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2022 ANNUAL REPORT

Charter Hall
Long WALE REIT





Acknowledgement of Country

Charter Hall is proud to work with our customers and communities to invest in and create places on lands across Australia. We pay our respects to the Traditional Owners, their Elders past and present, and value their care and custodianship of these lands.

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Charter Hall Long WALE REIT

(CLW or the REIT) owns and manages a high quality and diversified real estate portfolio leased to government, multinational and national blue-chip tenants on long-term leases.

Cover: Coles Distribution Centre, Truganina VIC
Above: Woolworths Distribution Centre, Dandenong South VIC

Strategy

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

Australian Taxation Office, Adelaide SA



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549

Number of properties

\$7.1bn

Portfolio valuation

99.9%

Occupancy

4.35%

Weighted Average
Capitalisation Rate
(WACR)

12.0yrs

Weighted Average
Lease Expiry¹ (WALE)

49%

of lease rent reviews
are CPI linked

¹ WALE is pro-forma adjusted for the Metcash lease extension which was executed post 30 June 2022.
Metrics on this page and throughout this report are as at 30 June 2022.



FY22 performance highlights¹

Overview



Enhanced portfolio scale



Increased exposure to resilient, high quality tenants



Increased exposure to CPI linked rent reviews



Increased occupancy; 99.9% occupancy as at 30 June 2022



Reduced gearing

Financial performance

30.5c

Operating earnings per share
↑4.5% over FY21

\$6.17

NTA per security
↑18.2% from 30 June 2021

\$670_m

Net valuation uplift²
↑10.4% for FY22

¹ Unless otherwise stated, metrics on this page and throughout this report are as at 30 June 2022.

² Gross property valuation uplift less capital expenditure and amortised incentives during the period.

Portfolio performance

12.0yrs

WALE³
providing long term income security

49%

of lease rent reviews are CPI linked
with a 6.3% weighted average
forecast increase in FY23⁴

52%

NNN⁵
Tenants responsible for all outgoings,
maintenance and capex

Capital management

\$1.7bn

Debt facility refinancing
and expansions completed

29.9%

Balance sheet gearing⁶
within the range of 25% – 35%

5.2yrs

Weighted average debt
maturity

³ WALE is pro-forma adjusted for the Metcash lease extension which was executed post 30 June 2022.

⁴ Assumes weighted average FY23 CPI reviews for the REIT's CPI linked leases of 6.3%.

⁵ 52% of leases in the portfolio weighted by net income are triple net leases.

⁶ Reflects balance sheet gearing.

Chair and Fund Manager's message

Charter Hall Long WALE REIT continues to deliver for investors, with its best in class diversified real estate portfolio providing stable, secure income and capital growth.

Dear Securityholder

Welcome to the Charter Hall Long WALE REIT (CLW or the REIT) FY22 Annual Report.

CLW is Australia's largest diversified Long WALE REIT and is one of the top 10 Australian real estate investment trusts (AREITs) listed on the ASX. Investing in properties primarily leased to major corporate and government tenants on long term leases, CLW continues to deliver long-term growth for investors. CLW has continued to outperform relative benchmarks and in the five years ending 30 June 2022, has delivered an annualised total Securityholder return of 7.3% per annum. This compares favourably to 4.4% annualised return from the S&P ASX200 (GICS) Property Accumulation index over the same period.

As a result of our deliberate focus on resilience through long leases to high quality tenants operating in predominantly non-discretionary industries, CLW delivered operating earnings of 30.5 cents per security, up 4.5% from FY21. Distributions per security of 30.5 cents, also up 4.5% from FY21, were paid, representing a 100% payout ratio.

The quality of the REITs properties and tenant customers, combined with CLW's 12 year WALE will continue to generate growing income for investors. Importantly, CLW enjoys a balanced mix of income growth, with 49% of leases with annual rent reviews linked to CPI and 51% of leases fixed, with average fixed annual increases of 3.1%. This blend of exposure to CPI-linked and fixed annual rental increases provides a growing rental stream for investors and resilience in both low and high inflation scenarios. In particular, after several years of very low CPI, growth in rental income from the CPI linked portion of the portfolio is expected to accelerate.

Against a backdrop of uncertainty and continued disruption from the pandemic, climate events and macroeconomic challenges, CLW continued to grow, diversify and improve the quality of the portfolio during FY22. Contributing to the REIT's growth was the investment of \$923 million during FY22 in the Endeavour Group leased ALE portfolio and three high-quality industrial & logistics properties.

A photograph of two men, Peeyush Gupta and Avi Anger, standing side-by-side in an office setting. Both are wearing dark suits, white shirts, and ties. Peeyush Gupta, on the left, is wearing glasses and has a patterned tie. Avi Anger, on the right, is smiling and has a solid dark tie. The background is a blurred office interior with shelves and plants.

Peeyush Gupta AM, Chair and Avi Anger, Fund Manager

The resilience and attractiveness of CLW's portfolio was also recognised by a significant \$670 million, or 10.4% net valuation uplift. Strong valuation gains were realised across the portfolio including significant increases from recent acquisitions. These valuation gains translated into a strong 18.2% growth in the Net Tangible Assets (NTA) per security over FY22, with the NTA lifting from \$5.22 per security as at 30 June 2021 to \$6.17 per security as at 30 June 2022.

Strategic acquisitions

An important part of CLW's strategy is to diversify and enhance our portfolio through value-creating, and accretive acquisitions. FY22 was no exception, with a total of \$923 million of acquisitions that demonstrate our ongoing focus on opportunities offering attractive long-term risk adjusted returns.

The REIT successfully completed the acquisition of a 50% interest in ALE Property Group in partnership with Hostplus, one of Australia's largest superannuation funds. This acquisition contributes to the improvement of the quality and diversity of CLW's property portfolio and the resilience of CLW's income through increasing our exposure to Australia's leading hospitality operator, Endeavour Group. Strengthening our already best in class tenant base, Endeavour Group is now 18% of our tenant register.

The acquisition of the ALE Property Group represented a rare opportunity to acquire a large scale, materially under-rented portfolio of high-quality pubs and bottle shops. The national portfolio of 78 pub properties is predominantly in metropolitan locations on the Eastern seaboard with the vast majority having a Dan Murphy's or BWS store onsite. Pleasingly, 95% of the portfolio's leases are triple net (NNN) with the tenant responsible for all costs such as property maintenance, with annual uncapped CPI rental increases. Independent valuers have assessed the portfolio's current rent to be 26% below market rent levels. We will actively manage the portfolio so the REIT can benefit from the latent income and capital upside in this significantly under-rented portfolio. Pleasingly, the quality of the portfolio and CLW's attractive acquisition price has seen the portfolio achieve a \$99 million valuation uplift since acquisition.

We also further increased our exposure to the industrial & logistics sector with three high quality acquisitions, two of which were secured off-market. Access to these off-market opportunities is a direct result of the REIT's management by Charter Hall Group, with Securityholders receiving the benefit of the depth of expertise and capabilities of the Group's platform.

The 28% increase in the gross asset value of the REIT was driven by \$871 million of net acquisitions and a \$670 million net valuation uplift



Toyota Material Handling, Larapinta QLD

These acquisitions included a large-scale waste-to-energy facility located in Wetherill Park, one of Sydney's core industrial markets with excellent connectivity to major arterial road networks. The facility is leased to ASX-listed Cleanaway & ResourceCo with a 16.4-year WALE. This asset is one of Australia's largest waste-to-energy facilities and utilised for the production of Process Engineered Fuel, an alternative and sustainable fuel source for cement kilns.

The other industrial properties are both located in Brisbane, including a high-quality facility leased to educational resources supplier, Modern Star and a distribution facility leased to Toyota Material Handling Australia, a wholly owned subsidiary of Toyota Industries Corporation.

Together, these property acquisitions represent high-quality, long-term additions to CLW's portfolio and contribute to enhancing portfolio quality, sector diversification and strengthening the quality and diversification of tenants of the REIT.

Active portfolio management

During the year, CLW continued delivering on strategy, improving both the quality and metrics of its portfolio. At year end, the REIT held 549 properties valued at \$7.1 billion with a WALE of 12.0 years. The 28% increase in the gross asset value of the REIT was driven by \$871 million of net acquisitions and a \$670 million net valuation uplift.

The REIT continues to grow the percentage of its properties with NNN leases with this increasing from 48% to 52%. Under a NNN lease, the tenant bears all the outgoings and other costs of maintenance and capital expenditure associated with the properties, thereby enabling the REIT to avoid such expenditure. In addition, 80% of CLW's portfolio is weighted to the Eastern seaboard of Australia, up 5% from the previous year.

CLW's best in class tenant register provides portfolio quality and diversity. 99% of the REIT's portfolio is leased to Government, ASX listed, multinational and national tenants. Importantly, these blue-chip tenants are in resilient industries and the REIT continues to generate strong rental growth.

At the end of the period, the portfolio weighted average capitalisation rate firmed 42 bps during the period to 4.35% as at 30 June 2022.

CLW also continues to enjoy strong occupancy across the portfolio. Occupancy has improved from 98.3% to 99.9% over the period. Post balance-date, CLW was also able to secure a significant lease extension with Metcash at its Perth Distribution Centre in Canning Vale, WA. This now means CLW has no major lease expiries until FY26, ensuring strong security of income for investors.

Prudent capital management

The REIT's balance sheet continues to remain defensively placed. Pro-forma balance sheet gearing of 29.9% is within the target 25–35% range and look-through gearing is 37.1%. During the year, a number of debt capital initiatives were completed which bolstered CLW's balance sheet position and have provided the REIT with long-term growth capacity.

The REIT strengthened its capital position by completing \$1.7 billion of debt capital management initiatives, including \$1.0 billion refinancing with an average term extension of 1.5 years; \$357 million of increased capacity within existing facilities and \$355 million of new facilities established with an average term of 6.1 years. Following the implementation of these initiatives, CLW has a weighted average debt maturity of 5.2 years, with staggered maturities across FY24 to FY32. The REIT's weighted average cost of debt is 2.8%.

CLW maintained its Moody's Baa1 investment grade issuer rating with a stable outlook.

Sustainability

Sustainability is integrated into how CLW and the Charter Hall Group conduct business, and we continue to partner with our customers and communities to explore opportunities and deliver meaningful change.

This year has seen demonstrable progress on our climate initiatives. CLW has secured long-term renewable electricity linked to new renewable development projects through a power purchase agreement (PPA). Across CLW's portfolio, 1.6MW of onsite solar is installed across five assets with an additional 5.6MW to be installed in FY23. These steps, combined with the scale of the Group, position us well to progress against our Net Zero Carbon in operations target for Scope 1 and Scope 2 emissions by 2030.

This year, CLW also acquired one of Australia's largest waste to energy facilities at Wetherill Park, supporting reduction in waste. CLW also achieved Climate Bond Initiative (CBI) certification on the \$466 million green financing for 242 Exhibition Street, Melbourne.

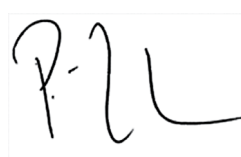
CLW is making progress in its sustainability benchmarks, scoring 72 in the GRESB Benchmark (up 10 points from the previous year) and being awarded an 'A' rating for Public Disclosure. GRESB is a leading organisation for assessing environment, social and governance performance for real estate and infrastructure companies globally.

We have continued our approach to ensuring robust governance underpins our operations. In December, Charter Hall Group's second Modern Slavery Statement was completed, outlining efforts to prevent occurrences of modern slavery in our supply chain. Further, a diagnostics assessment of our response to human rights and modern slavery commenced and resulted in a 3-5 year modern slavery framework. The Charter Hall Group's Stage one: Reflect Reconciliation Action Plan was endorsed by Reconciliation Australia and we are actively working on building our relationships and capacity with First Nations businesses.

Outlook and guidance

CLW is well positioned, with a diversified and resilient portfolio, high quality tenants and security of long leases. We will continue to execute on our strategy to pursue long WALE opportunities and aim to deliver long-term earnings and distribution growth.

Finally, on behalf of the Board and Management team, we would like to thank our Securityholders for their ongoing support. We will endeavour to continue to provide you with stable and secure income, and target income and capital growth over the long term.



