

Charter Hall Long WALE REIT

ARSN 114 613 641

Interim financial report
For the period ended 31 December 2016



Important Notice

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

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

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

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

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

CHWALE does not receive fees in respect of the general financial product advice it may provide; however, it will receive fees for operating the REIT which, in accordance with the REIT's constitutions, are calculated by reference to the value of the assets and the performance of the REIT. 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

For the period ended 31 December 2016

The Directors of Charter Hall WALE Limited (CHWALE) present the consolidated interim financial report of Charter Hall Direct Industrial Fund ("DIF") and its controlled entities (together "Charter Hall Long WALE REIT", "REIT" or "CLW") for the period ended 31 December 2016.

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

- Charter Hall Direct Industrial Fund ("DIF") and its controlled entities;
- LWR Finance Trust ("Finance Trust") and its controlled entity;
- Canning Vale Logistics Trust No.1 ("CVLT1");
- 218 Bannister Road Trust ("218 BRT");
- CPOF Kogarah Holding Trust ("CPOF KHT") and its controlled entity;
- Franklin Street Property Trust ("FSPT"); and
- CHPT Dandenong Trust ("CHPT DT") and its controlled entity.

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

AASB 3 *Business Combinations* and AASB 10 *Consolidated Financial Statements* require one of the stapled entities of a stapled structure to be identified as the parent entity for the purpose of preparing a consolidated interim financial report. In accordance with this requirement, DIF has been identified as the parent entity. Accordingly, the consolidated financial statements of the REIT have been prepared as a continuation of the consolidated financial statements of DIF with the current period information presented being that of DIF from 1 July 2016 until 9 November 2016 and that of DIF and the other six stapled trusts from 10 November 2016 until 31 December 2016. The comparative information presented is that of DIF for the period 1 July 2015 to 31 December 2015.

Principal activities

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

Directors

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

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

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

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

Directors' report (continued)

For the period ended 31 December 2016

Distributions

Distributions paid or declared during the period are as follows:

	6 months to 31 Dec 2016			6 months to 31 Dec 2015		
	Number of units on issue	Cents per unit	\$'m	Number of units on issue	Cents per unit	\$'m
Ordinary unitholders of DIF						
30 September ¹	120,445,046	2.38	2.9	120,445,046	2.38	2.8
10 November ¹	120,445,046	1.06	1.3	120,445,046	-	-
31 December ³	206,683,097	1.90	3.9	120,445,046	2.38	2.9
Total distributions²		9.50	8.1		14.69	5.7
Ordinary unitholders of Stapled Trusts other than DIF						
31 December ³	206,683,097	1.50	3.1	n/a	n/a	n/a
Total distributions²		13.13	11.2		14.69	5.7

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

² Cents per unit information is calculated with reference to weighted average number of stapled securities (Refer to Note 6).

³ The distribution of 3.40 cents per stapled security for the period from 10 November 2016 to 31 December 2016 was declared on 19 December 2016 and is payable on 28 February 2017. This compares to operating earnings of 3.44 cents per stapled security for the same period.

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

Review and results of operations

The REIT recorded a statutory loss of \$2.8 million for the period ended 31 December 2016 (31 December 2015: profit of \$19.0 million).

Operating earnings amounted to \$11.8 million for the period ended 31 December 2016 (31 December 2015: \$6.1 million).

Operating earnings for the period from 10 November to 31 December was \$7.1 million (3.44 cents per stapled security) and a distribution of \$7.0 million (3.40 cents per stapled security) for the same period was declared on 19 December 2016.

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

	01 July 2016 to 9 Nov 2016 Pre-IPO	10 Nov 2016 to 31 Dec 2016 Post-IPO	6 months to 31 Dec 2016	6 months to 31 Dec 2015
	\$'m	\$'m	\$'m	\$'m
Net property income	6.8	10.9	17.7	8.9
Interest income	-	0.1	0.1	-
Fund management fees	(0.6)	(0.8)	(1.4)	(0.7)
Finance costs	(1.3)	(2.7)	(4.0)	(1.9)
Administration and other expenses	(0.2)	(0.4)	(0.6)	(0.2)
Operating earnings	4.7	7.1	11.8	6.1

* Further detail on Operating Earnings is contained in Note 2.

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

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

Directors' report (continued)

For the period ended 31 December 2016

Reconciliation of operating earnings to statutory (loss)/profit is set out below:

	01 July 2016 9 Nov 2016 Pre-IPO \$'m	10 Nov 2016 to 31 Dec 2016 Post-IPO \$'m	6 months to 31 Dec 2016 \$'m	6 months to 31 Dec 2015 \$'m
Operating earnings	4.7	7.1	11.8	6.1
Net fair value movements on investment properties ¹	(0.4)	3.3	2.9	12.1
Net fair value movements on derivative financial instruments ¹	0.1	2.6	2.7	0.1
Loss on early settlement of derivative financial instruments	-	(0.4)	(0.4)	-
Straightlining of rental income ¹	0.4	0.4	0.8	0.8
Debt extinguishment and amortisation of borrowing costs ²	(0.2)	-	(0.2)	(0.1)
Disposal fees ³	(5.2)	-	(5.2)	-
Costs associated with Initial Public Offering (IPO)	-	(15.2)	(15.2)	-
Statutory (loss)/profit for the period	(0.6)	(2.2)	(2.8)	19.0
Basic weighted average number of stapled securities (millions)⁴	38.8	206.7	85.3	N/A
Basic loss per stapled security (cents)	1.55	1.06	3.28	N/A
Operating earnings per stapled security (cents)	12.11	3.44	13.83	N/A
Distribution per stapled security (cents)	10.82	3.40	13.13	N/A

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

² Amortisation of borrowing costs categorised as non-operating expense by DIF prior to the formation of the REIT.

³ In addition to disposal fees, the REIT paid \$5.3 million of performance fees. These fees were expensed by DIF prior to the formation of the REIT.

⁴ Takes into account conversion of each unit issued by DIF into approximately 0.32 units on 10 November 2016.

Property valuation gains

Valuation gains totalling \$9.4 million were recorded during the period. These gains were partially offset by revaluation decrements attributable to acquisition costs (\$5.7 million) and straightlining of rental income (\$0.8 million).

The financial results are summarised as follows:

	6 months to 31 Dec 2016	6 months to 31 Dec 2015
Revenue (\$ millions)	14.5	9.0
Statutory (loss)/profit for the period (\$ millions)	(2.8)	19.0
Basic (loss)/earnings per stapled security (cents)	(3.28)	N/A
Operating earnings (\$ millions)	11.8	6.1
Operating earnings per stapled security (cents)	13.83	N/A
Distributions (\$ millions)	11.2	5.7
Distributions per stapled security (cents)	13.13	N/A

	31 Dec 2016	30 Jun 2016
Total assets (\$ millions)	1,130.5	235.8
Total liabilities (\$ millions)	328.3	77.8
Net assets attributable to securityholders (\$ millions)	802.2	158.0
Stapled securities on issue (millions)	206.7	120.4
Net assets per stapled security (\$)	3.88	1.31
Balance sheet gearing - total debt (net of cash) to total assets (net of cash)	27.0%	28.7%
Look through gearing - total debt (net of cash) to total assets (net of cash)	37.5%	35.2%

Directors' report (continued)

For the period ended 31 December 2016

Significant changes in the state of affairs

REIT Formation

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

Acquisitions

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

Debt arrangements

On 10 November 2016, the REIT entered a \$350 million unsecured revolving debt facility with Westpac Banking Corporation which matures on 10 November 2021. On 19 December 2016, the facility was syndicated and the limit was increased by \$50 million to \$400 million.

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

On 23 December 2016, the REIT entered into a \$45 million interest rate swap agreement with maturity in December 2021.

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

Matters subsequent to the end of the financial period

In January 2017, Perth RDC Trust raised equity of \$97.5 million (including the REIT's pro-rata share of \$48.7 million). The proceeds were used to repay and extinguish Perth RDC Trust's debt facility and an outstanding interest rate swap. Following this transaction, the REIT increased the limit on its debt facility by \$50 million to \$450 million and entered into a \$40 million interest rate swap agreement with maturity in March 2020.

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

Rounding of Amounts to the Nearest Hundred Thousand Dollars

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

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



Peeyush Gupta
Chairman

Sydney
21 February 2017



Auditor's Independence Declaration

As lead auditor for the review of Charter Hall Long WALE REIT for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Charter Hall Long WALE REIT and the entities it controlled during the period.

A handwritten signature in black ink, reading 'J A Dunning'.

J A Dunning
Partner
PricewaterhouseCoopers

Sydney
21 February 2017

Consolidated statement of comprehensive income

For the period ended 31 December 2016

	Note	6 months to 31 Dec 2016 \$'m	6 months to 31 Dec 2015 \$'m
Revenue			
Property rental income		14.4	9.0
Interest income		0.1	-
Total revenue		14.5	9.0
Other income			
Share of equity accounted profit		13.9	7.4
Net fair value gain on investment properties		-	6.1
Net gain on derivative financial instruments		2.1	0.1
Total other income		16.0	13.6
Total revenue and other income		30.5	22.6
Expenses			
Property expenses		(1.9)	(1.2)
Fund management fees		(1.4)	(0.7)
Disposal fees	3	(5.2)	-
Costs associated with Initial Public Offering (IPO)	4(b)	(15.2)	-
Administration and other expenses		(0.6)	(0.2)
Net fair value loss on investment properties	4(a)	(5.9)	-
Net loss on early settlement of derivative financial instruments		(0.4)	-
Finance costs		(2.7)	(1.5)
Total expenses		(33.3)	(3.6)
Net (loss)/profit for the period		(2.8)	19.0
Other comprehensive income		-	-
Total comprehensive (loss)/income		(2.8)	19.0
Net (loss)/profit and Total comprehensive (loss)/ income attributable to:			
DIF		-	19.0
Stapled Trusts other than DIF		(2.8)	-
		(2.8)	19.0
Basic and diluted loss per ordinary securityholder of the REIT			
Loss per stapled security (cents)	6	(3.28)	N/A
Earnings per unit of DIF (cents)	6	-	48.97

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

Consolidated balance sheet

As at 31 December 2016

	Notes	31 Dec 2016 \$'m	30 Jun 2016 \$'m
Assets			
Current Assets			
Cash and cash equivalents		14.1	0.5
Receivables		9.7	0.5
Other assets		1.5	0.2
Total current assets		25.3	1.2
Non-current assets			
Investments accounted for using the equity method	7	341.4	35.4
Investment in financial assets at fair value		17.0	-
Investment properties	8	744.9	199.2
Derivative financial instruments	9	1.9	-
Total non-current assets		1,105.2	234.6
Total assets		1,130.5	235.8
Liabilities			
Current liabilities			
Payables		6.4	1.2
Distribution payable	5	7.0	2.9
Provisions		-	5.3
Other liabilities		0.7	0.2
Total current liabilities		14.1	9.6
Non-current liabilities			
Borrowings	10	313.9	67.7
Derivative financial instruments	9	0.3	0.5
Total non-current liabilities		314.2	68.2
Total liabilities		328.3	77.8
Net assets		802.2	158.0
Equity			
<i>Equity holders of DIF</i>			
Contributed equity	11	432.3	119.2
Retained profits		30.7	38.8
Parent entity interest		463.0	158.0
<i>Equity holders of Stapled Trusts other than DIF</i>			
Contributed equity	11	259.7	-
Retained profits		79.5	-
Equity holders of Stapled Trusts other than DIF		339.2	-
Total equity		802.8	158.0

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

Consolidated statement of changes in equity

For the period ended 31 December 2016

		Attributable to unitholders of DIF		
	Notes	Contributed equity \$'m	Retained profits \$'m	Total \$'m
Balance at 1 Jul 2015		119.2	27.0	146.2
Total comprehensive income		-	19.0	19.0
Distributions provided for or paid		-	(5.7)	(5.7)
Balance at 31 Dec 2015		119.2	40.3	159.5
Balance at 1 Jul 2016		119.2	38.8	158.0
Total comprehensive income		-	-	-
Capital return	11	(66.6)	-	(66.6)
Unit redemptions	11	(70.2)	-	(70.2)
Contributions of equity, net of issue costs	11	449.9	-	449.9
Distributions provided for or paid	5	-	(8.1)	(8.1)
Balance at 31 Dec 2016		432.3	30.7	463.0

		Attributable to unitholders of Stapled Trusts other than DIF		
	Notes	Contributed equity \$'m	Retained profits \$'m	Total \$'m
Balance at 10 Nov 2016		-	-	-
Business combination	3	202.1	85.4	287.5
Total comprehensive income/(loss)		-	(2.8)	(2.8)
Contributions of equity, net of issue costs		57.6	-	57.6
Distributions provided for or paid	5	-	(3.1)	(3.1)
Balance at 31 Dec 2016	11	259.7	79.5	339.2

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

Consolidated cash flow statement

For the period ended 31 December 2016

	Note	6 months to 31 Dec 2016 \$'m	6 months to 31 Dec 2015 \$'m
Cash flows from operating activities			
Property rental income received		17.0	9.1
Property expenses paid		(2.2)	(1.6)
Distributions received from investment in joint venture entities		1.2	1.4
Interest received		0.1	-
Finance costs paid		(2.4)	(1.4)
Fund management fees paid		(0.8)	(0.8)
Administration and other expenses paid		(0.6)	(0.2)
Net GST paid with respect to operating activities		(0.9)	(0.5)
Net GST paid with respect to investing activities		(4.9)	-
Net cash flows from operating activities		6.5	6.0
Cash flows from investing activities			
Cash acquired on business combination	3	3.4	-
Payments for investment properties		(70.4)	-
Capital expenditure on investment properties		-	(0.2)
Payment to income support fund		(17.0)	-
Payment of performance and disposal fees		(10.5)	-
Payments for investments in joint venture entities		(10.2)	-
Settlement of interest rate swaps		(7.3)	-
Net cash flows from investing activities		(112.0)	(0.2)
Cash flows from financing activities			
Proceeds from issue of units, net of equity raising costs		33.9	-
Distributions paid to unitholders		(10.7)	(5.6)
Costs associated with IPO		(5.3)	-
Proceeds from borrowings (net of borrowing costs)		328.4	4.1
Repayment of borrowings		(227.2)	(2.9)
Net cash flows from financing activities		119.1	(4.4)
Net increase in cash and cash equivalents		13.6	1.4
Cash and cash equivalents at the beginning of the period		0.5	0.9
Cash and cash equivalents at the end of the period		14.1	2.3

Non-cash financing activities

The following non-cash financing activities are not reflected in the consolidated cash flow statement:

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

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

Notes to the consolidated financial statements

For the period ended 31 December 2016

1 Summary of significant accounting policies

This consolidated interim financial report is of Charter Hall Direct Industrial Fund ("DIF") and its controlled entities (together "Charter Hall Long WALE REIT", "REIT" or "CLW") for the period ended 31 December 2016. The REIT was formed upon the stapling of the units of the seven entities below (collectively referred to as the "Stapled Trusts"):

- Charter Hall Direct Industrial Fund ("DIF") and its controlled entities;
- LWR Finance Trust ("Finance Trust") and its controlled entity;
- Canning Vale Logistics Trust No.1 ("CVLT1");
- 218 Bannister Road Trust ("218 BRT");
- CPOF Kogarah Holding Trust ("CPOF KHT") and its controlled entity;
- Franklin Street Property Trust ("FSPT"); and
- CHPT Dandenong Trust ("CHPT DT") and its controlled entity.

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

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 interim financial report. In accordance with this requirement, DIF has been identified as the parent entity. Accordingly, the consolidated financial statements of the REIT have been prepared as a continuation of the consolidated financial statements of DIF with the current period information presented being that of DIF from 1 July 2016 until 9 November 2016 and that of DIF and the other six stapled trusts from 10 November 2016 until 31 December 2016. The comparative information presented is that of DIF for the period 1 July 2015 to 31 December 2015.

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 security holders of DIF are the same as the stapled security holders of the other Stapled Trusts.

The accounting policies which have been adopted in the preparation of this interim financial report are set out below. These policies have been consistently applied to the periods presented, unless otherwise stated.

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

The Stapled Trusts are constituted in Australia. The nature of the operations and principle activities of the REIT are described in the Directors' Report.

(a) Basis of preparation

These general purpose consolidated financial statements have been prepared in accordance with the requirements of the REIT'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.

