

Charter Hall Long WALE REIT

ARSN 144 613 641

Interim financial report
For the half year ended 31 December 2021



Important Notice

The Charter Hall Long WALE REIT (REIT or CLW) consists of the securities of the two Australian registered schemes listed below (collectively referred to as the “Stapled Trusts”):

- Charter Hall Direct Industrial Fund (“DIF”) and its controlled entities (ARSN 144 613 641); and
- LWR Finance Trust (“Finance Trust”) and its controlled entity (ARSN 614 713 138).

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

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

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

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

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Directors' report

The Directors of Charter Hall WALE Limited (CHWALE) present their report together with the interim financial report of Charter Hall Direct Industrial Fund ("DIF") and its controlled entities (together "Charter Hall Long WALE REIT", "REIT" or "CLW") and the interim financial report and other information of LWR Finance Trust and its controlled entity (together "Finance Trust") for the half year ended 31 December 2021.

Principal activities

The principal activity of the REIT during the period was property investment. The principal activity of the Finance Trust during the period was financing the REIT through the Intra-Group Facility Agreement (IGFA). There were no significant changes in the nature of either the REIT's or Finance Trust's activities during the period.

Directors

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

- Peeyush Gupta AM – Chairman and Non-Executive Director
- Glenn Fraser – Non-Executive Director
- Ceinwen Kirk-Lennox – Non-Executive Director
- David Harrison – Executive Director and Chief Executive Officer / Managing Director of Charter Hall Group
- Carmel Hourigan – Executive Director

Distributions

Distributions paid or declared during the half year ended 31 December 2021 are as follows:

	Number of securities on issue entitled to distribution	31 Dec 2021 Cents per security	\$'000	Number of securities on issue entitled to distribution	31 Dec 2020 Cents per security	\$'000
Ordinary securityholders of DIF						
30 September	630,580,810	7.62	48,050	502,626,793	7.20	36,189
31 December*	718,377,885	7.62	54,740	571,402,774	7.30	41,712
Total distributions		15.24	102,790		14.50	77,901

* A liability has been recognised in the consolidated financial statements as the interim distribution had been declared as at the balance date.

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 period, the REIT raised \$11.4 million from the DRP for the quarter ended 30 June 2021 allotted on 13 August 2021. The REIT raised a further \$11.2 million from the DRP for the quarter ended 30 September 2021 allotted on 15 November 2021 (2020: \$6.3 million from the DRP for 30 September 2020 allotted on 13 November 2020). An additional \$12.6 million is expected to be raised from the DRP for the 31 December 2021 distribution to be allotted on 14 February 2022 (2020: \$4.5 million from the DRP for the 31 December 2020 allotted on 12 February 2021).

Securities issued as consideration for acquisitions

In October 2021, the REIT issued 3,655,913 stapled securities at a price of \$4.70 per stapled security for a total sum of \$17.2 million as partial consideration for the Larapinta acquisition.

In December 2021, the REIT issued 81.8 million stapled securities at a price of \$5.18 per stapled security for a total sum of \$423.6 million as partial consideration for the ALE portfolio acquisition.

Directors' report (continued)

Review and results of operations

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

	Charter Hall Long WALE REIT		Finance Trust	
	6 months to 31 Dec 2021	6 months to 31 Dec 2020	6 months to 31 Dec 2021	6 months to 31 Dec 2020
Revenue (\$'000)	108,948	74,627	19,429	14,394
Statutory profit/(loss) for the half year (\$'000)	589,556	198,592	15,041	3,843
Basic earnings per stapled security (cents)	92.32	39.10	2.36	0.76
Operating earnings of the REIT (\$'000)	97,788	73,633	-	-
Operating earnings of the REIT per stapled security (cents)	15.31	14.50	-	-
Distributions (\$'000)	102,790	77,901	-	-
Distributions per stapled security (cents)	15.24	14.50	-	-

	31 Dec 2021	30 Jun 2021	31 Dec 2021	30 Jun 2021
Total assets (\$'000)	6,199,874	4,687,389	1,888,661	1,329,652
Total liabilities (\$'000)	1,969,606	1,408,279	1,882,681	1,343,402
Net assets attributable to securityholders (\$'000)	4,230,268	3,279,110	5,980	(13,750)
Stapled securities on issue ('000)	718,378	628,216	718,378	628,216
Net assets per stapled security (\$)	5.89	5.22	0.01	(0.02)
Balance sheet gearing - total debt (net of cash) to total assets (net of cash)	29.2%	27.4%		
Look through gearing - total debt (net of cash) to total assets (net of cash)	38.2%	36.6%		

The REIT recorded a statutory profit of \$589.6 million for the half year ended 31 December 2021 (31 December 2020: \$198.6 million). Operating earnings amounted to \$97.8 million (15.31 cents per stapled security) for the half year ended 31 December 2021 (31 December 2020: \$73.6 million; 14.50 cents per stapled security) and a distribution of \$102.8 million (15.24 cents per stapled security) was declared for the same period (31 December 2020: \$77.9 million; or 14.50 cents per stapled security).

