derivative financial instruments	**(20,068)**	**(7,968)**	**(12,722)**	**-**	**(20,690)**
Other liabilities	**(6,748)**	**(6,748)**	**-**	**-**	**(6,748)**
Total financial liabilities	**(900,576)**	**(66,992)**	**(872,520)**	**-**	**(939,512)**
2019					
Financial liabilities					
Payables	(12,154)	(12,154)	-	-	(12,154)
Distribution payable	(22,932)	(22,932)	-	-	(22,932)
Borrowings	(525,017)	(11,166)	(528,233)	(27,545)	(566,944)
Derivative financial instruments	(21,491)	(12,201)	(9,799)	264	(21,736)
Other liabilities	(2,033)	(2,033)	-	-	(2,033)
Total financial liabilities	(583,627)	(60,486)	(538,032)	(27,281)	(625,799)

Finance Trust

	Carrying value $'000	Less than 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
2020					
Financial liabilities					
Payables	**(266)**	**(266)**	**-**	**-**	**(266)**
Borrowings	**(829,906)**	**(8,422)**	**(859,798)**	**-**	**(868,220)**
Derivative financial instruments	**(20,068)**	**(7,968)**	**(12,722)**	**-**	**(20,690)**
Total financial liabilities	**(850,240)**	**(16,656)**	**(872,520)**	**-**	**(889,176)**
2019					
Financial liabilities					
Payables	(385)	(385)	-	-	(385)
Borrowings	(525,169)	(11,166)	(528,233)	(27,545)	(566,944)
Derivative financial instruments	(21,491)	(12,201)	(9,799)	264	(21,736)
Total financial liabilities	(547,045)	(23,752)	(538,032)	(27,281)	(589,065)

C. 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 or impaired:

	Past due but not impaired				
	Less than 30 days $'000	31 to 60 days $'000	61 to 90 days $'000	More than 90 days $'000	Total $'000
2020					
Rent receivable	**390**	**380**	**201**	**262**	**1,233**
Provision for expected credit losses					**(105)**
2019					
Rent receivable	1,190	180	19	35	1,424
Provision for expected credit losses					(15)

The REIT applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance (ECL) for all trade and other financial assets.

The loss allowances for rent receivables and other financial assets are based on assumptions about risk of default and expected loss rates. The REIT uses judgement in making these assumptions, based on the REIT's history, existing market conditions as well as forward looking estimates at the end of each reporting period.

In relation to COVID-19 the forward-looking judgements and assumptions include:

- the extent and duration of the pandemic and its impact on the ability of tenants to pay deferred rent;
- the impacts of actions by governments and other authorities, including trading restrictions on the REIT's tenants;
- tenant credit quality, assessed based on shared credit risk characteristics; and
- the effect of rental deferral options as at the reporting date.

Agreement to rental deferral options between the REIT and a tenant does not automatically indicate a deterioration of credit risk but is considered within the framework of the above indicators.

The deferral of lease payments offered to tenants have affected the REIT's normal levels of cash inflows from operations.

The forward-looking judgments and assumptions reflect the best estimate of management as at balance date, using information available to them at that date. Accordingly, the REIT's ECL estimates are inherently uncertain and, as a result, actual results may differ from these estimates.

C. Capital structure and financial risk management (continued)

C5. Contributed equity

		Charter Hall Long WALE REIT		Finance Trust	
		2020 $'000	2019 $'000	2020 $'000	2019 $'000
Details	*No. of Securities*				
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 reorganisation	(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	**1,280,894**	1,280,894	**1,952**	1,952
Securities issued via equity raise, net of issue costs	161,935,980	**846,192**		-	
Securities issued via DRP	4,189,217	**21,590**		-	
Securities on issue - 30 June 2020	489,111,617	**2,148,676**		**1,952**	
Balance at the end of the period attributable to the securityholders of:					
DIF	489,111,617	**2,148,676**	1,280,894	-	-
LWR Finance Trust	489,111,617	**1,952**	1,952	**1,952**	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. During the year, the REIT raised $21.6 million from the DRP (2019: $9.5 million). An additional $5.1 million is expected to be raised from the DRP for the 30 June 2020 distribution to be allotted on 14 August 2020 (2019: $6.0 million from DRP for the 30 June 2019 distribution allotted on 14 August 2019).

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.

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.

D. Further Information

D1. Related Party Information

(a) Responsible Entity

The Responsible Entity of the REIT and Finance Trust 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 during the year and up to the date of this report:

- Peeyush Gupta AM – 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 (resigned on 22 July 2020)

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

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

The Responsible Entity and its related parties held 59,688,298 stapled securities as at 30 June 2020 (2019: 49,074,083).