Historical cost convention

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

- derivative financial instruments – measured at fair value
- investments in financial assets held at fair value - measured at fair value
- investment properties – measured at fair value

New and amended standards adopted

No new accounting standards or amendments have come into effect for the period ended 31 December 2016 that affect the REIT's operations or reporting requirements.

Notes to the consolidated financial statements (continued)

For the period ended 31 December 2016

1 Summary of significant accounting policies (continued)

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 a higher degree of judgement or complexity, or where assumptions and estimates are significant to the consolidated financial statements are disclosed below:

- Business combination – Note 1(h)
- Investment properties – Note 1(m)

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

(b) Principles of consolidation

(i) Controlled entities

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

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

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

(ii) Joint arrangements

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

During the period, the REIT had both joint operations and joint ventures.

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.

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. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

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

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.

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

Notes to the consolidated financial statements (continued)

For the period ended 31 December 2016

1 Summary of significant accounting policies (continued)

(c) Segment reporting

Segment information is reported in a manner that is consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of the Responsible Entity.

(d) Revenue recognition

Rental income

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

Interest income

Interest income is recognised using the effective interest rate method.

(e) Expenses

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

(f) Repairs and maintenance

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

(g) Income tax

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

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

(h) Business combination

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

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The REIT recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Notes to the consolidated financial statements (continued)

For the period ended 31 December 2016

1 Summary of significant accounting policies (continued)

(h) Business combination (continued)

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised in profit or loss.

Stapling arrangement

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

DIF was deemed to be the accounting acquirer in this business combination and the other Stapled Trusts were deemed as acquirees. Non-controlling interests of DIF in the other Stapled Trusts are measured using the proportionate share method.

Critical accounting estimates and judgements

DIF was deemed to be the accounting acquirer predominantly due to it holding the highest number and value of combined direct and indirect property interests.

(i) Impairment of assets

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

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

(j) Cash and cash equivalents

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

(k) Trade and other receivables

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

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

(l) Derivative financial instruments

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

None of the financial derivative contracts held by the REIT as at 31 December 2016 qualify for hedge accounting.

Notes to the consolidated financial statements (continued)

For the period ended 31 December 2016

1 Summary of significant accounting policies (continued)

(m) Investment properties

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

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

At each balance date, the fair values of the investment properties are assessed by the Responsible Entity with reference to independent valuation reports or through appropriate valuation techniques adopted by the Responsible Entity. Fair value is determined using a long term investment period. Specific circumstances of the owner are not taken into account.

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

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

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

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

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

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

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

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

Notes to the consolidated financial statements (continued)

For the period ended 31 December 2016

1 Summary of significant accounting policies (continued)

(m) Investment properties (continued)

Investment properties under development are classified as investment properties and stated at fair value at each balance date. Fair value is assessed with reference to reliable estimates of cash flows, status of the development and the associated risk profile. Finance costs incurred on investment properties undergoing development or redevelopment are included in the cost of the development.

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

Investment properties held for sale

Investment properties are classified as 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 classified as current assets and measured at fair value.

Critical accounting estimates and judgements

Judgement is required in determining the following key assumptions:

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

(n) Investment in financial assets at fair value

Investment in financial assets at fair value are financial assets held for long-term investments and comprise the REIT's investment in ATO Income Support Fund. The accounting treatment of such financial assets is discussed in Note 1(s).

(o) Lease incentives

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

(p) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the 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.

(q) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of comprehensive income over the period of the borrowing using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. If the facility has not been drawn down the fee is capitalised as a prepayment and amortised over the period of the facility to which it relates.

Notes to the consolidated financial statements (continued)

For the period ended 31 December 2016

1 Summary of significant accounting policies (continued)

(r) Contributed equity

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

(s) Distributions paid and payable

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.

(t) Fair value estimation

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

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

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

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

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

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

(u) Earnings/loss per stapled security

Basic loss/earnings per stapled security is determined by dividing statutory (loss)/profit attributable to the stapled securityholders by the weighted average number of stapled securities on issue during the period.

Diluted loss/earnings per stapled security is determined by dividing statutory (loss)/profit attributable to the stapled securityholders by the weighted average number of ordinary stapled securities and dilutive potential ordinary stapled securities on issue during the period.

(v) Goods and Services Tax (GST)

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

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

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

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

Certain new accounting standards and interpretations have been published that are not mandatory for the period ended 31 December 2016 but are available for early adoption. The impact of these new standards and interpretations (to the extent relevant to the REIT) is set out below:

Notes to the consolidated financial statements (continued)

For the period ended 31 December 2016

1 Summary of significant accounting policies (continued)

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

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

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and liabilities and sets out new rules for hedge accounting. AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, would therefore have to be recognised directly in the statement of comprehensive income. The REIT has not yet decided when to adopt AASB 9 and management is currently assessing the impact of the new standard.

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

The standard is based on the principle that revenue is recognised when control of a good or service is transferred to a customer, so the notion of control replaces the notion of risks and rewards. It applies to all contracts with customers except leases, financial instruments and insurance contracts. AASB 15 requires reporting entities to provide users of financial statements with more informative, relevant disclosures. The REIT is in the process of assessing the implications of the new standard to its operational and financial results.

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

The standard will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset. The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) will change. The accounting by lessors will not significantly change. Management is currently assessing the impact and the implication of the new standard to its operational and financial results.

(x) Comparative information

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

(y) 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 consolidated financial statements have been rounded to the nearest hundred thousand dollars in accordance with that Class Order, unless otherwise indicated.

2 Segment information

(a) Description of segments

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

Notes to the consolidated financial statements (continued)

For the period ended 31 December 2016

2 Segment Information (continued)

(b) Segment information provided to the Board

The operating earnings reported to the Board for the period ended 31 December 2016 are as follows:

	01 July 2016 to 9 Nov 2016 Pre-IPO \$'m	10 Nov 2016 to 31 Dec 2016 Post-IPO \$'m	6 months to 31 Dec 2016 \$'m	6 months to 31 Dec 2015 \$'m
Net property income	5.4	6.5	11.9	7.0
Interest income	-	0.1	0.1	-
Share of operating earnings from investments accounted for using equity method	1.1	3.2	4.3	1.4
Fund management fees	(0.6)	(0.8)	(1.4)	(0.7)
Finance costs	(1.0)	(1.5)	(2.5)	(1.4)
Administration and other expenses	(0.2)	(0.4)	(0.6)	(0.2)
Operating earnings	4.7	7.1	11.8	6.1
Weighted average number of stapled securities*	38.8	206.7	85.3	N/A
Operating earnings per stapled security (cents)	12.11	3.44	13.83	N/A

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

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

	01 July 2016 to 9 Nov 2016 Pre-IPO \$'m	10 Nov 2016 to 31 Dec 2016 Post-IPO \$'m	6 months to 31 Dec 2016 \$'m	6 months to 31 Dec 2015 \$'m
Net property income	6.8	10.9	17.7	8.9
Interest income	-	0.1	0.1	-
Fund management fees	(0.6)	(0.8)	(1.4)	(0.7)
Finance costs	(1.3)	(2.7)	(4.0)	(1.9)
Administration and other expenses	(0.2)	(0.4)	(0.6)	(0.2)
Operating earnings	4.7	7.1	11.8	6.1

Reconciliation between operating earnings to statutory (loss)/profit is set out below:

	01 July 2016 to 9 Nov 2016 Pre-IPO \$'m	10 Nov 2016 to 31 Dec 2016 Post-IPO \$'m	6 months to 31 Dec 2016 \$'m	6 months to 31 Dec 2015 \$'m
Operating earnings	4.7	7.1	11.8	6.1
Net fair value movements on investment properties ¹	(0.4)	3.3	2.9	12.1
Net fair value movements on derivative financial instruments ¹	0.1	2.6	2.7	0.1
Loss on early settlement of derivative financial instruments	-	(0.4)	(0.4)	-
Straightlining of rental income ¹	0.4	0.4	0.8	0.8
Debt extinguishment and amortisation of borrowing costs ²	(0.2)	-	(0.2)	(0.1)
Disposal fees ³	(5.2)	-	(5.2)	-
Costs associated with IPO	-	(15.2)	(15.2)	-
Statutory (loss)/profit for the period	(0.6)	(2.2)	(2.8)	19.0

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

² Amortisation of borrowing costs categorised as non-operating expense by DIF prior to the formation of the REIT.

³ In addition to disposal fees, the REIT paid \$5.3 million of performance fees. These fees were expensed by DIF prior to the formation of the REIT.

Notes to the consolidated financial statements (continued)

For the period ended 31 December 2016

2 Segment Information (continued)

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

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

Reconciliation between total net property income to total revenues is set out below:

	01 July 2016 to 9 Nov 2016 Pre-IPO \$'m	10 Nov 2016 to 31 Dec 2016 Post-IPO \$'m	6 months to 31 Dec 2016 \$'m	6 months to 31 Dec 2015 \$'m
Total net property income	5.4	6.5	11.9	7.0
Interest income	-	0.1	0.1	-
Add back: Property expenses	0.8	1.1	1.9	1.2
Straightlining of rental income	0.4	0.2	0.6	0.8
Total revenues	6.6	7.9	14.5	9.0

3 Business combination

On 10 November 2016, the units of the Stapled Trusts were stapled together. This transaction was treated as a business combination by contract alone.

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

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

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

Costs associated with the business combination are disclosed in Note 4(b). In addition, DIF paid \$5.2 million of disposal fees to Charter Hall Holdings Pty Limited.

The acquired businesses contributed revenues and net profit to the REIT for the period from 10 November to 31 December 2016 as follows:

	Finance Trust \$m	CVLT1 \$m	218BRT \$m	CPOF KHT \$m	FSPT \$m	CHPT DT \$m	Total \$m
Revenues	1.6	0.9	0.9	0.8	3.0	0.5	7.7
Net profit/(loss)	1.5	(0.2)	(0.2)	(0.4)	(1.8)	(1.7)	(2.8)

Notes to the consolidated financial statements (continued)

For the period ended 31 December 2016

3 Business combination (continued)

If the acquisition had occurred on 1 July 2016, consolidated pro-forma revenue and profit for the period ended 31 December 2016 would have been as set out below:

	Finance Trust \$m	CVLT1 \$m	218BRT \$m	CPOF KHT \$m	FSPT \$m	CHPT DT \$m	Total \$m
Revenues	5.7	3.3	3.4	2.8	10.5	1.6	27.3
Net profit/(loss)	0.5	1.1	1.0	0.6	2.9	0.4	6.5

Refer to Note 7 for details of interests in joint ventures acquired immediately after the initial public offering of the REIT.

4 Net profit for the period

Net profit for the period includes the following items of revenues and expenses:

(a) Property valuation gains

	Notes	6 months to 31 Dec 2016 \$'m	6 months to 31 Dec 2015 \$'m
Valuation on investment properties			
Revaluation increment	8	0.4	6.9
Revaluation decrement attributable to acquisition costs	8	(5.7)	-
Revaluation adjustment attributable to straightlining of rental income	8	(0.6)	(0.8)
		(5.9)	6.1
Valuation on investment properties in joint venture entities			
Revaluation increment		9.0	6.0
Revaluation adjustment attributable to straightlining of rental income		(0.2)	-
		8.8	6.0

(b) Costs associated with IPO

	6 months to 31 Dec 2016 \$'m	6 months to 31 Dec 2015 \$'m
Underwriting and offer management fees and cost	15.0	-
Advisers and consultants fees	6.6	-
	21.6	-
Treated as equity raising costs	6.4	-
Treated as expense in profit or loss	15.2	-
	21.6	-

Acquisition costs of \$9.6 million were capitalised to the carrying value of investments accounted for using the equity method and \$1.9 million were capitalised as unamortised borrowing costs.

Notes to the consolidated financial statements (continued)

For the period ended 31 December 2016

5 Distributions paid or payable

	6 months to 31 Dec 2016			6 months to 31 Dec 2015		
	Number of units on issue	Cents per unit	\$'m	Number of units on issue	Cents per unit	\$'m
Ordinary unitholders of DIF						
30 September ¹	120,445,046	2.38	2.9	120,445,046	2.38	2.8
10 November ¹	120,445,046	1.06	1.3	120,445,046	-	-
31 December ³	206,683,097	1.90	3.9	120,445,046	2.38	2.9
Total distributions²		9.50	8.1		14.69	5.7
Ordinary unitholders of Stapled Trusts other than DIF						
31 December ³	206,683,097	1.50	3.1	n/a	n/a	n/a
Total distributions²		13.13	11.2		14.69	5.7

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

² Cents per unit information is calculated with reference to weighted average number of stapled securities (Refer to Note 6).

³ The distribution of 3.40 cents per stapled security for the period from 10 November 2016 to 31 December 2016 was declared on 19 December 2016 and is payable on 28 February 2017. This compares to operating earnings of 3.44 cents per stapled security for the same period.

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

6 Loss per stapled security

	6 months to 31 Dec 16	6 months to 31 Dec 15
Basic and diluted earnings		
Loss per stapled security (cents)	(3.28)	N/A
Earnings per unit of DIF (cents)	-	48.97
Earnings used in the calculation of basic and diluted earnings per security		
Net loss of the REIT for the period (\$ millions)	(2.8)	N/A
Net profit of DIF for the period (\$ millions)	-	19.0
Weighted average number of stapled securities* used in the calculation of basic and diluted earnings per security (millions)	85.3	38.8

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

7 Investments accounted for using the equity method

Investment in joint venture entities

The REIT has investments in joint venture entities. The REIT exercises joint control over the joint venture entities, but neither the REIT nor its joint venture partners have control in their own right, irrespective of their ownership interest. The investments are accounted for in the consolidated financial statements using the equity method of accounting (refer to Note 1 (b)).

Information relating to the joint venture entities are detailed below:

Name of entity	Principal Activity	31 Dec 2016	30 Jun 2016	31 Dec 2016	30 Jun 2016
		Ownership %	Ownership %	\$'m	\$'m
Perth RDC Trust	Property investment	49.9%	25.0%	71.4	35.4
LWIP	Property investment	45.0%	-	171.3	-
CH DC Fund	Property investment	26.0%	-	4.7	-
Kogarah Trust	Property investment	50.1%	-	94.0	-
				341.4	35.4

Notes to the consolidated financial statements (continued)

For the period ended 31 December 2016

8 Investment properties

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

		6 months to 31 Dec 2016	Year to 30 Jun 2016
	Notes	\$'m	\$'m
Carrying amount at the beginning of the period		199.2	189.9
Business combination	3	479.4	-
Additions		65.9	0.2
Acquisition costs incurred		5.7	-
Revaluation increment	4	0.4	9.1
Revaluation decrement attributable to acquisition costs	4	(5.7)	-
Revaluation adjustment attributable to straightlining of rental income	4	(0.6)	(1.3)
Straightlining of rental income		0.6	1.3
Carrying amount at the end of the period		744.9	199.2

9 Derivative financial instruments

	31 Dec 2016	30 Jun 2016
	\$'m	\$'m
Non-current assets		
Interest rate swaps	1.9	-
	1.9	-
Non-current liabilities		
Interest rate swaps	0.3	0.5
	0.3	0.5

The REIT has entered into interest rate swaps totalling \$185 million that entitle it to receive interest, at quarterly intervals, at a floating rate on a notional principal amount and oblige it to pay interest at a fixed rate on the same amount. The interest rate swap agreements allow the REIT to raise long term borrowings at a floating rate and effectively swap them into a fixed rate.

As at 31 December 2016, the notional principal amount and period of expiry of the interest rate swap contracts are as follows:

	31 Dec 2016	30 Jun 2016
	\$'m	\$'m
1-2 years	-	37.5
3-5 years	185.0	-

10 Borrowings

	31 Dec 2016	30 Jun 2016
	\$'m	\$'m
Non-current		
Bank loan	316.0	68.1
Unamortised borrowing costs	(2.1)	(0.4)
	313.9	67.7

In November 2016, the REIT entered a \$350 million unsecured revolving debt facility with a major Australian bank for a five year term expiring in November 2021. In December 2016, the facility was syndicated and the limit increased by \$50 million to \$400 million.