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

	6 months to 31 Dec 2021	6 months to 31 Dec 2020
	\$'000	\$'000
Net property income	137,574	104,448
Interest income	47	147
Fund management fees	(12,915)	(8,535)
Finance costs	(24,386)	(20,490)
Administration and other expenses	(2,532)	(1,937)
Operating earnings*	97,788	73,633

* 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)

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

	6 months to 31 Dec 2021 \$'000	6 months to 31 Dec 2020 \$'000
Operating earnings	97,788	73,633
Net fair value movements on investment properties ¹	485,365	125,606
Net fair value movements on derivative financial instruments ¹	18,428	(1,567)
Net fair value movements on investments at fair value through profit or loss	7	(205)
Straightlining of rental income, amortisation of lease fees and incentives ¹	3,985	3,563
Acquisition related and other costs ¹	(8,975)	(1,951)
Loss on debt extinguishment ¹	(5,332)	-
Income support and development rebate	-	(228)
Foreign exchange losses	(1,625)	-
Provision for rent relief ²	(85)	(259)
Statutory profit for the half year	589,556	198,592
Basic weighted average number of stapled securities ('000)	638,625	507,874
Basic earnings per stapled security (cents)	92.32	39.10
Operating earnings per stapled security (cents)	15.31	14.50

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

² Rent free incentives (including the REIT'S proportionate share relating to equity accounted investments) relating to COVID-19 expected to be agreed post balance date.

Property valuation gains

Valuation gains totalling \$547.8 million were recorded during the period (31 December 2020: \$149.8 million). These gains were partially offset by revaluation decrements attributable to acquisition costs of \$58.5 million (31 December 2020: \$20.6 million) and straightlining of rental income, amortisation of lease fees and incentives of \$4.0 million (31 December 2020: \$3.6 million).

The uncertainty of the impact of COVID-19 did not have a significant impact on property valuations. Over the six months from 30 June 2021 to 31 December 2021 the REIT's portfolio valuation increased by 8.1% (31 December 2020: 4.2%). External valuations were conducted at 31 December 2021 for 95% of the REIT's portfolio, including joint ventures.

Significant changes in the state of affairs

Acquisitions

During the period, the REIT acquired the following assets:

	Acquisition date	Acquisition price \$'000
Bunnings, Baldivis WA	5/07/2021	49,000
Simon Transport, Carole Park QLD	15/07/2021	83,125
Myer, Melbourne VIC (33.3% interest)	30/07/2021	135,167
Modern Star, Brendale QLD	12/08/2021	32,250
Terrey Hills Tavern, Terrey Hills NSW (49.9% interest) ¹	23/08/2021	12,887
Mitre 10, 74 Pitt St, Sydney NSW	31/08/2021	18,000
Cleanaway & Resource Co, Wetherill Park NSW	10/09/2021	34,600
Toyota Material Handling, Larapinta QLD	1/10/2021	21,000
ALE portfolio (50% interest) ^{1,2}	17/12/2021	814,495
		1,200,524

¹ Acquired by the underlying property trust which owns the assets.

² In late September 2021, the REIT announced that, together with a Charter Hall managed entity on behalf of Host-plus Pty Limited (Hostplus), it had entered into a Scheme Implementation Deed (SID) to acquire 100% of the securities in the ALE Property Group (ALE) for \$5.68 per security (Offer Price) subject to securityholders of ALE approving the Scheme. The REIT would acquire a 50% interest in ALE. ALE was an internally managed ASX-listed REIT that owned a portfolio of 78 pub properties leased to Endeavour Group. On 2 December 2021, ALE securityholders voted in favour of the scheme and on 17 December 2021, the REIT announced that it had successfully completed the acquisition of a 50% interest of ALE alongside Hostplus. The Offer Price of \$5.68 per security implied a portfolio purchase price (excluding debt and other net assets acquired) of \$1.628 billion (CLW 50% share: \$0.814 billion)

Directors' report (continued)

Disposals

	Disposal date	Disposal price \$'000
56 Edmondstone Road, Bowen Hills	22/12/2021	70,900
		70,900

Debt arrangements and hedging

Balance Sheet Debt Facilities

In August 2021, the Finance Trust on behalf of the REIT entered into a new five year \$200 million bilateral facility.

In November 2021, the Finance Trust on behalf of the REIT entered into a new five year \$100 million facility.

As part of the ALE portfolio acquisition, the Finance Trust on behalf of the REIT increased its existing bilateral balance sheet facilities by \$350.0 million and also re-set the term for a further five years commencing December 2021. In addition to the facility upsize and extension, the Finance Trust on behalf of REIT entered into \$550.0 million of new swaps agreements expiring in September 2025 and extended the swap maturity of an existing \$100.0 million to align with this expiry date.

Joint Venture Debt Facilities

In November 2021, LWIP Trust issued a \$110 million (CLW share \$55 million) 10 year US Private Placement (USPP) and refinanced its existing bilateral debt facility, reducing the facility limit by \$95 million to \$100 million (CLW share \$50 million) and extending the term to October 2026.

In November 2021, 242 Exhibition Street Holding Trust refinanced its \$466.5 million facility (CLW share \$70 million) converting it to a Green Loan as the underlying asset meets Climate Bond Initiative criteria and extending the term to October 2028.