Following is a summary of related party transactions for the year ended 30 June 2020:

		Charter Hall Long WALE REIT			
		Basis of fee calculation		Fee amount	
		2020	2019	2020	2019
Type of fee	Method of fee calculation	$'000	$'000	$'000	$'000
Base management*	0.45% of average gross assets	**3,086,191**	1,737,657	**13,899**	7,569
Acquisition	1% of acquisition price	**1,377,888**	632,750	**13,779**	6,328
Property management	Up to 3% of gross property income	**160,546**	132,648	**1,911**	1,256
Accounting services	Cost recovery	**N/A**	N/A	**745**	683
Leasing fees	% gross average annual rent based on a sliding fee scale	**5,096**	12,019	**302**	750
Project management fees	3% of the project value	**764**	8,067	**23**	242
Facility management fee	Annual charge per property	**N/A**	N/A	**112**	63
Other cost recoveries	Cost recovery	**N/A**	N/A	**64**	16
				30,835	16,907

* Includes the REIT's share of $324,000 paid by 242 Exhibition Trust (2019: nil).

		Finance Trust			
		Basis of fee calculation		Fee amount	
		2020	2019	2020	2019
Type of fee	Method of fee calculation	$'000	$'000	$'000	$'000
Base management	0.45% of average gross assets	**24,143**	2,429	**111**	11

During the year, the REIT acquired 15% interest in 242 Exhibition Trust from a related party (refer to Note B2).

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

	Charter Hall Long WALE REIT		Finance Trust	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Charter Hall Holdings Pty Limited	**1,511**	751	**-**	6
	1,511	751	**-**	6

D. Further information (continued)

(e) 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 and Finance Trust. These powers have not been delegated by the Responsible Entity to any other person. Details of management fees charged to the REIT by the Responsible Entity and its related parties are included in Note D1(c).

(f) Directors' fees and Fund Manager remuneration

Independent Directors' fees are as follows:

	2020 $	2019 $
Peeyush Gupta AM	**147,085**	143,500
Glenn Fraser	**105,055**	110,000
Ceinwen Kirk-Lennox	**99,805**	97,375
	351,945	350,875

The level of fees is not related to the performance of the REIT and Finance Trust. 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 and Finance Trust are employees of Charter Hall Holdings Pty Ltd and are remunerated by Charter Hall Holdings Pty Ltd.

(g) 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 is as follows:

	Stapled securities held 2020	Stapled securities held 2019
Peeyush Gupta AM	**367,993**	374,344
Glenn Fraser	**63,900**	52,535
Ceinwen Kirk-Lennox	**41,764**	34,936
David Harrison	**402,587**	326,318
Adrian Taylor	**90,240**	73,645
Total	**966,484**	861,778

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

	Stapled securities acquired 2020	Stapled securities acquired 2019
Peeyush Gupta AM	**118,649**	32,115
Glenn Fraser	**11,365**	8,210
Ceinwen Kirk-Lennox	**6,828**	9,172
David Harrison	**76,269**	35,860
Adrian Taylor	**16,595**	1,115
Total	**229,706**	86,472

Peeyush Gupta AM disposed of 125,000 stapled securities of the REIT during the year. No other stapled securities of the REIT were sold by the Directors of the Responsible Entity or their related parties during the year.

D. Further information (continued)

D2. 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

	Charter Hall Long WALE REIT 2020 $'000	Charter Hall Long WALE REIT 2019 $'000	Finance Trust 2020 $'000	Finance Trust 2019 $'000
Receivables				
Trade receivable	**1,233**	1,424	**-**	-
Provision for expected credit loss provision	**(105)**	(15)	**-**	-
	1,128	1,409	**-**	-
Accrued income and other receivables	**3,611**	2,155	**-**	-
Net GST receivable	**-**	759	**-**	20
Distributions receivable from joint ventures*	**15,583**	4,879	**-**	-
	20,322	9,202	**-**	20

*Distributions received in the corresponding July

	Charter Hall Long WALE REIT 2020 $'000	Charter Hall Long WALE REIT 2019 $'000	Finance Trust 2020 $'000	Finance Trust 2019 $'000
Other Assets				
Deposit for the purchase of Thales Building, Sydney Olympic Park	**-**	2,358	**-**	-
Prepayments	**850**	762	**-**	-
	850	3,120	**-**	-

Trade receivables includes property income receivable together with receivables relating to revenue from contracts with customers.

