

# Charter Hall Long WALE REIT

ARSN 144 613 641

Interim financial report

For the period ended 31 December 2017



## **Important Notice**

This report comprises Charter Hall Direct Industrial Fund, its controlled entities and Stapled Trusts (together referred to as Charter Hall Long WALE REIT, REIT or CLW). Charter Hall WALE Limited ABN 20 610 772 202; AFSL 486721 (CHWALE) is the Responsible Entity of the Stapled Trusts and is a controlled entity of Charter Hall Limited ABN 57 113 531 150 (Charter Hall).

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

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

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

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## Directors' Report

The Directors of Charter Hall WALE Limited (CHWALE) present the consolidated interim financial report 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 2017.

The REIT was formed by stapling together the securities of the entities listed below (collectively referred to as the "Stapled Trusts"):

Stapled Entity	Description
Charter Hall Direct Industrial Fund (DIF)	Owns all of the REIT's investment properties and equity accounted investments other than those listed below
Franklin Street Property Trust (FSPT)	100% ownership of ATO, Adelaide SA
LWR Finance Trust (Finance Trust)	Holds the REIT's bank debt and interest rate swaps through Charter Hall LWR Limited
Canning Vale Logistics Trust (CVLT1)*	50% ownership of Metcash, Canning Vale WA
218 Bannister Road Trust (218 BRT)*	50% ownership of Metcash, Canning Vale WA
CPOF Kogarah Holding Trust (CPOF KHT)*	50.1% ownership of Westpac, Kogarah NSW
CHPT Dandenong Trust (CHPT DT)*	50% ownership of Coles, Truganina VIC and 26% ownership of Woolworths, Dandenong VIC

\*The entities were de-stapled and acquired by DIF on 22 September 2017 and no longer constitute Stapled Trusts. Refer to "Significant changes in the state of affairs" for further details.

The prior period results comprise those 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.

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

## Principal activities

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

## Directors

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

- Peeyush Gupta - 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:

	6 months to 31 Dec 2017			6 months to 31 Dec 2016		
	Number of securities on issue	Cents per security	\$'m	Number of securities on issue	Cents per security	\$'m
<b>Ordinary securityholders of DIF</b>						
30 September <sup>1</sup>	208,673,257	5.00	10.5	120,445,046	2.38	2.9
10 November <sup>1</sup>	N/A	N/A	N/A	120,445,046	1.06	1.3
31 December	232,300,142	5.00	11.6	206,683,097	1.90	3.9
<b>Sub-total<sup>2</sup></b>		<b>10.53</b>	<b>22.1</b>		9.50	8.1
<b>Ordinary securityholders of Stapled Trusts other than DIF</b>						
30 September	208,673,257	1.50	3.1	N/A	N/A	N/A
31 December	232,300,142	1.50	3.5	206,683,097	1.50	3.1
<b>Sub-total<sup>2</sup></b>		<b>3.15</b>	<b>6.6</b>		1.50	3.1
<b>Total distributions<sup>2</sup></b>		<b>13.68</b>	<b>28.7</b>		13.13	11.2

<sup>1</sup> Prior period distributions paid to DIF securityholders prior to the formation of the REIT.

<sup>2</sup> Cents per security is calculated with reference to weighted average number of stapled securities (Refer to Note A2).

In the prior period, DIF also made a capital distribution of \$66.6 million to its former securityholders on 10 November 2016.

## Directors' Report (continued)

### *Distribution Reinvestment Plan (DRP)*

The REIT has established a Distribution Reinvestment Plan (DRP) under which stapled securityholders 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 Australian Stock Exchange (ASX) during the 10 business days commencing on the third business day following the distribution record date. The REIT raised \$3.6 million from the DRP for the 30 June 2017 distribution allotted on 14 August 2017 and \$4.0 million from the DRP for the 30 September 2017 distribution allotted on 15 November 2017. The DRP was inactive for the 31 December 2017 distribution.

### Review and results of operations

The REIT recorded a statutory profit of \$45.9 million for the period ended 31 December 2017 (31 December 2016: loss of \$2.8 million). Operating earnings amounted to \$27.3 million for the period ended 31 December 2017 (31 December 2016: \$11.8 million).

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

	6 months to 31 Dec 2017 Post-IPO \$'m	01 July 2016 9 Nov 2016 Pre-IPO \$'m	10 Nov 2016 31 Dec 2016 Post-IPO \$'m	6 months to 31 Dec 2016 \$'m
Net property income	42.9	6.8	10.9	17.7
Interest income	0.1	-	0.1	0.1
Fund management fees	(3.2)	(0.6)	(0.8)	(1.4)
Finance costs	(11.3)	(1.3)	(2.7)	(4.0)
Administration and other expenses	(1.2)	(0.2)	(0.4)	(0.6)
Operating earnings	27.3	4.7	7.1	11.8

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

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

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

	6 months to 31 Dec 2017 Post-IPO \$'m	01 July 2016 9 Nov 2016 Pre-IPO \$'m	10 Nov 2016 31 Dec 2016 Post-IPO \$'m	6 months to 31 Dec 2016 \$'m
<b>Operating earnings</b>	<b>27.3</b>	4.7	7.1	11.8
Net fair value movements on investment properties <sup>1</sup>	<b>16.6</b>	(0.4)	3.3	2.9
Net fair value movements on derivative financial instruments <sup>1</sup>	<b>0.1</b>	0.1	2.6	2.7
Net fair value movements on investments at fair value through profit or loss	<b>0.2</b>	-	-	-
Straightlining of rental income <sup>1</sup>	<b>1.7</b>	0.4	0.4	0.8
Loss on early settlement of derivative financial instruments	-	-	(0.4)	(0.4)
Debt extinguishment and amortisation of borrowing costs	-	(0.2)	-	(0.2)
Disposal fees	-	(5.2)	-	(5.2)
Costs associated with Initial Public Offering	-	-	(15.2)	(15.2)
<b>Statutory profit / (loss) for the period</b>	<b>45.9</b>	(0.6)	(2.2)	(2.8)
<b>Basic weighted average number of stapled securities (millions)<sup>2</sup></b>	<b>209.8</b>	38.8	206.7	85.3
<b>Basic earnings / (loss) per stapled security (cents)</b>	<b>21.88</b>	1.55	1.06	(3.28)
<b>Operating earnings per stapled security (cents)</b>	<b>13.01</b>	12.11	3.44	13.83
<b>Distributions per stapled security (cents)</b>	<b>13.68</b>	10.82	3.40	13.13

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

<sup>2</sup> Prior period takes into account conversion of each security issued by DIF into approximately 0.32 securities on 10 November 2016.

### Property valuation gains

Valuation gains totalling \$21.0 million were recorded during the period. These gains were partially offset by revaluation decrements attributable to acquisition costs (\$2.7 million) and straightlining of rental income (\$1.7 million).

The financial results are summarised as follows:

	6 months to 31 Dec 2017	6 months to 31 Dec 2016
Revenue (\$ millions)	<b>32.2</b>	14.5
Statutory profit for the period (\$ millions)	<b>45.9</b>	(2.8)
Basic earnings per stapled security (cents)	<b>21.88</b>	(3.28)
Operating earnings (\$ millions)	<b>27.3</b>	11.8
Operating earnings per stapled security (cents)	<b>13.01</b>	13.83
Distributions (\$ millions)	<b>28.7</b>	11.2
Distributions per stapled security (cents)	<b>13.68</b>	13.13

	31 Dec 2017	30 Jun 2017
Total assets (\$ millions)	<b>1,337.1</b>	1,192.7
Total liabilities (\$ millions)	<b>403.1</b>	375.3
Net assets attributable to securityholders (\$ millions)	<b>934.0</b>	817.4
Stapled securities on issue (millions)	<b>232.3</b>	207.8
Net assets per stapled security (\$)	<b>4.02</b>	3.93
Balance sheet gearing - total debt (net of cash) to total assets (net of cash)	<b>23.3%</b>	29.9%
Look through gearing - total debt (net of cash) to total assets (net of cash)	<b>31.5%</b>	37.7%

### Significant changes in the state of affairs

#### Simplification of REIT's structure

On 22 September 2017, DIF acquired all of the securities of CVLT1, 218 BRT, CPOF KHT and CHPT DT from Securityholders for \$153.2 million which represents the relative net tangible asset value in these Stapled Trusts, in exchange for additional securities in DIF. As part of simplification, equity attributable to the securityholders of CVLT1, 218BRT, CPOF KHT and CHPT DT has been reduced by \$153.2 million. Immediately thereafter, the DIF securities were consolidated to preserve the one to one stapling ratio. The stapled securities of the REIT traded on a deferred settlement basis from 20 to 25 September 2017 in connection with this transaction. Following simplification, the REIT now comprises three Stapled Trusts (DIF, FSPT and Finance Trust).

## Directors' Report (continued)

### Equity Raising

In December 2017, the REIT raised \$94.1 million of equity, issuing 22.7 million stapled securities at \$4.15 per stapled security to both institutional and retail investors. The proceeds were used to fund the acquisition of Virgin Australia's head office building at 56 Edmondstone Road, Brisbane QLD and associated transaction and capital raising costs.