Peeyush Gupta AM
Chair



Avi Anger
Fund Manager



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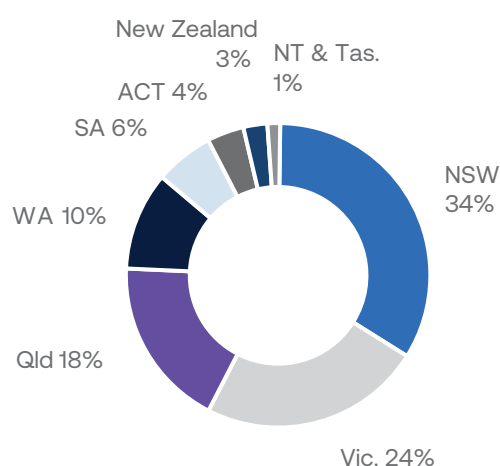
Portfolio performance

Portfolio summary

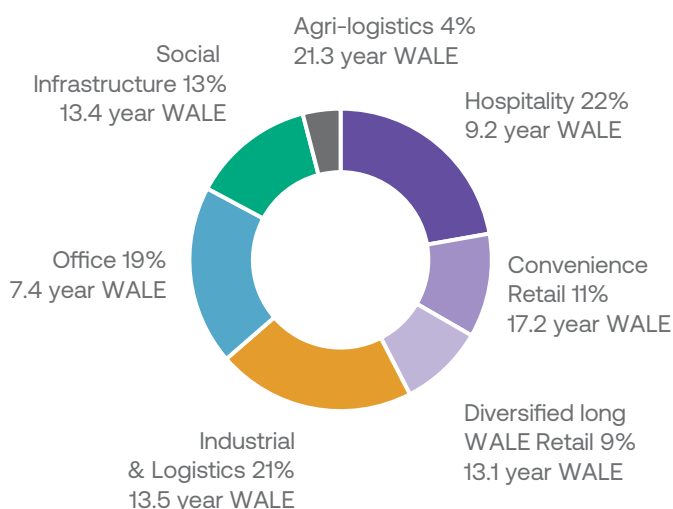
Number of properties	549
Property valuation (A\$m)	\$7,127
Weighted Average Capitalisation Rate (WACR)	4.35%
Occupancy	99.9%
Weighted Average Lease Expiry (WALE) ¹	12.0yrs
Weighted Average Rental Review (WARR) ²	4.6%
Portfolio exposure to CPI-linked reviews	49%

Diversification³

Geographic



Real estate sector



1 WALE is pro-forma adjusted for the Metcash lease extension which was executed post 30 June 2022.

2 Assumes weighted average FY23 CPI reviews for the REIT's CPI linked leases of 6.3%. This assumes June CPI of 6.1%, September CPI of 6.3% and December CPI of 7.0%. The majority of the REIT's CPI-linked leases are linked to September indices.

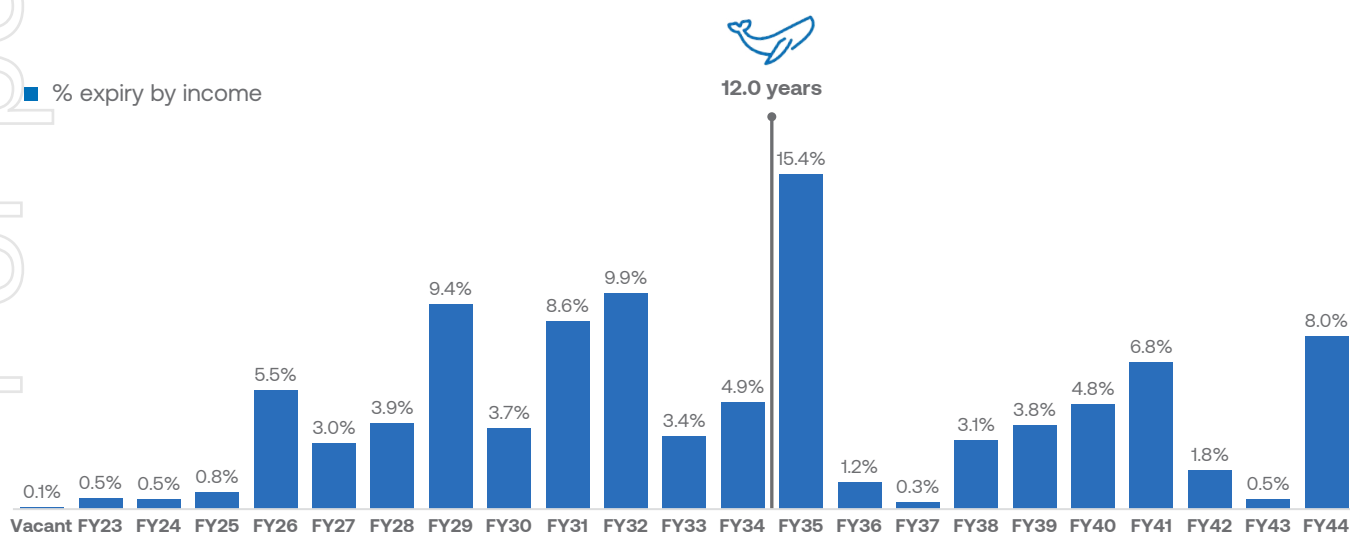
3 As at 30 June 2022 (weighted by external valuation).

Note: Totals may not add to 100% due to rounding.

Major tenants⁴

 endeavour group	18%	 Metcash	4%
 Australian Government  NSW GOVERNMENT  GOVERNMENT OF WESTERN AUSTRALIA  Queensland Government  City of Melbourne  City of Sydney	18%	 Arnott's Group	3%
 T	13%	 MYER	3%
 bp	10%	 BUNNINGS warehouse	3%
 INGHAM'S	5%	 Woolworth Group	2%
 coles group	4%	 W	2%
DAVID JONES	4%	 suez	1%

Lease expiry profile⁵



⁴ Weighted by net passing income as at 30 June 2022.

⁵ Weighted by net passing income as at 30 June 2022, pro-forma adjusted for the Metcash lease extension which was executed post 30 June 2022.

Note: Totals may not add due to rounding.

Sustainability

As part of the Charter Hall Group (CHC), CLW benefits from more than 30 years' experience in the adoption of environmental, social and governance (ESG) considerations as part of how we approach business.

Each year, we go further in our ESG approach and objectives. CLW leverages Charter Hall's platform-wide scale and integration of ESG as a core driver of value for the REIT.

During FY22, we have continued to engage with our customers and evolved our sustainability framework to respond to material topics and emerging trends that will shape our future. The framework focuses on delivering environmental, social, governance and economic value. Our framework is aligned with the United Nations Sustainable Development Goals (SDG), and CHC's progress against the SDG indicators can be found on our website. This approach reinforces our commitment to delivering environmental and social value at the same time as pursuing long-term, risk adjusted returns that align with changing stakeholder expectations.

Our FY22 highlights

CLW



\$466m¹ in sustainable finance

242 Exhibition St, VIC achieved Climate Bond certification



50% reduction in emissions^{2,3}

achieved through assets under operational control being powered by Green Power, compared to FY21



Partnering on renewables

1.6MW of onsite solar installed across five assets with an additional 5.6MW to be installed in FY23

Group-wide



\$1.27m

invested in social enterprises and community initiatives



191

employment outcomes for vulnerable Australians exceeding target by 91%



Reflect

Reconciliation Action Plan launched



Employer of Choice

Awarded WGEA Employer of Choice for Gender Equality



\$578k

in crisis support provided to UNICEF, GIVIT and Foodbank

Willogeleche Wind Farm (ENGIE)

1 CBI certification for 242 Exhibition Street represents 100% interest. CLW has a 15% interest in the property.

2 Scope 1 and Scope 2 emissions in operational control.

Progress against our sustainability targets



Environment

Creating resilience through meaningful climate action, rethinking our approach to resources and restoring nature.

Focus areas	FY22 progress	Charter Hall looking forward
Climate action Achieve Net Zero emissions and strengthen resilience to climate related impacts	Carbon and climate action – 50% reduction in Scope 1 and 2 emissions through procurement of renewable electricity^{2,3} – Progress on Scope 3 emission target aligned to science-based methodology by defining scope, boundary and expansion of tenant data coverage to 77%	– Net Zero emissions by FY30 – Commence reporting on Scope 3 emissions aligned to science-based target methodology in FY23 – Office developments to be Net Zero by FY30
	Clean energy – CLW has participated in Charter Hall's platform-wide Renewable PPA securing long-term 100% renewable electricity from new offsite renewable development projects to assets from 2024 – 100% renewable electricity supply to office and industrial & logistics assets within operational control – 1.6MW of solar installed across 5 assets in the portfolio, an increase of 100KW of solar since FY21	– 100% powered by renewables for assets under operational control by FY25
	Energy efficiency – Achieved 5.3 star NABERS Energy for Office Portfolio rating, covering 85% of office assets – Ranked 5th in the NABERS Energy Sustainable Portfolio Index – Achieved 4 Star Green Star Performance rating for our Office Portfolio and 2 Star Green Star Performance rating for our industrial & logistics portfolio	– Target 5.5 star NABERS Energy for Office Portfolio by FY25 – Target 6 Star Green Star Building for office developments and redevelopments from FY26 – Target 5 Star Green Star Buildings for I&L developments by FY25
	Resilience and adaptation – Climate Change Adaptation Plan (CCAP) completed for office (74% by floor area) and industrial & logistics (87% by floor area) based on Representative Concentration Pathway (RCP) 8.5 as a worst-case scenario – Refined consideration of Climate Change Risk Exposure in decision-making process for new acquisitions	– Embed CCAP in decision making and track decarbonisation and adaptation planning in Strategic Asset Plans by FY25 – All developments will incorporate climate change adaptation and resilience criteria from FY23
Rethink resources Evaluate use of resources as we transition to a circular economy	Waste – Achieved 19%³ diversion from landfill at office assets where we manage waste	– Achieve 50% diversion from landfill and achieve 4.5 star NABERS Waste for Office Portfolio by FY25 – Progress waste strategy aligned to circular economy principles
Restore nature Protect and restore natural environments and biodiversity to transition towards a regenerative future	Water – Achieved 5.1 star NABERS Water for Office Portfolio rating, covering 78% of office assets – Rolled out water submeters in partnership with our key industrial & logistics tenant customers to optimise water usage	– Maintain 5 star NABERS Water for Office Portfolio rating and target 4.5 star NABERS Water for major developments from FY25

³ Final numbers subject to assurance.



Social

Building strong communities through connection, inclusion and delivering healthy people and places.

Focus areas	FY22 progress	Charter Hall looking forward
High performing talent Drive performance and engagement by leveraging difference and enabling potential	Employee - CHC improved its score in the Australian Workplace Equality Index (AWEI) by 71% when compared with FY21, granting us the recognition as a Bronze Employer for LGBTQ+ inclusion - Global high performing level of engagement of 88% overall for CHC, with 93% of our people saying that we are a great place to work	Sustain levels of engagement that align with being a global high performing culture
Deep customer partnerships Long term value creation through cross-sector partnership	Tenant customer engagement - CHC recorded high customer satisfaction across all sectors with our Net Promoter Score (NPS) and satisfaction results maintained at a 3-year high in industrial & logistics - Agreed with tenant partners to install 5.6MW of onsite solar in FY23	- Create a benchmark to measure the cross-sector customer experience with Charter Hall, considering all aspects of how we partner with our customers - Continue exploring opportunities with tenant customers to achieve mutual ESG goals
Strong communities Support resilient communities through inclusion and connected places	Community resilience As part of CHC, CLW has contributed the following: \$578k (of CHC total \$1.27m donations to community organisations) supported communities impacted by COVID-19, floods, international access to vaccinations and emergency support for Ukrainian families First Nations engagement - CHC launched its Stage One: Reflect Reconciliation Action Plan (RAP) in FY22, formalising our commitment to taking meaningful and lasting steps towards reconciliation - CHC became a member of Supply Nation and created a spend dashboard for First Nations owned business and social enterprise	- Establish a spend target in FY23 in support of building capacity across our value chain - Refine our national community partnership framework during FY23 - Measure and report spend with First Nations business and establish a spend target in FY23
Healthy places Positive human health, safety and wellness outcomes through better workplace design and management	Health safety and well-being - Cared for our customers through COVID-19 with rent relief, hygiene initiatives, digital solutions, and support with returning to workplace - CHC recorded a Lost Time Injury and Lost Time Injury Frequency Rate (LTIFR) of 0 and a Total Recordable Injury Frequency Rate (TRIFR) of 3	- Continue to support our tenants to transition to the future of work following COVID-19 100% of all office assets under operational control to have a WELL Building Standard (WELL) rating by FY25 - Transition the Work Health & Safety (WHS) management system from ISO12001 to the new standard ISO45001 by FY23

1 CBI certification for 242 Exhibition Street represents 100% interest.



Economic

Through shared economic prosperity and sustainable growth and mutual success.

Focus areas	FY22 progress	Charter Hall looking forward
Shared success Shared economic success and sustained livelihoods for our communities and supply chain	Pledge 1% As part of CHC, CLW has contributed the following: – Donated \$1.27m to community organisations across Australia and overseas – Spent \$1m in social procurement with social enterprises	– As part of our Pledge 1% commitment, contribute 1% of our profits, space and people's time to community partners each year to help them achieve positive social impacts – Implement a social impact measurement tool by FY25
	Employment opportunities – CHC achieved 191 employment outcomes for vulnerable youth through community partnerships, exceeding target by 91%	– Deliver 100 meaningful employment outcomes per year for vulnerable youth and deliver 400 youth employment outcomes by FY25 and 1,200 by FY30
Sustained returns Long-term risk adjusted returns for investors	– Achieved Climate Bond Initiative (CBI) certification on \$466m¹ green finance linked to environmental performance indicators at 242 Exhibition Street, VIC – CHC delivered \$2.5bn in Sustainable Finance transactions to date	– Leverage our approach to ESG to support future sustainable financing opportunities



Governance

Operating a responsible business and ensuring responsible and sustainable supply chain engagement.