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 and other liabilities

	Charter Hall Long WALE REIT 2020 $'000	Charter Hall Long WALE REIT 2019 $'000	Finance Trust 2020 $'000	Finance Trust 2019 $'000
Payables				
Accrued expenses	**3,580**	9,297	**81**	68
Accrued management fee	**1,511**	751	**-**	6
Accrued capital expenditure	**2,795**	1,795	**-**	-
GST payable	**567**	-	**-**	-
Interest payable	**185**	311	**185**	311
	8,638	12,154	**266**	385
Other liabilities				
Unearned income	**6,748**	2,033	**-**	-
	6,748	2,033	**-**	-

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.

D. Further information (continued)

D3. Parent entity information

The financial information for the parent entities of the REIT and LWR Finance Trust, has been prepared on the same basis as the consolidated financial statements except as set out below:

Investments in controlled entities

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 entities show the following aggregate amounts:

	Parent entity of Charter Hall Long WALE REIT		Parent entity of Finance Trust	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Balance Sheet				
Current assets	**335,397**	5,198	**721**	699
Non-current assets	**2,363,508**	1,256,978	**2,500**	2,500
Total assets	**2,698,905**	1,262,176	**3,221**	3,199
Current liabilities	**179,670**	31,363	**1,682**	1,521
Non-current liabilities	**859,395**	440,055	**-**	-
Total liabilities	**1,039,065**	471,418	**1,682**	1,521
Equity				
Contributed equity	**2,148,676**	1,280,894	**1,952**	1,952
Accumulated losses	**(488,836)**	(490,136)	**(413)**	(274)
Total equity	**1,659,840**	790,758	**1,539**	1,678
Statement of comprehensive income				
Profit for the year	**127,036**	147,393	**(139)**	(30)
Total comprehensive income	**127,036**	147,393	**(139)**	(30)

(b) Guarantees and contingent liabilities

The parent entities did not have any material contingent liabilities, either individually or as a class, at 30 June 2020 (2019: $nil).

(c) Commitments

The parent entities did not have any commitments as at 30 June 2020 (2019: $nil).

(d) Net current asset deficiency

At 30 June 2020, the parent entity of LWR Finance Trust have net deficiencies of current assets over current liabilities $1.0 million (2019: $0.8 million). The parent entity will be able to meet their day-to-day working capital requirements from its available loan facility and operating cash flows. Securityholders will only receive their distributions to the extent that the parent entity has sufficient working capital.

D. Further information (continued)

D4. 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;
- 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.

D5. Remuneration of the auditor

	Charter Hall Long WALE REIT		Finance Trust	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Amounts paid or payable to PricewaterhouseCoopers Australian firm for:				
Audit services	**367**	308	**27**	16
Amounts paid or payable to related practices of PricewaterhouseCoopers Australian firm for:				
Taxation compliance services	**53**	53	**-**	3
Accounting and tax due diligence advice	**-**	51	**-**	-
	420	412	**27**	19

D6. Events occurring after balance date

On 28 July 2020, the REIT sold its entire 5% holding in Waypoint REIT (ASX:WPR) for $2.61 per WPR security, totalling $101.6 million. CLW will receive a distribution of 7.41 cents per WPR security for the half year ended 30 June 2020, which together with the sale price, provides CLW with a positive total return of $0.9 million on its February 2020 entry price. The proceeds from the sale were used to partially repay the syndicated debt facility.

In light of the sale of the 5% holding in Waypoint REIT, on 6 August 2020 the Board of the REIT approved restructuring the REIT's balance sheet interest rate swaps which will reduce the average fixed rate on these swaps from 1.30% to 0.20% at an expected cost of $20 million.

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.

D. Further information (continued)

D7. Interest in other entities

Material subsidiaries

The REIT's and Finance Trust's principal subsidiaries at 30 June 2020 are set out below. Unless otherwise stated, they have contributed equity consisting solely of ordinary units that are held directly by the parent entity, and the proportion of ownership interests held equals the voting rights held by the parent entity.