### Acquisitions

On 3 July 2017, the REIT settled Bunnings, South Mackay QLD for \$28.5 million which was acquired from a related party.

On 4 December 2017, LWIP (45% owned by the REIT) acquired Bridge Inn, VIC for \$21.2 million and sold Preston Hotel, VIC for \$9.2m million. The REIT contributed equity of approximately \$6 million in relation to these transactions.

### Debt arrangements

On 22 December 2017, the REIT increased the limit of its syndicated debt facility by \$20 million to \$470 million and extended its debt maturity from November 2021 to February 2022.

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

On 4 January 2018, the REIT acquired the trust that owns Virgin Australia's head office building at 56 Edmondstone Road, Brisbane QLD for \$90.8 million. The responsible entity of the acquired trust is a related party.

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  
14 February 2018



## Auditor's Independence Declaration

As lead auditor for the review of Charter Hall Long WALE REIT for the half-year ended 31 December 2017, 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 (the consolidated stapled entity). The consolidated stapled entity comprises Charter Hall Direct Industrial Fund, LWR Finance Trust and Franklin Street Property Trust and the entities they controlled during the period.

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

J A Dunning  
Partner  
PricewaterhouseCoopers

Sydney  
14 February 2018

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## Consolidated statement of comprehensive income

For the period ended 31 December 2017

	Notes	6 months to 31 Dec 2017 \$'m	6 months to 31 Dec 2016 \$'m
<b>Revenue</b>			
Property rental income		32.1	14.4
Interest income		0.1	0.1
<b>Total revenue</b>		<b>32.2</b>	<b>14.5</b>
<b>Other income</b>			
Share of equity accounted profit		24.4	13.9
Net fair value gain on financial assets		0.2	-
Net fair value gain on investment properties	B1	5.4	-
Net gain from derivative financial instruments		0.2	2.1
<b>Total other income</b>		<b>30.2</b>	<b>16.0</b>
<b>Total revenue and other income</b>		<b>62.4</b>	<b>30.5</b>
<b>Expenses</b>			
Property expenses		(4.3)	(1.9)
Fund management fees		(3.2)	(1.4)
Finance costs		(7.8)	(2.7)
Administration and other expenses		(1.2)	(0.6)
Disposal fees		-	(5.2)
Costs associated with Initial Public Offering (IPO)		-	(15.2)
Net fair value loss on investment properties		-	(5.9)
Net loss on early settlement of derivative financial instruments		-	(0.4)
<b>Total expenses</b>		<b>(16.5)</b>	<b>(33.3)</b>
<b>Net profit / (loss) for the period</b>		<b>45.9</b>	<b>(2.8)</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>45.9</b>	<b>(2.8)</b>
<b>Net profit / (loss) and total comprehensive income attributable to:</b>			
DIF		36.2	-
Stapled Trusts other than DIF		9.7	(2.8)
		<b>45.9</b>	<b>(2.8)</b>
<b>Basic and diluted earnings per ordinary securityholder of the REIT</b>			
Earnings / (loss) per stapled security (cents)	A2	21.88	(3.28)
Earnings per security of DIF (cents)	A2	19.44	-

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

## Consolidated balance sheet

As at 31 December 2017

	Notes	31 Dec 2017 \$'m	30 Jun 2017 \$'m
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		94.8	2.9
Receivables		4.6	4.4
Other assets		1.2	4.9
<b>Total current assets</b>		<b>100.6</b>	<b>12.2</b>
<b>Non-current assets</b>			
Investment properties	B1	798.4	760.4
Investments accounted for using the equity method	B2	420.1	402.3
Investment in financial assets at fair value	C2	17.3	17.2
Derivative financial instruments	C2	0.7	0.6
<b>Total non-current assets</b>		<b>1,236.5</b>	<b>1,180.5</b>
<b>Total assets</b>		<b>1,337.1</b>	<b>1,192.7</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables		3.9	4.4
Distribution payable	A2	15.1	13.3
Other liabilities		1.2	-
<b>Total current liabilities</b>		<b>20.2</b>	<b>17.7</b>
<b>Non-current liabilities</b>			
Borrowings	C1	382.2	356.7
Derivative financial instruments	C2	0.7	0.9
<b>Total non-current liabilities</b>		<b>382.9</b>	<b>357.6</b>
<b>Total liabilities</b>		<b>403.1</b>	<b>375.3</b>
<b>Net assets</b>		<b>934.0</b>	<b>817.4</b>
<b>Equity</b>			
<i>Equity holders of DIF</i>			
Contributed equity	C3	661.4	434.8
Retained profits		38.5	24.4
<b>Parent entity interest</b>		<b>699.9</b>	<b>459.2</b>
<i>Equity holders of Stapled Trusts other than DIF</i>			
Contributed equity	C3	174.1	261.5
Retained profits		60.0	96.7
<b>Equity holders of Stapled Trusts other than DIF</b>		<b>234.1</b>	<b>358.2</b>
<b>Total equity</b>		<b>934.0</b>	<b>817.4</b>

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 2017

	Notes	Attributable to securityholders of DIF		Total \$'m
		Contributed equity \$'m	Retained profits \$'m	
<b>Balance at 1 July 2016</b>		119.2	38.8	158.0
Total comprehensive income		-	-	-
Capital return		(66.6)	-	(66.6)
Security redemptions		(70.2)	-	(70.2)
Contributions of equity, net of issue costs		449.9	-	449.9
Distributions provided for or paid	A2	-	(8.1)	(8.1)
<b>Balance at 31 December 2016</b>		432.3	30.7	463.0
<b>Balance at 1 July 2017</b>		434.8	24.4	459.2
Total comprehensive income		-	36.2	36.2
DIF's acquisition of CVL1T, 218BRT, CHPT and CPOF KHT	C3	153.2	-	153.2
Contributions of equity, net of issue costs	C3	73.4	-	73.4
Distributions provided for or paid	A2	-	(22.1)	(22.1)
<b>Balance at 31 December 2017</b>		661.4	38.5	699.9
<b>Attributable to securityholders of Stapled Trusts other than DIF</b>				
	Notes	Contributed equity \$'m	Retained profits \$'m	Total \$'m
<b>Balance at 10 November 2016</b>		-	-	-
Business combination		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	A2	-	(3.1)	(3.1)
<b>Balance at 31 December 2016</b>		259.7	79.5	339.2
<b>Balance at 1 July 2017</b>		261.5	96.7	358.2
Total comprehensive income		-	9.7	9.7
DIF's acquisition of CVL1T, 218BRT, CHPT and CPOF KHT		(113.4)	(39.8)	(153.2)
Contributions of equity, net of issue costs	C3	26.0	-	26.0
Distributions provided for or paid	A2	-	(6.6)	(6.6)
<b>Balance at 31 December 2017</b>		174.1	60.0	234.1

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 2017

	6 months to 31 Dec 2017 \$'m	6 months to 31 Dec 2016 \$'m
<b>Cash flows from operating activities</b>		
Property rental income received	34.7	17.0
Property expenses paid	(6.3)	(2.2)
Distributions received from investment in joint venture entities	12.9	1.2
Interest received	0.1	0.1
Finance costs paid	(7.4)	(2.4)
Fund management fees paid	(3.4)	(0.8)
Administration and other expenses paid	(1.5)	(0.6)
Net GST paid with respect to operating activities	(2.2)	(5.8)
<b>Net cash flows from operating activities</b>	<b>26.9</b>	<b>6.5</b>
<b>Cash flows from investing activities</b>		
Payments for investment properties	(26.5)	(70.4)
Payments for investments in joint venture entities	(6.5)	(10.2)
Payment to income support fund	-	(17.0)
Payment of performance and disposal fees	-	(10.5)
Settlement of interest rate swaps	-	(7.3)
Cash acquired on business combination	-	3.4
<b>Net cash flows from investing activities</b>	<b>(33.0)</b>	<b>(112.0)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of securities, net of equity raising costs	92.1	33.9
Distributions paid to securityholders	(19.3)	(10.7)
Costs associated with Initial Public Offering	-	(5.3)
Proceeds from borrowings, net of borrowing costs	25.2	328.4
Repayment of borrowings	-	(227.2)
<b>Net cash flows from financing activities</b>	<b>98.0</b>	<b>119.1</b>
Net increase in cash and cash equivalents	91.9	13.6
Cash and cash equivalents at the beginning of the period	2.9	0.5
<b>Cash and cash equivalents at the end of the period</b>	<b>94.8</b>	<b>14.1</b>

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

## About this report

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

- A. REIT performance** – provides key metrics used to define financial performance.
- B. Property portfolio assets** – explains the investment property portfolio structure.
- C. Capital structure and financial risk management** – details how the REIT manages its exposure to capital and financial risks.
- D. Other information** – provides additional disclosures relevant in understanding the REIT's financial statements.

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## A. REIT performance

This section provides additional information on the key financial metrics used to define the results and performance of the REIT, including: operating earnings by segment, distributions and earnings per stapled security.

Operating earnings is a financial measure which represents profit under Australian Accounting Standards adjusted for net fair value movements, non-cash accounting adjustments such as straight lining of rental income and amortisations and other unrealised or one-off items. 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.