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

Notes to the consolidated financial statements (continued)

For the period ended 31 December 2016

11 Contributed equity

		6 months to 31 Dec 2016 \$'m	Year to 30 Jun 2016 \$'m
Details	No. of Units		
Units on issue - 1 Jul 2015	120,445,047	-	119.2
Units on issue - 30 Jun 2016	120,445,047	119.2	119.2
Capital return	-	(66.6)	-
Change in number of units after unit re-organisation	(81,644,447)	-	-
Unit redemptions	(30,747,042)	(70.2)	-
Units issued via Initial Public Offering	198,629,539	449.9	-
Units on issue	206,683,097	432.3	119.2
Balance at the end of the period attributable to the unitholders of:			
DIF	206,683,097	432.3	119.2
LWR Finance Trust	206,683,097	1.9	-
CVLT1	206,683,097	20.8	-
218BRT	206,683,097	22.6	-
CPOF KHT	206,683,097	42.0	-
FSPT	206,683,097	145.8	-
CHPT DT	206,683,097	26.6	-
Non-Controlling Interests		259.7	-

As stipulated in the REIT's constitutions, each stapled 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 stapled securities and each stapled security has the same rights attaching to it as all other stapled securities 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.

12 Net tangible assets

	31 Dec 2016 \$'m	30 Jun 2016 \$'m
Total assets	1,130.5	235.8
Less: Total liabilities	(328.3)	(77.8)
Net tangible assets attributable to the REIT	802.2	158.0
Total number of securities on issue	206,683,097	120,445,047
Net tangible asset backing per security	\$3.88	\$1.31

Notes to the consolidated financial statements (continued)

For the period ended 31 December 2016

13 Fair value measurement

(a) Recognised fair value measurement

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

- i Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- ii Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- iii Level 3 - Inputs for the asset or liability that are not based on observable market data.

The following table presents the REIT's financial assets and liabilities measured at fair value according to the fair value hierarchy at 31 December 2016:

	Level 2 \$'m	Total \$'m
Financial assets - recurring fair value measurement		
Derivative financial instruments	1.9	1.9
Investment in financial assets at fair value	17.0	17.0
Total assets	18.9	18.9
Financial liabilities - recurring fair value measurement		
Derivative financial instruments	0.3	0.3
Total liabilities	0.3	0.3

The following table presents the REIT's financial assets and liabilities measured at fair value according to the fair value hierarchy at 30 June 2016:

	Level 2 \$'m	Total \$'m
Financial liabilities - recurring fair value measurement		
Derivative financial instruments	0.5	0.5
Total liabilities	0.5	0.5

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

The policy of the REIT is to recognise transfers into and transfers out of the fair value hierarchy levels as at the end of the reporting period.

The REIT did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2016.

(b) Disclosed fair values

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

The following table represents the carrying amounts and fair values of borrowings at 31 December 2016 and 30 June 2016. Fair value is estimated by discounting the future contractual cash flows at the current market interest rate curve since quoted prices are not available.

	31 Dec 2016		30 Jun 2016	
	Carrying amount \$'m	Fair value \$'m	Carrying amount \$'m	Fair value \$'m
Non-current				
Bank loans	316.0	316.6	68.1	68.0
	316.0	316.6	68.1	68.0

Notes to the consolidated financial statements (continued)

For the period ended 31 December 2016

13 Fair value measurement (continued)

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

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

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

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

14 Commitments and contingent liabilities

As at 31 December 2016 the REIT has a \$52 million equity commitment to CH DC Fund being the balance owing on partially paid units which will be used to fund the REIT's pro-rata share of the development of the Woolworths Distribution Centre in Dandenong South, VIC (31 December 2015: nil).

The REIT has no contingent liabilities as at 31 December 2016 (31 December 2015: \$nil).

15 Events occurring after reporting date

In January 2017, Perth RDC Trust raised equity of \$97.5 million (including the REIT's pro-rata share of \$48.7 million). The proceeds were used to repay and extinguish Perth RDC Trust's debt facility and an outstanding interest rate swap. Following this transaction, the REIT increased limit on its debt facility by \$50 million to \$450 million and entered into a \$40 million interest rate swap agreement with maturity in March 2020.


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

Directors' declaration to stapled securityholders

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

- a The interim consolidated financial statements and notes set out on pages 9 to 28 are in accordance with the *Corporations Act 2001*, including:
 - i complying with Accounting Standards, *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii giving a true and fair view of the REIT's financial position as at 31 December 2016 and of its performance for the financial period ended on that date; and
- b There are reasonable grounds to believe that the REIT will be able to pay its debts as and when they become due and payable.

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



Peeyush Gupta

Director

Sydney

21 February 2017



Independent auditor's review report to the members of Charter Hall Long WALE REIT

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Charter Hall Long WALE REIT (the REIT), which comprises the consolidated balance sheet as at 31 December 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, selected explanatory notes and the directors' declaration for Charter Hall Long WALE REIT (the consolidated entity). The consolidated entity comprises of the stapled entities Charter Hall Direct Industrial Fund, LWR Finance Trust, Canning Vale Logistics Trust No. 1, 218 Bannister Road Trust, CPOF Kogarah Holding Trust, Franklin Street Property Trust and CHPT Dandenong Trust and the entities they controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the REIT are responsible for the preparation of the half-year financial report that gives 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 half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Charter Hall Long WALE REIT, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Conclusion

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

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of the REIT for the half-year ended 31 December 2016 included on the Charter Hall Group's web site. The directors of the REIT are responsible for the integrity of the Charter Hall Group web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.

A stylized signature of PricewaterhouseCoopers in black ink.

PricewaterhouseCoopers

A stylized signature of J A Dunning in black ink.

J A Dunning
Partner

Sydney
21 February 2017

CHPT Dandenong Trust

ARSN 614 712 506

Interim financial report
For the period ended 31 December 2016



Important Notice

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

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

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

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

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

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

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Directors' report

For the period ended 31 December 2016

The Directors of Charter Hall WALE Limited (CHWALE) present the consolidated Interim Financial Report of CHPT Dandenong Trust (Trust or CHPT DT) and its controlled entity for the period ended 31 December 2016.

CHWALE was appointed as a Responsible Entity of the Trust on 1 September 2016 upon the retirement of the previous Trustee, Charter Hall Funds Management Limited (CHFML).

The Trust was established on 9 November 2015 and registered as a managed investment scheme on 22 September 2016. The Trust was listed on the Australian Securities Exchange on 8 November 2016 and became a member of the Charter Hall Long WALE REIT consolidated group (REIT) on 10 November 2016 when its units were stapled to the units of the other six stapled trusts comprising the REIT.

The Trust's first interim period commences on 22 September 2016, date of registration, and ends on 31 December 2016 in accordance with relief granted under ASIC Instrument 16-1025.

Principal activities

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

Directors

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

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

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

- David Clarke - Non-Executive Chairman
- Anne Brennan - Non-Executive Director
- Phillip Garling - Non-Executive Director
- David Harrison - Executive Director and Chief Executive Officer/Managing Director of Charter Hall Group
- Peter Kahan - Non-Executive Director
- Colin McGowan - Non-Executive Director
- Karen Moses - Non-Executive Director (Appointed 1 September 2016)

Distributions

Distributions paid or declared during the period are as follows:

	Cents per unit	\$'000
Total distribution for the period from 1 July 2016 to 21 September 2016 ¹	0.63	371
Total distribution for the period from 22 September 2016 to 31 December 2016 ²	0.46	610
Total distribution	1.09	981

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

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

The Trust also made a capital distribution of \$50.0 million to former unitholders on 10 November 2016.

A distribution of 0.10 cents per security for the period from 11 November 2016 to 31 December 2016 was declared on 19 December 2016 and is payable on 28 February 2017.

Directors' report (continued)

For the period ended 31 December 2016

Review and results of operations

The Trust recorded a statutory loss for the period of \$1.3 million which represents operating earnings of \$0.5 million offset by \$1.1 million of costs associated with Initial Public Offering (IPO).

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

	22 Sep 2016 to 31 Dec 2016
	\$'000
Net property income	749
Share of operating earnings in investments accounted for using equity method	62
Other income	2
Fund management fees	(36)
Finance costs	(221)
Administration and other expenses	(20)
Operating earnings	536

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

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

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

	22 Sep 2016 to 31 Dec 2016
	\$'000
Operating earnings	536
Net fair value movements on investment properties	(1,076)
Straightlining of rental income	278
Costs associated with IPO	(1,050)
Statutory loss for the period	(1,312)
Basic weighted average number of securities (thousands)	133,695
Basic loss per security (cents)	(0.98)
Operating earnings per security (cents)	0.40
Distribution per security (cents)	0.46

The financial results are summarised as follows:

	22 Sep 2016 to 31 Dec 2016
Revenue (\$ thousands)	1,109
Statutory loss for the period (\$ thousands)	(1,312)
Basic loss per security (cents)	(0.98)
Operating earnings (\$ thousands)	536
Operating earnings per security (cents)	0.40
Distributions (\$ thousands)	610
Distributions per security (cents)	0.46

	31 Dec 2016
Total assets (\$ thousands)	56,408
Total liabilities (\$ thousands)	34,552
Net assets attributable to securityholders (\$ thousands)	21,856
Securities on issue (thousands)	206,683
Net assets per security (\$)	0.11

Directors' report (continued)

For the period ended 31 December 2016

Significant changes in the state of affairs

On 10 November 2016, the Trust returned capital of \$50.0 million to securityholders and redeemed units on issue for \$8.8 million. Immediately thereafter, the Trust issued 206.7 million units and raised \$26.7 million of equity through its IPO.

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

Matters subsequent to the end of the financial period

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

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 7.

Rounding of Amounts to the Nearest Thousand Dollars

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

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



Peeyush Gupta
Chairman

Sydney
21 February 2017



Auditor's Independence Declaration

As lead auditor for the review of CHPT Dandenong Trust for the period ended 31 December 2016, 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 CHPT Dandenong Trust and the entities it controlled during the period.

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

J A Dunning
Partner
PricewaterhouseCoopers

Sydney
21 February 2017

Consolidated statement of comprehensive income

For the period ended 31 December 2016

	Note	22 Sep 2016 to 31 Dec 2016 \$'000
Revenue		
Property rental income		1,107
Interest income		2
Total revenue		1,109
Other income		
Share of equity accounted profit		62
Total other income		62
Total revenue and other income		1,171
Expenses		
Property expenses		(80)
Fund management fees		(36)
Costs associated with IPO		(1,050)
Administration and other expenses		(20)
Net fair value loss on investment properties		(1,076)
Finance costs		(221)
Total expenses		(2,483)
Net loss for the period		(1,312)
Other comprehensive income		-
Total comprehensive loss		(1,312)
Basic and diluted loss per ordinary securityholder of the Trust		
Loss per security (cents)	3	(0.98)

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

Consolidated balance sheet

As at 31 December 2016

	Notes	31 Dec 2016 \$'000
Assets		
Current assets		
Cash and cash equivalents		213
Receivables		116
Other assets		111
Total current assets		440
Non-current assets		
Investments accounted for using equity method	4	4,714
Investment properties	5	51,254
Total non-current assets		55,968
Total assets		56,408
Liabilities		
Current liabilities		
Payables		175
Distribution payable	2	207
Total current liabilities		382
Non-current liabilities		
Borrowings	6	34,170
Total non-current liabilities		34,170
Total liabilities		34,552
Net assets		21,856
Equity		
Contributed equity	7	26,605
Accumulated losses		(4,749)
Total equity		21,856

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

Consolidated statement of changes in equity

For the period ended 31 December 2016

Attributable to securityholders of CHPT Dandenong Trust				
	Notes	Contributed equity \$'000	Retained profits/ Accumulated (losses) \$'000	Total \$'000
Balance at 22 Sep 2016		4,599	(2,456)	2,143
Unit issuance	7	54,225	-	54,225
Capital return	7	(50,039)	-	(50,039)
Unit redemptions	7	(8,830)	-	(8,830)
Units issued via IPO, net of equity raising costs	7	26,650	-	26,650
Distributions provided for or paid	2	-	(981)	(981)
Total comprehensive income		-	(1,312)	(1,312)
Balance at 31 Dec 2016		26,605	(4,749)	21,856

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

Consolidated cash flow statement

For the period ended 31 December 2016

	22 Sep 2016 to 31 Dec 2016 \$'000
Cash flows from operating activities	
Property rental income received	904
Property expenses paid	(11)
Distributions received from investment in joint venture entities	100
Interest received	2
Administration and other expenses paid	45
Net GST paid with respect to operating activities	(240)
Net cash flows from operating activities	800
Cash flows from investing activities	
Payments for investment properties	(5)
Net cash flows from investing activities	(5)
Cash flows from financing activities	
Payments under Intra-Group Facility Agreement	(1,000)
Receipts under Intra-Group Facility Agreement	33,118
Proceeds from issue of units, net of equity raising costs	26,650
Capital distributions paid	(50,039)
Payments for redemption of units	(8,830)
Distributions paid to securityholders	(774)
Net cash flows from financing activities	(875)
Net decrease in cash and cash equivalents	(80)
Cash at the beginning of the period	293
Cash and cash equivalents at the end of the period	213

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

Notes to the consolidated financial statements

For the period ended 31 December 2016

1 Summary of significant accounting policies

The Charter Hall Long WALE REIT (REIT or CLW) is a stapled group comprising of CHPT Dandenong Trust (Trust or CHPT DT) and its controlled entity and the entities below (collectively referred to as the “Stapled Trusts”):

- Charter Hall Direct Industrial Fund (“DIF”) and its controlled entities;
- LWR Finance Trust (“Finance Trust”) and its controlled entity;
- Canning Vale Logistics Trust No.1 (“CVLT1”);
- 218 Bannister Road Trust (“218 BRT”);
- CPOF Kogarah Holding Trust (“CPOF KHT”) and its controlled entity; and
- Franklin Street Property Trust (“FSPT”).

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

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

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

CHPT Dandenong Trust is a trust constituted in Australia. The nature of the operations and principal activities of the Trust are described in the Directors’ Report.

(a) Basis of preparation

These general purpose consolidated financial statements have been prepared in accordance with the requirements of the Trust’s constitution, Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The Trust is a for-profit entity for the purpose of preparing the consolidated financial statements.

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

Historical cost convention

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

- investment properties – measured at fair value

New and amended standards adopted

No new accounting standards or amendments have come into effect for the period ended 31 December 2016 that affect the Trust’s operations or reporting requirements.

Critical accounting estimates

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

- Investment properties – Note 1(k)

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

Notes to the consolidated financial statements (continued)

For the period ended 31 December 2016

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation

(i) Controlled entities

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

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated.

Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Accounting policies of controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Trust.

(ii) Joint arrangements

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

During the period, the Trust had both joint operations and joint ventures.

Joint operations

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

Joint ventures

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

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

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

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

(c) Segment reporting

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

(d) Revenue recognition

Rental income

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

Interest income

Interest income is recognised using the effective interest rate method.

(e) Expenses

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

Notes to the consolidated financial statements (continued)

For the period ended 31 December 2016

1 Summary of significant accounting policies (continued)

(f) Repairs and maintenance

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

(g) Income tax

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

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

(h) Impairment of assets

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

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

(i) Cash and cash equivalents

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

(j) Trade and other receivables

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

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

(k) Investment properties

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

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

At each balance date, the fair values of the investment properties are assessed by the Responsible Entity with reference to independent valuation reports or through appropriate valuation techniques adopted by the Responsible Entity. Fair value is determined using a long term investment period. Specific circumstances of the owner are not taken into account.

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

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

Notes to the consolidated financial statements (continued)

For the period ended 31 December 2016

1 Summary of significant accounting policies (continued)

(k) Investment properties (continued)

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

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

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

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

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

Critical accounting estimates and judgements

Judgement is required in determining the following key assumptions:

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

(l) Trade and other payables

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

(m) Borrowings

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

Notes to the consolidated financial statements (continued)

For the period ended 31 December 2016

1 Summary of significant accounting policies (continued)

(n) Contributed equity

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

(o) Distributions paid and payable

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

(p) Fair value estimation

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

(q) Loss per security

Basic loss per security is determined by dividing statutory loss attributable to the securityholders by the weighted average number of securities on issue during the period.

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

(r) Goods and Services Tax (GST)

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

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

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

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

Certain new accounting standards and interpretations have been published that are not mandatory for the period ended 31 December 2016 but are available for early adoption. The impact of these new standards and interpretations (to the extent relevant to the Trust) is set out below:

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

The standard is based on the principle that revenue is recognised when control of a good or service is transferred to a customer, so the notion of control replaces the notion of risks and rewards. It applies to all contracts with customers except leases, financial instruments and insurance contracts. AASB 15 requires reporting entities to provide users of financial statements with more informative, relevant disclosures. The Trust is in the process of assessing the implications of the new standard to its operational and financial results.

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

The standard will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset. The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) will change. The accounting by lessors will not significantly change. Management is currently assessing the impact and the implication of the new standard to its operational and financial results.