COVID-19 rent relief

The REIT has continued to work with tenants impacted by COVID-19 to provide rental relief in line with the relevant State Governments' legislation (Code of Conduct) which has resulted in an increased number of rent incentives and deferrals. During the half year period, the REIT provided \$274,352 in rental relief (30 June 2021: \$508,601) comprising rent free incentives of \$173,972 (30 June 2021: \$259,280), with the remaining rent relief of \$100,380 (30 June 2021: \$249,321) provided in the form of rent deferrals against which an expected credit loss provision has been made.

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

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.

Matters subsequent to the end of the financial period

On 20 January 2022, the REIT paid an equity call of \$155.6 million for CH LEP Holding Trust, the proceeds of which were used to fully repay the joint venture's SAMTNs of \$311.2 million (CLW share: \$155.6 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 interim financial statements that has significantly affected or may significantly affect the operations of the REIT or Finance Trust, the results of their operations or the state of affairs of the REIT or Finance Trust in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 9.

Directors' report (continued)

Rounding of Amounts to the Nearest Hundred Thousand Dollars

As permitted by ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 (as amended) issued by the Australian Securities and Investments Commission relating to the 'rounding off' of amounts in the Directors' report and consolidated financial statements. Amounts in the Directors' report and consolidated financial statements have been rounded to the nearest 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 8 February 2022. The Directors have the power to amend and re-issue the financial statements.



Peeyush Gupta AM
Chairman

Sydney
8 February 2022



Auditor's Independence Declaration

As lead auditor for the review of Charter Hall Direct Industrial Fund and LWR Finance Trust for the half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to read 'R. W. McMahon'.

R W McMahon
Partner
PricewaterhouseCoopers

Sydney
8 February 2022

Consolidated statements of comprehensive income

For the half year ended 31 December 2021

	Notes	Charter Hall Long WALE REIT		Finance Trust	
		6 months to 31 Dec 2021 \$'000	6 months to 31 Dec 2020 \$'000	6 months to 31 Dec 2021 \$'000	6 months to 31 Dec 2020 \$'000
Revenue					
Property income	A1	108,908	74,505	-	-
Interest income	A1	40	122	19,429	14,394
Total revenue		108,948	74,627	19,429	14,394
Other income					
Share of equity accounted profit	B2	330,100	128,326	-	-
Net fair value gain on financial assets	B3	7	-	-	-
Net fair value gain on investment properties	B1	195,635	29,964	-	-
Net gain from derivative financial instruments		11,745	-	11,745	-
Total other income		537,487	158,290	11,745	-
Total revenue and other income		646,435	232,917	31,174	14,394
Expenses					
Property expenses		(17,918)	(11,981)	-	-
Fund management fees		(12,608)	(8,249)	(90)	(69)
Finance costs	C1	(13,968)	(10,251)	(14,417)	(10,251)
Administration and other expenses		(1,991)	(1,751)	(58)	(20)
Net fair value loss on financial assets	B3	-	(205)	-	-
Net loss from derivative financial instruments		-	(211)	-	(211)
Provision for rent relief*		(19)	(182)	-	-
Acquisition related costs		(8,750)	(1,495)	-	-
Foreign exchange losses		(1,625)	-	(1,568)	-
Total expenses		(56,879)	(34,325)	(16,133)	(10,551)
Net profit for the half year		589,556	198,592	15,041	3,843
Other comprehensive income		1,606	-	-	-
Total comprehensive income		591,162	198,592	15,041	3,843
Net profit and total comprehensive income attributable to:					
DIF		576,121	194,749	-	-
Stapled Trusts other than DIF		15,041	3,843	15,041	3,843
		591,162	198,592	15,041	3,843
Basic and diluted earnings per ordinary securityholder					
Earnings per unit of parent entity (cents)	A2	89.96	38.35	-	-
Earnings per stapled security (cents)	A2	92.32	39.10	2.36	0.76

* Rent free incentives relating to COVID-19.

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

Consolidated balance sheets

As at 31 December 2021

	Notes	Charter Hall Long WALE REIT		Finance Trust	
		31 Dec 2021 \$'000	30 Jun 2021 \$'000	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Assets					
Current assets					
Cash and cash equivalents		105,093	76,971	80,796	69,923
Receivables		24,420	17,050	3	62
Derivative financial instruments	C2	3,802	3,818	3,802	3,818
Other assets		3,504	15,361	-	-
Total current assets		136,819	113,200	84,601	73,803
Non-current assets					
Investment properties	B1	3,641,261	3,092,885	-	-
Investments accounted for using the equity method	B2	2,389,817	1,473,403	-	-
Intra-group facility receivable	C1	-	-	1,776,854	1,252,712
Investment in financial assets at fair value	B3	4,771	4,764	-	-
Derivative financial instruments	C2	27,206	3,137	27,206	3,137
Total non-current assets		6,063,055	4,574,189	1,804,060	1,255,849
Total assets		6,199,874	4,687,389	1,888,661	1,329,652
Liabilities					
Current liabilities					
Payables		26,947	17,708	5,298	6,313
Distribution payable	A2	54,740	46,488	-	-
Derivative financial instruments	C2	51	233	51	233
Other liabilities		10,446	6,994	-	-
Total current liabilities		92,184	71,423	5,349	6,546
Non-current liabilities					
Borrowings	C1	1,855,049	1,335,162	1,855,049	1,335,162
Derivative financial instruments	C2	22,283	1,694	22,283	1,694
Other liabilities		90	-	-	-
Total non-current liabilities		1,877,422	1,336,856	1,877,332	1,336,856
Total liabilities		1,969,606	1,408,279	1,882,681	1,343,402
Net assets / (liabilities)		4,230,268	3,279,110	5,980	(13,750)
Equity					
<i>Equity holders of DIF</i>					
Contributed equity	C3	3,248,192	2,790,095	-	-
Reserves		1,240	(366)	-	-
Retained profits		974,856	503,131	-	-
Parent entity interest		4,224,288	3,292,860	-	-
<i>Equity holders of Finance Trust</i>					
Contributed equity	C3	6,641	1,952	6,641	1,952
Retained losses		(661)	(15,702)	(661)	(15,702)
Equity holders of Finance Trust		5,980	(13,750)	5,980	(13,750)
Total equity		4,230,268	3,279,110	5,980	(13,750)