### A1. Segment information

#### (a) Description of segments

The Directors of the Responsible Entity have determined the operating segments based on the reports reviewed by the chief operating decision maker, being the Board of the Responsible Entity. The REIT has one operating segment being its Australian operations 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.

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

The operating earnings reported to the Board for the period ended 31 December 2017 are as follows:

	6 months to 31 Dec 2017 Post-IPO \$'m	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
Net property income	26.2	5.4	6.5	11.9
Interest income	0.1	-	0.1	0.1
Share of operating earnings from investments accounted for using equity method	13.2	1.1	3.2	4.3
Fund management fees	(3.2)	(0.6)	(0.8)	(1.4)
Finance costs	(7.8)	(1.0)	(1.5)	(2.5)
Administration and other expenses	(1.2)	(0.2)	(0.4)	(0.6)
Operating earnings	27.3	4.7	7.1	11.8
Weighted average number of stapled securities*	209.8	38.8	206.7	85.3
Operating earnings per stapled security (cents)	13.01	12.11	3.44	13.83

\* Prior period takes into account conversion of each security issued by DIF into approximately 0.32 securities on 10 November 2016.

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

	6 months to 31 Dec 2017 Post-IPO \$'m	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
Net property income	42.9	6.8	10.9	17.7
Interest income	0.1	-	0.1	0.1
Fund management fees	(3.2)	(0.6)	(0.8)	(1.4)
Finance costs	(11.3)	(1.3)	(2.7)	(4.0)
Administration and other expenses	(1.2)	(0.2)	(0.4)	(0.6)
Operating earnings	27.3	4.7	7.1	11.8



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

	6 months to 31 Dec 2017 Post-IPO \$'m	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
<b>Operating earnings</b>	<b>27.3</b>	<b>4.7</b>	<b>7.1</b>	<b>11.8</b>
Net fair value movements on investment properties <sup>1</sup>	<b>16.6</b>	(0.4)	3.3	2.9
Net fair value movements on derivative financial instruments <sup>1</sup>	<b>0.1</b>	0.1	2.6	2.7
Net fair value movements on investments at fair value through profit or loss	<b>0.2</b>	-	-	-
Straightlining of rental income <sup>1</sup>	<b>1.7</b>	0.4	0.4	0.8
Loss on early settlement of derivative financial	-	-	(0.4)	(0.4)
Debt extinguishment and amortisation of borrowing	-	(0.2)	-	(0.2)
Disposal fees	-	(5.2)	-	(5.2)
Costs associated with Initial Public Offering	-	-	(15.2)	(15.2)
<b>Statutory profit / (loss) for the period</b>	<b>45.9</b>	<b>(0.6)</b>	<b>(2.2)</b>	<b>(2.8)</b>

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

## A2. Distributions and earnings per security

### (a) Distributions paid and payable

	6 months to 31 Dec 2017			6 months to 31 Dec 2016		
	Number of securities on issue	Cents per security	\$'m	Number of securities on issue	Cents per security	\$'m
<b>Ordinary securityholders of DIF</b>						
30 September <sup>1</sup>	208,673,257	<b>5.00</b>	<b>10.5</b>	120,445,046	2.38	2.9
10 November <sup>1</sup>	N/A	<b>N/A</b>	<b>N/A</b>	120,445,046	1.06	1.3
31 December	232,300,142	<b>5.00</b>	<b>11.6</b>	206,683,097	1.90	3.9
<b>Sub-total<sup>2</sup></b>		<b>10.53</b>	<b>22.1</b>		9.50	8.1
<b>Ordinary securityholders of Stapled Trusts other than DIF</b>						
30 September	208,673,257	<b>1.50</b>	<b>3.1</b>	N/A	N/A	N/A
31 December	232,300,142	<b>1.50</b>	<b>3.5</b>	206,683,097	1.50	3.1
<b>Sub-total<sup>2</sup></b>		<b>3.15</b>	<b>6.6</b>		1.50	3.1
<b>Total distributions<sup>2</sup></b>		<b>13.68</b>	<b>28.7</b>		13.13	11.2

<sup>1</sup> Prior period distribution paid to DIF securityholders prior to the formation of the REIT.

<sup>2</sup> Cents per security is calculated with reference to weighted average number of stapled securities.

In the prior period, DIF also made a capital distribution of \$66.6 million to its former securityholders on 10 November 2016.

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

### (b) Earnings per stapled security

	6 months to 31 Dec 2017	6 months to 31 Dec 2016
<b>Basic and diluted earnings</b>		
Earnings per stapled security (cents)	<b>21.88</b>	(3.28)
Operating earnings per stapled security (cents)	<b>13.01</b>	13.83
Earnings per DIF (cents) <sup>^</sup>	<b>19.44</b>	-
<b>Earnings used in the calculation of basic and diluted earnings per security</b>		
Net profit of the REIT for the year (\$ millions)	<b>45.9</b>	(2.8)
Net profit of DIF for the year (\$ millions)	<b>36.2</b>	-
Operating earnings of the REIT for the year (\$ millions)	<b>27.3</b>	11.8
Weighted average number of stapled securities* used in the calculation of basic and diluted earnings per security (millions)	<b>209.8</b>	85.3

<sup>^</sup> Takes into account conversion of each security issued by DIF into approximately 0.75 securities on 22 September 2017.

\* Prior period takes into account conversion of each security issued by DIF into approximately 0.32 securities on 10 November 2016.

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

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

## B. Property portfolio assets

The REIT's property portfolio assets comprise directly held investment properties, indirectly held interests in investment property held through joint ventures and an investment in financial assets at fair value. Investment properties comprise investment interests in land and buildings held for long term rental yields, including properties that are under development for future use as investment properties.

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

	Note	31 Dec 2017 \$'m	30 Jun 2017 \$'m
Investment properties	B1	798.4	760.4
Investments in joint ventures	B2	420.1	402.3
Total property portfolio assets		1,218.5	1,162.7

### B1. Investment properties

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

	Notes	6 months to 31 Dec 2017 \$'m	Year to 30 Jun 2017 \$'m
Carrying amount at the beginning of the period		760.4	199.2
Business combination		-	479.4
Additions		28.9	66.7
Acquisition costs incurred		2.0	5.7
Revaluation increment		9.1	15.1
Revaluation decrement attributable to acquisition costs		(2.0)	(5.7)
Revaluation adjustment attributable to straightlining of rental income		(1.6)	(2.0)
Straightlining of rental income		1.6	2.0
Carrying amount at the end of the period		798.4	760.4

### B2. 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 principal activity of all joint venture entities during the period was investment into Australian properties.

Information relating to the joint venture entities are detailed below:

Name of entity	Properties	31 Dec 2017 Ownership %	30 Jun 2017 Ownership %	31 Dec 2017 \$'m	30 Jun 2017 \$'m
LWIP	ALH, National Portfolio (57 properties)	45.0%	45.0%	188.0	170.2
CH DC Fund	Woolworths, Dandenong VIC	26.0%	26.0%	9.5	9.5
Kogarah Trust	Westpac, Kogarah NSW	50.1%	50.1%	102.1	102.1
Perth RDC Trust	Coles, Perth WA	49.9%	49.9%	120.5	120.5
				420.1	402.3

### B3. Commitments and contingent liabilities

As at 31 December 2017, the REIT has an estimated \$49.4 million equity commitment to CH DC Fund being the balance owing on partially paid units to fund the development of the Woolworths Dandenong, VIC. Additionally, the REIT has a \$90.8 million commitment to fund the acquisition of Virgin Australia's head office building at 56 Edmondstone Road, Brisbane QLD on 4 January 2018. These commitments have not been reflected in the consolidated financial statements of the REIT.

As at 31 December 2017, the REIT has no contingent liabilities.

## C. Capital structure

The REIT's activities are funded through contributed equity and borrowings.

### C1. Borrowings and liquidity

#### Borrowings

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

	31 Dec 2017		30 Jun 2017	
	Total carrying amount	Fair value	Total carrying amount	Fair value
	\$'m	\$'m	\$'m	\$'m
Bank loan - term debt	384.5	385.1	359.0	360.5
Unamortised borrowing cost	(2.3)	-	(2.3)	-
<b>Total</b>	<b>382.2</b>	<b>385.1</b>	<b>356.7</b>	<b>360.5</b>
Bank credit facility	470.0		450.0	
Drawn balances	(384.5)		(359.0)	
Bank guarantee	(14.5)		(14.5)	
Balance available for drawing	71.0		76.5	

#### Bank loans

	Maturity date	Facility limit	Utilised amount	Facility limit	Utilised amount
		at 31 Dec 2017	at 31 Dec 2017	at 30 Jun 2017	at 30 Jun 2017
		\$'m	\$'m	\$'m	\$'m
Syndicated bank facility - Tranche A	February 2022	400.0	351.5	380.0	326.0
Syndicated bank facility - Tranche B	February 2022	50.0	33.0	50.0	33.0
Syndicated bank facility - Tranche C	February 2022	20.0	14.5	20.0	14.5
		<b>470.0</b>	<b>399.0</b>	<b>450.0</b>	<b>373.5</b>

On 22 December 2017, the REIT increased the limit of its syndicated debt facility by \$20 million to \$470 million and extended its debt maturity from November 2021 to February 2022.