Name of entity	Country of incorporation / Place of business	Ownership interest held by the REIT		Principal activities
		2020	2019	
Charter Hall Direct Industrial Fund				
CHDIF Altona North Trust	Australia	**100%**	100%	Property Investment
CHDIF Kingsgrove 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 Airport 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
CH Direct VA Trust	Australia	**100%**	100%	Property Investment
LWR Bunnings Trust	Australia	**100%**	100%	Property Investment
LWR Truganina Trust	Australia	**100%**	100%	Property Investment
LWR Canning Vale Trust	Australia	**100%**	100%	Property Investment
CPOF Kogarah Trust	Australia	**100%**	100%	Property Investment
LWR Tank Street Trust	Australia	**100%**	100%	Property Investment
LWR Club Hotel Waterford Trust	Australia	**100%**	100%	Property Investment
LWR Optima Centre Trust	Australia	**100%**	100%	Property Investment
LWR George Street Trust	Australia	**100%**	100%	Property Investment
Charter Hall Chester Hill Trust	Australia	**100%**	100%	Property Investment
LWR AL Holding Trust	Australia	**100%**	100%	Holding Trust
LWR AL Trust	Australia	**100%**	100%	Property Investment
LWR BBD Trust	Australia	**100%**	100%	Holding Trust
LWR Mort Street Trust	Australia	**100%**	100%	Property Investment
LWR Franklin Street Trust	Australia	**100%**	100%	Property Investment
LWR Murray Rose Trust	Australia	**100%**	-	Property Investment
LWR Exchange Trust	Australia	**100%**	-	Holding Trust
LWR UMG Trust	Australia	**100%**	-	Property Investment
LWR Palmerston Trust	Australia	**100%**	-	Property Investment
LWR 242 Exhibition Trust	Australia	**100%**	-	Holding Trust
LWR Dartmoor Trust	Australia	**100%**	-	Holding Trust
LWR 61 Huntingwood Drive Trust	Australia	**100%**	-	Property Investment
LWR Macquarie Park Trust	Australia	**100%**	-	Property Investment
LWR Finance Trust				
Charter Hall LWR Limited	Australia	**100%**	100%	Provision of finance

D8. 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 and Finance Trust's constitutions, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. The REIT and Finance 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 REIT's and Finance Trust's functional and presentation currency.

D. Further information (continued)

Compliance with IFRS

The consolidated financial statements of the REIT and Finance 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 derivative financial instruments, investments in financial assets held at fair value, assets held for sale 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 2020 that affect the REIT's operations or reporting requirements.

Net asset deficiency

At 30 June 2020, the Finance Trust has a net deficiency of total assets over total liabilities of $23.7 million (30 June 2019: $19.5 million) largely attributable to mark-to-market valuation of interest rate swaps. The Finance Trust will be able to meet their day-to-day working capital requirements from readily accessible credit facilities of $197.3 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 it 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

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 two 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.

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.

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.

(c) Comparative information

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

(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.

D. Further information (continued)

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

The REIT and the Finance Trust adopted AASB 16 Leases from 1 July 2019. Both entities 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 Finance Trust:

a the consolidated financial statements and notes set out on pages 34 to 66 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 Charter Hall Long WALE REIT's and Finance Trust's financial position as at 30 June 2020 and of their performance for the year ended on that date; and

b there are reasonable grounds to believe that the Charter Hall Long WALE REIT and Finance Trust will be able to pay their debts as and when they become due and payable.

Note D8(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

7 August 2020

Independent auditor's report

To the stapled securityholders of Charter Hall Direct Industrial Fund and the unitholders of LWR Finance Trust

Report on the audit of the financial reports

Our opinion

In our opinion:

The accompanying financial reports of Charter Hall Direct Industrial Fund (DIF) and its controlled entities and LWR Finance Trust and its controlled entity (together "Charter Hall Long WALE REIT") and LWR Finance Trust and its controlled entity (Finance Trust) are in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of Charter Hall Long WALE REIT 's and Finance Trust's financial positions as at 30 June 2020 and of their financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Charter Hall Long WALE REIT and Finance Trust financial reports comprise:

- the consolidated balance sheets as at 30 June 2020
- the consolidated statements of comprehensive income for the year then ended
- the consolidated statement of changes in equity – Charter Hall Long WALE REIT for the year then ended
- the consolidated statement of changes in equity – Finance Trust for the year then ended
- the consolidated cash flows statements for the year then ended
- the notes to the consolidated financial statements, as contained in the "About this report" section, which include a summary of significant accounting policies and the information in the "About this report" section
- the directors' declaration to the stapled security holders.

Charter Hall Long WALE REIT (the REIT) comprises Charter Hall Direct Industrial Fund and the entities it controlled at year end or from time to time during the financial year and LWR Finance Trust and the entity it controlled at year end or from time to time during the financial year. Finance Trust comprises LWR Finance Trust and the entity it controlled at year end and from time to time during the financial year. For the purposes of consolidation accounting DIF is the deemed parent entity and acquirer of Finance Trust.

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 reports* section of our report.