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

Consolidated statements of changes in equity

For the half year ended 31 December 2021

	Notes	Attributable to securityholders of DIF			Total \$'000
		Contributed equity \$'000	Reserves \$'000	Retained profits \$'000	
Balance at 1 July 2020		2,148,676	-	60,948	2,209,624
Total comprehensive income		-	-	194,749	194,749
Contributions of equity, net of issue costs		381,277	-	-	381,277
Distributions provided for or paid	A2	-	-	(77,901)	(77,901)
Balance at 31 December 2020		2,529,953	-	177,796	2,707,749
Balance at 1 July 2021		2,790,095	(366)	503,131	3,292,860
Total comprehensive income		-	1,606	574,515	576,121
Contributions of equity, net of issue costs	C3	458,097	-	-	458,097
Distributions provided for or paid	A2	-	-	(102,790)	(102,790)
Balance at 31 December 2021		3,248,192	1,240	974,856	4,224,288

	Notes	Attributable to securityholders of Finance Trust			Total \$'000
		Contributed equity \$'000	Reserves \$'000	Retained profits \$'000	
Balance at 1 July 2020		1,952	-	(25,659)	(23,707)
Total comprehensive income		-	-	3,843	3,843
Balance at 31 December 2020		1,952	-	(21,816)	(19,864)
Balance at 1 July 2021		1,952	-	(15,702)	(13,750)
Total comprehensive income		-	-	15,041	15,041
Contributions of equity, net of issue costs		4,689	-	-	4,689
Balance at 31 December 2021		6,641	-	(661)	5,980

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

Consolidated cash flow statements

For the half year ended 31 December 2021

	Charter Hall Long WALE REIT		Finance Trust	
	6 months to 31 Dec 2021	6 months to 31 Dec 2020	6 months to 31 Dec 2021	6 months to 31 Dec 2020
Notes	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Property rental income received	112,563	73,667	-	-
Property expenses paid	(18,575)	(15,118)	-	-
Distributions received from investment in joint venture entities	27,928	33,525	-	-
Distributions received from investment in financial assets	-	2,885	-	-
Interest received	40	122	44	67
Other income received	771	3,849	-	-
Finance costs paid	(12,122)	(10,668)	(12,713)	(10,668)
Fund management fees paid	(13,515)	(7,431)	(127)	(65)
Administration and other expenses paid	(1,836)	(1,360)	(24)	(100)
Net GST paid with respect to operating activities	(7,576)	(3,755)	68	24
Net cash flows from operating activities	87,678	75,716	(12,752)	(10,742)
Cash flows from investing activities				
Payments for investment properties	(381,813)	(375,175)	-	-
Receipts from sale of investment property	70,764	-	-	-
Receipts from sale of financial asset	-	101,009	-	-
Payments for investments accounted for using the equity method	(190,925)	(129,289)	-	-
Advances under Intra-Group Facility Agreement	-	-	(622,484)	(491,611)
Repayments under Intra-Group Facility Agreement	-	-	122,422	493,299
Acquisition and disposal related costs	(8,750)	-	-	-
Net cash flows from investing activities	(510,724)	(403,455)	(500,062)	1,688
Cash flows from financing activities				
Proceeds from issue of securities, net of equity raising costs*	(555)	369,817	-	-
Distributions paid to securityholders, net of DRP	(71,964)	(59,946)	-	-
Payments for interest rate swaps	(13,911)	(19,873)	(13,911)	(19,873)
Proceeds from borrowings (net of borrowing costs)	794,598	202,621	794,598	202,621
Repayment of borrowings	(257,000)	(186,700)	(257,000)	(186,700)
Net cash flows from financing activities	451,168	305,919	523,687	(3,952)
Net increase in cash and cash equivalents	28,122	(21,820)	10,873	(13,006)
Cash and cash equivalents at the beginning of the half year	76,971	38,425	69,923	14,339
Cash and cash equivalents at the end of the half year	105,093	16,605	80,796	1,333

* Equity raising costs in the current reporting period relate to the equity raising completed in May 2021 and costs associated with the DRP

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

About this report

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

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

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C3. Contributed equity	26		

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.

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 expected 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 31 December 2021 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.

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

The 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 \$173,972 in the form of rent free incentives and \$100,380 in the form of deferrals.

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 Australasian operations. Finance Trust results are not separately identified and reported, and therefore, segment information for Finance Trust is not prepared and provided to the Board.