#### Guarantees

The REIT funded a bank guarantee of \$14.5 million from the syndicated facility. This guarantee is in relation to equity committed to fund its pro-rata share of the development of the Woolworths Dandenong, VIC.

#### Borrowing in Joint Ventures

As at balance date, LWIP (owned 45% by the REIT) has a \$150.0 million syndicated debt facility and a \$200.0 million US Private Placement (USPP) notes. The syndicated debt facility matures in September 2020 and USPP notes mature in May 2027.

### C2. Derivative financial instruments and financial assets

Amounts reflected in the financial statements are as follows:

Balance Sheet	31 Dec 2017		30 Jun 2017	
	Asset	Liability	Asset	Liability
	\$'m	\$'m	\$'m	\$'m
<b>Non-current</b>				
Interest rate swaps	0.7	0.7	0.6	0.9
Investment in financial assets at fair value	17.3	-	17.2	-
<b>Total</b>	<b>18.0</b>	<b>0.7</b>	<b>17.8</b>	<b>0.9</b>

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

Derivatives and investment in financial assets at fair value are classified as level 2 on the fair value hierarchy as the inputs used to determine fair value are observable market data but not quoted prices.

The fair values are calculated as the present value of the estimated future cash flows.

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

## C. Capital structure

### C3. Contributed equity

		6 months to 31 Dec 2017 \$'m	Year to 30 Jun 2017 \$'m
<i>Details</i>	<i>No. of securities</i>		
Securities on issue - 1 Jul 2016	120,445,047	-	119.2
Capital return	-	-	(66.6)
Change in number of securities after security reorganisation	(81,644,447)	-	-
Security redemptions	(30,747,042)	-	(70.2)
Securities issued via Initial Public Offering	198,629,539	-	449.9
Securities issued via DRP	1,104,078	-	2.5
Securities on issue - 30 Jun 2017	<b>207,787,175</b>	<b>434.8</b>	434.8
Securities issued to fund acquisition of CVLT1T, 218BRT, CHPT DT and CPOF KHT	<b>68,851,727</b>	<b>153.2</b>	-
Change in number of securities after security consolidation	<b>(68,851,727)</b>	-	-
Securities issued via Equity Raise	<b>22,664,846</b>	<b>68.4</b>	-
Securities issued via DRP	<b>1,848,121</b>	<b>5.0</b>	-
Securities on issue - 31 Dec 2017	<b>232,300,142</b>	<b>661.4</b>	-
Balance at the end of the period attributable to the securityholders of:			
<b>DIF</b>	<b>232,300,142</b>	<b>661.4</b>	434.8
LWR Finance Trust	<b>232,300,142</b>	<b>1.9</b>	1.9
FSPT	<b>232,300,142</b>	<b>172.2</b>	146.9
CVLT1	-	-	21.0
218BRT	-	-	22.8
CPOF KHT	-	-	42.2
CHPT DT	-	-	26.7
<b>Equity holders of Stapled Trusts other than DIF</b>		<b>174.1</b>	261.5

As stipulated in the REIT's constitutions, each security represents a right to an individual share in the REIT and does not extend to a right to the underlying assets of the REIT. There are no separate classes of securities and each security has the same rights attaching to it as all other 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.

#### Distribution reinvestment plan (DRP)

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

The DRP issue price is determined at a discount of 1.0% to the daily volume weighted average price of all securities traded on the Australian Stock Exchange (ASX) during the 10 business days commencing on the third business day following the distribution record date. The REIT raised \$3.6 million from the DRP for the 30 June 2017 distribution allotted on 14 August 2017 and \$4.0 million from the DRP for the 30 September 2017 distribution allotted on 15 November 2017. The DRP was inactive for the 31 December 2017 distribution.

#### Simplification of REIT's structure

On 22 September 2017, DIF acquired all of the securities of CVLT1, 218 BRT, CPOF KHT and CHPT DT from Securityholders for \$153.2 million which represents the relative net tangible asset value in these Stapled Trusts, in exchange for additional securities in DIF. As part of simplification, equity attributable to the Securityholders of CVLT1, 218BRT, CPOF KHT and CHPT DT has been reduced by \$153.2 million. Immediately thereafter, the DIF securities were consolidated to preserve the one to one stapling ratio. The stapled securities of the REIT traded on a deferred settlement basis from 20 to 25 September 2017 in connection with this transaction. Following simplification, the REIT now comprises three Stapled Trusts (DIF, FSPT and Finance Trust).

#### Equity Raising

In December 2017, the REIT raised \$94.1 million of equity, issuing 22.7 million stapled securities at \$4.15 per stapled security to both institutional and retail investors. Subsequent to period end, the proceeds were used to fund the acquisition of Virgin Australia's head office building at 56 Edmondstone Road, Brisbane QLD and associated transaction and capital raising costs.

## D. Other Information

### D1. Events occurring after balance date

On 4 January 2018, the REIT acquired the trust that owns Virgin Australia's head office building at 56 Edmondstone Road, Brisbane for \$90.8 million. The responsible entity of the acquired trust is a related party.

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

### D2. Other significant accounting policies

#### (a) Basis of preparation

The interim financial report of the Charter Hall Long WALE REIT comprises the Charter Hall Direct Industrial Fund, its controlled entities and the Stapled Trusts.

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.

The interim financial report does not include all notes normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by the Charter Hall Long WALE REIT during the half year ended 31 December 2017 in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted in the preparation of the interim financial report are consistent with those of the previous financial year.

#### (b) Comparative information

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

#### (c) Rounding of amounts

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

#### (d) 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 2017 but are available for early adoption. None of these standards have been early adopted by the REIT. The impact of these new standards and interpretations (to the extent relevant to the REIT) is set out below:

##### (i) AASB 9 *Financial Instruments* (Applicable 1 January 2018)

AASB 9 addresses the classification, measurement and derecognition of financial assets and liabilities and sets out new rules for hedge accounting. The REIT currently plans to apply AASB 9 for the reporting period beginning on 1 July 2018. An initial assessment of the financial impact has been undertaken and it is not expected to have material impact on the REIT's consolidated financial statements.

##### (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. An initial assessment has been performed on existing revenue streams. Based on this assessment, it is not expected that the REIT will be materially impacted.

##### (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. The REIT currently plans to apply AASB 16 for the reporting period beginning on 1 July 2019. An initial assessment of the new standard has been undertaken and it is not expected to have a material impact on the REIT's consolidated financial statements.

## 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 19 are in accordance with the *Corporations Act 2001*, including:
  - i complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - ii giving a true and fair view of the REIT's financial position as at 31 December 2017 and of its performance for the 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

14 February 2018





## **Independent auditor's review report to the unitholders 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 2017, 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 of Charter Hall WALE Limited (the Responsible Entity) for Charter Hall Long WALE REIT, being the consolidated stapled entity. The consolidated stapled entity comprises Charter Hall Direct Industrial Fund, LWR Finance Trust and Franklin Street Property Trust and the entities they controlled during that half-year.

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

The directors of the Responsible Entity 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 of the Responsible Entity 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 stapled entity's financial position as at 31 December 2017 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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**PricewaterhouseCoopers, ABN 52 780 433 757**

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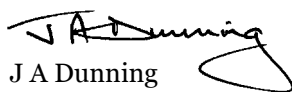


### *Conclusion*

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 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 stapled entity's financial position as at 31 December 2017 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*.

PricewaterhouseCoopers

  
J A Dunning  
Partner

Sydney  
14 February 2018



# Franklin Street Property Trust

ARSN 614 714 206

Interim financial report

For the period ended 31 December 2017



### **Important Notice**

The Charter Hall Long WALE REIT (REIT or CLW) consists of the units of the three 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); and
- Franklin Street Property Trust (“FSPT”) (ARSN 614 714 206).

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 REIT which, in accordance with the REIT’s constitutions, are calculated by reference to the value of the assets. Controlled entities of Charter Hall may also receive fees for managing the assets of, and providing resources to, the REIT. Charter Hall and its related entities, together with their officers and directors, may hold securities in the REIT from time to time.

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## Directors' report

### For the period ended 31 December 2017

The Directors of Charter Hall WALE Limited (CHWALE) present the Interim Financial Report of Franklin Street Property Trust (Trust or FSPT) for the period ended 31 December 2017.

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 stapled trusts comprising the REIT. Accordingly, the results of the comparative period are from 22 September 2016, date of registration, to 31 December 2016.

### 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 security	\$'000
<b>Total distribution for the period from 1 July 2017 to 30 September 2017</b>	<b>1.50</b>	<b>3,130</b>
<b>Total distribution for the period from 1 October 2017 to 31 December 2017</b>	<b>1.50</b>	<b>3,485</b>
<b>Total distribution<sup>1</sup></b>	<b>3.15</b>	<b>6,615</b>
Total distribution for the period from 1 July 2016 to 21 September 2016 <sup>2</sup>	5.51	1,936
Total distribution for the period from 22 September 2016 to 31 December 2016 <sup>1</sup>	2.03	2,810
Total distribution	7.54	4,746

<sup>1</sup> Calculated with reference to weighted average number of securities (refer Note 3).

<sup>2</sup> Represents distributions paid to former securityholders prior to the registration of the Trust as a managed investment scheme.