Focus areas	FY22 progress	Charter Hall looking forward
Ethics Conduct business activities in line with the highest ethical standards	– All employees undertook training relating to business ethics and management's approach to compliance and ethical business practice and our social license to operate	– Continue to embed values-based decision making into everything we do
Cyber security Harnessing digital technology and actively protecting customers privacy	– CHC reported no major cyber security incidents for the year. Cyber security strategy is modelled on internationally recognised standard ISO27001 and audited annually	– Work across our technology and operational supply chain to increase cyber awareness, maturity and readiness by FY25
Responsible supply chain Procure sustainably and ethically	– CHC engaged our suppliers in the high-risk industries of cleaning and security. The PCA prequalification was sent to 33 of our cleaning and security suppliers, representing 100% of our total cleaning and security spend across our office, retail and I&L sectors	– Deliver a Sustainable Supply Chain Framework that addresses modern slavery, preferred materials, and circular economy principles by FY25
Transparency & disclosure Disclose ESG information in accordance with best practice	– Participated in GRESB assessment and achieved 72 in 2021 (up 10 points compared to 2020) – CHC published its second annual Modern Slavery Statement – CHC published its second TCFD statement	– Actively monitor progress of International Sustainability Standards Board and future integration of environmental and financial metrics

Climate related risks and opportunities

In late 2021, the Inter-Governmental Panel on Climate Change (IPCC) released their sixth assessment report (AR6), which included Shared Socioeconomic Pathways' (SSP) and updates to global warming projections and emissions pathways.

Below is a summary of measures Charter Hall Group has undertaken this year to align with the Task Force on Climate-related Financial Disclosure (TCFD):

Governance

- Charter Hall Group Board continued to oversee sustainability strategy and policies (including approach to climate change and integrating ESG) through the Audit Risk and Compliance Committee (ARCC)
- Executive and Non-Executive Directors engaged on Climate Change Scenario planning, specifically adopting Socio-Economic Pathways and adjusting to plausible Emissions Pathways as released by the IPCC with Assessment Report 6 (AR6)
- Executive Committee continued to have strategic oversight of ESG strategy and implementation, led by the ESG Committee to drive platform-wide alignment and implementation
- Cross-business engagement on Climate Change continued including with Chief Financial Officer, Chief Investment Officer, Chief Experience Officer, General Counsel and Company Secretary, and Group Head of Risk and Compliance

Strategy

- Updated Climate Scenarios
- 100% Renewable Electricity by 2025 for all Charter Hall office locations and assets under operational control
- Progressed on Scope 3 emission target aligned to science-based methodology by defining scope and boundary

Risk management

- We implemented our Climate and Carbon Transaction Framework for acquisition and investment strategies
- Continued to progress Physical Risk assessments in the office, retail and industrial & logistics portfolios
- Climate Change Adaptation Plans have been completed for 98% of retail shopping centres, 85% of office and 67% of industrial & logistics sectors
- Secured long term renewable supply linked to new renewable development projects between 2024 and 2030

Metrics and targets

Target

- Established Net Zero Carbon Scope 1 and 2 by 2030
- 100% renewables by 2025

Achieved

- **54%¹** reduction in Scope 1 and 2 emissions against FY17, achieved through energy efficiency and procurement of renewable electricity
- Increased our green financing from zero 18 months ago to **\$2.5 billion** at the end of this reporting period linked to sustainability benchmarks

New developments

- Focus on exploring methods to reduce upfront (embodied) carbon

¹ Emissions reduction has been calculated using a market-based approach. Final assured non-financial data will be published in our FY22 Sustainability Report.

Sustainable finance activity

242 Exhibition Street, Melbourne Victoria

Achieved Climate Bond Initiative (CBI) certification on \$466 million green finance linked to environmental performance indicators. This transaction contributes to Charter Hall Group's total sustainable finance transition to date of \$2.5 billion.

The asset is powered by 100% renewable electricity and is aligned with best practice independent rating tools



5.5 star

NABERS Energy

4 star

NABERS
Environment

6 star

NABERS Water

5 Star

Green Star
Performance

Board and Management

Board of Directors



Peeyush Gupta AM
Chair



Glenn Fraser
Independent
Non-Executive Director



Ceinwen Kirk-Lennox
Independent
Non-Executive Director



David Harrison
Executive Director



Carmel Hourigan
Executive Director

See page 33-35 for information on the Directors.

Management



Avi Anger
Fund Manager

Avi joined Charter Hall in 2003 and has over 20 years' experience in real estate funds management. Avi has led the sourcing and acquisition of property, the establishment and structuring of new funds and the management of funds including overseeing transactions, development, asset and property management.

Avi led the establishment of the Charter Hall Long WALE REIT (ASX: CLW) in 2016 and is the Fund Manager of the now \$7.1 billion REIT.

Prior to this, Avi was Head of Transactions and Advisory. In this role, Avi was responsible for all property transactions of the Group and its managed funds and played a key role in the growth of the Group's funds under management.

Prior to joining Charter Hall, Avi worked at Terrace Tower Group and Ernst & Young.

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



Scott Martin
Head of Finance - Diversified

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

Scott has over 22 years' financial experience in Australia specialising in the property and construction industries. Scott is a Chartered Accountant who began his career at Deloitte specialising in accounting, taxation and transaction services.

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



Darryl Chua
Deputy Fund Manager

Darryl joined Charter Hall in 2016 and is responsible for the operation of the Charter Hall Long WALE REIT, particularly with respect to portfolio and capital management. Darryl has over 15 years' experience in real estate funds management and corporate finance.

Prior to joining Charter Hall, Darryl worked at Goodman Group in the Investment Management team and Macquarie Group in both its real estate financing division and its investment banking division, Macquarie Capital, specialising in real estate corporate advisory.

Darryl holds a Bachelor of Laws from the University of Western Australia.

Directors' Report and Financial Report

For the year ended 30 June 2022

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Directors' Report

The Directors of Charter Hall WALE Limited (CHWALE) present their report together with the consolidated financial report of the Charter Hall Long WALE REIT ("CLW" or "REIT") and the consolidated financial report of LWR Finance Trust (Finance Trust) for the year ended 30 June 2022, and the Independent Auditor's Report thereon. The financial report of CLW comprises Charter Hall Direct Industrial Fund ("DIF") and its controlled entities, which include LWR Finance Trust and its controlled entity. The financial report of Finance Trust comprises LWR Finance Trust and its controlled entity. DIF and Finance Trust are collectively referred to as "Stapled Trusts". One of the stapled entities of a stapled structure is to be identified as the parent entity for the purposes of preparing a consolidated annual financial report. In accordance with this requirement, DIF has been identified as the parent entity (see D8(b)). The stapled securities cannot be traded or dealt with separately.

DIF and Finance Trust are registered schemes, and CHWALE is a company limited by shares. DIF, Finance Trust and CHWALE are incorporated and domiciled in Australia with the registered office and principal place of business located at Level 20, 1 Martin Place, Sydney NSW 2000.

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

Principal activities

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

Directors

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

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

Distributions

Distributions paid or declared during the year are as follows:

	Number of securities on issue entitled to distribution	2022 Cents per security	\$'000	Number of securities on issue entitled to distribution	2021 Cents per security	\$'000
Ordinary securityholders of DIF						
30 September	630,580,810	7.62	48,050	502,626,793	7.20	36,189
31 December	718,377,885	7.62	54,740	571,402,774	7.30	41,712
31 March	720,933,092	7.63	55,007	572,407,678	7.30	41,785
30 June	722,955,466	7.63	55,162	628,215,732	7.40	46,488
Total distributions		30.50	212,959		29.20	166,174

Finance Trust did not declare any distributions in its own right in the current or prior periods.

Distribution reinvestment plan (DRP)

The REIT has established a Distribution Reinvestment Plan (DRP) under which securityholders may elect to have all or part of their distribution entitlements satisfied by the issuance of new securities rather than being paid in cash. The DRP was active for the September, December and March quarters. On 27 June 2022, the REIT announced that the DRP was not active for the June 2022 quarter distribution.

The DRP issue price is determined at a discount of 1.0% to the daily volume weighted average price of all securities traded on the ASX during the 10 business days commencing on the third business day following the distribution record date. During the year, the REIT raised \$45.9 million from the DRP (2021: \$25.7 million).

Securities issued as consideration for acquisitions

In October 2021, the REIT issued 3,655,913 stapled securities at a price of \$4.70 per stapled security for a total sum of \$17.2 million as partial consideration for the Larapinta acquisition. In December 2021, the REIT issued 81.8 million stapled securities at a price of \$5.18 per stapled security for a total sum of \$423.6 million as partial consideration for the ALE portfolio acquisition.

Review and results of operations

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

	Charter Hall Long WALE REIT		Finance Trust	
	Year to 30 Jun 2022	Year to 30 Jun 2021	Year to 30 Jun 2022	Year to 30 Jun 2021
Total revenue (\$'000)	219,697	154,602	43,763	30,168
Statutory profit (\$'000)	911,899	618,314	73,891	9,957
Basic earnings per stapled security (cents)	134.22	113.56	10.88	1.83
Operating earnings of the REIT (\$'000)	207,185	159,005	-	-
Operating earnings of the REIT per stapled security (cents)	30.50	29.20	-	-
Distributions (\$'000)	212,959	166,174	-	-
Distributions per stapled security (cents)	30.50	29.20	-	-
	30 Jun 2022	30 Jun 2021	30 Jun 2022	30 Jun 2021
Total assets (\$'000)	6,482,033	4,687,389	2,011,959	1,329,652
Total liabilities (\$'000)	2,023,743	1,408,279	1,947,129	1,343,402
Net assets attributable to securityholders (\$'000)	4,458,290	3,279,110	64,830	(13,750)
Stapled securities on issue ('000)	722,955	628,216	722,955	628,216
Net assets per stapled security (\$)	6.17	5.22	0.09	(0.02)
Balance sheet gearing - total debt (net of cash) to total assets (net of cash)	29.9%	27.4%		
Look through gearing - total debt (net of cash) to total assets (net of cash)	37.1%	36.6%		

The REIT recorded a statutory profit of \$911.9 million for the year ended 30 June 2022 (2021: \$618.3 million). Operating earnings amounted to \$207.2 million (30.5 cents per stapled security) for the year ended 30 June 2022 (2021: \$159.0 million; 29.2 cents per stapled security) and distributions of \$213.0 million (30.5 cents per stapled security) were declared for the same period (2021: \$166.2 million; 29.2 cents per stapled security).

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

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Net property income	293,494	221,660
Interest income	121	200
Fund management fees	(26,790)	(18,661)
Finance costs	(54,966)	(40,760)
Administration and other expenses	(4,674)	(3,434)
Operating earnings	207,185	159,005

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

Operating earnings is a financial measure which represents profit under Australian Accounting Standards adjusted for net fair value movements, non-cash accounting adjustments such as straight lining of rental income and amortisations and other unrealised or one-off items that are not in the ordinary course of business or are capital in nature.

Operating earnings includes the rental revenue recognised in respect of tenants who have been (or will be) provided with rent free incentives as a result of COVID-19. This approach is consistent with the REIT's treatment of rent free incentives provided in the ordinary course of its operations which are amortised over the term of the lease. The inclusion of operating earnings as a measure of the REIT's profitability provides investors with the same basis that is used internally for evaluating operating segment performance. Operating earnings is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution to declare.

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

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Operating earnings	207,185	159,005
Net fair value movements on investment properties ¹	625,860	454,412
Net gain on debt and derivative financial instruments ¹	82,000	5,348
Net fair value movements on investments at fair value through profit or loss	18	(198)
Straightlining of rental income, amortisation of lease fees and incentives ¹	7,543	4,607
Acquisition and disposal related costs ¹	(9,284)	(1,785)
Loss on debt extinguishment ¹	(5,556)	(1,343)
Income support and development rebate	(462)	(1,755)
Provision for rent relief ²	(147)	(259)
Foreign exchange gains	4,742	282
Statutory profit for the year	911,899	618,314
Basic weighted average number of stapled securities ('000)	679,392	544,482
Basic earnings per stapled security (cents)	134.22	113.56
Operating earnings per stapled security (cents)	30.50	29.20

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

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

Property valuation gains

Valuation gains totalling \$690.9 million were recorded during the year (2021: \$523.5 million). These gains were partially offset by revaluation decrements attributable to acquisition costs of \$57.5 million (2021: \$64.5 million) and straightlining of rental income, amortisation of lease fees and incentives of \$7.5 million (2021: \$4.6 million).

The uncertainty of the impact of COVID-19 did not have a significant impact on property valuations. During the year the REIT's portfolio valuation increased by 10.8% (2021: 11.1%). External valuations were conducted at 30 June 2022 for 90% (2021: 100%) of the REIT's portfolio by gross asset value, including joint ventures.