(b) Segment information provided to the Board

The operating earnings reported to the Board for the half year ended 31 December 2021 are as follows:

	6 months to 31 Dec 2021	6 months to 31 Dec 2020
	\$'000	\$'000
Property lease revenue	103,976	71,429
Services income	4,932	3,076
Property income	108,908	74,505
Income support	-	228
Non-cash adjustments	(3,743)	(2,838)
Property expenses	(17,918)	(11,981)
Net property income from wholly owned properties (NPI)	87,247	59,914
Share of operating earnings from investments accounted for using equity method	39,068	33,848
Interest income	40	122
Fund management fees	(12,608)	(8,249)
Finance costs	(13,968)	(10,251)
Administration and other expenses	(1,991)	(1,751)
Operating earnings	97,788	73,633
Weighted average number of stapled securities	638,625	507,874
Operating earnings per stapled security (cents)	15.31	14.50

Property lease revenue

Property lease revenue represents income earned from the long-term rental of REIT properties and is recognised on a straight line basis over the lease term. The portion of rental income relating to fixed increases in operating lease rentals in future years is recognised as a separate component of investment properties.

Services income

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

A. REIT performance (continued)

The operating earnings on a proportionate consolidation basis (which includes the REIT's share in equity accounted investments) are set out below:

	6 months to 31 Dec 2021	6 months to 31 Dec 2020
	\$'000	\$'000
Net property income	137,574	104,448
Interest income	47	147
Fund management fees	(12,915)	(8,535)
Finance costs	(24,386)	(20,490)
Administration and other expenses	(2,532)	(1,937)
Operating earnings*	97,788	73,633

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

	6 months to 31 Dec 2021	6 months to 31 Dec 2020
	\$'000	\$'000
Operating earnings	97,788	73,633
Net fair value movements on investment properties ¹	485,365	125,606
Net fair value movements on derivative financial instruments ¹	18,428	(1,567)
Net fair value movements on investments at fair value through profit or loss	7	(205)
Straightlining of rental income, amortisation of lease fees and incentives ¹	3,985	3,563
Acquisition related and other costs ¹	(8,975)	(1,951)
Loss on debt extinguishment ¹	(5,332)	-
Income support and development rebate	-	(228)
Foreign exchange losses	(1,625)	-
Provision for rent relief ²	(85)	(259)
Statutory profit for the half year	589,556	198,592

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

² Rent free incentives (including the REIT'S proportionate share relating to equity accounted investments relating to COVID-19 expected to be agreed post balance date.

A2. Distributions and earnings per security

(a) Distributions paid and payable

	Number of securities on issue entitled to distribution	31 Dec 2021 Cents per security	31 Dec 2021 \$'000	Number of securities on issue entitled to distribution	31 Dec 2020 Cents per security	31 Dec 2020 \$'000
Ordinary securityholders of DIF						
30 September	630,580,810	7.62	48,050	502,626,793	7.20	36,189
31 December*	718,377,885	7.62	54,740	571,402,774	7.30	41,712
Total distributions		15.24	102,790		14.50	77,901

* A liability has been recognised in the consolidated financial statements as the interim distribution had been declared as at the balance date.

No distributions were paid or declared during the period 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.

A. REIT performance (continued)

Earnings per stapled security

	Charter Hall Long WALE REIT		Finance Trust	
	6 months to 31 Dec 2021	6 months to 31 Dec 2020	6 months to 31 Dec 2021	6 months to 31 Dec 2020
Basic and diluted earnings				
Earnings per stapled security (cents)	92.32	39.10	2.36	0.76
Operating earnings of the REIT per stapled security (cents)	15.31	14.50	N/A	N/A
Earnings of the parent entity (cents)	89.96	38.35	-	-
Earnings used in the calculation of basic and diluted earnings per stapled security				
Net profit for the period (\$'000)	589,556	198,592	15,041	3,843
Net profit/(loss) of the parent entity for the period (\$'000)	574,515	194,749	(90)	(75)
Operating earnings of the REIT for the period (\$'000)	97,788	73,633	N/A	N/A
Weighted average number of stapled securities used in the calculation of basic and diluted earnings per stapled security ('000)	638,625	507,874	638,625	507,874

Basic and diluted earnings per unit is determined by dividing statutory profit attributable to the stapled securityholders by the weighted average number of stapled securities on issue during the period. The REIT has no dilutive or convertible units on issue.

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

B. Property portfolio assets

The REIT's property portfolio assets comprise directly held investment properties, indirectly held interests in investment property held through joint ventures 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.

	Notes	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Investment properties	B1	3,641,261	3,092,885
Investments accounted for using the equity method	B2	2,389,817	1,473,403
Investment in financial assets at fair value	B3	4,771	4,764
Total property portfolio assets		6,035,849	4,571,052

B1. Investment properties

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

	Notes	6 months to 31 Dec 2021 \$'000	Year to 30 Jun 2021 \$'000
Carrying amount at the beginning of the period		3,092,885	1,852,615
Additions		393,303	992,141
Acquisition costs incurred		26,604	63,744
Disposals		(70,909)	(630)
Revaluation increment		225,983	248,850
Revaluation decrement attributable to acquisition costs, straightlining of rental income and amortisation of incentives and leasing fees		(30,348)	(67,661)
Straightlining of rental income and amortisation of incentives and leasing fees		3,743	3,826
Carrying amount at the end of the period		3,641,261	3,092,885

(a) Valuation process, techniques and key judgements

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. External valuations were conducted at 31 December 2021 for 95% of the REIT's portfolio, including joint ventures.