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

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

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

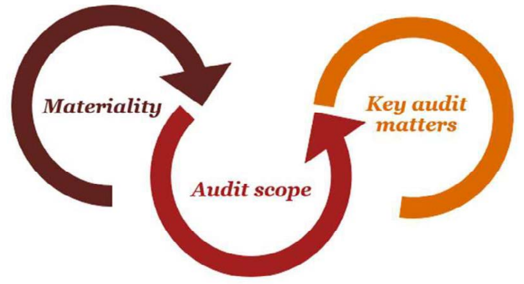
Independence

We are independent of Charter Hall Long WALE REIT and Finance 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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial reports in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our audit approach

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

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



Materiality

- For the purpose of our audit of the REIT we used overall materiality of $5.4 million, which represents approximately 5% of the REIT's operating earnings.
- 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 REIT financial report as a whole.
- We chose operating earnings (which is an adjusted profit metric) as the benchmark because, in our view, it is the benchmark against which the performance of the REIT is most commonly measured and is a generally accepted benchmark. We selected a 5% threshold based on our professional judgement and noting it is within the range of commonly accepted profit related materiality thresholds.

Audit Scope
• Our audit focused on where the REIT made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. We also focused on the risk of management override of internal controls, including whether there was evidence of bias by the directors of Charter Hall WALE Limited, the responsible entity of the REIT (the directors) that may represent a risk of material misstatement due to fraud.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter

Valuation of investment properties, including investment properties held in joint ventures accounted for under the equity method - Charter Hall Long WALE REIT
(Refer to About this report section and Note B)
The REIT's investment property portfolio is predominantly comprised of industrial, retail, office and agrilogistic investment properties. At 30 June 2020 the carrying value of the REIT's total investment property portfolio (excluding investment properties held in equity accounted investments) was $1,852.6 million (2019: $1,328.4 million), refer to Note B1. The carrying value of the investment properties held by the REIT's joint venture vehicles was $1,751.1 million (2019: $758.7 million).
 	
In measuring the carrying value of investment properties, the REIT applied the principles of accounting for investment properties at fair value under Australian Accounting Standards and applied the valuation methodology described in Note B of the financial report. The Charter Hall Group's valuation policy requires all properties to be externally valued by valuation experts at least once every 12 months. If a property is not externally valued at balance date, the REIT performs an internal valuation.
 	
We considered this a key audit matter because of the:
• Financial significance of the investment property balances in the REIT consolidated balance sheet.
• Financial significance of revaluation gains that directly impact the REIT consolidated statement of comprehensive income through the net fair value gain on investment properties.
• Inherently subjective nature of investment property valuations such as prevailing market conditions, the individual nature and location, comparable sales evidence and the expected future income for each property. At 30 June 2020, COVID-19 heightened the forward-looking judgement and assumptions required by the REIT including the:
  o extent and duration of the pandemic and its impact on the ability of tenants to pay deferred rent
  o tenant's credit quality
  o effect of rental deferral options.
• Significant estimation uncertainty exists with respect to the key inputs and assumptions used by the REIT in developing fair value estimates including the capitalisation rate, terminal yield, net market rent and discount rate. This uncertainty was heightened in the current year by the COVID-19 impact on the economic outlook.
• The importance of the valuation uncertainty to users' understanding of the REIT financial report.
	We performed the following procedures amongst others:
	• We assessed the design and tested the operating effectiveness of certain controls supporting the REIT's investment property valuation process, including controls relating to the review and approval of valuations adopted.
	• Inspected recent independent property market reports detailing the prevailing market conditions in which the REIT invests.
	• Compared historical valuations (internal and external) against current year valuations and noted that the movements in fair values were in line with overall movements in the market.
	• Met with management of the REIT and discussed the specifics of a sample of individual properties including new leases entered into during the financial year and capital expenditure. We also enquired about the impact of COVID-19 on investment property valuations and how this has been considered by the REIT in determining fair value at 30 June 2020.
	• For a sample of leases, compared the rental income used in the valuation to the relevant underlying lease agreements.
	• Assessed the accuracy of key input data and the forward-looking information incorporated into the valuation calculations by assessing the reasonableness of the forecasts, assumptions and probability weightings, and comparing on a sample basis against supporting evidence where applicable. This included the reasonableness of the assessed impact of COVID-19 on future market rentals and tenant relief.
	• Compared the REIT's capitalisation rates and discount rates by location and asset grade to industry benchmarks and market data, including comparable transactions where possible.
	• Agreed the fair value per the final external and internal valuation reports to the REIT's accounting records.
	For a sample of external valuations, assessed the competency and capability of the external valuers and evaluated whether the valuations were performed in accordance with Charter Hall Group's valuation policy.
	• We assessed the appropriateness of the disclosures in the REIT financial report considering the requirements of Australian Accounting Standards. In particular, we considered the adequacy of the disclosures made in the About this report section and Note B which explain that there is significant estimation uncertainty in relation to the valuation of investment properties.