Significant changes in the state of affairs

Acquisitions

During the period, the REIT acquired the following assets:

	Acquisition date	Acquisition price \$'000
Bunnings, Baldivis WA	5/07/2021	49,000
Simon Transport, Carole Park QLD	15/07/2021	83,125
Myer, Melbourne VIC (33.3% interest)	30/07/2021	135,167
Modern Star, Brendale QLD	12/08/2021	32,250
Terrey Hills Tavern, Terrey Hills NSW (49.9% interest) ¹	23/08/2021	13,124
Mitre 10, 74 Pitt St, Sydney NSW	31/08/2021	18,000
Cleanaway & Resource Co, Wetherill Park NSW	10/09/2021	34,600
Toyota Material Handling, Larapinta QLD	1/10/2021	21,000
ALE portfolio (50% interest) ^{1,2}	17/12/2021	812,367
		1,198,633

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

² In late September 2021, the REIT announced that, together with a Charter Hall managed entity on behalf of Host-plus Pty Limited (Hostplus), it had entered into a Scheme Implementation Deed (SID) to acquire 100% of the securities in the ALE Property Group (ALE) for \$5.68 per security (Offer Price) subject to securityholders of ALE approving the Scheme. The REIT would acquire a 50% interest in ALE. ALE was an internally managed ASX-listed REIT that owned a portfolio of 78 pub properties leased to Endeavour Group. On 2 December 2021, ALE securityholders voted in favour of the scheme and on 17 December 2021, the REIT announced that it had successfully completed the acquisition of a 50% interest of ALE alongside Hostplus. The Offer Price of \$5.68 per security implied a portfolio purchase price (excluding debt and other net assets acquired) of \$1.624 billion (CLW 50% share: \$0.812 billion).

Disposals

During the year, the REIT disposed the following assets:

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

Debt arrangements and hedging

Balance sheet debt facilities

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

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

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

Debt facilities in joint ventures and associates

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

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

In March 2022, the Charter Hall Exchange Investment Trust, a wholly owned subsidiary of the Charter Hall Exchange Holding Trust, increased its debt facility by \$12.5 million to \$97.5 million and extended the term to March 2028 (CLW share: \$48.75 million). The facility increase of \$12.5 million was distributed to investors (CLW share: \$6.25 million).

In April 2022, the CH BBD Trust increased its debt facility by one million dollars to \$52.3 million and extended the term to August 2027 (CLW share: \$26.15 million).

COVID-19 rent relief

The REIT has continued to work with tenants impacted by COVID-19 to provide rental relief in line with the relevant State Governments' legislation (Code of Conduct) which has resulted in an increased number of rent incentives and deferrals. During the year, the REIT provided \$136,766 in rental relief (30 June 2021: \$508,601).

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

Business strategies and prospects

The REIT's objective is to provide investors with stable and secure income and the potential for both income and capital growth through an exposure to a diversified property portfolio with a long WALE.

The REIT aims to maintain and enhance the existing portfolio through active asset and property management and to grow the portfolio through the acquisition of assets that are predominantly leased to tenants with strong covenants on long-term leases.

The REIT aims to proactively manage its equity and debt. It has a target balance sheet gearing range of 25–35%.

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

Risk		Description	Mitigation
External Risks	Property cycle risk and adverse market or economic conditions	Failure to insulate against property cycle downturns and slowing economic conditions may have an impact on asset values and investor returns.	We ensure we consistently deliver on strategy with a focus on investment in long WALE assets with contracted growth attributes. We undertake detailed annual strategic review for all assets to inform recycling of capital into new areas and formal exit strategies for investments.
	Structural change in commercial property	Disruptive competitors may have an impact on key tenants and on marginal tenancies. This may impact space requirements from tenants. Changing technology is changing tenant expectations.	By undertaking ongoing due diligence including demographics, environment, competitor threats, and by leveraging consultant expertise we ensure that we remain informed of market changes.
	Strategic challenges posed by COVID-19	COVID-19 will have tactical and economic impacts and is expected to have portfolio consequences in the longer term.	The senior management team is deeply connected to industry, tenants and key partners to inform ongoing planning to manage COVID-19 implications through the REIT.
Financial Risks	Debt and equity capital management	Effective capital management is required to meet the REIT's ongoing liquidity and funding requirements. The inability to raise new capital to pursue growth opportunities or to raise replacement capital at challenging points in the debt or equity markets cycle is a key risk. A relationship breakdown or termination of joint venture partnership may result in reputational or financial damage.	We mitigate these risks by the implementation of our debt diversity strategy combined with regular monitoring and reporting on debt covenants and stress testing of liquidity positions. We have demonstrated strong performance, an equity raising track record and access to diversified equity partners across sources. We manage our relationships with our partners through investment agreements including investment committee oversight of all key decisions with structured and pre-agreed reporting.
	Interest Rates	Rising Interest Rates may adversely impact the REIT by increasing finance costs and impacting the amount the REIT has available to distribute to investors	The REIT has a Treasury Risk Management Policy which includes policies and controls to minimise the impact of fluctuating interest rates on the REIT's financial performance. The REIT enters into interest rate swaps in order to provide more certainty for the REIT's finance costs. As at 30 June 2022, the REIT had 53% of its debt hedged (calculated on a look through basis) and a weighted average hedge maturity term of 3.4 years.

Operational Risks	Work, Health & Safety (WHS) obligations, critical safety incident or significant crisis	We have a commitment to promote and protect the health, safety and wellbeing of its people, customers, contractors and all users of the REIT's assets.	Our Group WHS Manager collaborates closely with property management teams to ensure the roll-out of enhanced contractor registration / on-boarding platforms, incident notification platform, ongoing Risk Audits and training on incident response and management.
	Technology and cyber security	There is increasing sophistication of cyber-attacks, particularly denial of service impact on Building Management Security. A reportable data breach may result in adverse impact on reputation and / or financial penalty.	The cyber security strategy and program continues with external validation and yearly review of IT policies against best practice. We undertake annual penetration tests against critical systems and properties and have brought all critical systems under IT General Controls (ITGC) including regular user access reviews. Our internal audit includes risk identification and assessment for new platforms. We also have a formal cyber insurance policy which covers incident remediation costs.
	Organisational culture and conduct	Our ongoing success depends on our ability to attract, engage and retain a motivated and high-performing workforce to deliver our strategic objectives and an inclusive culture that supports our values.	We have a Code of Conduct in place with all employees and undertake consistent messaging and tone at the top regarding behaviour. We have a formal Whistleblower Policy in place and process to obtain regular employee feedback on culture and behaviours which is used to inform management decisions.
Environmental	Climate change	There is an increasing interest and expectation amongst investor groups on reporting against climate change risk. There has been the introduction of Task Force on Climate-related Financial Disclosures (TCFD) as a framework to address climate change through governance, risk management, metrics and targets.	We have aligned with the TCFD framework and developed our Climate Strategy for a Low Carbon Economy and Business as Usual Scenario. We have created a TCFD Working Group to inform climate resilience and reporting approach. We have set a pathway to net zero Scope 1 and Scope 2 emissions by 2030. We have undertaken physical climate change risk exposure assessments across assets and climate change adaptation plans are in development for assets. Climate change adaptation due diligence is undertaken during acquisition process.

Regulatory	AFSL compliance	We are required to comply with Australian Financial Services Licence requirements through our established policies and frameworks.	Regular compliance reporting is undertaken to Audit, Risk and Compliance Committee (ARCC) including mandatory annual compliance training requirements for all employees. In addition, we have formalised compliance committees with annual external audit of compliance plans.
	Management of conflicts of interest	Inadequate management of tenant and acquisition conflicts may arise between Charter Hall managed funds or related party transactions may be inappropriately managed. There is also a risk that the REIT fails to pay market rate for related party services.	Conflict of Interest protocols are embedded in the business including annual declarations from all employees and directors, board reporting / approval for all related party transactions. We have in place a Compliance Plan / function including oversight of Conflict of Interest / Related Party protocols and formalised asset allocation protocols.

Matters subsequent to the end of the financial period

Post the reporting date, LWIP settled on the acquisition of Emu Hotel, Morphett Vale SA for a purchase price of \$20.4 million (REIT's share: \$10.2 million).

Post the reporting date, the REIT entered into a \$650.0 million interest rate swap agreement commencing in September 2022 and expiring in June 2024 at an average rate of 1.5% over the term of the swap at a cost of \$21.6 million.

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

Likely Developments and Expected Results of Operations

The consolidated financial statements have been prepared on the basis of current known market conditions. The extent to which a potential deterioration in either the capital or property markets that may have an impact on the results of the REIT or Finance Trust is unknown. Such developments could influence property market valuations, the ability to refinance debt and the cost of such debt, or the ability to raise equity.

At the date of this report and to the best of the Directors' knowledge and belief, there are no other anticipated changes in the operations of the REIT or Finance Trust which would have a material impact on their future results. Property valuation changes, movements in the fair value of derivative financial instruments and movements in interest rates may have a material impact on the REIT's and Finance Trust's results in future years, however, these cannot be reliably measured at the date of this report.

Indemnification and insurance of Directors, Officers and Auditor

During the year, the REIT and Finance Trust contributed to the premium for a contract to insure all directors, secretaries, executive officers and officers of the REIT and Finance Trust and of each related body corporate, with the balance of the premium paid by Charter Hall Group and funds managed by members of Charter Hall Group. In accordance with usual commercial practice, the insurance contract prohibits disclosure of details relating to the nature of the liabilities covered by the insurance, the limit of indemnity and the amount of the premium paid under the contract.

Provided the officers of the Responsible Entity act in accordance with the REIT's and Finance Trust's constitutions and the *Corporations Act 2001*, the officers are indemnified out of the assets of the REIT and Finance Trust against losses incurred while acting on behalf of the REIT and Finance Trust. The insurance does not provide cover for the independent auditors of the REIT or Finance Trust or of a related body corporate.

The REIT and Finance Trust indemnifies the auditor (PricewaterhouseCoopers Australia) against any liability (including legal costs) for third party claims arising from a breach by the REIT or Finance Trust of the auditor's engagement terms, except where prohibited by the *Corporations Act 2001*.

Fees paid to and interests held in the REIT by the Responsible Entity or its Associates

Base fees of \$25.9 million (2021: \$18.7 million) by the REIT and \$0.2 million (2021: \$0.1 million) by the Finance Trust and other fees of \$17.3 million (2021: \$15.2 million) were paid or are payable to the Responsible Entity and its Associates by the REIT for the services provided during the year, in accordance with the REIT's and Finance Trust's constitutions as disclosed in Note D1 in the consolidated financial statements.

Interests in the REIT and Finance Trust held by the Responsible Entity or its Associates as at 30 June 2022 are also disclosed in Note D1 in the consolidated financial statements.

Interests in the REIT and Finance Trust

	2022	2021
Securities on issue at the beginning of the year	628,215,732	489,111,617
Securities issued during the year		
- via distribution reinvestment plan	9,238,454	5,452,888
- via securities issued as consideration for acquisitions	85,501,280	133,651,227
Securities on issue at the end of the year	722,955,466	628,215,732

Environmental Regulations

The operations of the REIT and Finance Trust are subject to environmental regulations under Commonwealth, State and Territory legislation in relation to property developments.

In relation to the property developments, the REIT is obliged to ensure all works carried out under any development approval comply with that approval as well as any further relevant statutory requirements. The REIT ensures that contracts it enters into with builders for its developments stipulate that the builder must:

- (a) ensure that in carrying out the contractor's activities:
 - (i) it complies with all statutory requirements and other requirements of the contract for the protection of the environment;
 - (ii) it does not pollute, contaminate or otherwise damage the environment; and
 - (iii) its subcontractors comply with the requirements referred to in the contract;
- (b) make good any pollution, contamination or damage to the environment arising out of, or in any way in connection with, the contractor's activities, whether or not it has complied with all statutory requirements or other requirements of the contract for the protection of the environment; and
- (c) indemnify the REIT to the full extent permitted by law against:
 - (i) any liability to or a claim by a third party; and
 - (ii) all fines, penalties, costs, losses or damages suffered or incurred by the REIT, arising out of or in connection with the contractor's breach of the contract.

Approvals for property developments are required under various local, State and Territory environmental laws.

To the best of the Directors' knowledge, the operations of the REIT have been undertaken in compliance with the applicable environmental regulations in each jurisdiction where the REIT operates.