In determining the fair value of investment properties, 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 (\$ sqm/p.a.)	Adopted capitalisation rate (% p.a.)	Adopted terminal yield (% p.a.)	Adopted discount rate (% p.a.)
December 2021	3,641,261	17 - 1,269	3.13 - 7.25	3.25 - 8.00	3.50 - 8.00
June 2021	3,092,885	17 - 887	3.75 - 7.75	4.00 - 8.00	5.25 - 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, the fair value of all wholly owned investment properties would reduce by \$174.6 million from the fair value as at 31 December 2021 (including the REIT's share of joint venture properties \$376.4 million). And if the capitalisation rate compressed by 25 basis points, the fair value would increase by \$194.6 million from the fair value as of 31 December 2021 (including the REIT's share of joint venture properties \$421.8 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.

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. Property portfolio assets (continued)

B2. Investments accounted for using equity method

The REIT accounts for investments in joint venture entities and associates using the equity method. The REIT exercises joint control over the joint venture entities, but neither the REIT nor its joint venture partners have control in their own right, irrespective of their ownership interest. An associate is an entity over which the REIT has significant influence. The principal activity of all joint venture entities and associates during the period was property investment.

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

Information relating to the joint venture entities is detailed below:

Name of entity	Properties	31 Dec 2021	30 Jun 2021	31 Dec 2021	30 Jun 2021
		Ownership %	Ownership %	\$'000	\$'000
Perth RDC Trust	Coles, Perth WA	49.9%	49.9%	176,524	162,752
LWIP	ALH (National Portfolio)	49.9%	49.9%	442,965	343,003
CH DC Fund	Woolworths, Dandenong VIC	26.0%	26.0%	94,979	82,390
Kogarah Trust	Westpac, Kogarah NSW	50.1%	50.1%	128,729	123,288
CH BBD Trust	Brisbane Bus Depot, Brisbane QLD	50.0%	50.0%	40,828	35,277
Charter Hall Exchange Wholesale Trust ("Exchange Trust")	49% in Telstra Portfolio (National Portfolio)	50.0%	50.0%	249,974	212,143
CH 242 Exhibition Street Holding Trust	242 Exhibition St, Melbourne VIC	15.0%	15.0%	74,608	68,680
Charter Hall Australian Convenience Retail Trust ("bp Aus")	49% in bp Portfolio (National Portfolio)	50.0%	50.0%	329,194	279,731
CH Dartmouth NZ Wholesale Fund ("bp NZ")	49% in bp NZ Portfolio (NZ Portfolio)	50.0%	50.0%	188,636	166,139
CH LEP Holding Trust ("CH LEP")*	ALE Portfolio (National Portfolio)	50.0%	-	663,380	-
				2,389,817	1,473,403

* In late September 2021, the REIT announced that, together with a Charter Hall managed entity on behalf of Host-plus Pty Limited (Hostplus), it had entered into a Scheme Implementation Deed (SID) to acquire 100% of the securities in the ALE Property Group (ALE) for \$5.68 per security (Offer Price) subject to securityholders of ALE approving the Scheme. The REIT would acquire a 50% interest in ALE. ALE was an internally managed ASX-listed REIT that owned a portfolio of 78 pub properties leased to Endeavour Group. On 2 December 2021, ALE securityholders voted in favour of the scheme and on 17 December 2021, the REIT announced that it had successfully completed the acquisition of a 50% interest of ALE alongside Hostplus. The Offer Price of \$5.68 per security implied a portfolio purchase price (excluding debt and other net assets acquired) of \$1.628 billion (CLW 50% share: \$0.814 billion)

The REIT's share of total equity called by the CH LEP Holding Trust to fund the ALE acquisition and associated costs was \$595.9 million. The REIT issued 81.8 million stapled securities at a price of \$5.18 per stapled security for a total sum of \$423.6 million, with the remaining \$172.3 million of equity called being funded in cash. A further equity call of \$18.6 million was made in December 2021 to fund the repayment of the REIT's share of ALE bank debt.

B. Property portfolio assets (continued)

Gross equity accounted value of investment in joint venture entities

	6 months to 31 Dec 2021 \$'000	Year to 30 Jun 2021 \$'000
Balance at the beginning of the year	1,473,403	1,067,174
Additions (including acquisition costs)*	631,339	129,688
Acquisition costs written off	(8,255)	(1,455)
Share of equity accounted profit	330,100	349,255
Distributions received and receivable	(38,376)	(70,893)
Foreign exchange movement	1,606	(366)
Balance at the end of the period	2,389,817	1,473,403

* includes \$614.5 million of equity called for CH LEP Holding Trust, \$8.5 million in LWIP distributions reinvested and \$8.3 million of acquisition costs incurred during the half year.