Notes to the consolidated financial statements (continued)

For the period ended 31 December 2016

1 Summary of significant accounting policies (continued)

(t) Rounding of amounts

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

2 Distributions paid or payable

	Cents per unit	\$'000
Total distribution for the period from 1 July 2016 to 21 September 2016 ¹	0.63	371
Total distribution for the period from 22 September 2016 to 31 December 2016 ²	0.46	610
Total distribution	1.09	981

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

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

The Trust also made a capital distribution of \$50.0 million to former unitholders on 10 November 2016.

A distribution of 0.10 cents per security (\$0.2 million) for the period from 11 November 2016 to 31 December 2016 was declared on 19 December 2016 and payable on 28 February 2017.

3 Loss per security

	22 Sep 2016 to 31 Dec 2016
Basic and diluted loss per ordinary securityholder	
Loss per security (cents) for profit from operations	(0.98)
Loss used in the calculation of basic and diluted loss per security	
Net loss for the period (\$'000)	(1,312)
Weighted average number of securities* used in the calculation of basic and diluted loss per security (thousands)	133,695

*Takes into account conversion of each unit issued by the Trust into approximately 1.16 units on 10 November 2016

4 Investments accounted for using the equity method

Investment in joint venture entity

The Trust has an investment in a joint venture entity. The Trust exercises joint control over the joint venture entity, but neither the Trust nor its joint venture partners have control in their own right, irrespective of their ownership interest. The investment is accounted for using the equity method of accounting (refer to Note 1 (b)). Information relating to the joint venture entity is detailed below:

Name of entity	Principal Activity	31 Dec 2016 Ownership %	31 Dec 2016 \$'000
CH DC Fund	Property investment	26.0%	4,714
			4,714

Notes to the consolidated financial statements (continued)

For the period ended 31 December 2016

5 Investment properties

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

	Year to 31 Dec 2016 \$'000
Carrying amount at the beginning of the period	51,250
Additions	4
Acquisition costs incurred	798
Revaluation decrement attributable to acquisition costs	(798)
Revaluation adjustment attributable to straightlining of rental income	(278)
Straightlining of rental income	278
Carrying amount at the end of the period	51,254

6 Borrowings

	31 Dec 2016 \$'000
Non-current	
Intra-Group Facility Agreement	34,170
	34,170

On 10 November 2016, the Trust entered an Intra-Group Facility Agreement (IGFA) with the other Stapled Trusts. This agreement expires in November 2021. Interest rates under IGFA are variable and reset periodically. As at 31 December 2016, the interest rate was 4.21% per annum.

7 Contributed equity

		22 Sep 2016 to 31 Dec 2016 \$'000
<i>Details</i>	<i>No. of units</i>	
Units on issue - 22 Sep 16	4,599,231	4,599
Unit issuance	54,224,847	54,225
Capital return	-	(50,039)
Change in number of units after unit re-organisation	9,130,746	-
Unit redemptions	(67,954,824)	(8,830)
Units issued via IPO	206,683,097	26,650
Units on issue	206,683,097	26,605

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

Each 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.

8 Net tangible assets

	31 Dec 2016 \$'000
Total assets	56,408
Less: Total liabilities	(34,552)
Net tangible assets attributable to the Trust	21,856
Total number of securities on issue (thousands)	206,683
Net tangible asset backing per security (\$)	0.11

Notes to the consolidated financial statements (continued)

For the period ended 31 December 2016

9 Fair value measurement

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

- i Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- ii Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- iii Level 3 - Inputs for the asset or liability that are not based on observable market data.

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

- Cash and cash equivalents and borrowings – Level 1; and
- Other financial assets and liabilities – Level 2.

The carrying amounts of Level 1 and Level 2 assets and liabilities are assumed to approximate their fair values.

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

The policy of the Trust is to recognise transfers into and transfers out of the fair value hierarchy levels as at the end of the reporting period.

The Trust did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2016.

10 Commitments and contingent liabilities

As at 31 December 2016, the Trust has a \$52 million equity commitment to CH DC Fund being the balance owing on partially paid units which will be used to fund the development of the Woolworths Distribution Centre in Dandenong South, VIC.

The Trust has no contingent liabilities as at 31 December 2016.

11 Events occurring after reporting date

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

Directors' declaration to securityholders

In the opinion of the directors of Charter Hall WALE Limited, the Responsible Entity of CHPT Dandenong Trust:

- a The interim consolidated financial statements and notes set out on pages 8 to 19 are in accordance with the *Corporations Act 2001*, including:
 - i complying with Accounting Standards, *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii giving a true and fair view of the Trust's financial position as at 31 December 2016 and of its performance for the financial period ended on that date; and
- b There are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

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



Peeyush Gupta

Director

Sydney

21 February 2017



Independent auditor's review report to the members of CHPT Dandenong Trust

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of CHPT Dandenong Trust (the Trust), which comprises the consolidated balance sheet as at 31 December 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the period ended on that date, selected explanatory notes and the directors' declaration for CHPT Dandenong Trust (the consolidated entity). The consolidated entity comprises the Trust and the entities it controlled during that period.

Directors' responsibility for the half-year financial report

The directors of the Trust are responsible for the preparation of the half-year financial report that gives 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 half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the period ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of CHPT Dandenong Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of CHPT Dandenong Trust is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the period ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of the Trust for the period ended 31 December 2016 included on the Charter Hall Group's web site. The Trust's directors are responsible for the integrity of the Charter Hall Group web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.

A stylized, handwritten signature of 'PricewaterhouseCoopers' in black ink.

PricewaterhouseCoopers

A stylized, handwritten signature of 'J A Dunning' in black ink.

J A Dunning
Partner

Sydney
21 February 2017

CPOF Kogarah Holding Trust

ARSN 614 714 073

Interim financial report

For the period ended 31 December 2016



Important Notice

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

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

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

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

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

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

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Directors' report

For the period ended 31 December 2016

The Directors of Charter Hall WALE Limited (CHWALE) present the consolidated Interim Financial Report of CPOF Kogarah Holding Trust (Trust or CPOF KHT) and its controlled entities for the period ended 31 December 2016.

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

The Trust's first interim period commences on 22 September 2016, date of registration, and ends on 31 December 2016 in accordance with relief granted under ASIC Instrument 16-1025.

Principal activities

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

Directors

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

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

Distributions

Distributions paid or declared during the period are as follows:

	Cents per unit	\$'000
Total distribution for the period from 1 July 2016 to 21 September 2016 ¹	1.33	1,245
Total distribution for the period from 22 September 2016 to 31 December 2016 ²	0.82	1,141
Total distribution	2.15	2,386

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

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

The Trust also made a capital distribution of \$80.7 million to former unitholders on 10 November 2016.

A distribution of 0.20 cents per security for the period from 11 November 2016 to 31 December 2016 was declared on 19 December 2016 and is payable on 28 February 2017.

Review and results of operations

The Trust recorded a statutory profit for the period of \$0.3 million which represents operating earnings of \$1.1 million offset by \$0.8 million of costs associated with Initial Public Offering (IPO). The table below sets out income and expenses that comprise operating earnings:

	22 Sep 2016 to 31 Dec 2016 \$'000
Share of operating earnings in investments accounted for using equity method	1,496
Fund management fees	(61)
Finance costs	(316)
Administration and other expenses	(25)
Operating earnings	1,094

Operating earnings is a financial measure which represents profit/(loss) under Australian Accounting Standards adjusted for net fair value movements, non-cash accounting adjustments such as straight lining of rental income and amortisations and other

Directors' report (continued)

For the period ended 31 December 2016

unrealised or one-off items. Operating earnings also aligns to the Funds from Operations (FFO) as defined by the Property Council of Australia.

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

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

	22 Sep 2016 to 31 Dec 2016 \$'000
Operating earnings	1,094
Costs associated with IPO	(746)
Statutory profit for the period	348
Basic weighted average number of securities (thousands)	138,706
Basic earnings per security (cents)	0.25
Operating earnings per security (cents)	0.79
Distribution per security (cents)	0.82

The financial results are summarised as follows:

	22 Sep 2016 to 31 Dec 2016
Revenue (\$ thousands)	1,496
Statutory profit for the period (\$ thousands)	348
Basic earnings per security (cents)	0.25
Operating earnings (\$ thousands)	1,094
Operating earnings per security (cents)	0.79
Distributions (\$ thousands)	1,141
Distributions per security (cents)	0.82

	31 Dec 2016
Total assets (\$ thousands)	95,809
Total liabilities (\$ thousands)	54,579
Net assets attributable to securityholders (\$ thousands)	41,230
Securities on issue (thousands)	206,683
Net assets per security (\$)	0.20

Significant changes in the state of affairs

On 10 November 2016, the Trust returned capital of \$80.7 million to securityholders and redeemed units on issue for \$14.2 million. Immediately thereafter, the Trust issued 206.7 million units and raised \$43.0 million of equity through its IPO.

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

Matters subsequent to the end of the financial period

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

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 7.

Directors' report (continued)

For the period ended 31 December 2016

Rounding of Amounts to the Nearest Thousand Dollars

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

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



Peeyush Gupta
Chairman

Sydney
21 February 2017



Auditor's Independence Declaration

As lead auditor for the review of CPOF Kogarah Holding Trust for the half-year ended 31 December 2016, 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 CPOF Kogarah Holding Trust and the entities it controlled during the period.

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

J A Dunning
Partner
PricewaterhouseCoopers

Sydney
21 February 2017

Consolidated statement of comprehensive income

For the period ended 31 December 2016

	Note	22 Sep 2016 to 31 Dec 2016 \$'000
Other income		
Share of equity accounted profit		1,496
Total other income		1,496
Total revenue and other income		1,496
Expenses		
Fund management fees		(61)
Costs associated with IPO		(746)
Administration and other expenses		(25)
Finance costs		(316)
Total expenses		(1,148)
Net profit for the period		348
Other comprehensive income		-
Total comprehensive income		348
Basic and diluted earnings per ordinary securityholder of the Trust		
Earnings per security (cents)	3	0.25

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

Consolidated balance sheet

As at 31 December 2016

	Notes	31 Dec 2016 \$'000
Assets		
Current assets		
Receivables		1,843
Other assets		8
Total current assets		1,851
Non-current assets		
Investments accounted for using equity method	4	93,958
Total non-current assets		93,958
Total assets		95,809
Liabilities		
Current liabilities		
Payables		83
Distribution payable	2	413
Total current liabilities		496
Non-current liabilities		
Borrowings	5	54,083
Total non-current liabilities		54,083
Total liabilities		54,579
Net assets		41,230
Equity		
Contributed equity	6	42,023
Accumulated losses		(793)
Total equity		41,230

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

Consolidated statement of changes in equity

For the period ended 31 December 2016

Attributable to securityholders of CPOF Kogarah Holding Trust				
	Notes	Contributed equity \$'000	Retained profits/ Accumulated (losses) \$'000	Total \$'000
Balance at 22 Sep 2016		93,958	1,245	95,203
Capital return	6	(80,660)	-	(80,660)
Unit redemptions	6	(14,234)	-	(14,234)
Units issued via IPO, net of equity raising costs	6	42,959	-	42,959
Distributions provided for or paid	2	-	(2,386)	(2,386)
Total comprehensive income		-	348	348
Balance at 31 Dec 2016		42,023	(793)	41,230

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

Consolidated cash flow statement

For the period ended 31 December 2016

	22 Sep 2016 to 31 Dec 2016 \$'000
Cash flows from operating activities	
Administration and other expenses paid	(13)
Net GST paid with respect to operating activities	(21)
Net cash flows from operating activities	(34)
Cash flows from investing activities	-
Net cash flows from investing activities	-
Cash flows from financing activities	
Receipts under Intra-Group Facility Agreement	53,021
Proceeds from issue of units, net of equity raising costs	42,959
Capital distributions paid	(80,661)
Payments for redemption of units	(14,234)
Distributions paid to securityholders	(1,051)
Net cash flows from financing activities	34
Net increase in cash and cash equivalents	-
Cash and cash equivalents at the beginning of the period	-
Cash and cash equivalents at the end of the period	-

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

Notes to the consolidated financial statements

For the period ended 31 December 2016

1 Summary of significant accounting policies

The Charter Hall Long WALE REIT (REIT or CLW) is a stapled group comprising of CPOF Kogarah Holding Trust (Trust or CPOF KHT) and its controlled entity and the entities below (collectively referred to as the "Stapled Trusts"):

- Charter Hall Direct Industrial Fund ("DIF") and its controlled entities;
- LWR Finance Trust ("Finance Trust") and its controlled entity;
- Canning Vale Logistics Trust No.1 ("CVLT1");
- 218 Bannister Road Trust ("218 BRT");
- CHPT Dandenong Trust ("CHPT DT") and its controlled entity; and
- Franklin Street Property Trust ("FSPT").

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

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

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

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

(a) Basis of preparation

These general purpose consolidated financial statements have been prepared in accordance with the requirements of the Trust's constitution, Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The Trust is a for-profit entity for the purpose of preparing the consolidated financial statements.

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

Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis.

New and amended standards adopted

No new accounting standards or amendments have come into effect for the period ended 31 December 2016 that affect the Trust's operations or reporting requirements.

(b) Principles of consolidation

(i) Controlled entities

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

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

(ii) Joint arrangements

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

During the period, the Trust had an interest in a joint venture.

Notes to the consolidated financial statements (continued)

For the period ended 31 December 2016

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (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 Trust's share of post-acquisition profits or losses of the investee in profit or loss, and the Trust's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

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

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

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

(c) Segment reporting

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

(d) Revenue recognition

Interest income

Interest income is recognised using the effective interest rate method.

(e) Expenses

Expenses are recognised on an accruals basis.

(f) Income tax

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

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

(g) Impairment of assets

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

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

(h) Cash and cash equivalents

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

(i) Trade and other receivables

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

Notes to the consolidated financial statements (continued)

For the period ended 31 December 2016

1 Summary of significant accounting policies (continued)

(i) Trade and other receivables (continued)

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

(j) Trade and other payables

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

(k) Borrowings

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

(l) Contributed equity

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

(m) Distributions paid and payable

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

(n) Fair value estimation

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

(o) Earnings per security

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

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

(p) Goods and Services Tax (GST)

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

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

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

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

Certain new accounting standards and interpretations have been published that are not mandatory for the period ended 31 December 2016 but are available for early adoption. The impact of these new standards and interpretations (to the extent relevant to the Trust) is set out below:

Notes to the consolidated financial statements (continued)

For the period ended 31 December 2016

1 Summary of significant accounting policies (continued)

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

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

The standard is based on the principle that revenue is recognised when control of a good or service is transferred to a customer, so the notion of control replaces the notion of risks and rewards. It applies to all contracts with customers except leases, financial instruments and insurance contracts. AASB 15 requires reporting entities to provide users of financial statements with more informative, relevant disclosures. The Trust is in the process of assessing the implications of the new standard to its operational and financial results.

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

The standard will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset. The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) will change. The accounting by lessors will not significantly change. Management is currently assessing the impact and the implication of the new standard to its operational and financial results.

(r) **Rounding of amounts**

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

2 Distributions paid or payable

	Cents per unit	\$'000
Total distribution for the period from 1 July 2016 to 21 September 2016 ¹	1.33	1,245
Total distribution for the period from 22 September 2016 to 31 December 2016 ²	0.82	1,141
Total distribution	2.15	2,386

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

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

The Trust also made a capital distribution of \$80.7 million to former unitholders on 10 November 2016.

A distribution of 0.20 cents per security (\$0.4 million) for the period from 11 November 2016 to 31 December 2016 was declared on 19 December 2016 and is payable on 28 February 2017.

3 Earnings per security

	22 Sep 2016 to 31 Dec 2016
Basic and diluted earnings per ordinary securityholder	
Earnings per security (cents) for profit from operations	0.25
Earnings used in the calculation of basic and diluted earnings per security	
Net profit for the period (\$'000)	348
Weighted average number of securities* used in the calculation of basic and diluted earnings per security (thousands)	138,706

*Takes into account conversion of each unit issued by the Trust into approximately 0.72 units on 10 November 2016

Notes to the consolidated financial statements (continued)

For the period ended 31 December 2016

4 Investments accounted for using the equity method

Investment in joint venture entity

The Trust has investments in a joint venture entity. The Trust exercises joint control over the joint venture entity, but neither the Trust nor its joint venture partner has control in their own right, irrespective of their ownership interest. The investment is accounted for using the equity method of accounting (refer to Note 1 (b)). Information relating to the joint venture entity is detailed below:

Name of entity	Principal Activity	31 Dec 2016 Ownership %	31 Dec 2016 \$'000
Kogarah Trust	Property investment	50.1%	93,958
			93,958

5 Borrowings

Non-current	31 Dec 2016 \$'000
Intra-Group Facility Agreement	54,083
	54,083

On 10 November 2016, the Trust entered an Intra-Group Facility Agreement (IGFA) with the other Stapled Trusts. This agreement expires in November 2021. Interest rates under IGFA are variable and reset periodically. As at 31 December 2016, the interest rate under IGFA was 4.21% per annum.