Information on Current Directors

Director	Experience	Special responsibilities	Interest in securities of the REIT/ Finance Trust
Peeyush Gupta AM	Appointed 6 May 2016 Peeyush was the co-founder and the inaugural Chief Executive Officer of Ipac Securities Limited, a pre-eminent wealth management firm. He has experience in starting and growing businesses, acquisitions and divestments, roll-ups and integration, general management, investment management and corporate governance. He is a Non-Executive Director of National Australia Bank Limited, Special Broadcasting Service ("SBS"), Link Administration, BNZ Life, and Insurance & Care (NSW). He is also currently the Chair of Charter Hall Direct Property Management Limited. In 2019, Peeyush was awarded the Order of Australia (AM) for significant service to business, and to the community, through governance and philanthropic roles. Peeyush holds a Master of Business Administration in Finance from the Australian Graduate School of Management and a Bachelor of Arts in Computing Studies from the University of Canberra. Peeyush is also a Fellow of the Australian Institute of Company Directors. Current listed directorships: National Australia Bank Limited (ASX: NAB) Link Administration Holdings Limited (ASX: LNK) Former listed directorships in the last three years: Nil	Chair	397,676
Glenn Fraser	Appointed 6 May 2016 Glenn is a professional non executive director with significant experience in finance, infrastructure and property. He was a member of Transfield Holdings Advisory Board from 1999 to 2015. He was instrumental in Transfield Holding's acquisition of a 50% interest in Charter Hall and its subsequent expansion and ASX listing in 2005. Glenn also served as a Non-Executive Director of the Charter Hall Group from April 2005 to August 2012. Joining Transfield Holdings in 1996, Glenn was General Manager – Finance Project Development, where he was responsible for the financial elements of infrastructure and property projects. Glenn was subsequently appointed Chief Financial Officer of Transfield Holdings when it had turnover in excess of \$1 billion per annum and over 8,000 staff. Glenn was a principal and director of a project finance advisory business, Perry Development Finance Pty Limited from 1985; which was sold to Hambros Corporate Finance Limited in 1995. Glenn holds a Bachelor of Commerce and is a member of the Institute of Chartered Accountants and a graduate of the Australian Institute of Company Directors. Current listed directorships: Nil Former listed directorships in the last three years: Nil	Audit, Risk & Compliance Committee Chair	76,721

Director	Experience	Special responsibilities	Interest in securities of the REIT
Ceinwen Kirk-Lennox	Appointed 28 June 2016 Ceinwen has over 35 years' experience in many aspects of property including agency, development, project and construction management, property management, and community development. Her executive career includes 26 years at Lendlease Corporation, where she held executive roles, running commercial business units, client accounts and functions across the Lendlease Group. Ceinwen now runs her own consultancy, with clients across both private and public sectors. Ceinwen holds a Bachelor of Business (Land Economy) from the University of Western Sydney and is a graduate of the Australian Institute of Company Directors. Ceinwen brings over 20 years' experience as an executive and non-executive director serving on a number of boards including both for-profit and not-for-profit companies. Ceinwen was appointed to the Greater Sydney Parklands Board in 2020 and is an ongoing member of the Sydney Archdiocesan Property Committee. Current listed directorships: Nil Former listed directorships in the last three years: Nil	Nil	60,341
David Harrison	Appointed 16 February 2016 With a specific focus on strategy, David is responsible for all aspects of the Charter Hall Group business. Recognised as a multi-core sector market leader, David has over 34 years' global property market experience and has led transactions exceeding \$40 billion of commercial, retail and industrial property assets. Under his stewardship, the Charter Hall Group portfolio has grown from \$500 million to \$79.5 billion of assets under management. David holds a Bachelor of Business Degree (Land Economy) from the University of Western Sydney, is a Fellow of the Australian Property Institute (FAPPI) and holds a Graduate Diploma in Applied Finance from the Securities Institute of Australia. David is a Fellow of the Australian Property Institute (FAPPI) and Property Male Champions of Change. He is also National President of the Property Council of Australia and a member of the Nominations Committee (Director since 14 April 2016, National Vice-President from 2017-2021, National President since 30 March 2021) and a member of the Board for NSW Rugby Union. Current listed directorships: Charter Hall Group (ASX: CHC) Charter Hall Retail REIT (ASX: CQR) Former listed directorships in the last three years: Nil	Nil	689,285

Director	Experience	Special responsibilities	Interest in securities of the REIT
Carmel Hourigan	Appointed 30 November 2020. Carmel is the Charter Hall Office CEO and brings a wealth of experience to the CHWALE Board, with more than 28 years' experience in the real estate investment industry, spanning key senior leadership positions and roles in funds management across public and private markets, investment, research and advisory services. Carmel's previous roles include the Global Head of Real Estate AMP Capital, CIO GPT Group and Head of Investment Management Lendlease. Carmel has served as a Director of the Property Council of Australia for 9 years, including Vice President. Carmel currently serves as a member of the Property Male Champions of Change group; and is a Fellow of the Australian Property Institute. Carmel is also a former member of the Trustee Board and Deputy Chancellor of Western Sydney University. Current listed directorships: Nil Former listed directorships in the last three years: Nil	Nil	10,250

Meetings of Directors

Name	Full meetings of Directors		Meetings of Audit, Risk and Compliance Committee	
	Eligible to attend	Attended	Eligible to attend	Attended
Peeyush Gupta AM	13	12	4	4
Glenn Fraser	13	13	4	4
Ceinwen Kirk-Lennox	13	13	4	4
David Harrison	13	13	-	-
Carmel Hourigan	13	13	-	-

Company secretary

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

Non-audit services

The Responsible Entity may decide to employ the auditor (PricewaterhouseCoopers) on assignments in addition to the statutory audit duties where the auditor's expertise and experience with the REIT or Finance Trust are important.

Details of the amounts paid to the auditor for audit and non-audit services provided during the year are disclosed in Note D5 to the consolidated financial statements.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit, Risk and Compliance Committee, is satisfied that the provision of the non-audit services is compliant with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out in D5 to the consolidated financial statements, did not compromise the auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit, Risk and Compliance Committee to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Accounting Professional and Ethical Standards Board APES 110 *Code of Ethics for Professional Accountants*.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 37.

Rounding of Amounts to the Nearest Thousand Dollars

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

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

Directors' authorisation

The Directors' report is made in accordance with a resolution of the Directors. The consolidated financial statements were authorised for issue by the Directors on 9 August 2022. The Directors have the power to amend and re-issue the financial statements.



Peeyush Gupta AM
Chairman

Sydney
9 August 2022



pwc

Auditor's Independence Declaration

As lead auditor for the audit of Charter Hall Long WALE REIT and Finance Trust for the year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Charter Hall Direct Industrial Fund ("DIF") and the entities it controlled during the period and LWR Finance Trust and the entity it controlled during the period (together "Charter Hall Long WALE REIT") and LWR Finance Trust and the entity it controlled during the period (together "Finance Trust").

R W McMahon
Partner
PricewaterhouseCoopers

Sydney
9 August 2022

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Consolidated statements of comprehensive income

For the year ended 30 June 2022

		Charter Hall Long WALE REIT		Finance Trust	
	Notes	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Revenue					
Property income	A1	219,611	154,431	-	-
Interest income	A1	86	171	43,763	30,168
Total revenue		219,697	154,602	43,763	30,168
Other income					
Share of equity accounted profit	B2	471,399	349,255	-	-
Net fair value gain on financial assets	B3	18	-	-	-
Net fair value gain on investment properties	B1	263,410	181,189	-	-
Net fair value gain on derivative financial instruments	C3	59,152	926	59,152	926
Foreign exchange gains		4,742	282	4,810	291
Total other income		798,721	531,652	63,962	1,217
Total revenue and other income		1,018,418	686,254	107,725	31,385
Expenses					
Property expenses		(34,053)	(23,558)	-	-
Fund management fees	D1	(26,165)	(18,084)	(234)	(141)
Finance costs	C2	(33,137)	(20,374)	(33,586)	(20,374)
Administration and other expenses		(3,785)	(2,977)	(14)	(26)
Net fair value loss on financial assets	B3	-	(198)	-	-
Acquisition and disposal related costs		(9,284)	(1,713)	-	-
Loss on debt extinguishment		-	(887)	-	(887)
Provision for rent relief*		(95)	(149)	-	-
Total expenses		(106,519)	(67,940)	(33,834)	(21,428)
Net profit for the year		911,899	618,314	73,891	9,957
Other comprehensive income		(5,537)	(366)	-	-
Total comprehensive income		906,362	617,948	73,891	9,957
Net profit and total comprehensive income attributable to:					
DIF		832,471	607,991	-	-
Stapled Trusts other than DIF		73,891	9,957	73,891	9,957
		906,362	617,948	73,891	9,957
Basic and diluted earnings / (loss) per ordinary securityholder					
Earnings per unit of parent entity (cents)	A2	123.35	111.73	(0.03)	(0.03)
Earnings per stapled security (cents)	A2	134.22	113.56	10.88	1.83

* Provision for rent free incentives relating to COVID-19 agreed after balance date.

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

Consolidated balance sheets

As at 30 June 2022

		Charter Hall Long WALE REIT		Finance Trust	
		2022	2021	2022	2021
	Notes	\$'000	\$'000	\$'000	\$'000
Assets					
Current assets					
Cash and cash equivalents		19,005	76,971	5,574	69,923
Receivables	D2	26,323	17,050	-	62
Derivative financial instruments	C3	3,539	3,818	3,539	3,818
Other assets	D2	1,662	15,361	-	-
Total current assets		50,529	113,200	9,113	73,803
Non-current assets					
Investment properties	B1	3,722,057	3,092,885	-	-
Investments accounted for using the equity method	B2	2,634,274	1,473,403	-	-
Intra-group facility receivable	C2	-	-	1,932,455	1,252,712
Investment in financial assets at fair value	B3	4,782	4,764	-	-
Derivative financial instruments	C3	70,391	3,137	70,391	3,137
Total non-current assets		6,431,504	4,574,189	2,002,846	1,255,849
Total assets		6,482,033	4,687,389	2,011,959	1,329,652
Liabilities					
Current liabilities					
Payables	D2	23,164	17,708	8,618	6,313
Distribution payable	A2	55,162	46,488	-	-
Derivative financial instruments	C3	972	233	972	233
Other liabilities	D2	6,756	6,994	-	-
Total current liabilities		86,054	71,423	9,590	6,546
Non-current liabilities					
Borrowings	C2	1,834,203	1,335,162	1,834,203	1,335,162
Derivative financial instruments	C3	103,336	1,694	103,336	1,694
Other liabilities		150	-	-	-
Total non-current liabilities		1,937,689	1,336,856	1,937,539	1,336,856
Total liabilities		2,023,743	1,408,279	1,947,129	1,343,402
Net assets / (liabilities)		4,458,290	3,279,110	64,830	(13,750)
Equity					
<i>Equity holders of DIF</i>					
Contributed equity	C4	3,271,183	2,790,095	-	-
Reserves		(5,903)	(366)	-	-
Retained profits		1,128,180	503,131	-	-
Parent entity interest		4,393,460	3,292,860	-	-
<i>Equity holders of Finance Trust</i>					
Contributed equity	C4	6,641	1,952	6,641	1,952
Retained profits / (losses)		58,189	(15,702)	58,189	(15,702)
Equity holders of Finance Trust		64,830	(13,750)	64,830	(13,750)
Total equity		4,458,290	3,279,110	64,830	(13,750)

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

Consolidated statements of changes in equity

For the year ended 30 June 2022

	Notes	Attributable to securityholders of DIF			Total \$'000
		Contributed equity \$'000	Reserves \$'000	Retained profits \$'000	
Balance at 1 July 2020		2,148,676	-	60,948	2,209,624
Total comprehensive income		-	(366)	608,357	607,991
Contributions of equity, net of issue costs	C4	641,419	-	-	641,419
Distributions provided for or paid	A2	-	-	(166,174)	(166,174)
Balance at 30 June 2021		2,790,095	(366)	503,131	3,292,860
Balance at 1 July 2021		2,790,095	(366)	503,131	3,292,860
Total comprehensive income		-	(5,537)	838,008	832,471
Contributions of equity, net of issue costs	C4	481,088	-	-	481,088
Distributions provided for or paid	A2	-	-	(212,959)	(212,959)
Balance at 30 June 2022		3,271,183	(5,903)	1,128,180	4,393,460

	Notes	Attributable to securityholders of Finance Trust			Total \$'000
		Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	
Balance at 1 July 2020		1,952	-	(25,659)	(23,707)
Total comprehensive income		-	-	9,957	9,957
Balance at 30 June 2021		1,952	-	(15,702)	(13,750)
Balance at 1 July 2021		1,952	-	(15,702)	(13,750)
Total comprehensive income		-	-	73,891	73,891
Contributions of equity, net of issue costs		4,689	-	-	4,689
Balance at 30 June 2022		6,641	-	58,189	64,830

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

Consolidated cash flow statements

For the year ended 30 June 2022

	Notes	Charter Hall Long WALE REIT		LWR Finance Trust	
		2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Cash flows from operating activities					
Property rental income received		230,452	163,116	-	-
Property expenses paid		(35,423)	(27,530)	-	-
Distributions received from investment in joint venture entities		67,985	69,385	-	-
Distributions received from investment in financial assets		-	2,885	-	-
Interest received		86	171	59	112
Other income received		771	3,849	-	-
Finance costs paid		(29,591)	(18,034)	(30,040)	(18,034)
Fund management fees paid		(28,340)	(18,043)	(278)	(102)
Administration and other expenses paid		(4,502)	(3,199)	(51)	(28)
Net GST (paid)/ received with respect to operating activities		(13,764)	(10,304)	75	(55)
Net cash flows from operating activities	A3	187,674	162,296	(30,235)	(18,107)
Cash flows from investing activities					
Payments for investment properties		(398,116)	(1,067,931)	-	-
Receipts from sale of investment property		70,764	635	-	-
Receipts from sale of financial asset		-	101,009	-	-
Payments for investments accounted for using the equity method		(346,523)	(129,739)	-	-
Draws from income support fund		-	1,527	-	-
Acquisition related costs		(9,284)	-	-	-
Advances under Intra-Group Facility Agreement		-	-	(863,103)	(1,212,611)
Repayments under Intra-Group Facility Agreement		-	-	232,196	802,531
Net cash flows from investing activities		(683,159)	(1,094,499)	(630,907)	(410,080)
Cash flows from financing activities					
Proceeds from issue of securities, net of equity raising costs*		(858)	615,754	-	-
Distributions paid to securityholders, net of DRP		(158,416)	(128,776)	-	-
Payment of interest rate swaps		(13,911)	(19,873)	(13,911)	(19,873)
Proceeds from borrowings (net of borrowing costs)		897,704	1,510,792	897,704	1,510,792
Repayment of borrowings		(287,000)	(1,007,148)	(287,000)	(1,007,148)
Net cash flows from financing activities		437,519	970,749	596,793	483,771
Net increase in cash and cash equivalents		(57,966)	38,546	(64,349)	55,584
Cash and cash equivalents at the beginning of the year		76,971	38,425	69,923	14,339
Cash and cash equivalents at the end of the year		19,005	76,971	5,574	69,923

* Proceeds from issues of security were non cash in the current financial year (refer to table below). \$857,737 equity raising costs incurred in the current financial year.