In the prior period, the Trust also made a capital distribution of \$45.5 million to former securityholders on 10 November 2016.

A distribution of 1.50 cents per security for the quarter ended 31 December 2017 was declared on 4 December 2017 and paid on 14 February 2018.

### Distribution Reinvestment Plan (DRP)

The Trust, being a member of the REIT, has established a Distribution Reinvestment Plan (DRP) under which stapled securityholders may elect to have all or part of their distribution entitlements satisfied by the issues of new stapled 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 Trust raised \$0.9 million from the DRP for the 30 June 2017 distribution allotted on 14 August 2017 and \$1.0 million from the DRP for the 30 September 2017 distribution allotted on 15 November 2017. The DRP was inactive for the 31 December 2017 distribution.

## Directors' report (continued)

For the period ended 31 December 2017

### Review and results of operations

The Trust recorded a statutory profit for the period of \$6.6 million which represents operating earnings of \$6.5 million and a net fair value gain on investment properties and financial assets of \$0.1 million. In the prior period, the Trust recorded a statutory loss of \$29.4 million which represents operating earnings of \$2.8 million and \$1.7 million fair value gains on 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.

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

	1 Jul 2017 to 31 Dec 2017	22 Sep 2016 to 31 Dec 2016
	\$'000	\$'000
Net property income	8,892	4,598
Interest income	12	7
Fund management fees	(656)	(318)
Finance costs	(1,629)	(1,337)
Administration and other expenses	(134)	(125)
Operating earnings	6,485	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:

	1 Jul 2017 to 31 Dec 2017	22 Sep 2016 to 31 Dec 2016
	\$'000	\$'000
<b>Operating earnings</b>	<b>6,485</b>	<b>2,825</b>
Net fair value movements on investment property and financial assets	114	32
Straightlining of rental income	37	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)
<b>Statutory profit/(loss) for the period</b>	<b>6,636</b>	<b>(29,399)</b>
<b>Basic weighted average number of securities (thousands)</b>	<b>209,814</b>	<b>138,452</b>
<b>Basic earnings/(loss) per security (cents)</b>	<b>3.16</b>	<b>(21.23)</b>
<b>Operating earnings per security (cents)</b>	<b>3.09</b>	<b>2.04</b>
<b>Distribution per security (cents)</b>	<b>3.15</b>	<b>2.03</b>

## Directors' report (continued)

For the period ended 31 December 2017

### Review and results of operations (continued)

The financial results are summarised as follows:

	1 Jul 2017 to 31 Dec 2017	22 Sep 2016 to 31 Dec 2016
Revenue (\$ thousands)	10,674	5,692
Statutory profit/ (loss) for the period (\$ thousands)	6,636	(29,399)
Basic earnings/ (loss) per security (cents)	3.16	(21.23)
Operating earnings (\$ thousands)	6,485	2,825
Operating earnings per security (cents)	3.09	2.04
Distributions (\$ thousands)	6,615	2,810
Distributions per security (cents)	3.15	2.03
	31 Dec 2017	30 Jun 2017
Total assets (\$ thousands)	289,072	288,034
Total liabilities (\$ thousands)	56,939	81,139
Net assets attributable to securityholders (\$ thousands)	232,133	206,895
Securities on issue (thousands)	232,300	207,787
Net assets per security (\$)	1.00	1.00

### Significant changes in the state of affairs

#### Equity Raising

In December 2017, the REIT (of which the Trust is a member) raised \$94.1 million of equity, issuing 22.7 million stapled securities at \$4.15 per stapled security to both institutional and retail investors. The proceeds were used to fund the REIT's acquisition of Virgin Australia's head office building at 56 Edmondstone Road, Brisbane QLD on 4 January 2018 and associated transaction and capital raising costs.

The Trust's share of the equity raised in December 2017 amounted to \$23.3 million which was used to repay the Trust's borrowings from other Stapled Trusts under the Intra-Group Facility Agreement.

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 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 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

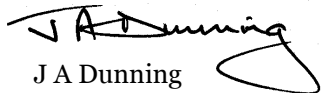
Sydney  
14 February 2018



## Auditor's Independence Declaration

As lead auditor for the review of Franklin Street Property Trust for the half-year ended 31 December 2017, 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.

  
J A Dunning  
Partner  
PricewaterhouseCoopers

Sydney  
14 February 2018

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## Statement of comprehensive income

For the period ended 31 December 2017

	Notes	1 Jul 2017 to 31 Dec 2017 \$'000	22 Sep 2016 to 31 Dec 2016 \$'000
<b>Revenue</b>			
Property rental income		10,662	5,685
Interest income		12	7
<b>Total revenue</b>		<b>10,674</b>	<b>5,692</b>
<b>Other income</b>			
Net fair value gain on financial assets		151	41
Net gain on derivative financial instruments		-	1,664
<b>Total other income</b>		<b>151</b>	<b>1,705</b>
<b>Total revenue and other income</b>		<b>10,825</b>	<b>7,397</b>
<b>Expenses</b>			
Property expenses		(1,733)	(1,078)
Fund management fees		(656)	(318)
Costs associated with IPO		-	(3,590)
Administration and other expenses		(134)	(125)
Net fair value loss on investment property		(37)	(9)
Finance costs		(1,629)	(1,817)
Loss on disposal of subsidiaries	4	-	(29,859)
<b>Total expenses</b>		<b>(4,189)</b>	<b>(36,796)</b>
<b>Net profit/(loss) for the period</b>		<b>6,636</b>	<b>(29,399)</b>
Other comprehensive income		-	-
<b>Total comprehensive profit/(loss)</b>		<b>6,636</b>	<b>(29,399)</b>
<b>Basic and diluted profit/(loss) per ordinary securityholder of the Trust</b>			
Profit/(loss) per security (cents)	3	3.16	(21.23)

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

## Balance sheet

As at 31 December 2017

	Notes	31 Dec 2017 \$'000	30 Jun 2017 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		1,647	836
Other assets		61	8
<b>Total current assets</b>		<b>1,708</b>	<b>844</b>
<b>Non-current assets</b>			
Investment property	4	270,023	270,000
Investment in financial assets at fair value		17,341	17,190
<b>Total non-current assets</b>		<b>287,364</b>	<b>287,190</b>
<b>Total assets</b>		<b>289,072</b>	<b>288,034</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables		870	903
Distribution payable	2	3,485	3,325
<b>Total current liabilities</b>		<b>4,355</b>	<b>4,228</b>
<b>Non-current liabilities</b>			
Borrowings		52,584	76,911
<b>Total non-current liabilities</b>		<b>52,584</b>	<b>76,911</b>
<b>Total liabilities</b>		<b>56,939</b>	<b>81,139</b>
<b>Net assets</b>		<b>232,133</b>	<b>206,895</b>
<b>Equity</b>			
Contributed equity	6	172,167	146,950
Retained profits		59,966	59,945
<b>Total equity</b>		<b>232,133</b>	<b>206,895</b>

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



## Statement of changes in equity

For the period ended 31 December 2017

Attributable to securityholders of Franklin Street Property Trust			
Notes	Contributed equity \$'000	Retained profits \$'000	Total \$'000
<b>Balance at 22 September 2016</b>	51,494	87,770	139,264
Securities issued	2,135	-	2,135
Capital return	(45,504)	-	(45,504)
Securities redeemed	(68,256)		(68,256)
Securities issued via IPO, net of equity raising costs	205,999		205,999
Distributions provided for or paid		(4,746)	(4,746)
Total comprehensive income		(29,399)	(29,399)
<b>Balance at 31 December 2016</b>	145,868	53,625	199,493
<b>Balance at 1 July 2017</b>	146,950	59,945	206,895
Securities issued via equity raise	6 <b>23,293</b>	-	<b>23,293</b>
Securities issued via DRP	6 <b>1,924</b>	-	<b>1,924</b>
Distributions provided for or paid	2 -	<b>(6,615)</b>	<b>(6,615)</b>
Total comprehensive income	-	<b>6,636</b>	<b>6,636</b>
<b>Balance at 31 December 2017</b>	<b>172,167</b>	<b>59,966</b>	<b>232,133</b>

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 2017

	Notes	1 Jul 2017 to 31 Dec 2017 \$'000	22 Sep 2016 to 31 Dec 2016 \$'000
<b>Cash flows from operating activities</b>			
Property rental income received		11,681	4,558
Property expenses paid		(1,985)	(2,461)
Interest received		11	7
Finance costs paid		-	(827)
Fund management fees paid		(716)	(287)
Administration and other expenses paid		(207)	(115)
Net GST paid with respect to operating activities		(810)	(447)
<b>Net cash flows from operating activities</b>		<b>7,974</b>	<b>428</b>
<b>Cash flows from investing activities</b>			
Payments for investment properties		(23)	(8)
Payments for income support		-	(17,000)
Settlement of interest rate swaps		-	(6,863)
Cash transferred on disposal of subsidiaries		-	(1,355)
<b>Net cash flows from investing activities</b>		<b>(23)</b>	<b>(25,226)</b>
<b>Cash flows from financing activities</b>			
Repayments under Intra-Group Facility Agreement		(7,284)	(2,000)
Drawdowns under Intra-Group Facility Agreement		4,675	77,795
Proceeds from issue of securities, net of equity raising costs		-	205,999
Capital distributions paid		-	(45,504)
Payments for redemption of securities		-	(68,256)
Distributions paid to securityholders		(4,531)	(1,184)
Proceeds from borrowings		-	300
Repayment of borrowings		-	(144,500)
<b>Net cash flows from financing activities</b>		<b>(7,140)</b>	<b>22,650</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>811</b>	<b>(2,148)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>836</b>	<b>2,985</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>1,647</b>	<b>837</b>

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 2017

### 1 Summary of significant accounting policies

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

Stapled Entity	Description
Charter Hall Direct Industrial Fund (DIF)	Owns all of the REIT's other investment properties and equity accounted investments
LWR Finance Trust (Finance Trust)	Holds the REIT's bank debt and interest rate swaps through Charter Hall LWR Limited

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 three 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 financial report for the period ended 31 December 2017 was authorised for issue by the directors on 14 February 2018. The directors have the power to amend and reissue the financial report.