B3. Investments in financial assets at fair value

	6 months to 31 Dec 2021 \$'000	Year to 30 Jun 2021 \$'000
Balance at the beginning of the period	4,764	107,107
Withdrawals	-	(1,137)
Disposals	-	(101,008)
Net fair value movement on investment at fair value	7	(198)
Balance at the end of the period	4,771	4,764

B. Property portfolio assets (continued)

B4. Commitments and contingent liabilities

As at the balance date, the REIT's capital commitments amounted to \$34.1 million (30 June 2021: \$42.5 million), inclusive of \$27.8 million (30 June 2021: \$27.8 million) to fund the development at Bunnings, Caboolture QLD with expected practical completion in the first half FY2023.

The REIT's share in the commitments and contingent liabilities of joint venture entities, other than those described above is nil (30 June 2021: nil).

The Finance Trust had no commitments or contingent liabilities as at 31 December 2021 (30 June 2021: nil).

C. Capital structure

C1. Borrowings and liquidity

(a) Borrowings

All borrowings are classified as non-current liabilities as they have maturities greater than 12 months. Figures below represent both the REIT and Finance Trust.

	31 Dec 2021		30 Jun 2021	
	Total carrying amount	Fair value	Total carrying amount	Fair value
	\$'000	\$'000	\$'000	\$'000
Bank loan - term debt	1,184,326	1,192,045	640,507	641,526
Australian dollar medium term notes (A\$MTNs)*	678,276	660,147	700,325	693,039
Unamortised borrowing cost	(7,553)	-	(5,670)	-
Total	1,855,049	1,852,192	1,335,162	1,334,565
Balance available for drawing	445,674		339,493	

* Includes fair value hedge adjustment of \$21.7 million (2021: \$0.3 million).

Bank loans

	Maturity Date	Facility limit at 31 Dec 2021	Utilised amount at 31 Dec 2021
		\$'000	\$'000
Bilateral facility	November 2026	300,000	220,000
Bilateral facility	August 2026	200,000	75,000
Bilateral facility	November 2026	100,000	55,000
Bilateral facility	December 2025	250,000	214,336
Bilateral facility	November 2027	100,000	50,000
Bilateral facility	November 2026	270,000	220,000
Bilateral facility	July 2026	100,000	75,000
Bilateral facility	November 2026	310,000	274,990
		1,630,000	1,184,326

Finance Trust Intra-Group Facility Agreement

	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
Loans receivable under IGFA		
Charter Hall Direct Industrial Fund (DIF)	1,776,854	1,252,712
	1,776,854	1,252,712

Finance Trust entered an Intra-Group Facility Agreement (IGFA) with DIF. This agreement expires in December 2023.

Interest rates under the IGFA are variable and reset periodically. As at 31 December 2021, the interest rate under the IGFA was 2.44% (30 June 2021: 3.27%) per annum.

The fair value of the loans receivable under IGFA amounts to \$1.78 billion as at 31 December 2021 (30 June 2021: \$1.25 billion).

C. Capital structure (continued)

Borrowings in Joint Ventures

	Maturity date	Facility limit at 31 Dec 2021 at 100% \$'000	Facility limit at 31 Dec 2021 REIT's share \$'000
LWIP – syndicated debt facility	November 2026	100,000	49,900
LWIP – US Private Placement notes (USPP)	May 2027	200,000	99,800
LWIP – US Private Placement notes (USPP)	November 2031	110,000	54,890
CH BBD Trust – debt facility	May 2024	51,250	25,625
Exchange Trust	September 2022	85,000	42,500
Exchange Trust – A\$MTN	September 2030	300,000	150,000
242 Exhibition Street	November 2028	466,500	69,975
bp AUS	December 2024	450,000	225,000
CH LEP – A\$MTN*	August 2022	311,194	155,597
CH LEP – CIB notes**	November 2023	162,081	81,040
		2,236,025	954,327

* Classified as a current liability repaid in January 2022.

** Includes gross value of debt, accumulated indexation and unamortised borrowing costs.

(b) Finance costs

	Charter Hall Long WALE REIT		Finance Trust	
	6 months to 31 Dec 2021 \$'000	6 months to 31 Dec 2020 \$'000	6 months to 31 Dec 2021 \$'000	6 months to 31 Dec 2020 \$'000
Finance costs incurred on financial instruments:				
- On debt - at amortised cost	17,894	8,233	18,343	8,233
- On interest rate swaps – at fair value through profit and loss	(3,926)	2,018	(3,926)	2,018
	13,968	10,251	14,417	10,251

C2. Derivative financial instruments

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

Amounts reflected in the financial statements are as follows:

Balance Sheet	31 Dec 2021		30 Jun 2021	
	Asset \$'000	Liability \$'000	Asset \$'000	Liability \$'000
Current				
Forward foreign exchange contracts	-	17	5	1
Interest rate swaps	-	34	-	232
Interest rate swaps – fair value hedges	3,802	-	3,813	-
Total current derivative financial instruments	3,802	51	3,818	233
Non-current				
Forward foreign exchange contracts	10	-	10	-
Interest rate swaps	27,196	-	2,647	-
Interest rate swaps – fair value hedges	-	22,283	480	1,694
Total non-current derivative financial instruments	27,206	22,283	3,137	1,694
Total derivative financial assets/liabilities	31,008	22,334	6,955	1,927

The REIT, through Finance Trust, uses derivatives to economically hedge its exposure to floating interest rates and foreign exchange exposure on distribution income from the bp New Zealand portfolio. All derivative financial instruments are measured and recognised at fair value on a recurring basis.