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

Non-cash financing activities

The following non-cash financing and investing activities are not reflected in the statement of cash flows:

	Note	Charter Hall Long WALE REIT		LWR Finance Trust	
		2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Distributions by the REIT during the year satisfied by the issue of stapled securities under the DRP	A2, C4	(45,869)	(25,665)	-	-
Stapled securities issued as consideration for investment property and joint venture entities		(440,766)	-	-	-

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 and Finance Trust. They are organised in four key sections:

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

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Critical accounting estimates and judgements

The preparation of the consolidated financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates and management to exercise its judgement in the process of applying the REIT's accounting policies.

The areas involving significant estimates or judgements are:

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

Coronavirus (COVID-19) impact

In preparing its financial statements the REIT has considered the current and ongoing impact that the COVID-19 pandemic has had on its business operations and upon the business operations of its tenant customers.

During the year, the COVID-19 pandemic did not have a material impact on the REIT given the REIT'S defensive, non-discretionary income profile with a total of \$136,766 in rental relief provided (30 June 2021: \$508,601).

A. REIT performance

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

Operating earnings is a financial measure which represents profit under Australian Accounting Standards adjusted for net fair value movements, non-cash accounting adjustments such as straight lining of rental income and amortisations and other unrealised or one-off items. Operating earnings includes the rental revenue recognised in respect of tenants who have been (or will be) provided with rent free incentives as a result of COVID-19. This approach is consistent with the REIT's treatment of rent free incentives provided in the ordinary course of its operations which are amortised over the term of the lease.

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

A1. Segment information

(a) Description of segments

The Directors of the Responsible Entity have determined the operating segments based on the reports reviewed by the chief operating decision maker, being the Board of the Responsible Entity. The REIT has one operating segment being its Australasian operations. Finance Trust results are not separately identified and reported, and therefore, segment information for Finance Trust is not prepared and provided to the Board.

(b) Segment information provided to the Board

The operating earnings reported to the Board for the year ended 30 June 2022 are as follows:

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Property lease revenue	209,665	147,876
Services income	9,946	6,555
Property income	219,611	154,431
Income support and development rebate	462	1,755
Non-cash adjustments	(7,131)	(3,826)
Property expenses	(34,053)	(23,558)
Net property income from wholly owned properties (NPI)	178,889	128,802
Share of operating earnings from investments accounted for using equity method	91,297	71,467
Interest income	86	171
Fund management fees	(26,165)	(18,084)
Finance costs	(33,137)	(20,374)
Administration and other expenses	(3,785)	(2,977)
Operating earnings	207,185	159,005
Weighted average number of stapled securities	679,392	544,482
Operating earnings per stapled security (cents)	30.50	29.20

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

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Net property income	293,494	221,660
Interest income	121	200
Fund management fees	(26,790)	(18,661)
Finance costs	(54,966)	(40,760)
Administration and other expenses	(4,674)	(3,434)
Operating earnings	207,185	159,005

The table below sets out the top five tenant's contribution to Net property income presented on a proportionate consolidation basis:

Tenant	2022 %	2021 %
Federal and State government	18	20
Endeavour Group (previously Woolworths Group)	18	10
Telstra	13	15
bp	10	11
Ingham's	5	6

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

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Operating earnings	207,185	159,005
Net fair value movements on investment properties ¹	625,860	454,412
Net gain on debt and derivative financial instruments ¹	82,000	5,348
Net fair value movements on investments at fair value through profit or loss	18	(198)
Straightlining of rental income, amortisation of lease fees and incentives ¹	7,543	4,607
Acquisition and disposal related costs ¹	(9,284)	(1,785)
Loss on debt extinguishment	(5,556)	(1,343)
Income support and development rebate	(462)	(1,755)
Provision for rent relief ²	(147)	(259)
Foreign exchange gains	4,742	282
Statutory profit for the year	911,899	618,314

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

² Rent free incentives relating to COVID-19 expected to be agreed after balance date.

Property lease revenue

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

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

Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the consolidated financial statements are receivable as follows:

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Less than 1 year	223,836	181,968
1 – 2 years	228,127	185,263
2 – 3 years	229,928	182,934
3 – 4 years	223,943	177,658
4 – 5 years	207,299	171,557
Over 5 years	1,582,537	1,417,293
Total	2,695,670	2,316,673

Lease modification

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

Services income

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

Property expenses

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

A2. Distributions and earnings per security**(a) Distributions paid and payable**

	Number of securities on issue entitled to distribution	2022 Cents per security	\$'000	Number of securities on issue entitled to distribution	2021 Cents per security	\$'000
Ordinary securityholders of DIF						
30 September	630,580,810	7.62	48,050	502,626,793	7.20	36,189
31 December	718,377,885	7.62	54,740	571,402,774	7.30	41,712
31 March	720,933,092	7.63	55,007	572,407,678	7.30	41,785
30 June	722,955,466	7.63	55,162	628,215,732	7.40	46,488
Total distributions		30.50	212,959		29.20	166,174

No distributions were paid or declared during the year by Finance Trust.

Pursuant to the REIT's constitutions, the amount distributed to securityholders is at the discretion of the Responsible Entity. The Responsible Entity uses operating earnings as a guide to assess an appropriate distribution to declare. Operating earnings amounted to \$207.2 million (30.5 cents per stapled security) for the year ended 30 June 2022 (2021: \$159.0 million; 29.2 cents per stapled security) and distributions of \$213.0 million (30.5 cents per stapled security) were declared for the same period (2021: \$166.2 million; 29.2 cents per stapled security).

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

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

(b) Earnings per stapled security

	Charter Hall Long WALE REIT		Finance Trust	
	2022	2021	2022	2021
Basic and diluted earnings				
Earnings per stapled security (cents)	134.22	113.56	10.88	1.83
Operating earnings of the REIT per stapled security (cents)	30.50	29.20	N/A	N/A
Earnings of the parent entity (cents)	123.35	111.73	(0.03)	(0.03)
Earnings used in the calculation of basic and diluted earnings per stapled security				
Net profit for the year (\$'000)	911,899	618,314	73,891	9,957
Net profit/(loss) of the parent entity for the year (\$'000)	838,008	608,357	(235)	(161)
Operating earnings of the REIT for the year (\$'000)	207,185	159,005	N/A	N/A
Weighted average number of stapled securities used in the calculation of basic and diluted earnings per stapled security ('000)	679,392	544,482	679,392	544,482

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

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

A3. Reconciliation of net profit to operating cash flow

	Charter Hall Long WALE REIT		LWR Finance Trust	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Profit for the year	911,899	618,314	73,891	9,957
Non-cash items				
Net fair value movements on financial assets	(18)	198	-	-
Net fair value movements on investment properties	(263,410)	(181,189)	-	-
Net fair value movements on derivative financial instruments	(59,152)	(926)	(59,152)	(926)
Share of non-operating earnings from investments accounted for using the equity method	(380,102)	(277,788)	-	-
Distributions reinvested in investments accounted for using the equity method	(22,076)	-	-	-
Straightlining of rental income and amortisation of incentives	(7,131)	(3,826)	-	-
Amortisation of borrowing costs	1,677	1,259	1,677	1,259
Loss on debt extinguishment	-	887	-	887
Provision for rent relief *	95	149	-	-
Capitalised interest on Intra-Group Facility	-	-	(43,703)	(30,056)
Foreign exchange gains	(4,742)	(282)	(4,810)	(291)
Classified as investing and financing activities				
Acquisition and disposal related costs	9,284	1,713	-	-
(Increase) / decrease in trade and other receivables	(2,858)	1,372	55	(42)
Increase / (decrease) in trade and other payables	4,208	2,415	1,807	1,105
Net cash flows from operating activities	187,674	162,296	(30,235)	(18,107)

* Rent free incentives relating to COVID-19 expected to be agreed after balance date.

B. Property portfolio assets

The REIT's property portfolio assets comprise directly held investment properties, indirectly held interests in investment property held through joint ventures and investments in financial assets at fair value. Investment properties comprise investment interests in land and buildings held for long term rental yields.

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

	Note	2022 \$'000	2021 \$'000
Investment properties	B1	3,722,057	3,092,885
Investments in joint ventures	B2	2,634,274	1,473,403
Investment in financial asset at fair value	B3	4,782	4,764
Total property portfolio assets		6,361,113	4,571,052

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

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

Costs in relation to transactions with:	Note	2022 \$'000	2021 \$'000
Investment properties		29	258
Investments in joint ventures	B2	9,255	1,455
Total		9,284	1,713

B1. Investment properties

Investment properties

Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Revaluation gains and losses are included in the consolidated statement of comprehensive income in the year in which they arise.

Assets held for sale

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

Development properties

The total cost of a development property is generally capitalised to its carrying value until development is complete. At the commencement of a development project, an estimated valuation on completion is obtained and the capitalised costs during the project are monitored against this initial valuation. Post completion, the property is externally valued with a full formal report and thereafter the stabilised asset valuation process applies. At each reporting date, the carrying values of development properties are reviewed to determine whether they are in excess of their fair value. Where appropriate, a write-down is made to reflect fair value.

Joint operations

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

(a) Valuation process

The Responsible Entity conducts an investment property valuation process on a semi-annual basis. Valuations are performed either by independent professionally qualified external valuers or by Charter Hall's internal valuers who hold recognised relevant professional qualifications. Fair value is determined using Discounted Cash Flow (DCF) and income capitalisation methods.

Each investment property is valued by an independent external valuer at least once every 12 months, or earlier, where the Responsible Entity deems it appropriate or believes there may be a material change in the carrying value of the property. Independent valuers are engaged on a rotational basis. External valuations were conducted at 30 June 2022 for 90% of the REIT's portfolio, including joint ventures.

(b) Valuation techniques and key judgements

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

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

	Fair value \$'000	Net market rent (\$ s.q.m./p.a.)	Adopted capitalisation rate (% p.a.)	Adopted terminal yield (% p.a.)	Adopted discount rate (% p.a.)
2022	3,722,057	17 - 1,269	3.00 - 7.25	3.13 - 8.00	3.50 - 8.00
2021	3,092,885	17 - 887	3.75 - 7.75	4.00 - 8.00	5.25 - 8.00

Term	Definition
Discounted Cash Flow (DCF) method	A method in which a discount rate is applied to future expected income streams to estimate the present value.
Income capitalisation method	A valuation approach that provides an indication of value by converting future cash flows to a single current capital value.
Net market rent	A net market rent is the estimated amount for which a property or space within a property should lease between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and wherein the parties have each acted knowledgeably, prudently and without compulsion. In a net rent, the owner recovers outgoings from the tenant on a pro-rata basis (where applicable).
Capitalisation rate	The return represented by the income produced by an investment, expressed as a percentage.
Terminal yield	A percentage return applied to the expected net income following a hypothetical sale at the end of the cash flow period.
Discount rate	A rate of return used to convert a future monetary sum or cash flow into present value.

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

If the capitalisation rate expanded by 25 basis points, the fair value of all wholly owned investment properties would reduce by \$192.7 million from the fair value as at 30 June 2022 (including the REIT's share of joint venture properties \$385.7 million) and if the capitalisation rate compressed by 25 basis points, the fair value would increase by \$215.0 million from the fair value as of 30 June 2022 (including the REIT's share of joint venture properties \$432.8 million).

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

Movement in the inputs is likely to have an impact on the fair value of investment properties. An increase in net market rent will likely lead to an increase in fair value. A decrease in adopted capitalisation rate, adopted terminal yield or adopted discount rate will likely lead to an increase in fair value.