6 Contributed equity

Details	No. of units	22 Sep 2016 to 31 Dec 2016 \$'000
Units on issue - 22 Sep 16	93,957,812	93,958
Capital return	-	(80,660)
Change in number of units after unit re-organisation	(26,002,988)	-
Unit redemptions	(67,954,824)	(14,234)
Units issued via IPO	206,683,097	42,959
Units on issue	206,683,097	42,023

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

Each 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.

7 Net tangible assets

Total assets	31 Dec 2016 \$'000
Less: Total liabilities	(54,579)
Net tangible assets attributable to the Trust	41,230
Total number of securities on issue (thousands)	206,683
Net tangible asset backing per security (dollars)	0.20

Notes to the consolidated financial statements (continued)

For the period ended 31 December 2016

8 Fair value measurement

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

- i Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- ii Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- iii Level 3 - Inputs for the asset or liability that are not based on observable market data.

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

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

The carrying amounts of Level 1 and Level 2 assets and liabilities are assumed to approximate their fair values.

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

The policy of the Trust is to recognise transfers into and transfers out of the fair value hierarchy levels as at the end of the reporting period.

The Trust did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2016.

9 Commitments and contingent liabilities

The Trust has no commitments or contingent liabilities as at 31 December 2016.

10 Events occurring after reporting date

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

Directors' declaration to stapled securityholders

In the opinion of the directors of Charter Hall WALE Limited, the Responsible Entity of CPOF Kogarah Holding Trust:

- a The interim consolidated financial statements and notes set out on pages 8 to 17 are in accordance with the *Corporations Act 2001*, including:
 - i complying with Accounting Standards, *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii giving a true and fair view of the Trust's financial position as at 31 December 2016 and of its performance for the financial period ended on that date; and
- b There are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

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



Peeyush Gupta

Director

Sydney

21 February 2017



Independent auditor's review report to the members of CPOF Kogarah Holding Trust

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of CPOF Kogarah Holding Trust (the Trust), which comprises the consolidated balance sheet as at 31 December 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the period ended on that date, selected explanatory notes and the directors' declaration for CPOF Kogarah Holding Trust (the consolidated entity). The consolidated entity comprises the Trust and the entities it controlled during that period.

Directors' responsibility for the half-year financial report

The directors of the Trust are responsible for the preparation of the half-year financial report that gives 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 half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the period ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of CPOF Kogarah Holding Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of CPOF Kogarah Holding Trust is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the period ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of the Trust for the period ended 31 December 2016 included on the Charter Hall Group's web site. The Trust's directors are responsible for the integrity of the Charter Hall Group web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.

A stylized signature of PricewaterhouseCoopers in a cursive script.

PricewaterhouseCoopers

A stylized signature of J A Dunning in a cursive script.

J A Dunning
Partner

Sydney
21 February 2017

Franklin Street Property Trust

ARSN 614 714 206

Interim financial report

For the period ended 31 December 2016



Important Notice

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

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

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

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

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

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

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Directors' report

For the period ended 31 December 2016

The Directors of Charter Hall WALE Limited (CHWALE) present the consolidated Interim Financial Report of Franklin Street Property Trust (Trust or FSPT) for the period ended 31 December 2016.

CHWALE was appointed as responsible entity on 6 September 2016 upon the retirement of the previous Trustee, Charter Hall Wholesale Management Limited (CHWML).

The Trust was established on 13 October 2010 and registered as a managed investment scheme on 22 September 2016. The Trust was listed on the Australian Securities Exchange on 8 November 2016 and became a member of the Long WALE REIT consolidated group (REIT) on 10 November 2016 when its units were stapled to the units of the other six stapled trusts comprising the REIT.

The Trust's first interim period commenced on 22 September 2016, date of registration, and ended on 31 December 2016 in accordance with relief granted under ASIC Instrument 16-1025.

Principal activities

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

Directors

The following persons have held office as directors of the Responsible Entity from 6 September 2016 (the date of appointment) and up to the date of this report:

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

The following persons have held office as directors of the former Trustee, CHWML, up to 6 September 2016 (date of retirement):

- David Harrison - Executive Director and Chief Executive Officer / Managing Director of Charter Hall Group
- Adrian Taylor - Executive Director
- Gregory Chubb - Executive Director
- Paul Ford - Executive Director

Distributions

Distributions paid or declared during the period are as follows:

	Cents per unit	\$'000
Total distribution for the period from 1 July 2016 to 21 September 2016 ¹	5.51	1,936
Total distribution for the period from 22 September 2016 to 31 December 2016 ²	2.03	2,810
Total distribution ²	7.54	4,746

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

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

The Trust also made a capital distribution of \$45.5 million to former unitholders on 10 November 2016.

A distribution of 0.80 cents per security for the period from 11 November 2016 to 31 December 2016 was declared on 19 December 2016 and is payable on 28 February 2017.

Directors' report (continued)

For the period ended 31 December 2016

Review and results of operations

The Trust recorded a statutory loss for the period of \$29.4 million which represents operating earnings of \$2.8 million and a net gain of \$1.7 million resulting from movements in the fair value of derivative financial instruments, offset by \$0.5 million loss on extinguishment of debt facility, \$3.6 million of costs associated with the Initial Public Offering (IPO) and \$29.9 million loss on the disposal of two wholly owned subsidiaries of the Trust (Refer to page 6).

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

	22 Sep 2016 to 31 Dec 2016 \$'000
Net property income	4,598
Other income	7
Fund management fees	(318)
Finance costs	(1,337)
Administration and other expenses	(125)
Operating earnings	2,825

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

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

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

	22 Sep 2016 to 31 Dec 2016 \$'000
Operating earnings	2,825
Net fair value movements on investment property and financial assets	32
Straightlining of rental income	9
Net fair value movements on derivative financial instruments	1,664
Loss on extinguishment of debt facility	(480)
Costs associated with IPO	(3,590)
Loss on disposal	(29,859)
Statutory loss for the period	(29,399)
Basic weighted average number of securities (thousands)	138,452
Basic loss per security (cents)	(21.23)
Operating earnings per security (cents)	2.04
Distribution per security (cents)	2.03

Directors' report (continued)

For the period ended 31 December 2016

The financial results are summarised as follows:

	22 Sep 2016 to 31 Dec 2016
Revenue (\$ thousands)	5,692
Statutory loss for the period (\$ thousands)	(29,399)
Basic loss per security (cents)	(21.23)
Operating earnings (\$ thousands)	2,825
Operating earnings per security (cents)	2.04
Distributions (\$ thousands)	2,810
Distributions per security (cents)	2.03
	31 Dec 2016
Total assets (\$ thousands)	281,844
Total liabilities (\$ thousands)	82,351
Net assets attributable to securityholders (\$ thousands)	199,493
Securities on issue (thousands)	206,683
Net assets per security (\$)	0.97

Significant changes in the state of affairs

On 10 November 2016, the Trust returned capital of \$45.5 million to securityholders and redeemed units on issue for \$68.3 million. Immediately thereafter, the Trust issued 206.7 million units and raised \$206.0 million of equity through IPO.

Under the terms of the IPO, two development assets held by the Trust were to be retained by the former unitholders. The Trust transferred the sub-trusts holding these assets to a trust owned by the same unitholders for nominal consideration. The Trust recorded a loss on disposal of \$29.9 million and the related trust recorded an equal and offsetting gain on bargain purchase.

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

Matters subsequent to the end of the financial period

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

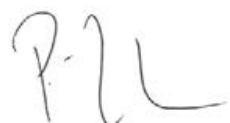
Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

Rounding of Amounts to the Nearest Thousand Dollars

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

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



Peeyush Gupta
Chairman

Sydney
21 February 2017



Auditor's Independence Declaration

As lead auditor for the review of Franklin Street Property Trust for the period ended 31 December 2016, 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 Franklin Street Property Trust and the entities it controlled during the period.

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

J A Dunning
Partner
PricewaterhouseCoopers

Sydney
21 February 2017

Consolidated statement of comprehensive income

For the period ended 31 December 2016

	Notes	22 Sep 2016 to 31 Dec 2016 \$'000
Revenue		
Property rental income		5,685
Interest income		7
Total revenue		5,692
Other income		
Net fair value gain on financial assets		41
Net gain on derivative financial instruments		1,664
Total other income		1,705
Total revenue and other income		7,397
Expenses		
Property expenses		(1,078)
Fund management fees		(318)
Costs associated with IPO		(3,590)
Administration and other expenses		(125)
Net fair value loss on investment properties		(9)
Finance costs		(1,817)
Loss on disposal	4	(29,859)
Total expenses		(36,796)
Net loss for the period		(29,399)
Other comprehensive income		-
Total comprehensive loss		(29,399)
Basic and diluted loss per ordinary securityholder of the Trust		
Loss per security (cents)	3	(21.23)

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

Consolidated balance sheet

As at 31 December 2016

	Notes	31 Dec 2016 \$'000
Assets		
Current assets		
Cash and cash equivalents		837
Receivables		235
Other assets		178
Total current assets		1,250
Non-current assets		
Investment in financial assets at fair value		17,041
Investment properties	4	263,553
Total non-current assets		280,594
Total assets		281,844
Liabilities		
Current liabilities		
Payables		838
Distribution payable	2	1,653
Total current liabilities		2,491
Non-current liabilities		
Borrowings	5	79,860
Total non-current liabilities		79,860
Total liabilities		82,351
Net assets		199,493
Equity		
Contributed equity	6	145,868
Retained profits		53,625
Total equity		199,493

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

Consolidated statement of changes in equity

For the period ended 31 December 2016

Attributable to securityholders of Franklin Street Property Trust				
	Notes	Contributed equity \$'000	Retained profits \$'000	Total \$'000
Balance at 22 Sep 2016		51,494	87,770	139,264
Unit issuance	6	2,135	-	2,135
Capital return	6	(45,504)	-	(45,504)
Unit redemptions	6	(68,256)	-	(68,256)
Units issued via IPO, net of equity raising costs	6	205,999	-	205,999
Distributions provided for or paid	2	-	(4,746)	(4,746)
Total comprehensive income		-	(29,399)	(29,399)
Balance at 31 Dec 2016		145,868	53,625	199,493

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

Consolidated cash flow statement

For the period ended 31 December 2016

	22 Sep 2016 to 31 Dec 2016 \$'000
Cash flows from operating activities	
Property rental income received	4,558
Property expenses paid	(2,461)
Interest received	7
Finance costs paid	(827)
Fund management fees paid	(287)
Administration and other expenses paid	(115)
Net GST paid with respect to operating activities	(447)
Net cash flows from operating activities	428
Cash flows from investing activities	
Payments for investment properties	(8)
Payment to income support fund	(17,000)
Settlement of interest rate swaps	(6,863)
Cash transferred on disposal of subsidiaries	(1,355)
Net cash flows from investing activities	(25,226)
Cash flows from financing activities	
Payments under Intra-Group Facility Agreement	(2,000)
Receipts under Intra-Group Facility Agreement	77,795
Proceeds from issue of units, net of equity raising costs	205,999
Capital distributions paid	(45,504)
Payments for redemption of units	(68,256)
Distributions paid to securityholders	(1,184)
Proceeds from borrowings	300
Repayment of borrowings	(144,500)
Net cash flows from financing activities	22,650
Net decrease in cash and cash equivalents	(2,148)
Cash and cash equivalents at the beginning of the period	2,985
Cash and cash equivalents at the end of the period	837

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

Notes to the consolidated financial statements

For the period ended 31 December 2016

1 Summary of significant accounting policies

The Charter Hall Long WALE REIT (CLW or REIT) is a stapled group comprising of Franklin Street Property Trust (Trust or FSPT) and the entities below (collectively referred to as the "Stapled Trusts"):

- Charter Hall Direct Industrial Fund ("DIF") and its controlled entities;
- LWR Finance Trust ("Finance Trust") and its controlled entity;
- Canning Vale Logistics Trust No.1 ("CVLT1");
- 218 Bannister Road Trust ("218 BRT");
- CPOF Kogarah Holding Trust ("CPOF KHT") and its controlled entity; and
- CHPT Dandenong Trust ("CHPT DT") and its controlled entity.

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

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

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

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

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the requirements of the Trust's constitution, Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The Trust is a for-profit entity for the purpose of preparing the financial statements.

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

Historical cost convention

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

- derivative financial instruments – measured at fair value
- investments in financial assets held at fair value - measured at fair value
- investment properties – measured at fair value

New and amended standards adopted

No new accounting standards or amendments have come into effect for the period ended 31 December 2016 that affect the Trust's operations or reporting requirements.

Critical accounting estimates

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

- Investment properties – Note 1(I)

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

Notes to the consolidated financial statements (continued)

For the period ended 31 December 2016

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Net current asset deficiency

At 31 December 2016, the Trust has a net deficiency of current assets over current liabilities of \$1.2 million. The Trust will be able to meet its day-to-day working capital requirements from the available Intra-Group Facility and operating cash flows. The unitholders will only receive their distributions to the extent that the Trust has sufficient working capital.

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

(b) Principles of consolidation

(i) Controlled entities

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

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated.

Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Accounting policies of controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Trust.

(c) Segment reporting

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

(d) Revenue recognition

Rental income

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

Interest income

Interest income is recognised using the effective interest rate method.

(e) Expenses

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

(f) Repairs and maintenance

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

(g) Income tax

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

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

(h) Impairment of assets

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

Notes to the consolidated financial statements (continued)

For the period ended 31 December 2016

1 Summary of significant accounting policies (continued)

(h) Impairment of assets (continued)

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

(i) Cash and cash equivalents

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

(j) Trade and other receivables

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

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

(k) Derivative financial instruments

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

Changes in the fair value of these contracts are recorded in the consolidated statement of comprehensive income.

The Trust does not hold any financial derivative contracts as at 31 December 2016.

(l) Investment properties

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

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

At each balance date, the fair values of the investment properties are assessed by the Responsible Entity with reference to independent valuation reports or through appropriate valuation techniques adopted by the Responsible Entity. Fair value is determined using a long term investment period. Specific circumstances of the owner are not taken into account.

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

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

Notes to the consolidated financial statements (continued)

For the period ended 31 December 2016

1 Summary of significant accounting policies (continued)

(I) Investment properties (continued)

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

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

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

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

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

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

Investment properties under development are classified as investment properties and stated at fair value at each balance date. Fair value is assessed with reference to reliable estimates of cash flows, status of the development and the associated risk profile. Finance costs incurred on investment properties undergoing development or redevelopment are included in the cost of the development.

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

Investment properties held for sale

Investment properties are classified as 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 classified as current assets and measured at fair value.

Notes to the consolidated financial statements (continued)

For the period ended 31 December 2016

1 Summary of significant accounting policies (continued)

(l) Investment properties (continued)

Critical accounting estimates and judgements

Judgement is required in determining the following key assumptions:

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

(m) Investment in financial assets at fair value

Investment in financial assets at fair value are financial assets held for long-term investments and comprise the REIT's investment in ATO Income Support Fund. The accounting treatment of such financial assets is discussed in Note 1(s).

(n) Lease incentives

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

(o) Trade and other payables

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

(p) Borrowings

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

(q) Contributed equity

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

(r) Distributions paid and payable

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

(s) Fair value estimation

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

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

Notes to the consolidated financial statements (continued)

For the period ended 31 December 2016

1 Summary of significant accounting policies (continued)

(s) Fair value estimation (continued)

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

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

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

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

(t) Loss per security

Basic loss per security is determined by dividing statutory profit attributable to the securityholders by the weighted average number of securities on issue during the period.

Diluted loss per security is determined by dividing statutory profit attributable to the securityholders by the weighted average number of ordinary securities and dilutive potential ordinary securities on issue during the period.