#### (a) Basis of preparation

These general purpose financial statements for the interim half year reporting period ended 31 December 2017 have been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Act 2001*. The interim financial report does not include all notes normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by the Trust during the half year ended 31 December 2017.

The accounting policies adopted in the preparation of the interim financial report are consistent with those of the previous financial year unless otherwise noted.

#### Net current asset deficiency

At 31 December 2017, the Trust has a net deficiency of current assets over current liabilities of \$2.6 million (30 June 2017: \$3.4 million). The Trust will be able to meet its day-to-day working capital requirements from the available Intra-Group Facility and operating cashflows. The securityholders 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 for the Trust to believe it will be able to meet its debts as and when they become due and payable and accordingly the financial statements have been prepared on a going concern basis.

#### (b) 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 2017 but are available for early adoption. None of these new standards have been early adopted by the Trust. 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. The Trust currently plans to apply AASB 9 for the reporting period beginning on 1 July 2018. An initial assessment of the financial impact has been undertaken and they are not expected to have material impact on the Trust's financial statements.

##### (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. An initial assessment has been performed on existing revenue streams. Based on this assessment, it is not expected that the Trust will be materially impacted.

##### (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

## Notes to the financial statements (continued)

For the period ended 31 December 2017

### 1 Summary of significant accounting policies (continued)

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. The Trust currently plans to apply AASB 16 for the reporting period beginning on 1 July 2019. An initial assessment of the new standard has been undertaken and it is not expected to have a material impact on the Trust's financial statements.

### 2 Distributions paid or payable

	Cents per security	\$'000
<b>Total distribution for the period from 1 July 2017 to 30 September 2017</b>	<b>1.50</b>	<b>3,130</b>
<b>Total distribution for the period from 1 October 2017 to 31 December 2017</b>	<b>1.50</b>	<b>3,485</b>
<b>Total distribution<sup>1</sup></b>	<b>3.15</b>	<b>6,615</b>
Total distribution for the period from 1 July 2016 to 21 September 2016 <sup>2</sup>	5.51	1,936
Total distribution for the period from 22 September 2016 to 31 December 2016 <sup>1</sup>	2.03	2,810
Total distribution	7.54	4,746

<sup>1</sup> Calculated with reference to weighted average number of securities (refer Note 3).

<sup>2</sup> Represents distributions paid to former securityholders prior to the registration of the Trust as a managed investment scheme.

The distribution of 1.50 cents per security for the quarter ended 31 December 2017 was declared on 4 December 2017 and paid on 14 February 2018.

### 3 Earnings per security

	1 Jul 2017 to 31 Dec 2017	22 Sep 2016 to 31 Dec 2016
<b>Basic and diluted earnings/(loss) per ordinary securityholder</b>		
Earnings/(loss) per security (cents) for profit from operations	3.16	(21.23)
<b>Earnings/(loss) used in the calculation of basic and diluted loss per security</b>		
Net earnings/(loss) for the period (\$'000)	6,636	(29,399)
Weighted average number of securities* used in the calculation of basic and diluted earnings/(loss) per security (thousands)	209,814	138,452

\* Prior period takes into account conversion of each security issued by the Trust into approximately 1.93 securities on 10 November 2016.

### 4 Investment property

A reconciliation of the carrying amount of investment property at the beginning and end of the financial period is set out below:

	1 Jul 2017 to 31 Dec 2017 \$'000	22 Sep 2016 to 30 Jun 2017 \$'000
Carrying amount at the beginning of the period	<b>270,000</b>	291,229
Additions	<b>23</b>	253
Revaluation adjustment attributable to straightlining of rental income	<b>37</b>	259
Straightlining of rental income	<b>(37)</b>	(259)
Revaluation increments	-	6,439
Disposal*	-	(27,921)
Carrying amount at the end of the period	<b>270,023</b>	270,000

\* In the prior period, the Trust transferred its interest in FSPT GPO Trust and FSPT Site 7 Trust to a trust owned by the former securityholders 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 \$27.9 million on the date of transfer. A loss on disposal equal to the net tangible assets of these subsidiaries (\$29.9 million) was recognised and an equal and offsetting gain on bargain purchase was recorded in the financial statements of the related trust.

## Notes to the financial statements (continued)

For the period ended 31 December 2017

### 5 Borrowings

	31 Dec 2017 \$'000	30 Jun 2017 \$'000
<b>Non-current</b>		
Intra-Group Facility Agreement	52,584	76,911
	<b>52,584</b>	<b>76,911</b>

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 2017, the interest rate was 4.25% (30 June 2017: 4.25%) per annum.

### 6 Contributed equity

<i>Details</i>	<i>No. of securities</i>	6 months to 31 Dec 2017 \$'000	22 Sep 2016 to 30 Jun 2017 \$'000
Securities on issue - 22 Sep 2016	34,620,222	-	51,494
Securities issued	504,890	-	2,135
Redemption of Class B securities	(20)	-	-
Capital return	-	-	(45,504)
Change in number of securities after re-organisation	32,829,732	-	-
Securities redeemed	(67,954,824)	-	(68,256)
Securities issued via IPO	206,683,097	-	205,995
Securities issued via DRP	1,104,078	-	1,086
Securities on issue - 30 June 2017	<b>207,787,175</b>	<b>146,950</b>	<b>146,950</b>
Securities issued via equity raise	<b>22,664,846</b>	<b>23,293</b>	-
Securities issued via DRP	<b>1,848,121</b>	<b>1,924</b>	-
Securities on issue - 31 December 2017	<b>232,300,142</b>	<b>172,167</b>	-

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.

#### Distribution Reinvestment Plan (DRP)

The Trust, being a member of the REIT, has established a Distribution Reinvestment Plan (DRP) under which stapled securityholders may elect to have all or part of their distribution entitlements satisfied by the issues of new stapled 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 Trust raised \$0.9 million from the DRP for the 30 June 2017 distribution allotted on 14 August 2017 and \$1.0 million from the DRP for the 30 September 2017 distribution allotted on 15 November 2017. The DRP was inactive for the 31 December 2017 distribution.

#### Equity raise

In December 2017, the REIT (of which the Trust is a member) raised \$94.1 million of equity, issuing 22.7 million stapled securities at \$4.15 per stapled security to both institutional and retail investors. The proceeds were used to fund the acquisition of Virgin Australia's head office building at 56 Edmondstone Road, Brisbane QLD on 4 January 2018 and associated transaction and capital raising costs.

The Trust's share of the equity raised in December 2017 amounted to \$23.3 million which was used to repay the Trust's borrowings from other Stapled Trusts under the Intra-Group Facility Agreement.

## Notes to the financial statements (continued)

For the period ended 31 December 2017

### 7 Net tangible assets

	31 Dec 2017 \$'000	30 Jun 2017 \$'000
Total assets	289,072	288,034
Less: Total liabilities	56,939	81,139
Net tangible assets attributable to the Trust	232,133	206,895
Total number of securities on issue (thousands)	232,300	207,787
Net tangible asset backing per security (\$)	1.00	1.00

### 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.

The following table presents the Trust's financial assets and liabilities measured at fair value according to the fair value hierarchy at 31 December 2017:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets - recurring fair value measurement</b>				
Investment in financial assets at fair value	-	17,341	-	17,341
<b>Total assets</b>	-	17,341	-	17,341

The following table presents the Trust's financial assets and liabilities measured at fair value according to the fair value hierarchy at 30 June 2017:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets - recurring fair value measurement</b>				
Investment in financial assets at fair value	-	17,190	-	17,190
<b>Total assets</b>	-	17,190	-	17,190

#### (b) Disclosed fair values

The fair value of investments in financial assets are disclosed in the 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 2017.

## Notes to the financial statements (continued)

For the period ended 31 December 2017

### 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 securityholders

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

- a The interim financial statements and notes set out on pages 8 to 16 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 2017 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

14 February 2018



## **Independent auditor's review report to the unitholders 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 Registered Scheme), which comprises the balance sheet as at 31 December 2017, the statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, selected explanatory notes and the directors declaration of Charter Hall WALE Limited (the Responsible Entity).

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

The directors of the Responsible Entity of the Registered Scheme 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 of the Responsible Entity 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 2017 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 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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#### ***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 Franklin Street Property 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 2017 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*.