C. Capital structure (continued)

Following the issuance of A\$MTNs in March and June 2021, the REIT, through Finance Trust, entered into contracts with two major Australian banks to swap the fixed rate exposure of the A\$MTNs to a floating rate exposure with the terms that match the issued notes. These interest rate swaps were designated as fair value hedges against a risk of changes in fair value of A\$MTNs due to the changes in interest rates.

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

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

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

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

C. Capital structure (continued)

C3. Contributed equity

Details	No. of Securities	Charter Hall Long WALE REIT		Finance Trust	
		6 months to 31 Dec 2021 \$'000	Year to 30 Jun 2021 \$'000	6 months to 31 Dec 2021 \$'000	Year to 30 Jun 2021 \$'000
Securities on issue - 30 June 2020	489,111,617		2,148,676		1,952
Securities issued via equity raise, net of issue costs	133,651,227		615,754		-
Securities issued via DRP	5,452,888		25,665		-
Securities on issue - 30 June 2021	628,215,732	2,790,095	2,790,095	1,952	1,952
Securities issued as consideration for acquisitions	85,501,280	435,522		4,689	
Securities issued via DRP	4,660,873	22,575		-	
Securities on issue - 31 December 2021	718,377,885	3,248,192		6,641	
Balance at the end of the period attributable to the securityholders of:					
DIF	718,377,885	3,248,192	2,790,095	-	-
Finance Trust	718,377,885	6,641	1,952	6,641	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 average of the daily volume weighted 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 period, the REIT raised \$11.4 million from the DRP for the quarter ended 30 June 2021 allotted on 13 August 2021. The REIT raised a further \$11.2 million from the DRP for the quarter ended 30 September 2021 allotted on 15 November 2021 (2020: \$6.3 million from the DRP for 30 September 2020 allotted on 13 November 2020). An additional \$12.6 million is expected to be raised from the DRP for the 31 December 2021 distribution to be allotted on 14 February 2022 (2020: \$4.5 million from the DRP for the 31 December 2020 allotted on 12 February 2021).

Securities issued as consideration for acquisitions

In October 2021, the REIT issued 3,655,913 stapled securities at a price of \$4.70 per stapled security for a total sum of \$17.2 million as partial consideration for the Larapinta acquisition.

In December 2021, the REIT issued 81.8 million stapled securities at a price of \$5.18 per stapled security for a total sum of \$423.6 million as partial consideration for the ALE portfolio acquisition.

D. Further Information

D1. Events occurring after balance date

On 20 January 2022, the REIT paid an equity call of \$155.6 million for CH LEP Trust, the proceeds of which were used to fully repay the joint venture's \$AMTNs of \$311.2 million (CLW share: \$155.6 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 interim financial statements that has significantly affected or may significantly affect the operations of the REIT or Finance Trust, the results of their operations or the state of affairs of the REIT or Finance Trust in future financial years.

D2. Other significant accounting policies

(a) Basis of preparation

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

These general purpose consolidated financial statements for the half year ended 31 December 2021 have been prepared in accordance with the REIT's and Finance Trust's constitutions, Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The REIT is a for-profit entity for the purpose of preparing the consolidated financial statements. The consolidated financial statements are presented in Australian dollars, which is the REIT's functional and presentation currency.

These interim financial reports do not include all notes normally included in an annual financial report. Accordingly, these reports should be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the Charter Hall Long WALE REIT during the half year ended 31 December 2021 in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

(b) Comparative information

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

(c) 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) Changes in accounting standards

No new accounting standards or amendments have come into effect for the half year ended 31 December 2021 that affect the REIT's or Finance Trust's operations or reporting requirements.

Directors' declaration to stapled securityholders

In the opinion of the Directors of Charter Hall WALE Limited, the Responsible Entity of Charter Hall Long WALE REIT and LWR Finance Trust:

- a the consolidated financial statements and notes set out on pages 10 to 27 are in accordance with the *Corporations Act 2001*, including:
 - i complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii giving a true and fair view of the REIT's and LWR Finance Trust's financial position as at 31 December 2021 and of its performance for the half year ended on that date; and
- b there are reasonable grounds to believe that the REIT and LWR Finance Trust will be able to pay their debts as and when they become due and payable.

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

8 February 2022



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

Report on the interim financial reports

Conclusion

We have reviewed the interim financial reports of Charter Hall Direct Industrial Fund and its controlled entities and LWR Finance Trust and its controlled entities (together "Charter Hall Long WALE REIT") and LWR Finance Trust and its controlled entity (together "Finance Trust") during the half-year, which comprise the consolidated balance sheets as at 31 December 2021, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration to stapled securityholders.

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

1. giving a true and fair view of the Charter Hall Long WALE REIT's and LWR Finance Trust's financial position as at 31 December 2021 and of their performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the interim financial report* section of our report.

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

Responsibilities of the directors of the Responsible Entity for the interim financial reports

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

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Auditor's responsibilities for the review of the interim financial reports

Our responsibility is to express a conclusion on the interim financial reports based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the interim financial reports are not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Charter Hall Long WALE REIT's and LWR Finance Trust's financial position as at 31 December 2021 and of their performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

A handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive script.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'R. W. McMahon' in a cursive script.

R W McMahon
Partner

Sydney
8 February 2022