Finance costs - Finance Trust *(Refer to note C2)* Charter Hall LWR Pty Limited (a wholly owned subsidiary of LWR Finance Trust) enters into facility agreements with third party financiers and is party to an Intra-Group Facility Agreement (IFGA) with the other stapled trust. For the financial year ended 30 June 2020, the finance costs recognised in the consolidated statement of comprehensive income was $21.1 million (2019: $24.1 million). We considered the completeness and accuracy of the finance costs to be a key audit matter because of the: • relative size of the finance costs for the financial year ended 30 June 2020 in relation to the Finance	We performed of the following audit procedures amongst others: • Read the most up-to-date borrowing agreements between the Finance Trust and its financiers to develop an understanding of the terms associated with the facilities, interest rate, line fee and the amount of facility available for drawdown. • Obtained confirmations directly from the Finance Trust's financiers to confirm all borrowings balances, tenure and conditions. • Agreed a sample of facility drawdowns and repayments recorded by the Finance Trust for the financial year ended 30 June 2020 to bank statements. • Recalculated the interest expense for all

Key audit matter	*How our audit addressed the key audit matter*
Trust consolidated statement of comprehensive income.	facilities and line fee expense for external facilities for the financial year ended 30 June 2020 using the key terms set out in the relevant facility agreements and agreed these amounts to the finance costs in the Finance Trust consolidated statement of comprehensive income. • Evaluated whether the disclosures were consistent with the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2020, but does not include the financial reports and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Director's Report. We expect the remaining other information to be made available to us after the date of this auditor's report.

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

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

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

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

Responsibilities of the directors for the financial reports

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

In preparing the financial reports, the directors are responsible for assessing the ability of the REIT and Finance Trust to continue as going concerns, 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 and Finance Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial reports

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

A further description of our responsibilities for the audit of the financial reports is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

J A Dunning

J A Dunning
Partner

Sydney
7 August 2020

Fund manager remuneration

Avi Anger, Fund Manager CLW

Fund Manager's Total Target Remuneration is structured as a mixture of fixed and variable 'at-risk' STI and LTI components. While Fixed Annual Remuneration is designed to provide a base level of remuneration, the 'at-risk' STI and LTI components align the employee's performance with Fund objectives and long-term securityholder interests.

STI

Individual STI outcomes are determined on the basis of Group and individual performance through a Balanced Scorecard. The Scorecard is split into three elements: Financial; Customer; and Leadership/Culture/Collaboration with a 50% financial and 50% non-financial split.

The table below outlines the split of Avi's current KPIs and the percentage attributed to CLW performance.

Role	Financial	Customer	Leadership, culture and collaboration
Overall Weighting	50%	30%	20%
KPIs	– Achieving target CLW REIT OEPS FY20 forecast – Achieving budgeted transactions for CLW in FY20	– Positive investor feedback – Achieve meaningful and consistent engagement with all major listed investors and maintain record of communication and feedback – Work alongside asset management teams to maintain strong relationships with CLW major tenant customers – Participating in Asian investor roadshow for CLW to improve brand awareness in the market	– Focusing on succession planning and team development to aid retention of key talent – Achievement of Sustainability measures for the Fund aligned to the Fund strategy – Industry contribution to improve the external brand of the Fund

LTI

The LTI is governed by the Performance Rights and Options Plan (PROP), under which rights to stapled securities are granted to participants. Each performance right entitles the participant to one stapled security in the Charter Hall Group for nil consideration at the time of vesting, subject to meeting the performance hurdles outlined below:

- Charter Hall Group's OEPS Growth (excluding CHOT) – 50% of LTI allocation

- Charter Hall Group's Relative TSR – 50% of LTI allocation

More details are provided under section 3.5 of the Charter Hall Group's Remuneration Report within the 2020 Annual Report.