(c) Reconciliation of the carrying amount of investment properties at the beginning and end of year

	2022 \$'000	2021 \$'000
Notes		
Carrying amount at the beginning of the year	3,092,885	1,852,615
Additions	402,849	992,141
Acquisition and disposal costs incurred	26,691	63,744
Disposals	(70,909)	(630)
Revaluation increment	297,232	248,850
Revaluation decrement attributable to acquisition costs, straightlining of rental income and amortisation of incentives and leasing fees	(33,822)	(67,661)
Straightlining of rental income and amortisation of incentives and leasing fees	7,131	3,826
Carrying amount at the end of the year	3,722,057	3,092,885

B2. Investment in joint venture entities

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

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

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

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

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

Information relating to the joint venture entities is detailed below:

Name of entity	Properties	2022 Ownership %	2021 Ownership %	2022 \$'000	2021 \$'000
Perth RDC Trust	Coles, Perth WA	49.9%	49.9%	178,788	162,752
LWIP	ALH (National Portfolio)	49.9%	49.9%	456,868	343,003
CH DC Fund	Woolworths, Dandenong VIC	26.0%	26.0%	97,571	82,390
Kogarah Trust	Westpac, Kogarah NSW	50.1%	50.1%	133,791	123,288
CH BBD Trust	Brisbane Bus Depot, Brisbane QLD	50.0%	50.0%	45,298	35,277
Charter Hall Exchange Wholesale Trust ("Exchange Trust")	49% in Telstra Portfolio (National Portfolio)	50.0%	50.0%	272,317	212,143
CH 242 Exhibition Street Holding Trust	242 Exhibition St, Melbourne VIC	15.0%	15.0%	76,653	68,680
Charter Hall Australian Convenience Retail Trust ("bp Aus")	49% in bp Portfolio (National Portfolio)	50.0%	50.0%	354,232	279,731
CH Dartmouth NZ Wholesale Fund ("bp NZ")	49% in bp NZ Portfolio (NZ Portfolio)	50.0%	50.0%	181,493	166,139
CH LEP Holding Trust ("CH LEP")*	ALE Portfolio (National Portfolio)	50.0%	-	837,263	-
				2,634,274	1,473,403

Note: Country of establishment of all joint venture entities is Australia.

* In late September 2021, the REIT announced that, together with a Charter Hall managed entity on behalf of Host-plus Pty Limited (Hostplus), it had entered into a Scheme Implementation Deed (SID) to acquire 100% of the securities in the ALE Property Group (ALE) for \$5.68 per security (Offer Price) subject to securityholders of ALE approving the Scheme. The REIT would acquire a 50% interest in ALE. ALE was an internally managed ASX-listed REIT that owned a portfolio of 78 pub properties leased to Endeavour Group. On 2 December 2021, ALE securityholders voted in favour of the scheme and on 17 December 2021, the REIT announced that it had successfully completed the acquisition of a 50% interest of ALE alongside Hostplus. The Offer Price of \$5.68 per security implied a portfolio purchase price (excluding debt and other net assets acquired) of \$1.624 billion (CLW 50% share: \$0.812 billion)

The REIT's share of total equity called by the CH LEP Holding Trust to fund the ALE acquisition and associated costs was \$595.9 million. The REIT issued 81.8 million stapled securities at a price of \$5.18 per stapled security for a total sum of \$423.6 million, with the remaining \$172.3 million of equity called being funded in cash. Two further equity calls totalling \$174.2 million were made subsequent to acquisition to fund the repayment of the REIT's share of ALE bank debt and \$AMTNs.

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

	2022 \$'000	2021 \$'000
Balance at the beginning of the year	1,473,403	1,067,174
Additions (including acquisition costs)	800,987	130,507
Acquisition costs written off	(8,806)	(1,455)
Share of equity accounted profit	471,399	349,255
Distributions received and receivable	(97,172)	(70,893)
Foreign exchange loss	(5,537)	(1,185)
Balance at the end of the year	2,634,274	1,473,403

(b) Summarised financial information for material joint ventures

The information presented below reflects the amounts in the financial statements of the joint ventures

	CH LEP [^]	LWIP	bp Aus	Exchange Trust	bp NZ	Perth Trust	Other trusts*	Total
2022	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Summarised balance sheet:								
Cash and cash equivalents	27,470	2,879	216	3,836	-	1,581	6,636	42,618
Other current assets	86	3,242	12,031	2,763	3,596	343	4,537	26,598
Non-current assets	1,827,135	1,288,700	1,099,462	931,343	362,985	360,000	1,723,960	7,593,585
Current liabilities	(16,993)	(12,147)	(10,535)	(3,975)	(3,596)	(3,632)	(16,098)	(66,976)
Derivative financial instruments - non-current assets	-	-	33,263	4,971	-	-	14,263	52,497
Borrowings - non-current liabilities	(163,172)	(367,107)	(425,973)	(394,304)	-	-	(489,360)	(1,839,916)
Net assets	1,674,526	915,567	708,464	544,634	362,985	358,292	1,243,938	5,808,406
REIT's share in %	50.0	49.9	50.0	50.0	50.0	49.9		
REIT's share in \$'000 and carrying value	837,263	456,868	354,232	272,317	181,493	178,788	353,313	2,634,274

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

Summarised statement of comprehensive income:

Revenue	32,252	61,503	47,231	31,729	7,306	18,871	91,715	290,607
Interest expense	(4,714)	(15,004)	(11,946)	(9,463)	-	-	(12,470)	(53,597)
Profit for the year	175,052	228,808	183,959	154,807	56,393	49,069	201,883	1,049,971
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	175,052	228,808	183,959	154,807	56,393	49,069	201,883	1,049,971
REIT's share in \$'000	77,075	114,175	91,980	77,404	28,197	24,485	58,083	471,399
REIT's share of distribution received in \$'000	13,537	18,766	17,478	17,229	7,307	8,450	14,405	97,172

[^] Statement of comprehensive income is from 17 December 2021(acquisition date) to 30 June 2022.

	CH LEP^	LWIP	bp Aus	Exchange Trust	bp NZ^	Perth Trust	Other trusts*	Total
2021	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Summarised balance sheet:								
Cash and cash equivalents	-	4,003	426	2,572	-	1,183	8,196	16,380
Other current assets	-	3,139	11,680	2,892	3,464	226	3,106	24,507
Non-current assets	-	1,066,600	986,113	804,164	332,279	327,000	1,589,500	5,105,656
Current liabilities	-	(12,823)	(9,641)	(3,719)	(3,464)	(2,252)	(16,699)	(48,598)
Derivative financial instruments - non-current liabilities	-	-	(3,765)	(749)	-	-	(4,838)	(9,352)
Borrowings - non-current liabilities	-	(373,538)	(425,350)	(380,874)	-	-	(487,875)	(1,667,637)
Net assets	-	687,381	559,463	424,286	332,279	326,157	1,091,390	3,420,956
REIT's share in %	-	49.9	50.0	50.0	50.0	49.9		
REIT's share in \$'000 and carrying value	-	343,003	279,731	212,143	166,139	162,752	309,635	1,473,403

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

Summarised statement of comprehensive income:

Revenue	-	59,049	46,388	30,441	7,301	19,441	90,486	253,106
Interest expense	-	(15,019)	(12,052)	(10,082)	-	-	(12,646)	(49,799)
Profit for the year	-	209,468	103,904	124,717	95,981	50,385	201,303	785,758
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	-	209,468	103,904	124,717	95,981	50,385	201,303	785,758
REIT's share in \$'000	-	104,525	51,952	62,359	48,006	25,142	57,271	349,255
REIT's share of distribution received in \$'000	-	17,205	17,128	10,492	3,651	8,363	14,054	70,893

^No comparative information is provided for CH LEP Holding Trust because the REIT acquired interest in this entity in the year ended 30 June 2022.

B3. Investments in financial assets at fair value

	2022 \$'000	2021 \$'000
Income support account	4,782	4,764
Total	4,782	4,764

	2022 \$'000	2021 \$'000
Balance at the beginning of the year	4,764	107,107
Withdrawals	-	(1,137)
Disposals*	-	(101,008)
Net fair value movement on investment at fair value	18	(198)
Balance at the end of the year	4,782	4,764

* Units in Waypoint REIT disposed of in the prior financial year.

B4. Commitments and contingent liabilities

As at the balance date, the REIT's capital commitments amounted to \$5.0 million (2021: \$14.7 million). The REIT had also committed \$27.8 million to fund the development at Bunnings, Caboolture QLD with expected practical completion in the first half of FY2023 (2021: \$27.8 million).

On 27 June 2022, LWIP exchanged contracts for the acquisition of Emu Hotel, Morphett Vale SA with a purchase price of \$20.4 million (REIT's share: \$10.2 million) which settled in August 2022.

The Finance Trust had no commitments as at 30 June 2022 (2021: nil).

As at 30 June 2022, the REIT and Finance Trust have no contingent liabilities (2021: nil).

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

C. Capital structure and financial risk management

The REIT's activities expose it to numerous external financial risks such as market risk, credit risk and liquidity risk. This section explains how the REIT utilises its risk management framework to reduce volatility from these external factors.

C1. Capital risk management

The REIT optimises capital through the mix of available capital sources whilst complying with statutory and constitutional capital and distribution requirements, maintaining gearing, interest cover ratios and other covenants within approved limits and continuing to operate as a going concern. The REIT assesses its capital management approach as a key part of its overall strategy and it is regularly reviewed by management and the Board.

The REIT is able to alter its capital mix by issuing new units, activating the DRP, electing to have the DRP underwritten, adjusting the amount of distributions paid, activating a unit buyback program or selling assets to reduce borrowings. The REIT has a target balance sheet gearing level of 25% to 35% of debt to total assets and its balance sheet gearing at 30 June 2022 was 29.9% (2021: 27.4%).

C2. Borrowings and liquidity

(a) Borrowings

Borrowings are initially recognised at fair value, estimated by comparing the margin on the facility to the pricing of a similar facility in the current market, and subsequently measured at amortised cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the borrowings are recognised in profit or loss over the expected life of the borrowings. All borrowings are classified as non-current liabilities as they have maturities greater than 12 months. Figures below represent both the REIT and Finance Trust.

	2022		2021	
	Total carrying amount	Fair value	Total carrying amount	Fair value
	\$'000	\$'000	\$'000	\$'000
Bank loan	1,251,806	1,236,526	640,507	641,526
Australian dollar medium term notes (A\$MTNs)*	591,755	561,036	700,325	693,039
Unamortised borrowing cost	(9,358)	-	(5,670)	-
Total	1,834,203	1,797,562	1,335,162	1,334,565
Balance available for drawing	378,194		339,493	

* Includes fair value hedge adjustment of negative \$108.2 million (2021: \$0.3 million).

Bank loans

	Maturity Date	Facility limit at 30 Jun 2022	Utilised amount at 30 Jun 2022
		\$'000	\$'000
Bilateral facility	July 2026	100,000	75,000
Bilateral facility	August 2026	200,000	75,000
Bilateral facility	November 2026	100,000	55,000
Bilateral facility	November 2026	270,000	248,000
Bilateral facility	November 2026	300,000	295,000
Bilateral facility	November 2026	310,000	273,656
Bilateral facility	November 2027	100,000	50,000
Bilateral facility	December 2027	250,000	180,150
		1,630,000	1,251,806

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

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

As part of the ALE portfolio acquisition, the Finance Trust on behalf of the REIT increased its existing bilateral balance sheet facilities by \$350.0 million and also re-set the term for a further five years commencing December 2021.

Covenants

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

- the REIT defaults on payments of interest or principal;
- interest cover ratio falls below 2.00:1;
- total liabilities to total tangible assets ratio exceeds 50%;

- priority indebtedness for non-recourse debt of the REIT over the total look through tangible assets exceeds 27.5%;
- the aggregate of priority debt and any secured finance debt exceeds \$20 million; and
- total unsecured debt over unencumbered assets of the REIT exceeds 60%.

Australian dollar medium term notes (A\$MTNs)

In March and June 2021, the Finance Trust on behalf of the REIT, issued \$700 million of fixed rate A\$MTNs comprising \$300 million 7 year notes, \$200 million 8.5 year notes and \$200 million 10 year notes.

The REIT's interest rate exposure under these notes is 100% hedged with interest rate swaps (Refer to Note C3(b)).

Intra-Group Facility Agreement

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Loans receivable under IGFA		
Charter Hall Direct Industrial Fund	1,932,455	1,252,712
	1,932,455	1,252,712

On 10 November 2016, the Finance Trust entered an Intra-Group Facility Agreement (IGFA) with DIF. This agreement expires in December 2023.

Interest rates under the IGFA are variable and reset periodically. As at 30 June 2022, the interest rate under the IGFA was 2.52% (30 June 2021: 3.27%) per annum.

As at 30 June 2022, the fair value of the loan receivable under IGFA amounted to \$1,932 million (2021: \$1,252.7 million).