(u) Goods and Services Tax (GST)

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

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

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

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

Certain new accounting standards and interpretations have been published that are not mandatory for the period ended 31 December 2016 but are available for early adoption. The impact of these new standards and interpretations (to the extent relevant to the Trust) is set out below:

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

The standard is based on the principle that revenue is recognised when control of a good or service is transferred to a customer, so the notion of control replaces the notion of risks and rewards. It applies to all contracts with customers except leases, financial instruments and insurance contracts. AASB 15 requires reporting entities to provide users of financial statements with more informative, relevant disclosures. The Trust is in the process of assessing the implications of the new standard to its operational and financial results.

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

The standard will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset. The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) will change. The accounting by lessors will not significantly change. Management is currently assessing the impact and the implication of the new standard to its operational and financial results.

Notes to the consolidated financial statements (continued)

For the period ended 31 December 2016

1 Summary of significant accounting policies (continued)

(w) Rounding of amounts

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

2 Distributions paid or payable

	Cents per unit	\$'000
Total distribution for the period from 1 July 2016 to 21 September 2016 ¹	5.51	1,936
Total distribution for the period from 22 September 2016 to 31 December 2016 ²	2.03	2,810
Total distribution	7.54	4,746

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

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

The Trust also made a capital distribution of \$45.5 million to former unitholders on 10 November 2016.

A distribution of 0.80 cents per security (\$1.7 million) for the period from 11 November 2016 to 31 December 2016 was declared on 19 December 2016 and is payable on 28 February 2017.

3 Loss per security

	21 Sep 2016 to 31 Dec 2016
Basic and diluted loss per ordinary securityholder	
Loss per security (cents) for loss from operations	(21.23)
Loss used in the calculation of basic and diluted loss per security	
Net loss for the period (\$'000)	(29,399)
Weighted average number of securities* used in the calculation of basic and diluted loss per security (thousands)	138,452

* Takes into account conversion of each unit issued by the Trust into approximately 1.93 units on 10 November 2016.

4 Investment properties

A reconciliation of the carrying amount of investment properties during the period is set out below:

	22 Sep 2016 to 31 Dec 2016 \$'000
Carrying amount at the beginning of the period	290,996
Additions	8
Disposal	(27,451)
Revaluation decrement attributable to straightlining of rental income	(9)
Straightlining of rental income	9
Carrying amount at the end of the period	263,553

Prior to IPO, the Trust transferred its interest in FSPT GPO Trust and FSPT Site 7 Trust to a trust owned by the former unitholders for nominal consideration. The subsidiaries held two investment properties at 141 King William Street, Adelaide SA and 2-10 Franklin Street, Adelaide SA with a combined carrying value of \$27.5 million on the date of transfer.

A loss on disposal equal to the net tangible assets of these subsidiaries (\$29.9 million) has been recognised in these financial statements. An equal and offsetting gain on bargain purchase was recorded in the financial statements of the related trust.

Notes to the consolidated financial statements (continued)

For the period ended 31 December 2016

5 Borrowings

	31 Dec 2016 \$'000
Non-current	
Intra-Group Facility Agreement	79,860
	79,860

On 10 November 2016, the Trust entered an Intra-Group Facility Agreement (IGFA) with the other Stapled Trusts. This agreement expires in November 2021. Interest rates under IGFA are variable and reset periodically. As at 31 December 2016, the interest rate under IGFA was 4.21% per annum.

6 Contributed equity

		22 Sep 2016 to 31 Dec 2016 \$'000
<i>Details</i>	<i>No. of units</i>	
Units on issue - 22 Sep 16	34,620,222	51,494
Unit issuance	504,890	2,135
Redemption of Class B units	(20)	-
Capital return	-	(45,504)
Change in number of units after unit re-organisation	32,829,732	-
Unit redemptions	(67,954,824)	(68,256)
Units issued via Initial Public Offering	206,683,097	205,999
Units on issue	206,683,097	145,868

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

Each 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.

7 Net tangible assets

	31 Dec 2016 \$'000
Total assets	281,844
Less: Total liabilities	(82,351)
Net tangible assets attributable to the Trust	199,493
 Total number of securities on issue (thousands)	 206,683
Net tangible asset backing per security (\$)	0.97

8 Fair value measurement

(a) Recognised fair value measurement

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

- i Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- ii Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- iii Level 3 - Inputs for the asset or liability that are not based on observable market data.

Notes to the consolidated financial statements (continued)

For the period ended 31 December 2016

8 Fair value measurement (continued)

(a) Recognised fair value measurement (continued)

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

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

The carrying amounts of Level 1 and Level 2 assets and liabilities are assumed to approximate their fair values.

The following table presents the Trust's financial assets and liabilities measured at fair value according to the fair value hierarchy at 31 December 2016:

	Level 1 \$'000	Level 2 \$'000	Total \$'000
Financial assets - recurring fair value measurement			
Investment in financial assets at fair value	-	17,041	17,041
Total assets	-	17,041	17,041

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

The policy of the Trust is to recognise transfers into and transfers out of the fair value hierarchy levels as at the end of the reporting period.

The Trust did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2016.

(b) Disclosed fair values

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

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

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

9 Commitments and contingent liabilities

The Trust has no commitments or contingent liabilities as at 31 December 2016.

10 Events occurring after reporting date


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

Directors' declaration to stapled securityholders

In the opinion of the directors of Charter Hall WALE Limited, the Responsible Entity of Franklin Street Property Trust:

- a The interim consolidated financial statements and notes set out on pages 8 to 20 are in accordance with the *Corporations Act 2001*, including:
 - i complying with Accounting Standards, *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii giving a true and fair view of the Trust's financial position as at 31 December 2016 and of its performance for the financial period ended on that date; and
- b There are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

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



Peeyush Gupta

Director

Sydney

21 February 2017



Independent auditor's review report to the members of Franklin Street Property Trust

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Franklin Street Property Trust (the Trust), which comprises the consolidated balance sheet as at 31 December 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the period ended on that date, selected explanatory notes and the directors' declaration for Franklin Street Property Trust (the consolidated entity). The consolidated entity comprises the Trust and the entities it controlled during that period.

Directors' responsibility for the half-year financial report

The directors of the Trust are responsible for the preparation of the half-year financial report that gives 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 half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the period ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Franklin Street Property Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Franklin Street Property Trust is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the period ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of the Trust for the period ended 31 December 2016 included on the Charter Hall Group's web site. The Trust's directors are responsible for the integrity of the Charter Hall Group web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.

A stylized signature of PricewaterhouseCoopers in a cursive script.

PricewaterhouseCoopers

A stylized signature of J A Dunning in a cursive script.

J A Dunning
Partner

Sydney
21 February 2017

218 Bannister Road Trust

ARSN 614 712 588

Interim financial report

For the period ended 31 December 2016



Important Notice

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

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

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

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

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

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

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Directors' report

For the period ended 31 December 2016

The Directors of Charter Hall WALE Limited (CHWALE) present the Interim Financial Report of 218 Bannister Road Trust (Trust or 218 BRT) for the period ended 31 December 2016.

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

The Trust was established on 25 January 2013 and registered as a managed investment scheme on 22 September 2016. The Trust was listed on the Australian Securities Exchange on 8 November 2016 and became a member of the Charter Hall Long WALE REIT consolidated group (REIT) on 10 November 2016 when its units were stapled to the units of the other six stapled trusts comprising the REIT.

The Trust's first interim period commenced on 22 September 2016, date of registration, and ended on 31 December 2016 in accordance with relief granted under ASIC Instrument 16-1025.

Principal activities

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

Directors

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

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

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

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

Distributions

Distributions paid or declared during the period are as follows:

	Cents per unit	\$'000
Total distribution for the period from 1 July 2016 to 21 September 2016 ¹	1.95	1,318
Total distribution for the period from 22 September 2016 to 31 December 2016 ²	0.86	1,187
Total distribution	2.81	2,505

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

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

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

A distribution of 0.20 cents per security for the period from 11 November 2016 to 31 December 2016 was declared on 19 December 2016 and is payable on 28 February 2017.

Directors' report (continued)

For the period ended 31 December 2016

Review and results of operations

The Trust recorded a statutory profit for the period of \$0.6 million which represents operating earnings of \$1.2 million offset by \$0.6 million of costs associated with Initial Public Offering (IPO).

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

	22 Sep 2016 to 31 Dec 2016 \$'000
Net property income	1,585
Interest income	3
Fund management fees	(53)
Finance costs	(274)
Administration and other expenses	(21)
Operating earnings	1,240

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

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

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

	22 Sep 2016 to 31 Dec 2016 \$'000
Operating earnings	1,240
Costs associated with IPO	(646)
Statutory profit for the period	594
Basic weighted average number of securities (thousands)	138,706
Basic earnings per security (cents)	0.43
Operating earnings per security (cents)	0.89
Distribution per security (cents)	0.86

The financial results are summarised as follows:

	22 Sep 2016 to 31 Dec 2016
Revenue (\$ thousands)	1,806
Statutory profit for the period (\$ thousands)	594
Basic earnings per security (cents)	0.43
Operating earnings (\$ thousands)	1,240
Operating earnings per security (cents)	0.89
Distributions (\$ thousands)	1,187
Distributions per security (cents)	0.86
	31 Dec 2016
Total assets (\$ thousands)	85,317
Total liabilities (\$ thousands)	48,671
Net assets attributable to securityholders (\$ thousands)	36,646
Securities on issue (thousands)	206,683
Net assets per security (\$)	0.18

Directors' report (continued)

For the period ended 31 December 2016

Significant changes in the state of affairs

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

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

Matters subsequent to the end of the financial period

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

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 7.

Rounding of Amounts to the Nearest Thousand Dollars

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

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



Peeyush Gupta
Chairman

Sydney
21 February 2017



Auditor's Independence Declaration

As lead auditor for the review of 218 Bannister Road Trust for the period ended 31 December 2016, 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.

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

J A Dunning
Partner
PricewaterhouseCoopers

Sydney
21 February 2017

Statement of comprehensive income

For the period ended 31 December 2016

	22 Sep 2016 to 31 Dec 2016 \$'000
Revenue	
Property rental income	1,803
Interest income	3
Total revenue	1,806
Expenses	
Property expenses	(218)
Fund management fees	(53)
Costs associated with IPO	(646)
Administration and other expenses	(21)
Finance costs	(274)
Total expenses	(1,212)
Net profit for the period	594
Other comprehensive income	-
Total comprehensive income	594
Basic and diluted earnings per ordinary securityholder of the Trust	
Earnings per security (cents)	0.43

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

Balance sheet

As at 31 December 2016

	Notes	31 Dec 2016 \$'000
Assets		
Current Assets		
Cash and cash equivalents		2,661
Receivables		62
Other assets		336
Total current assets		3,059
Non-current assets		
Investment properties	4	82,258
Total non-current assets		82,258
Total assets		85,317
Liabilities		
Current liabilities		
Payables		567
Distribution payable	2	413
Total current liabilities		980
Non-current liabilities		
Borrowings	5	47,691
Total non-current liabilities		47,691
Total liabilities		48,671
Net assets		36,646
Equity		
Contributed equity	6	22,570
Retained profits		14,076
Total equity		36,646

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

Statement of changes in equity

For the period ended 31 December 2016

Attributable to securityholders of 218 Bannister Road Trust				
	Notes	Contributed equity \$'000	Retained profits \$'000	Total \$'000
Balance at 22 Sep 2016		67,581	15,987	83,568
Capital return	6	(69,907)	-	(69,907)
Unit redemptions	6	(12,337)	-	(12,337)
Units issued via IPO, net of equity raising costs	6	37,233	-	37,233
Distributions provided for or paid	2	-	(2,505)	(2,505)
Total comprehensive income		-	594	594
Balance at 31 Dec 2016		22,570	14,076	36,646

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

Cash flow statement

For the period ended 31 December 2016

	22 Sep 2016 to 31 Dec 2016 \$'000
Cash flows from operating activities	
Property rental income received	2,221
Property expenses paid	(243)
Interest received	3
Administration and other expenses paid	(47)
Net GST paid with respect to operating activities	(64)
Net cash flows from operating activities	1,870
Cash flows from investing activities	
Payments for investment properties	(9)
Net cash flows from investing activities	(9)
Cash flows from financing activities	
Payments under Intra-Group Facility Agreement	(681)
Receipts under Intra-Group Facility Agreement	46,795
Proceeds from issue of units, net of equity raising costs	37,232
Capital distributions paid	(69,907)
Payments for redemption of units	(12,337)
Distributions paid to securityholders	(349)
Net cash flows from financing activities	753
Net increase in cash and cash equivalents	2,614
Cash and cash equivalents at the beginning of the period	47
Cash and cash equivalents at the end of the period	2,661

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

Notes to the financial statements

For the period ended 31 December 2016

1 Summary of significant accounting policies

The Charter Hall Long WALE REIT (REIT or CLW) is a stapled group comprising of 218 Bannister Road Trust (Trust or 218 BRT) and the entities below (collectively referred to as the "Stapled Trusts"):

- Charter Hall Direct Industrial Fund ("DIF") and its controlled entities;
- LWR Finance Trust ("Finance Trust") and its controlled entity;
- Canning Vale Logistics Trust No.1 ("CVLT1");
- CHPT Dandenong Trust ("CHPT DT") and its controlled entity;
- CPOF Kogarah Holding Trust ("CPOF KHT") and its controlled entity; and
- Franklin Street Property Trust ("FSPT").

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

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

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

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

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the requirements of the Trust's constitution, Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The Trust is a for-profit entity for the purpose of preparing the financial statements.

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

Historical cost convention

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

- investment properties – measured at fair value

New and amended standards adopted

No new accounting standards or amendments have come into effect for the period ended 31 December 2016 that affect the Trust's operations or reporting requirements.

Critical accounting estimates and judgements

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

- Investment properties – Note 1(k)

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

(b) Principles of consolidation

(i) Controlled entities

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

Notes to the financial statements (continued)

For the period ended 31 December 2016

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

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

(ii) Joint arrangements

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

During the year, the Trust has joint operations.

Joint operations

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

(c) Segment reporting

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

(d) Revenue recognition

Rental income

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

Interest income

Interest income is recognised using the effective interest rate method.

(e) Expenses

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

(f) Repairs and maintenance

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

(g) Income tax

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

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

(h) Impairment of assets

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

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

Notes to the financial statements (continued)

For the period ended 31 December 2016

1 Summary of significant accounting policies (continued)

(i) Cash and cash equivalents

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

(j) Trade and other receivables

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

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

(k) Investment properties

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

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

At each balance date, the fair values of the investment properties are assessed by the Trustee with reference to independent valuation reports or through appropriate valuation techniques adopted by the Trustee. Fair value is determined using a long term investment period. Specific circumstances of the owner are not taken into account.

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

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

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

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

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

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

Notes to the financial statements (continued)

For the period ended 31 December 2016

1 Summary of significant accounting policies (continued)

(k) Investment properties (continued)

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

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

Investment properties under development are classified as investment properties and stated at fair value at each balance date. Fair value is assessed with reference to reliable estimates of cash flows, status of the development and the associated risk profile. Finance costs incurred on investment properties undergoing development or redevelopment are included in the cost of the development.

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

Investment properties held for sale

Investment properties are classified as 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 classified as current assets and measured at fair value.

Critical accounting estimates and judgements

Judgement is required in determining the following key assumptions:

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

(l) Lease incentives

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

(m) Trade and other payables

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

Notes to the financial statements (continued)

For the period ended 31 December 2016

1 Summary of significant accounting policies (continued)

(n) Borrowings

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

(o) Contributed equity

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

(p) Distributions paid and payable

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

(q) Fair value estimation

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

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

(r) Earnings per security

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

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

(s) Goods and Services Tax (GST)

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

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

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

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

Certain new accounting standards and interpretations have been published that are not mandatory for the period ended 31 December 2016 but are available for early adoption. The impact of these new standards and interpretations (to the extent relevant to the Trust) is set out below:

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

The standard is based on the principle that revenue is recognised when control of a good or service is transferred to a customer, so the notion of control replaces the notion of risks and rewards. It applies to all contracts with customers except leases, financial instruments and insurance contracts. AASB 15 requires reporting entities to provide users of financial statements with more informative, relevant disclosures. The Trust is in the process of assessing the implications of the new standard to its operational and financial results.

Notes to the financial statements (continued)

For the period ended 31 December 2016

1 Summary of significant accounting policies (continued)

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

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

The standard will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset. The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) will change. The accounting by lessors will not significantly change. Management is currently assessing the impact and the implication of the new standard to its operational and financial results.

