

APPENDIX 4E

Annual Financial Report for the year ended 30 June 2017

Name of Entity: Charter Hall Long WALE REIT comprising 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).

Results for announcement to the market

	12 months to 30 June 2017 \$m	12 months to 30 June 2016 \$m	Variance (%)
Revenue from ordinary activities	45.6	18.0	153.3
Profit from ordinary activities after tax attributable to members	34.6	23.3	48.5
Operating earnings ¹	38.3	12.3	211.4

¹ 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 Charter Hall Long WALE REIT's (the REIT) 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. A reconciliation of the REIT's statutory profit/(loss) to operating earnings is provided in Note B1 of the financial statements.

	12 months to 30 June 2017 cents per stapled Security	12 months to 30 June 2016 cents per stapled security	Variance (%)
Basic earnings per unit *	23.76	N/A	N/A
Operating earnings per unit [^]	26.30	N/A	N/A

* Includes 17.01 cents per stapled security for the period from 10 November 2016 to 30 June 2017.

[^] Includes 16.24 cents per stapled security for the period from 10 November 2016 to 30 June 2017.

Results for announcement to the market

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

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

The REIT's statutory accounting profit of \$34.6 million includes a number of unrealised, non-cash and other non-core capital items including:

- \$28.9 million of net fair value movements on investment properties;
- \$2.4 million of straightlining of rental income;
- \$0.2 million of net fair value movements on investments at fair value through profit or loss;
- (\$0.5) million of unrealised and realised losses on derivative financial instruments;
- (\$0.6) million of debt extinguishment and amortisation of borrowing costs;
- (\$5.2) million of performance and disposal fees;
- (\$15.4) million of costs associated with Initial Public Offering; and
- (\$13.5) million of acquisition costs.

Refer to attached consolidated balance sheet, consolidated statement of comprehensive income and consolidated cash flow statement for further detail.

Details of Distributions

Distributions	Amount per stapled security (cents per stapled security)
<i>Current year:</i>	
Final distribution in respect of:	
- DIF	3.50
- CVLT1	0.40
- 218 BRT	0.40
- CPOF KHT	0.40
- FSPT	1.60
- CHPT DT	<u>0.10</u>
	6.40
Interim distributions in respect of:	
- DIF	5.50
- CVLT1	0.60
- 218 BRT	0.60
- CPOF KHT	0.50
- FSPT	2.40
- CHPT DT	<u>0.20</u>
	9.80
Total	16.20
<i>Previous corresponding year:</i>	
Final and interim distribution	
- DIF	N/A
Record date for determining entitlements to the distribution	30 June 2017

Refer attached financial statements (Directors Report and Note B2: Distributions and earnings per unit).

Details of Distribution Reinvestment Plan

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

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

Net Tangible Assets

	30 June 2017	30 June 2016
Net tangible asset backing per stapled security ¹	3.93	1.31

¹ Under the listing rules NTA Backing must be determined by deducting from total tangible assets all claims on those assets ranking ahead of the ordinary securities (i.e., all liabilities, preference shares, outside equity interest, etc.)

Control gained or lost over entities during the year

Under AASB 3 *Business Combinations* and AASB 10 *Consolidated Financial Statements*, DIF obtained control of the other Stapled Trusts following the stapling transaction on 10 November 2016.

Refer to attached financial statements (Note E6: Interest in other entities).

Details of Associates and Joint Venture entities

Refer to attached financial statements (Note C2: Investment in joint venture entities).

Other significant information

For additional information regarding the results of the REIT for the year ended 30 June 2017, refer to the Full Year Results Presentation for the period ended 30 June 2017 lodged with the ASX. Also refer to attached financial statements.

Segment results

Refer to attached financial statements (Note B1: Segment information).

Other factors

Refer to attached financial statements (Directors Report).

Audit

The accounts have been audited (refer to attached financial statements).