Securityholder analysis

A. Distribution of equity stapled securityholders as at 4 September 2020

Range	Stapled securities held	% of issued stapled securities	No. of Holders
100,001 and Over	433,260,575	88.37	82
10,001 to 50,000	37,188,366	7.58	1,579
5,001 to 10,000	12,032,100	2.45	1,651
1,001 to 5,000	7,412,115	1.51	2,513
1 to 1,000	413,308	0.08	1,139
Total	**490,306,464**	**100.00**	**6,964**
Unmarketable parcels	2,900	0.00	308

B. Top 20 registered equity securityholders as at 4 September 2020

Rank	Name	A/C designation	Stapled securities held	%IC of issued securities
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED		149,911,381	30.58
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED		80,315,415	16.38
3	TRUST COMPANY LIMITED	<CHARTER HALL CO-INVEST A/C>	59,688,298	12.17
4	CITICORP NOMINEES PTY LIMITED		38,357,075	7.82
5	NATIONAL NOMINEES LIMITED		28,526,989	5.82
6	BNP PARIBAS NOMINEES PTY LTD	<AGENCY LENDING DRP A/C>	16,518,147	3.37
7	BNP PARIBAS NOMS PTY LTD	<DRP>	14,572,090	2.97
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	<NT-COMNWLTH SUPER CORP A/C>	5,734,627	1.17
9	MILTON CORPORATION LIMITED		5,082,095	1.04
10	CITICORP NOMINEES PTY LIMITED	<COLONIAL FIRST STATE INV A/C>	4,314,430	0.88
11	NETWEALTH INVESTMENTS LIMITED	<WRAP SERVICES A/C>	3,107,496	0.63
12	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD	<DRP A/C>	3,064,971	0.63
13	BNP PARIBAS NOMINEES PTY LTD	<JERSEY ABERDEEN AIF LTD DRP>	1,687,071	0.34
14	BNP PARIBAS NOMS(NZ) LTD	<DRP>	1,289,770	0.26
15	NAVIGATOR AUSTRALIA LTD	<MLC INVESTMENT SETT A/C>	1,246,178	0.25
16	AUSTRALIAN EXECUTOR TRUSTEES LIMITED	<IPS SUPER A/C>	1,238,588	0.25
17	AUSTRALIAN EXECUTOR TRUSTEES LIMITED	<NO 1 ACCOUNT>	1,187,985	0.24
18	JAN HOLDINGS PTY LTD		1,155,229	0.24
19	NATIONAL NOMINEES LIMITED	<DB A/C>	1,127,785	0.23
20	BNP PARIBAS NOMINEES PTY LTD	<PITCHER PARTNERS DRP>	764,454	0.16
Total			**418,890,074**	**85.43**
Balance of register			**71,416,390**	**14.57**
Grand total			**490,306,464**	**100.00**

C. Substantial securityholder notices as at 4 September 2020

Ordinary securities	Date of change	Stapled securities held	% securities held
Pendal Group Limited (PDL)	25 Aug 2020	27,208,867	5.55%
BlackRock Group	02 Jun 2020	25,293,290	5.17%
Trust Company Limited (TCL) as custodian for Bieson Pty Limited (Bieson) as trustee of the Charter Hall Co-Investment Trust (CHCT)	19 Dec 2019	56,007,778	12.16%
The Vanguard Group	30 Oct 2019	33,881,985	8.99%

Investor information

How do I invest in Charter Hall Long WALE REIT?

Charter Hall Long WALE REIT units are listed on the Australian Securities Exchange (ASX: CLW). Securityholders will need to use the services of a stockbroker or an online broking facility to invest in Charter Hall Long WALE REIT.

Where can I find more information about Charter Hall Long WALE REIT?

Charter Hall Long WALE REIT's website, **charterhall.com.au/clw** contains extensive information on our Board, corporate governance (including its corporate governance statement), sustainability, property portfolio, unit price and all investor communications including distribution and tax information, reports and presentations, and profit results. The website also provides information on the broader Charter Hall Group including other managed funds available for investment.

You can register your details on the Charter Hall Group website to receive ASX announcements by an email alert as they are being released. To register your details, please visit our website at **charterhall.com.au**.

Can I receive my Annual Report electronically?

Charter Hall Long WALE REIT provides its annual report as a PDF, accessible on its website. You can elect to receive notification that this report is available online via your Investor Centre login.

How do I receive my distribution?

Charter Hall Long WALE REIT pays its distribution via direct credit. This enables you to receive automatic payment of your distributions quickly and securely. You can nominate any Australian or New Zealand bank, building society, credit union or cash management account for direct payment by downloading a direct credit form using the Investor Login facility and sending to Link Market Services. On the day of payment you will be sent a statement via post or email confirming that payment has been made and setting out details of the payment.

Can I reinvest my distribution?

When operating, the Distribution Reinvestment Plan (DRP) allows you to have your distributions reinvested in additional securities in Charter Hall Long WALE REIT, rather than having your distributions paid to you. If you would like to participate in the DRP, you can do so online using the Investor Login facility available on our website, or you can complete a DRP Application Form available from our registry.

Do I need to supply my Tax File Number?