(u) Rounding of amounts

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

2 Distributions paid or payable

	Cents per unit	\$'000
Total distribution for the period from 1 July 2016 to 21 September 2016 ¹	1.95	1,318
Total distribution for the period from 22 September 2016 to 31 December 2016 ²	0.86	1,187
Total distribution	2.81	2,505

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

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

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

A distribution of 0.20 cents per security (\$0.4 million) for the period from 11 November 2016 to 31 December 2016 was declared on 19 December 2016 and payable on 28 February 2017.

3 Earnings per security

	22 Sep 2016 to 31 Dec 2016
Basic and diluted earnings per ordinary securityholder	
Earnings per security (cents) for profit from operations	0.43
Earnings used in the calculation of basic and diluted earnings per security	
Net profit for the period (\$'000)	594
Weighted average number of securities used in the calculation of basic and diluted earnings per security (thousands)	138,706

Notes to the financial statements (continued)

For the period ended 31 December 2016

4 Investment properties

A reconciliation of the carrying amount of investment properties during the period is set out below:

	22 Sep 2016 to 31 Dec 2016 \$'000
Carrying amount at the beginning of the period	82,250
Additions	8
Carrying amount at the end of the period	82,258

5 Borrowings

	31 Dec 2016 \$'000
Non-current	
Intra-Group Facility Agreement	47,691
	47,691

On 10 November 2016, the Trust entered an Intra-Group Facility Agreement (IGFA) with the other Stapled Trusts. This agreement expires in November 2021. Interest rates under IGFA are variable and reset periodically. As at 31 December 2016, the interest rate under IGFA was 4.21% per annum.

6 Contributed equity

		22 Sep 2016 to 31 Dec 2016 \$'000
<i>Details</i>	<i>No. of units</i>	
Units on issue - 22 Sep 16	67,725,823	67,581
Capital return	-	(69,907)
Change in number of units after unit re-organisation	229,001	-
Unit redemptions	(67,954,824)	(12,337)
Units issued via Initial Public Offering	206,683,097	37,233
Units on issue	206,683,097	22,570

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

Each 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.

7 Net tangible assets

	31 Dec 2016 \$'000
Total assets	85,317
Less: Total liabilities	(48,671)
Net tangible assets attributable to the Trust	36,646
Total number of securities on issue (thousands)	206,683
Net tangible asset backing per security (\$)	0.18

Notes to the financial statements (continued)

For the period ended 31 December 2016

8 Fair value measurement

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

- i Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- ii Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- iii Level 3 - Inputs for the asset or liability that are not based on observable market data.

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

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

The carrying amounts of Level 1 and Level 2 assets and liabilities are assumed to approximate their fair values.

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

The policy of the Trust is to recognise transfers into and transfers out of the fair value hierarchy levels as at the end of the reporting period.

The Trust did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2016.

9 Commitments and contingent liabilities

The Trust has no commitments or contingent liabilities as at 31 December 2016.

10 Events occurring after reporting date

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

Directors' declaration to stapled securityholders

In the opinion of the directors of Charter Hall WALE Limited, the Trustee of 218 Bannister Road Trust:

- a The interim financial statements and notes set out on pages 8 to 19 are in accordance with the *Corporations Act 2001*, including:
 - i complying with Accounting Standards, *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii giving a true and fair view of the Trust's financial position as at 31 December 2016 and of its performance for the financial period ended on that date; and
- b There are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

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



Peeyush Gupta

Director

Sydney

21 February 2017



Independent auditor's review report to the members of 218 Bannister Road Trust

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of 218 Bannister Road Trust (the Trust), which comprises the balance sheet as at 31 December 2016, the statement of comprehensive income, statement of changes in equity and cash flow statement for the period ended on that date, selected explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the Trust are responsible for the preparation of the half-year financial report that gives 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 half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the entity's financial position as at 31 December 2016 and its performance for the period ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of 218 Bannister Road Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of 218 Bannister Road Trust is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the entity's financial position as at 31 December 2016 and of its performance for the period ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of the Trust for the period ended 31 December 2016 included on the Charter Hall Group's web site. The Trust's directors are responsible for the integrity of the Charter Hall Group web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.

The PricewaterhouseCoopers logo, written in a stylized, cursive script.

PricewaterhouseCoopers

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

J A Dunning
Partner

Sydney
21 February 2017

Canning Vale Logistics Trust No.1

ARSN 614 713 012

Interim financial report

For the period ended 31 December 2016



Important Notice

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

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

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

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

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

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

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Directors' report

For the period ended 31 December 2016

The Directors of Charter Hall WALE Limited (CHWALE) present the Interim Financial Report of Canning Vale Logistics Trust No.1 (Trust or CVLT1) for the period ended 31 December 2016.

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

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

The Trust's first interim period commenced on 22 September 2016, date of registration, and ended on 31 December 2016 in accordance with relief granted under ASIC Instrument 16-1025.

Principal activities

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

Directors

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

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

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

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

Distributions

Distributions paid or declared during the period are as follows:

	Cents per unit	\$'000
Total distribution for the period from 1 July 2016 to 21 September 2016 ¹	1.99	1,318
Total distribution for the period from 22 September 2016 to 31 December 2016 ²	0.86	1,187
Total distribution	2.85	2,505

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

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

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

A distribution of 0.20 cents per security for the period from 11 November 2016 to 31 December 2016 was declared on 19 December 2016 and is payable on 28 February 2017.

Directors' report (continued)

For the period ended 31 December 2016

Review and results of operations

The Trust recorded a statutory profit for the period of \$0.6 million which represents operating earnings of \$1.2 million offset by \$0.6 million of costs associated with Initial Public Offering (IPO).

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

	22 Sep 2016 to 31 Dec 2016
	\$'000
Net property income	1,585
Fund management fees	(52)
Finance costs	(267)
Administration and other expenses	(21)
Operating earnings	1,245

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

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

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

	22 Sep 2016 to 31 Dec 2016
	\$'000
Operating earnings	1,245
Costs associated with IPO	(646)
Statutory profit for the period	599
Basic weighted average number of securities (thousands)	138,706
Basic earnings per security (cents)	0.43
Operating earnings per security (cents)	0.90
Distribution per security (cents)	0.86

The financial results are summarised as follows:

	22 Sep 2016 to 31 Dec 2016
Revenue (\$ thousands)	1,803
Statutory profit for the period (\$ thousands)	599
Basic earnings per security (cents)	0.43
Operating earnings (\$ thousands)	1,245
Operating earnings per security (cents)	0.90
Distributions (\$ thousands)	1,187
Distributions per security (cents)	0.86
	31 Dec 2016
Total assets (\$ thousands)	82,656
Total liabilities (\$ thousands)	46,006
Net assets attributable to securityholders (\$ thousands)	36,650
Securities on issue (thousands)	206,683
Net assets per security (\$)	0.18

Directors' report (continued)

For the period ended 31 December 2016

Significant changes in the state of affairs

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

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

Matters subsequent to the end of the financial period

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

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 7.

Rounding of Amounts to the Nearest Thousand Dollars

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

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



Peeyush Gupta
Chairman

Sydney
21 February 2017



Auditor's Independence Declaration

As lead auditor for the review of Canning Vale Logistics Trust No.1 for the period ended 31 December 2016, 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.

A handwritten signature in black ink, appearing to read "J A Dunning".

J A Dunning
Partner
PricewaterhouseCoopers

Sydney
21 February 2017

Statement of comprehensive income

For the period ended 31 December 2016

		22 Sep 2016 to 31 Dec 2016 \$'000
	Note	
Revenue		
Property rental income		1,803
Total revenue		1,803
Expenses		
Property expenses		(218)
Fund management fees		(52)
Costs associated with Initial Public Offering		(646)
Administration and other expenses		(21)
Finance costs		(267)
Total expenses		(1,204)
Net profit for the period		599
Other comprehensive income		-
Total comprehensive income		599
Basic and diluted earnings per ordinary securityholder of the Trust		
Earnings per security (cents)	3	0.43

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

Balance sheet

As at 31 December 2016

	Notes	31 Dec 2016 \$'000
Assets		
Current Assets		
Receivables		62
Other assets		336
Total current assets		398
Non-current assets		
Investment properties	4	82,258
Total non-current assets		82,258
Total assets		82,656
Liabilities		
Current liabilities		
Payables		568
Distribution payable	2	413
Total current liabilities		981
Non-current liabilities		
Borrowings	5	45,025
Total non-current liabilities		45,025
Total liabilities		46,006
Net assets		36,650
Equity		
Contributed equity	6	20,771
Retained profits		15,879
Total equity		36,650

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

Statement of changes in equity

For the period ended 31 December 2016

Attributable to securityholders of Canning Vale Logistics Trust No.1				
	Notes	Contributed equity \$'000	Retained profits \$'000	Total \$'000
Balance at 22 Sep 2016		65,783	17,785	83,568
Capital return	6	(69,907)	-	(69,907)
Unit redemptions	6	(12,337)	-	(12,337)
Units issued via Initial Public Offering, net of equity raising costs	6	37,232	-	37,232
Distributions provided for or paid	2	-	(2,505)	(2,505)
Total comprehensive income		-	599	599
Balance at 31 Dec 2016		20,771	15,879	36,650

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

Cash flow statement

For the period ended 31 December 2016

	22 Sep 2016 to 31 Dec 2016 \$'000
Cash flows from operating activities	
Property rental income received	1,995
Property expenses paid	(243)
Administration and other expenses paid	179
Net GST paid with respect to operating activities	(63)
Net cash flows from operating activities	1,868
Cash flows from investing activities	
Payments for investment properties	(8)
Net cash flows from investing activities	(8)
Cash flows from financing activities	
Payments under Intra-Group Facility Agreement	(1,960)
Receipts under Intra-Group Facility Agreement	45,416
Proceeds from issue of units, net of equity raising costs	37,232
Capital distributions paid	(69,907)
Payments for redemption of units	(12,337)
Distributions paid to securityholders	(349)
Net cash flows from financing activities	(1,905)
Net decrease in cash and cash equivalents	(45)
Cash and cash equivalents at the beginning of the period	45
Cash and cash equivalents at the end of the period	-

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

Notes to the financial statements

For the period ended 31 December 2016

1 Summary of significant accounting policies

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

- Charter Hall Direct Industrial Fund ("DIF") and its controlled entities;
- LWR Finance Trust ("Finance Trust") and its controlled entity;
- CHPT Dandenong Trust ("CHPT DT") and its controlled entity;
- 218 Bannister Road Trust ("218 BRT");
- CPOF Kogarah Holding Trust ("CPOF KHT") and its controlled entity; and
- Franklin Street Property Trust ("FSPT").

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

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

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

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

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the requirements of the Trust's constitution, Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The Trust is a for-profit entity for the purpose of preparing the financial statements.

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

Historical cost convention

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

- investment properties – measured at fair value

New and amended standards adopted

No new accounting standards or amendments have come into effect for the period ended 31 December 2016 that affect the Trust's operations or reporting requirements.

Critical accounting estimates and judgements

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

- Investment properties – Note 1(k)

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

Net current asset deficiency

At 31 December 2016, the Trust has a net deficiency of current assets over current liabilities of \$0.6 million. The Trust will be able to meet its day-to-day working capital requirements from the available Intra-Group Facility and operating cash flows. The unitholders will only receive their distributions to the extent that the Trust has sufficient working capital.

Notes to the financial statements (continued)

For the period ended 31 December 2016

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

(b) Principles of consolidation

(i) Controlled entities

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

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated.

Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Accounting policies of controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Trust.

(ii) Joint arrangements

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

During the period, the Trust has joint operations.

Joint operations

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

(c) Segment reporting

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

(d) Revenue recognition

Rental income

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

Interest income

Interest income is recognised using the effective interest rate method.

(e) Expenses

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

(f) Repairs and maintenance

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

(g) Income tax

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

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

Notes to the financial statements (continued)

For the period ended 31 December 2016

1 Summary of significant accounting policies (continued)

(h) Impairment of assets

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

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

(i) Cash and cash equivalents

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

(j) Trade and other receivables

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

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

(k) Investment properties

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

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

At each balance date, the fair values of the investment properties are assessed by the Trustee with reference to independent valuation reports or through appropriate valuation techniques adopted by the Trustee. Fair value is determined using a long term investment period. Specific circumstances of the owner are not taken into account.

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

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

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

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

Notes to the financial statements (continued)

For the period ended 31 December 2016

1 Summary of significant accounting policies (continued)

(k) Investment properties (continued)

- Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

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

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

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

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

Investment properties under development are classified as investment properties and stated at fair value at each balance date. Fair value is assessed with reference to reliable estimates of cash flows, status of the development and the associated risk profile. Finance costs incurred on investment properties undergoing development or redevelopment are included in the cost of the development.

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

Investment properties held for sale

Investment properties are classified as 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 classified as current assets and measured at fair value.

Critical accounting estimates and judgements

Judgement is required in determining the following key assumptions:

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

(l) Lease incentives

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

Notes to the financial statements (continued)

For the period ended 31 December 2016

1 Summary of significant accounting policies (continued)

(m) Trade and other payables

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

(n) Borrowings

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

(o) Contributed equity

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

(p) Distributions paid and payable

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

(q) Fair value estimation

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

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

(r) Earnings per security

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

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

(s) Goods and Services Tax (GST)

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

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

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

Notes to the financial statements (continued)

For the period ended 31 December 2016

1 Summary of significant accounting policies (continued)

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

Certain new accounting standards and interpretations have been published that are not mandatory for the period ended 31 December 2016 but are available for early adoption. The impact of these new standards and interpretations (to the extent relevant to the Trust) is set out below:

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

The standard is based on the principle that revenue is recognised when control of a good or service is transferred to a customer, so the notion of control replaces the notion of risks and rewards. It applies to all contracts with customers except leases, financial instruments and insurance contracts. AASB 15 requires reporting entities to provide users of financial statements with more informative, relevant disclosures. The Trust is in the process of assessing the implications of the new standard to its operational and financial results.

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

The standard will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset. The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) will change. The accounting by lessors will not significantly change. Management is currently assessing the impact and the implication of the new standard to its operational and financial results.

(u) Rounding of amounts

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

2 Distributions paid or payable

	Cents per unit	\$'000
Total distribution for the period from 1 July 2016 to 21 September 2016 ¹	1.99	1,318
Total distribution for the period from 22 September 2016 to 31 December 2016 ²	0.86	1,187
Total distribution	2.85	2,505

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

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

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

A distribution of 0.20 cents per security (\$0.4 million) for the period from 11 November 2016 to 31 December 2016 was declared on 19 December 2016 and is payable on 28 February 2017.

3 Earnings per security

	22 Sep 2016 to 31 Dec 2016
Basic and diluted earnings per ordinary securityholder	
Earnings per security (cents) for profit from operations	0.43
Earnings used in the calculation of basic and diluted earnings per security	
Net profit for the period (\$'000)	599
Weighted average number of securities* used in the calculation of basic and diluted earnings per security (thousands)	138,706

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

Notes to the financial statements (continued)

For the period ended 31 December 2016

4 Investment properties

A reconciliation of the carrying amount of investment properties during the period is set out below:

	22 Sep 2016 to 31 Dec 2016 \$'000
Carrying amount at the beginning of the period	82,250
Additions	8
Carrying amount at the end of the period	82,258

5 Borrowings

	31 Dec 2016 \$'000
Non-current	
Intra-Group Facility Agreement	45,025
	45,025

On 10 November, the Trust entered an Intra-Group Facility Agreement (IGFA) with the other Stapled Trusts. This agreement expires in November 2021. Interest rates under IGFA are variable and reset periodically. As at 31 December 2016, the interest rate under IGFA was 4.21% per annum.

6 Contributed equity

		22 Sep 2016 to 31 Dec 2016 \$'000
<i>Details</i>	<i>No. of units</i>	
Units on issue - 22 Sep 16	66,266,651	65,783
Capital return	-	(69,907)
Change in number of units after unit re-organisation	1,688,173	-
Unit redemptions	(67,954,824)	(12,337)
Units issued via Initial Public Offering	206,683,097	37,232
Units on issue	206,683,097	20,771

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

Each 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.

7 Net tangible assets

	31 Dec 2016 \$'000
Total assets	82,656
Less: Total liabilities	(46,006)
Net tangible assets attributable to the Trust	36,650
Total number of securities on issue (thousands)	206,683
Net tangible asset backing per security (\$)	0.18

Notes to the financial statements (continued)

For the period ended 31 December 2016

8 Fair value measurement

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

- I) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- II) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- III) Level 3 – Inputs for the asset or liability that are not based on observable market data.