A stylized, handwritten signature of the PricewaterhouseCoopers firm, written in black ink.

PricewaterhouseCoopers

A handwritten signature of J A Dunning, written in black ink.

J A Dunning  
Partner

Sydney  
14 February 2018



# LWR Finance Trust

ARSN 614 713 138

Interim financial report

For the half year ended 31 December 2017



### **Important Notice**

The Charter Hall Long WALE REIT (REIT or CLW) consists of the units of the three 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); and
- Franklin Street Property Trust (“FSPT”) (ARSN 614 714 206).

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 REIT which, in accordance with the REIT’s constitutions, are calculated by reference to the value of the assets. Controlled entities of Charter Hall may also receive fees for managing the assets of, and providing resources to, the REIT. Charter Hall and its related entities, together with their officers and directors, may hold securities in the REIT from time to time.

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## Directors' report

### For the half year ended 31 December 2017

The Directors of Charter Hall WALE Limited (CHWALE) present the consolidated Interim Financial Report of LWR Finance Trust (Trust or LWR FT) and its controlled entity for the period ended 31 December 2017.

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 Long WALE REIT consolidated group (REIT) on 10 November 2016 when its units were stapled to the units of the other stapled trusts comprising the REIT. Accordingly, the results of the comparative period are from 22 September 2016, date of registration, to 31 December 2016.

### Principal activities

The principal activity of the Trust during the period was financing of the REIT through the Intra-Group Facility Agreement (IGFA). 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.

### Distribution Reinvestment Plan (DRP)

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

The DRP issue price is determined at a discount of 1.0% to the daily volume weighted average price of all securities traded on the ASX during the 10 business days commencing on the third business day following the distribution record date.

### Review and results of operations

The Trust recorded a statutory profit for the period of \$0.5 million (31 December 2016: \$1.5 million) which represents net interest income of \$0.3 million (31 December 2016: \$nil) earned from financing activities and net fair value gains on derivatives financial instruments of \$0.2 million (31 December 2016: \$1.7 million) offset by costs associated with Initial Public Offering (IPO) of \$nil (31 December 2016: \$0.2 million).

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

	1 Jul 2017 to 31 Dec 2017	22 Sep 2016 to 31 Dec 2016
	\$'000	\$'000
Interest income	8,177	1,573
Fund management fees	(20)	(8)
Finance costs	(7,801)	(1,531)
Administration and other expenses	(50)	(24)
<b>Operating earnings</b>	<b>306</b>	<b>10</b>

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 half year ended 31 December 2017

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

	1 Jul 2017 to 31 Dec 2017 \$'000	22 Sep 2016 to 31 Dec 2016 \$'000
<b>Operating earnings</b>	<b>306</b>	<b>10</b>
Net fair value movements on derivative financial instruments	184	1,662
Costs associated with IPO	-	(198)
<b>Statutory profit for the period</b>	<b>490</b>	<b>1,474</b>
<b>Basic weighted average number of security (thousands)</b>	<b>209,814</b>	<b>126,475</b>
<b>Basic earnings per security (cents)</b>	<b>0.23</b>	<b>1.17</b>
<b>Operating earnings per security (cents)</b>	<b>0.15</b>	<b>0.01</b>

The financial results are summarised as follows:

	1 Jul 2017 to 31 Dec 2017	22 Sep 2016 to 31 Dec 2016
Revenue (\$ thousands)	8,177	1,573
Statutory profit for the period (\$ thousands)	490	1,474
Basic earnings per security (cents)	0.23	1.17
Operating earnings (\$ thousands)	306	10
Operating earnings per security (cents)	0.15	0.01

	31 Dec 2017	30 Jun 2017
Total assets (\$ thousands)	385,505	359,501
Total liabilities (\$ thousands)	383,502	358,044
Net assets attributable to securityholders (\$ thousands)	2,003	1,457
Securities on issue (thousands)	232,300	207,787
Net assets per security (\$)	0.01	0.01

### Significant changes in the state of affairs

#### Equity raising

In December 2017, the REIT (of which the Trust is a member) raised \$94.1 million of equity, issuing 22.7 million stapled securities at \$4.15 per stapled security to both institutional and retail investors. The proceeds were used to fund the acquisition of Virgin Australia's head office building at 56 Edmondstone Road, Brisbane QLD on 4 January 2018 and associated transaction and capital raising costs.

The Trust's share of the equity raised in December 2017 amounted to \$39,000.

#### Debt arrangements

On 22 December 2017, the Trust increased the limit of its syndicated debt facility by \$20 million to \$470 million and extended its debt maturity from November 2021 to February 2022.

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 half year ended 31 December 2017

### 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 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  
14 February 2018



## Auditor's Independence Declaration

As lead auditor for the review of LWR Finance Trust for the half-year ended 31 December 2017, 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 large, stylized loop at the end.

J A Dunning  
Partner  
PricewaterhouseCoopers

Sydney  
14 February 2018

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## Consolidated statement of comprehensive income

For the half year ended 31 December 2017

	Notes	1 Jul 2017 to 31 Dec 2017 \$'000	22 Sep 2016 to 31 Dec 2016 \$'000
<b>Revenue</b>			
Interest income		8,177	1,573
<b>Total revenue</b>		<b>8,177</b>	<b>1,573</b>
<b>Other income</b>			
Net gain on derivative financial instruments		184	1,662
<b>Total other income</b>		<b>184</b>	<b>1,662</b>
<b>Total revenue and other income</b>		<b>8,361</b>	<b>3,235</b>
<b>Expenses</b>			
Fund management fees		(20)	(8)
Costs associated with Initial Public Offering		-	(198)
Administration and other expenses		(50)	(24)
Finance costs		(7,801)	(1,531)
<b>Total expenses</b>		<b>(7,871)</b>	<b>(1,761)</b>
<b>Net profit for the period</b>		<b>490</b>	<b>1,474</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>490</b>	<b>1,474</b>
<b>Basic and diluted earnings per ordinary securityholder of the Trust</b>			
Earnings per security (cents)	2	0.23	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 2017

	Notes	31 Dec 2017 \$'000	30 Jun 2017 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		89,359	1,362
Receivables		31	3
<b>Total current assets</b>		<b>89,390</b>	<b>1,365</b>
<b>Non-current assets</b>			
Loans receivable	3	295,435	357,501
Derivative financial instruments	4	680	635
<b>Total non-current assets</b>		<b>296,115</b>	<b>358,136</b>
<b>Total assets</b>		<b>385,505</b>	<b>359,501</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables		416	313
<b>Total current liabilities</b>		<b>416</b>	<b>313</b>
<b>Non-current liabilities</b>			
Borrowings	5	382,343	356,847
Derivative financial instruments	4	743	884
<b>Total non-current liabilities</b>		<b>383,086</b>	<b>357,731</b>
<b>Total liabilities</b>		<b>383,502</b>	<b>358,044</b>
<b>Net assets</b>		<b>2,003</b>	<b>1,457</b>
<b>Equity</b>			
Contributed equity	6	1,952	1,896
Retained profits/(accumulated losses)		51	(439)
<b>Total equity</b>		<b>2,003</b>	<b>1,457</b>

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

## Consolidated statement of changes in equity

For the half year ended 31 December 2017

Attributable to securityholders of LWR Finance Trust			
Notes	Contributed equity \$'000	Retained profits \$'000	Total \$'000
<b>Balance at 22 September 2016</b>	-	-	-
Securities issued	2,500	-	-
Capital return	(1,878)	-	-
Securities redeemed	(626)	-	-
Securities issued via IPO, net of equity raising costs	1,889	-	-
Total comprehensive income	-	1,474	-
<b>Balance at 31 December 2016</b>	<b>1,885</b>	<b>1,474</b>	<b>3,359</b>
<b>Balance at 1 July 2017</b>	<b>1,896</b>	<b>(439)</b>	<b>1,457</b>
Securities issued via equity raise 6	<b>39</b>	-	<b>39</b>
Securities issued via DRP 6	<b>17</b>	-	<b>17</b>
Total comprehensive income	-	<b>490</b>	<b>490</b>
<b>Balance at 31 December 2017</b>	<b>1,952</b>	<b>51</b>	<b>2,003</b>

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

## Consolidated cash flow statement

For the half year ended 31 December 2017

	Notes	1 Jul 2017 to 31 Dec 2017 \$'000	22 Sep 2016 to 31 Dec 2016 \$'000
<b>Cash flows from operating activities</b>			
Interest received		43	36
Finance costs paid		(7,446)	(1,080)
Fund management fees paid		(5)	-
Administration and other expenses paid		(46)	-
Net GST paid with respect to operating activities		1	(14)
<b>Net cash flows from operating activities</b>		<b>(7,453)</b>	<b>(1,058)</b>
<b>Cash flows from investing activities</b>			
Repayment under Intra-Group Facility Agreement		(53,293)	(343,864)
Receipts under Intra-Group Facility Agreement		123,480	38,979
<b>Net cash flows from investing activities</b>		<b>70,187</b>	<b>(304,885)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of securities prior to IPO		-	4,389
Proceeds from issue of securities, net of equity raising costs		39	-
Capital distributions paid		-	(1,878)
Payments for redemption of securities		-	(626)
Costs associated with IPO		-	(75)
Proceeds from borrowings, net of borrowing costs		25,224	323,822
Repayment of borrowings		-	(10,000)
<b>Net cash flows from financing activities</b>		<b>25,263</b>	<b>315,632</b>
<b>Net increase in cash and cash equivalents</b>		<b>87,997</b>	<b>9,689</b>
<b>Cash at the beginning of the period</b>		<b>1,362</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the half year</b>		<b>89,359</b>	<b>9,689</b>

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

## Notes to the consolidated financial statements

For the half year ended 31 December 2017

### 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 LWR FT) and its controlled entity and the entities below (collectively referred to as the Stapled Trusts):

Stapled Entity	Description
Charter Hall Direct Industrial Fund (DIF)	Owns all of the REIT's investment properties and equity accounted investments other than those listed below
Franklin Street Property Trust (FSPT)	100% ownership of ATO, Adelaide SA

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 three 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 financial report for the period ended 31 December 2017 was authorised for issue by the directors on 14 February 2018. The directors have the power to amend and reissue the financial report.