You are not required by law to supply your Tax File Number (TFN), Australian Business Number (ABN) or exemption. However, if you do not provide these details, withholding tax may be deducted at the highest marginal rate from your distributions. If you wish to provide your TFN, ABN or exemption, please contact Link Market Services on **1300 303 063** or your sponsoring broker. You can also update your details directly online at **charterhall.com.au** using the Investor Login facility.

How do I complete my annual tax return for the distributions I receive from Charter Hall Long WALE REIT?

At the end of each financial year, we issue securityholders with an Annual Taxation Statement. This statement includes information required to complete your tax return. The quarterly distributions paid are required to be included in your tax return for the financial year the income was earned, that is, the distribution income paid in August 2020 should be included in your 2020 financial year tax return.

How do I make a complaint?

Securityholders wishing to lodge a complaint should do so in writing and forward it to the Compliance Manager, Charter Hall Long WALE REIT at the address shown in the Directory.

In the event that a complaint cannot be resolved within a reasonable time frame (usually 45 days) or you are not satisfied with our response, you can seek assistance from the Australian Financial Complaints Authority (AFCA), an external complaints resolution service that has been approved by ASIC. AFCA's contact details are below:

Australian Financial Complaints Authority

GPO Box 3
Melbourne VIC 3001

Tel	1800 931 678
E-mail	info@afca.org.au
Web	www.afca.org.au

Contact details

Registry

To access information on your holding or update/change your details including name, address, tax file number, payment instructions and document requests, contact:

Link Market Services Limited
Locked Bag A14 Sydney South NSW 1235

Tel	1300 303 063 (within Aus) +61 2 8280 7134 (outside Aus)
E-mail	charterhall.reits@linkmarketservices.com.au
Web	linkmarketservices.com.au

Investor relations

All other enquiries related to Charter Hall Long WALE REIT can be directed to Investor Relations:

Charter Hall Long WALE REIT Management Limited
GPO Box 2704 Sydney NSW 2001

Tel	1300 365 585 (within Aus) +61 2 8651 9000 (outside Aus)
E-mail	reits@charterhall.com.au
Web	charterhall.com.au

Corporate directory

Responsible Entity and Manager

Charter Hall WALE Limited
ABN 20 610 772 202
AFSL 486721

Registered office
Level 20, No.1 Martin Place Sydney NSW 2000

Directors of the Responsible Entity
Peeyush Gupta AM (Chair), Glenn Fraser, Ceinwen Kirk-Lennox and David Harrison

Fund Manager
Avi Anger

Company Secretary
Mark Bryant/Charisse Nortje

Responsible Entity's office
Level 20, No.1 Martin Place Sydney NSW 2000

GPO Box 2704 Sydney NSW 2001

Tel	1300 365 585 (within Aus) +61 2 8651 9000 (outside Aus)
E-mail	reits@charterhall.com.au
Web	charterhall.com.au/clw
ASX Code	CLW

Auditor

PricewaterhouseCoopers
One International Towers Sydney
Watermans Quay, Barangaroo
Sydney NSW 2000

Important information

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 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);
- LWR Finance Trust (Finance Trust) and its controlled entities (ARSN 614 713 138); and
- 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).

This report is not intended to be and does not constitute an offer or a recommendation to acquire any securities in the REIT. This report does not take into account the personal objectives, financial situation or needs of any investor. Before investing in REIT securities, you should consider your own objectives, financial situation and needs and seek independent financial, legal and/or taxation advice. Historical performance is not a reliable indicator of future performance. Due care and attention has been exercised in the preparation of forward looking statements. However, any forward looking statements contained in this report are not guarantees or predictions of future performance and, by their very nature, are subject to uncertainties and contingencies, many of which are outside the control of CHWALE and its entities.

Actual results may vary materially from any forward looking statements contained in this report. Readers are cautioned not to place undue reliance on any forward looking statements. Except as required by applicable law, CHWALE and its related entities do not undertake any obligation to publicly update or review any forward looking statements, whether as a result of new information or future events.

The receipt of this report by any person and any information contained herein or subsequently communicated to any person in connection with the REIT is not to be taken as constituting the giving of investment, legal or tax advice by the REIT nor any of its related bodies corporate, directors or employees to any such person. Neither the REIT, its related bodies corporate, directors, employees nor any other person who may be taken to have been involved in the preparation of this report represents or warrants that the information contained in this report, provided either orally or in writing to a recipient in the course of its evaluation of the REIT or the matters contained in this report, is accurate or complete.

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. All information herein is current as at 30 June 2020 unless otherwise stated. All references to dollars ($) or A$ are to Australian Dollars unless otherwise stated.

charterhall.com.au/clw