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

- Cash and cash equivalents and borrowings – Level 1; and
- Other financial assets and liabilities – Level 2.

The carrying amounts of Level 1 and Level 2 assets and liabilities are assumed to approximate their fair values.

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

The policy of the Trust is to recognise transfers into and transfers out of the fair value hierarchy levels as at the end of the reporting period.

The Trust did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2016.

9 Commitments and contingent liabilities

The Trust has no commitments or contingent liabilities as at 31 December 2016.

10 Events occurring after reporting date


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

Directors' declaration to stapled securityholders

In the opinion of the directors of Charter Hall WALE Limited, the Trustee of Canning Vale Logistics Trust No.1:

- a The interim financial statements and notes set out on pages 8 to 19 are in accordance with the *Corporations Act 2001*, including:
 - i complying with Accounting Standards, *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii giving a true and fair view of the Trust's financial position as at 31 December 2016 and of its performance for the financial period ended on that date; and
- b There are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

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



Peeyush Gupta

Director

Sydney

21 February 2017



Independent auditor's review report to the members of Canning Vale Logistics Trust No.1

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Canning Vale Logistics Trust No.1 (the Trust), which comprises the balance sheet as at 31 December 2016, the statement of comprehensive income, statement of changes in equity and cash flow statement for the period ended on that date, selected explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the Trust are responsible for the preparation of the half-year financial report that gives 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 half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the entity's financial position as at 31 December 2016 and its performance for the period ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Canning Vale Logistics Trust No.1, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
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Conclusion

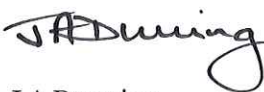
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Canning Vale Logistics Trust No.1 is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the entity's financial position as at 31 December 2016 and of its performance for the period ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of the Trust for the period ended 31 December 2016 included on the Charter Hall Group's web site. The Trust's directors are responsible for the integrity of the Charter Hall Group web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.


PricewaterhouseCoopers


J A Dunning
Partner

Sydney
21 February 2017

LWR Finance Trust

ARSN 614 713 138

Interim financial report
For the period ended 31 December 2016



Important Notice

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

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

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

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

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

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

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Directors' report

For the period ended 31 December 2016

The Directors of Charter Hall WALE Limited (CHWALE) present the consolidated Interim Financial Report of LWR Finance Trust (Trust or Finance Trust) and its controlled entity for the period ended 31 December 2016.

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

The Trust's first interim period commenced on 22 September 2016, date of registration, and ended on 31 December 2016 in accordance with relief granted under ASIC Instrument 16-1025.

Principal activities

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

Directors

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

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

Distributions

No distributions were paid or declared during the period.

Review and results of operations

The Trust recorded a statutory profit for the period of \$1.5 million which represents net fair value gains on derivative financial instruments of \$1.7 million offset by \$0.2 million of costs associated with Initial Public Offering (IPO).

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

	22 Sep 2016 to 31 Dec 2016
	\$'000
Interest Income	1,573
Fund management fees	(8)
Finance costs	(1,531)
Administration and other expenses	(24)
Operating earnings	10

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

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

Directors' report (continued)

For the period ended 31 December 2016

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

	22 Sep 2016 to 31 Dec 2016 \$'000
Operating earnings	10
Net fair value movements on derivative financial instruments	1,662
Costs associated with IPO	(198)
Statutory profit for the period	1,474
Basic weighted average number of securities (thousands)	126,475
Basic earnings per security (cents)	1.17
Operating earnings per security (cents)	0.01

The financial results are summarised as follows:

	22 Sep 2016 to 31 Dec 2016
Revenue (\$ thousands)	1,573
Statutory profit for the period (\$ thousands)	1,474
Basic earnings per security (cents)	1.17
Operating earnings (\$ thousands)	10
Operating earnings per security (cents)	0.01

	31 Dec 2016
Total assets (\$ thousands)	317,929
Total liabilities (\$ thousands)	314,570
Net assets attributable to securityholders (\$ thousands)	3,359
Securities on issue (thousands)	206,683
Net assets per security (\$)	0.02

Significant changes in the state of affairs

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

Debt arrangements

On 10 November 2016, the Trust entered a \$350 million unsecured revolving debt facility with Westpac Banking Corporation which matures on 10 November 2021. On 19 December 2016, the facility was syndicated and the limit was increased by \$50 million to \$400 million.

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

On 23 December 2016, the REIT entered into an interest rate swap agreement with a principal amount of \$45 million and maturity in December 2021.

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

Matters subsequent to the end of the financial period

In January 2017, the Trust increased limit on its debt facility by \$50 million to \$450 million. In addition, the Trust entered into an interest rate swap agreement with a principal amount of \$40 million and maturity in March 2020.

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

Directors' report (continued)

For the period ended 31 December 2016

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 7.

Rounding of Amounts to the Nearest Thousand Dollars

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

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



Peeyush Gupta
Chairman

Sydney
21 February 2017



Auditor's Independence Declaration

As lead auditor for the review of LWR Finance Trust for the period ended 31 December 2016, 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 LWR Finance Trust and the entities it controlled during the period.

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

J A Dunning
Partner
PricewaterhouseCoopers

Sydney
21 February 2017

Consolidated statement of comprehensive income

For the period ended 31 December 2016

	Note	22 Sep 2016 to 31 Dec 2016 \$'000
Revenue		
Interest income		1,573
Total revenue		1,573
Other income		
Net gain on derivative financial instruments		1,662
Total other income		1,662
Total revenue and other income		3,235
Expenses		
Fund management fees		(8)
Costs associated with IPO		(198)
Administration and other expenses		(24)
Finance costs		(1,531)
Total expenses		(1,761)
Net profit for the period		1,474
Other comprehensive income		-
Total comprehensive income		1,474
Basic and diluted earnings per ordinary securityholder of the Trust		
Earnings per security (cents)	2	1.17

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

Consolidated balance sheet

As at 31 December 2016

	Notes	31 Dec 2016 \$'000
Assets		
Current Assets		
Cash and cash equivalents		9,689
Total current assets		9,689
Non-current assets		
Loans receivable	3	306,307
Derivative financial instruments	4	1,933
Total non-current assets		308,240
Total assets		317,929
Liabilities		
Current liabilities		
Payables		402
Total current liabilities		402
Non-current liabilities		
Borrowings	5	313,883
Derivative financial instruments	4	285
Total non-current liabilities		314,168
Total liabilities		314,570
Net assets		3,359
Equity		
Contributed equity	6	1,885
Retained profits		1,474
Total equity		3,359

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

Consolidated statement of changes in equity

For the period ended 31 December 2016

Attributable to securityholders of LWR Finance Trust				
	Notes	Contributed equity \$'000	Retained profits \$'000	Total \$'000
Balance at 22 Sep 2016		-	-	-
Unit issuance	6	2,500	-	2,500
Capital return	6	(1,878)	-	(1,878)
Unit redemptions	6	(626)	-	(626)
Units issued via IPO, net of equity raising costs	6	1,889	-	1,889
Total comprehensive income		-	1,474	1,474
Balance at 31 Dec 2016		1,885	1,474	3,359

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

Consolidated cash flow statement

For the period ended 31 December 2016

	22 Sep 2016 to 31 Dec 2016 \$'000
Cash flows from operating activities	
Interest received	36
Finance costs paid	(1,080)
Net GST paid with respect to operating activities	(14)
Net cash flows from operating activities	(1,058)
Cash flows from investing activities	
Payments under Intra-Group Facility Agreement	(343,864)
Receipts under Intra-Group Facility Agreement	38,979
Net cash flows from investing activities	(304,885)
Cash flows from financing activities	
Proceeds from issue of units, net of equity raising costs	4,389
Capital distributions paid	(1,878)
Payments for redemption of units	(626)
Costs associated with IPO	(75)
Proceeds from borrowings, net of borrowing costs	323,822
Repayment of borrowings	(10,000)
Net cash flows from financing activities	315,632
Net increase in cash and cash equivalents	9,689
Cash and cash equivalents at the beginning of the period	-
Cash and cash equivalents at the end of the period	9,689

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

Notes to the consolidated financial statements

For the period ended 31 December 2016

1 Summary of significant accounting policies

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

- Charter Hall Direct Industrial Fund (“DIF”) and its controlled entities;
- CHPT Dandenong Trust (“CHPT DT”) and its controlled entity;
- Canning Vale Logistics Trust No.1 (“CVLT1”);
- 218 Bannister Road Trust (“218 BRT”);
- CPOF Kogarah Holding Trust (“CPOF KHT”) and its controlled entity; and
- Franklin Street Property Trust (“FSPT”).

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

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

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

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

(a) Basis of preparation

These general purpose consolidated financial statements have been prepared in accordance with the requirements of the Trust’s constitution, Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The Trust is a for-profit entity for the purpose of preparing the consolidated financial statements.

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

Historical cost convention

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

- derivative financial instruments – measured at fair value

New and amended standards adopted

No new accounting standards or amendments have come into effect for the period ended 31 December 2016 that affect the Trust’s operations or reporting requirements.

(b) Principles of consolidation

Controlled entities

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

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

(c) Segment reporting

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

Notes to the consolidated financial statements (continued)

For the period ended 31 December 2016

1 Summary of significant accounting policies (continued)

(d) Revenue recognition

Interest income

Interest income is recognised using the effective interest rate method.

(e) Expenses

Expenses are recognised on an accruals basis.

(f) Income tax

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

(g) Impairment of assets

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

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

(h) Cash and cash equivalents

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

(i) Loans receivable

Loans receivable are initially recognised at the amounts due to the Trust.

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

(j) Derivative financial instruments

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

None of the financial derivative contracts held by the Trust as at 31 December 2016 qualify for hedge accounting.

(k) Trade and other payables

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

(l) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of comprehensive income over the period of the borrowing using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. If the facility has not been drawn down the fee is capitalised as a prepayment and amortised over the period of the facility to which it relates.

Notes to the consolidated financial statements (continued)

For the period ended 31 December 2016

1 Summary of significant accounting policies (continued)

(m) Contributed equity

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

(n) Distributions paid and payable

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

(o) Fair value estimation

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

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

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

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

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

(p) Earnings per security

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

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

(q) Goods and Services Tax (GST)

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

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

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

Notes to the consolidated financial statements (continued)

For the period ended 31 December 2016

1 Summary of significant accounting policies (continued)

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

Certain new accounting standards and interpretations have been published that are not mandatory for the period ended 31 December 2016 but are available for early adoption. The impact of these new standards and interpretations (to the extent relevant to the Trust) is set out below:

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

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and liabilities and sets out new rules for hedge accounting. AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, would therefore have to be recognised directly in the statement of comprehensive income. The Trust has not yet decided when to adopt AASB 9 and management is currently assessing the impact of the new standard.

(s) Rounding of amounts

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

2 Earnings per security

	22 Sep 2016 to 31 Dec 2016
Basic and diluted earnings per ordinary securityholder	
Earnings per security (cents) for profit from operations	1.17
Earnings used in the calculation of basic and diluted earnings per security	
Net profit for the period (\$'000)	1,474
Weighted average number of securities* used in the calculation of basic and diluted earnings per security (thousands)	126,475

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

3 Loans receivable

	31 Dec 2016 \$'000
Charter Hall Direct Industrial Fund	45,478
CHPT Dandenong Trust	34,170
218 Bannister Road Trust	47,691
Canning Vale Logistics Trust No.1	45,025
CPOF Kogarah Holding Trust	54,083
Franklin Street Property Trust	79,860
	306,307

On 10 November 2016, the Trust entered an Intra-Group Facility Agreement (IGFA) with the other Stapled Trusts. This agreement expires in November 2021. Interest rates under IGFA are variable and reset periodically. As at 31 December 2016, the interest rate under IGFA was 4.21% per annum.

Notes to the consolidated financial statements (continued)

For the period ended 31 December 2016

4 Derivative financial instruments

	31 Dec 2016 \$'000
Non-current assets	
Interest rate swaps	1,933
	1,933
Non-current liabilities	
Interest rate swaps	285
	285

The Trust has entered into interest rate swaps totalling \$185 million that entitle it to receive interest, at quarterly intervals, at a floating rate on a notional principal amount and oblige it to pay interest at a fixed rate on the same amount. The interest rate swap agreements allow the Trust to raise long term borrowings at a floating rate and effectively swap them into a fixed rate.

As at 31 December 2016, the notional principal amount and period of expiry of the interest rate swap contracts are as follows:

	31 Dec 2016 \$'000
3-5 years	185,000

5 Borrowings

	31 Dec 2016 \$'000
Non-current	
Bank loan	316,000
Unamortised borrowing costs	(2,117)
	313,883

In November 2016, the Trust entered a \$350 million unsecured debt facility agreements with a major Australian bank for a five year term expiring in November 2021. In December 2016, the facility was syndicated and the limit increased by \$50 million to \$400 million.

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

6 Contributed equity

		22 Sep 2016 to 31 Dec 2016 \$'000
<i>Details</i>	<i>No. of units</i>	
Units on issue - 22 Sep 16	100	-
Unit issuance	2,499,900	2,500
Capital return	-	(1,878)
Change in number of units after unit re-organisation	65,454,824	-
Unit redemptions	(67,954,824)	(626)
Units issued via IPO	206,683,097	1,889
Units on issue	206,683,097	1,885

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

Each 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.

Notes to the consolidated financial statements (continued)

For the period ended 31 December 2016

7 Net tangible assets

	31 Dec 2016 \$'000
Total assets	317,929
Less: Total liabilities	314,570
Net tangible assets attributable to the Trust	3,359
Total number of securities on issue (thousands)	206,683
Net tangible asset backing per security (\$)	0.02

8 Fair value measurement

(a) Recognised fair value measurement

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

- i Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- ii Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- iii Level 3 - Inputs for the asset or liability that are not based on observable market data.

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

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

The carrying amounts of Level 1 and Level 2 assets and liabilities are assumed to approximate their fair values.

The following table presents the Trust's financial assets and liabilities measured at fair value according to the fair value hierarchy at 31 December 2016:

	Level 1 \$'000	Level 2 \$'000	Total \$'000
Financial assets - recurring fair value measurement			
Derivative financial instruments	-	1,933	1,933
Total assets	-	1,933	1,933
Financial liabilities - recurring fair value measurement			
Derivative financial instruments	-	285	285
Total liabilities	-	285	285

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

The policy of the Trust is to recognise transfers into and transfers out of the fair value hierarchy levels as at the end of the reporting period.

The Trust did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2016.

(b) Disclosed fair values

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

Notes to the consolidated financial statements (continued)

For the period ended 31 December 2016

8 Fair value measurement (continued)

(b) Disclosed fair values (continued)

The following table represents the carrying amount and fair value of borrowings at 31 December 2016. Fair value is estimated by discounting the future contractual cash flows at the current market interest rate curve since quoted prices are not available.

	31 Dec 2016	
	Carrying amount	Fair value
	\$'000	\$'000
Non-current		
Bank loans	316,000	316,564
	316,000	316,564

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

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

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

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

9 Commitments and contingent liabilities

The Trust has no commitments or contingent liabilities as at 31 December 2016.

10 Events occurring after reporting date

In January 2017, the Trust increased limit on its debt facility by \$50 million to \$450 million. In addition, the Trust entered into an interest rate swap agreement with a principal amount of \$40 million and maturity in March 2020.

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

Directors' declaration to stapled securityholders

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

- a The interim consolidated financial statements and notes set out on pages 8 to 18 are in accordance with the *Corporations Act 2001*, including:
 - i complying with Accounting Standards, *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii giving a true and fair view of the Trust's financial position as at 31 December 2016 and of its performance for the financial period ended on that date; and
- b There are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

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



Peeyush Gupta

Director

Sydney

21 February 2017



Independent auditor's review report to the members of LWR Finance Trust

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of LWR Finance Trust (the Trust), which comprises the consolidated balance sheet as at 31 December 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the period ended on that date, selected explanatory notes and the directors' declaration for LWR Finance Trust (the consolidated entity). The consolidated entity comprises the Trust and the entities it controlled during that period.

Directors' responsibility for the half-year financial report

The directors of the Trust are responsible for the preparation of the half-year financial report that gives 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 half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the period ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of LWR Finance Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

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Conclusion

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

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the period ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of the Trust for the period ended 31 December 2016 included on the Charter Hall Group's web site. The Trust's directors are responsible for the integrity of the Charter Hall Group web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

J A Dunning

J A Dunning
Partner

Sydney
21 February 2017