#### (a) Basis of preparation

These general purpose consolidated financial statements for the interim half year reporting period ended 31 December 2017 have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The interim financial report does not include all notes normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by the REIT and LWR Finance Trust during the half year ended 31 December 2017.

The accounting policies adopted in the preparation of the interim financial report are consistent with those of the previous financial year unless otherwise noted.

#### (b) 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 2017 but are available for early adoption. None of these new standards have been early adopted by the Trust. 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. The Trust currently plans to apply AASB 9 for the reporting period beginning on 1 July 2018. An initial assessment of the new standard has been undertaken and it is not expected to have a material impact on the Trust's consolidated financial statements.

### 2 Earnings per security

	1 Jul 2017 to 31 Dec 2017	22 Sep 2016 to 31 Dec 2016
<b>Basic and diluted earnings per ordinary securityholder</b>		
Earnings per security (cents) for profit from operations	0.23	1.17
<b>Earnings used in the calculation of basic and diluted profit per security</b>		
Net earnings for the period (\$'000)	490	1,474
Weighted average number of securities* used in the calculation of basic and diluted earnings per security (thousands)	209,814	126,475

\*Prior period takes into account conversion of each security issued by the Trust into approximately 27.18 securities on 10 November 2016.



## Notes to the consolidated financial statements (continued)

For the half year ended 31 December 2017

### 3 Loans receivable

	31 Dec 2017 \$'000	30 Jun 2017 \$'000
<b>Loans receivable</b>		
Charter Hall Direct Industrial Fund	242,850	102,350
Franklin Street Property Trust	52,585	76,911
CHPT Dandenong Trust*	-	36,758
218 Bannister Road Trust*	-	44,701
Canning Vale Logistics Trust No. 1*	-	44,619
CPOF Kogarah Holding Trust*	-	52,162
	<b>295,435</b>	<b>357,501</b>

\* Entities de-stapled and loan balances transferred to Charter Hall Direct Industrial Fund upon simplification of the REIT on 22 September 2017.

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 2017, the interest rate under IGFA was 4.25% (30 June 2017: 4.25%) per annum.

### 4 Derivative financial instruments

	31 Dec 2017 \$'000	30 Jun 2017 \$'000
<b>Non-current assets</b>		
Interest rate swaps	680	635
	<b>680</b>	<b>635</b>
<b>Non-current liabilities</b>		
Interest rate swaps	743	884
	<b>743</b>	<b>884</b>

#### Interest rate swaps

The Trust has entered into interest rate swaps totalling \$225 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 2017, the notional principal amount and period of expiry of the interest rate swap contracts are as follows:

	31 Dec 2017 \$'000	30 Jun 2017 \$'000
2 - 3 years	40,000	40,000
3 - 4 years	185,000	-
4 - 5 years	-	185,000
	<b>225,000</b>	<b>225,000</b>

### 5 Borrowings

	31 Dec 2017 \$'000	30 Jun 2017 \$'000
<b>Non-current</b>		
Bank loan	384,500	359,000
Unamortised borrowing costs	(2,157)	(2,153)
	<b>382,343</b>	<b>356,847</b>

The Trust is a party to an unsecured debt facility agreement with a major Australian bank. In December 2017, the facility limit was increased to \$470 million and the term extended from November 2021 to February 2022.

In addition, the Trust funded a guarantee of \$14.5 million from the syndicated facility on behalf of a REIT subsidiary. This guarantee is in relation to equity committed to fund the development of the Woolworths Distribution Centre in Dandenong South, VIC.

## Notes to the consolidated financial statements (continued)

For the half year ended 31 December 2017

### 6 Contributed equity

<i>Details</i>	<i>No. of securities</i>	<b>6 months to 31 Dec 2017 \$'000</b>	<b>22 Sep 2016 to 30 Jun 2017 \$'000</b>
Securities on issue - 22 Sept 2016	100	-	-
Securities issued prior to IPO	2,499,900	-	2,500
Capital return			(1,878)
Change in number of securities after re-organisation	65,454,824	-	-
Securities redeemed	(67,954,824)	-	(626)
Securities issued during the period:			
- via IPO	206,683,097	-	1,889
- via DRP	1,104,078	-	11
Securities on issue - 30 June 2017	207,787,175	<b>1,896</b>	1,896
Securities issued via equity raise	<b>22,664,846</b>	<b>39</b>	-
Securities issued via DRP	<b>1,848,121</b>	<b>17</b>	-
Securities on issue - 31 December 2017	<b>232,300,142</b>	<b>1,952</b>	-

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.

#### Distribution Reinvestment Plan (DRP)

The Trust, being a member of the REIT, has established a Distribution Reinvestment Plan (DRP) under which securityholders may elect to have all or part of their distribution entitlements satisfied by the issues of new securities rather than being paid in cash. The DRP issue price is determined at a discount of 1.0% to the daily volume weighted average price of all securities traded on the ASX during the 10 business days commencing on the third business day following the distribution record date.

#### Equity raise

In December 2017, the REIT (of which the Trust is a member) raised \$94.1 million of equity, issuing 22.7 million stapled securities at \$4.15 per stapled security to both institutional and retail investors. The proceeds were used to fund the REIT's acquisition of Virgin Australia's head office building at 56 Edmondstone Road, Brisbane QLD on 4 January 2018 and associated transaction and capital raising costs.

The Trust's share of the equity raised in December 2017 amounted to \$39,000.

### 7 Net tangible assets

	<b>31 Dec 2017 \$'000</b>	<b>30 Jun 2017 \$'000</b>
Total assets	<b>385,505</b>	359,501
Less: Total liabilities	<b>383,502</b>	358,044
Net tangible assets attributable to the Trust	<b>2,003</b>	1,457
Total number of securities on issue (thousands)	<b>232,300</b>	207,787
Net tangible asset backing per security (\$)	<b>0.01</b>	0.01

## Notes to the consolidated financial statements (continued)

For the half year ended 31 December 2017

### 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 and borrowings – Level 1.
- 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 2017:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets - recurring fair value measurement</b>				
Derivative financial instruments	-	680	-	680
<b>Total assets</b>	-	680	-	680
<b>Financial liabilities - recurring fair value measurement</b>				
Derivative financial instruments	-	743	-	743
<b>Total liabilities</b>	-	743	-	743

The following table presents the Trust's financial assets and liabilities measured at fair value according to the fair value hierarchy at 30 June 2017:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets - recurring fair value measurement</b>				
Derivative financial instruments	-	635	-	635
<b>Total assets</b>	-	635	-	635
<b>Financial liabilities - recurring fair value measurement</b>				
Derivative financial instruments	-	884	-	884
<b>Total liabilities</b>	-	884	-	884

#### (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.

The following table represents the carrying amounts and fair values of borrowings at 31 December 2017. 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 2017		30 Jun 2017	
	Carrying \$'000	Fair value \$'000	Carrying \$'000	Fair value \$'000
<b>Non-current</b>				
Bank loans	384,500	385,111	359,000	360,498
	<b>384,500</b>	<b>385,111</b>	<b>359,000</b>	<b>360,498</b>

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

The fair value of 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.

## **Notes to the consolidated financial statements (continued)**

For the half year ended 31 December 2017

### **8 Fair value measurement (continued)**

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 2017.

### **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 securityholder

In the opinion of the directors of Charter Hall WALE Limited, the Responsible Entity of LWR Finance Trust:

- a The interim financial statements and notes set out on pages 8 to 16 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 2017 and of its performance for the financial half year 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

14 February 2018



## **Independent auditor's review report to the unitholders 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 Registered Scheme), which comprises the consolidated balance sheet as at 31 December 2017, 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 of Charter Hall WALE Limited (the Responsible Entity) for LWR Finance Trust and its consolidated entities (the consolidated entity). The consolidated entity comprises the Registered Scheme and the entities it controlled during that half-year.

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

The directors of the Responsible Entity of the Registered Scheme 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 of the Responsible Entity 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 2017 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 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*.

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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 2017 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*.

PricewaterhouseCoopers

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

J A Dunning  
Partner

Sydney  
14 February 2018