Borrowing in Joint Ventures

	Maturity Date	Facility limit at 30 Jun 2022 at 100% \$'000	Facility limit at 30 Jun 2022 REIT's share \$'000
LWIP – syndicated debt facility	November 2026	100,000	49,900
LWIP – US Private Placement notes (USPP)	May 2027	200,000	99,800
LWIP – US Private Placement notes (USPP)	November 2031	110,000	54,890
CH BBD Trust – debt facility	August 2027	52,250	26,125
Exchange Trust	March 2028	97,500	48,750
Exchange Trust – A\$MTN	September 2030	300,000	150,000
242 Exhibition Street	November 2028	466,500	69,975
bp Aus	December 2024	450,000	225,000
CH LEP – CIB notes**	November 2023	163,347	81,674
		1,939,597	806,114

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

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

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

In March 2022, the Charter Hall Exchange Investment Trust, a wholly owned subsidiary of the Charter Hall Exchange Holding Trust, increased its debt facility by \$12.5 million to \$97.5 million and extended the term to March 2028 (CLW share: \$48.75 million).

In April 2022, the CH BBD Trust increased its debt facility by \$1 million to \$52.3 million and extended the term to August 2027 (CLW share: \$26.15 million).

Net debt reconciliation

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

	2021 \$'000	Fair value adjustment \$'000	Movements in borrowing costs \$'000	Movement in cash \$'000	2022 \$'000
Bank debt	640,507	(4,769)	-	616,068	1,251,806
A\$MTNs	700,325	(108,570)	-	-	591,755
Borrowing costs	(5,670)	-	(3,688)	-	(9,358)
Total borrowings	1,335,162	(113,339)	(3,688)	616,068	1,834,203
Cash	(76,971)	-	-	57,966	(19,005)
Net debt	1,258,191	(113,339)	(3,688)	674,034	1,815,198

	2020 \$'000	Fair value adjustment \$'000	Movements in borrowing costs \$'000	Movement in cash \$'000	2021 \$'000
Bank debt	832,700	(282)	-	(191,911)	640,507
A\$MTNs	-	325	-	700,000	700,325
Borrowing costs	(2,794)	-	(2,876)	-	(5,670)
Total borrowings	829,906	43	(2,876)	508,089	1,335,162
Cash	(38,425)	-	-	(38,546)	(76,971)
Net debt	791,481	43	(2,876)	469,543	1,258,191

(b) Finance costs

	Charter Hall Long WALE REIT		Finance Trust	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Finance costs incurred on financial instruments:				
- At amortised cost	40,476	20,029	40,925	20,029
- Fair value through profit and loss*	(7,339)	345	(7,339)	345
	33,137	20,374	33,586	20,374

* Interest (received) / paid under interest rate swap agreements.

C3. Derivative financial instruments

Amounts reflected in the financial statements are as follows:

Balance Sheet	2022		2021	
	Asset \$'000	Liability \$'000	Asset \$'000	Liability \$'000
Current				
Forward foreign exchange contracts	68	972	5	1
Interest rate swaps	-	-	-	232
Interest rate swaps – fair value hedges	3,471	-	3,813	-
Total current derivative financial instruments	3,539	972	3,818	233
Non-current				
Forward foreign exchange contracts	313	-	10	-
Interest rate swaps	70,078	-	2,647	-
Interest rate swaps – fair value hedges	-	103,336	480	1,694
Total non-current derivative financial instruments	70,391	103,336	3,137	1,694
Total derivative financial assets/liabilities	73,930	104,308	6,955	1,927

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

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The REIT designates certain derivatives as fair value hedges. Hedge ineffectiveness may occur due to credit/debit value adjustments and differences in critical terms between the hedging instrument and the hedged item.

(a) Interest rate swaps

The Finance Trust, on behalf of the REIT, is a party to \$795 million of interest rate swaps, which entitle the REIT to receive interest, at quarterly intervals, at a floating rate on a notional principal amount and obliges the REIT to pay interest at a fixed rate on the same amount. The interest rate and swap agreements allow the REIT to raise long-term borrowings at a floating rate and effectively swap them into a fixed rate. At 30 June 2022, the fixed rate under interest rate swaps was 0.30% per annum (2021: 0.20% per annum).

At balance date, 53.0% (2021: 53.4%) of the REIT's direct and joint venture interest rate exposure was hedged.

As part of the ALE transaction, the Finance Trust on behalf of REIT entered into \$550.0 million of new swaps agreements expiring in September 2025 and extended the swap maturity of an existing \$100.0 million to align with this expiry date.

As at 30 June 2022, the notional principal amount and period of expiry of the interest rate swap contracts (excluding designated fair value hedges) are as follows:

	1 year or less \$'000	1 - 2 years \$'000	2 - 3 years \$'000	3 - 4 years \$'000	More than 4 years \$'000	Total \$'000
Floating to fixed interest						
2022	-	45,000	550,000	200,000	-	795,000
2021	240,000	-	145,000	100,000	-	485,000

(b) Interest rate swaps – fair value hedges

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

The gain or loss relating to interest payments on interest rate swaps hedging fixed rate borrowings is recognised in profit or loss within finance costs. Changes in the fair value of derivative hedging instruments and the hedged fixed rate borrowings attributable to interest rate risk are recognised within 'Net gains/(losses) from derivative financial instruments'. The gain or loss relating to the ineffective portion is also recognised in profit or loss within 'Net gains/(losses) from derivative financial instruments'.

The effects of hedge accounting on the REIT's financial position and performance are as follows:

	2022 \$'000	2021 \$'000
Carrying amount of the hedging instrument	(99,865)	2,599
Notional amount	700,000	700,000
Maturity date	Match A\$MTNs	Match A\$MTNs
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instruments since 1 July / inception	(102,122)	1,146
Change in value of hedged item used to determine hedge effectiveness	108,570	(1,567)

Summary of interest rate swap movements

	2021 \$'000	Fair value movement \$'000	2022 \$'000
A\$MTNs	(700,000)	-	(700,000)
Fair value hedge adjustment	(325)	108,570	108,245
Total A\$MTN exposure	(700,325)	108,570	(591,755)
Interest rate swaps	(1,214)	(102,122)	(103,336)
Accrued interest on swaps	3,813	(342)	3,471
Total interest rate swaps	2,599	(102,464)	(99,865)
Net A\$MTN exposure	(697,726)	6,106	(691,620)

	Inception \$'000	Fair value movement \$'000	2021 \$'000
A\$MTNs	(700,000)	-	(700,000)
Fair value hedge adjustment	1,242	(1,567)	(325)
Total A\$MTN exposure	(698,758)	(1,567)	(700,325)
Interest rate swaps	(2,360)	1,146	(1,214)
Accrued interest on swaps	-	3,813	3,813
Total interest rate swaps	(2,360)	4,959	2,599
Net A\$MTN exposure	(701,118)	3,392	(697,726)

(c) Forward foreign exchange contracts

The REIT entered into forward foreign exchange contracts to sell New Zealand dollars and receive Australian dollars with a total notional amount of NZ\$8.8 million to hedge foreign exchange exposure on distribution income from the bp New Zealand portfolio.

In June 2022, the REIT has entered into two forward foreign exchange contracts to repay the NZD denominated debt in July 2022 with a notional amount of NZ\$179.8 million (buy) and hedge the carrying value of the REIT's 50% equity interest in the bpNZ joint venture with a notional amount of NZD\$190.0 million (sell) once the debt was repaid in July 2022.

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

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

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

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.

C4. Contributed equity

Details	No. of Securities	Charter Hall Long WALE REIT		Finance Trust	
		2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Securities on issue – 1 July 2020	489,111,617	-	2,148,676	-	1,952
Securities issued via equity raise, net of issue costs	133,651,227	-	615,754	-	-
Securities issued via DRP	5,452,888	-	25,665	-	-
Securities on issue – 30 June 2021	628,215,732	2,790,095	2,790,095	1,952	1,952
Securities issued as consideration for acquisitions, net of issue costs	85,501,280	435,219	-	4,689	-
Securities issued via DRP	9,238,454	45,869	-	-	-
Securities on issue – 30 June 2022	722,955,466	3,271,183	-	6,641	-
Balance at the end of the period attributable to the securityholders of:					
DIF	722,955,466	3,271,183	2,790,095	-	-
Finance Trust	722,955,466	6,641	1,952	6,641	1,952

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

Each stapled security confers the right to vote at meetings of securityholders, subject to any voting restrictions imposed on a securityholder under the *Corporations Act 2001* and the Australian Securities Exchange Listing Rules.

Distribution reinvestment plan (DRP)

The REIT has established a Distribution Reinvestment Plan (DRP) under which securityholders may elect to have all or part of their distribution entitlements satisfied by the issuance of new securities rather than being paid in cash. The DRP was active for the September, December and March quarters. On 27 June 2022, the REIT announced that the DRP was not active for the June 2022 quarter distribution.

The DRP issue price is determined at a discount of 1.0% to the daily volume weighted average price of all securities traded on the ASX during the 10 business days commencing on the third business day following the distribution record date. During the year, the REIT raised \$45.9 million from the DRP (2021: \$25.7 million).

Securities issued as consideration for acquisitions

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

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

C5. Financial risk management

The REIT's principal financial instruments comprise cash and cash equivalents, receivables, investments in financial assets at fair value, investments accounted for using the equity method, payables, interest bearing liabilities and derivative financial instruments.

The table below shows the REIT's exposure to a variety of financial risks and the various measures it uses to monitor exposures to these types of risks. The REIT manages its exposure to these financial risks in accordance with the REIT's Financial Risk Management (FRM) policy as approved by the Board. The policy sets out the REIT's approach to managing financial risks, the policies and controls utilised to minimise the potential impact of these risks on its performance and the roles and responsibilities of those involved in the management of these financial risks. Derivative financial instruments are used exclusively for hedging purposes and not for trading or speculative purposes.

Other than financial instruments, the REIT is exposed to property price risk including property rental risks.

Risk	Definition	Exposure	Exposure management
Market risk – Interest rate risk	The risk that changes in interest rates will change the fair value or cash flows of the REIT's monetary assets and liabilities.	Cash and borrowings at fixed and floating rates.	Interest rate swaps are used to hedge movements in interest rates.
Market risk – foreign exchange risk	The risk that changes in foreign exchange rates will change the Australian dollar value of the REIT's foreign denominated net assets or earnings.	Investment in foreign operations denominated in NZ Dollars.	The investment is fully funded via NZ Dollar denominated debt, creating an economic hedge. Income from foreign operations are hedged via forward exchange contracts.
Liquidity risk	The risk the REIT has insufficient liquid assets to meet its obligations as they become due and payable.	Payables, borrowings and other liabilities.	Maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.
Credit risk	The risk a contracting entity will not complete its obligations under a contract and will cause the REIT to make a financial loss.	All financial assets including tenant receivables.	Performing credit reviews on prospective tenants, obtaining tenant collateral and detailed review of tenant arrears. Review the aggregate exposure of receivables and tenancies across the portfolio. Limiting the credit exposure to any financial institution and limiting to investment grade counterparties. Monitoring the public credit rating of counterparties.

(a) Market risk – Interest rate risk

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

	Charter Hall Long WALE REIT		Finance Trust	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Fixed rate				
Borrowings	700,000	700,325	700,000	700,325
Borrowings - joint venture entities ¹	386,363	249,800	-	-
Net fixed rate exposure	1,086,363	950,125	700,000	700,325
Floating rate				
Cash	(19,005)	(76,971)	(5,574)	(69,923)
Cash - joint venture entities ¹	(20,073)	(7,068)	-	-
Loans receivable	-	-	(1,932,455)	(1,252,712)
Borrowings	1,251,806	640,507	1,251,806	640,507
Borrowings - joint venture entities ¹	382,253	432,891	-	-
	1,594,981	989,359	(686,223)	(682,128)
Derivative financial instruments				
Interest rate swaps - fixed to floating ²	700,000	700,000	700,000	700,000
Interest rate swaps - floating to fixed ²	(795,000)	(485,000)	(795,000)	(485,000)
Interest rate swaps - floating to fixed - joint venture entities ^{1&2}	(318,000)	(345,445)	-	-
Net floating rate exposure	1,181,981	858,914	(781,223)	(467,128)

¹ The REIT's share of financial assets and liabilities included within its net investments in joint venture entities.

² The amounts represent the notional principal payable under the derivative contracts.

Sensitivity analysis

The table below reflects the potential net increase/(decrease) in profit and equity, resulting from changes in Australian interest rates applicable at 30 June 2022, with all other variables remaining constant. The change in interest payable on the REIT's and Finance Trust's floating rate interest bearing liabilities, is partially offset by changes in the fair value of derivative financial instruments hedging this exposure.

	Charter Hall Long WALE REIT				2021	
	2022				2021	
	Interest expense	Net gain/(loss) from derivative financial instruments	Profit and loss	Other comprehensive income	Profit and loss	Other comprehensive income
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Australian interest rates						
+ 1%	(11,820)	25,437	13,617	-	10,730	-
- 1%	11,820	(26,336)	(14,516)	-	(11,567)	-

	Finance Trust				2021	
	2022				2021	
	Interest expense	Net gain/(loss) from derivative financial instruments	Profit and loss	Other comprehensive income	Profit and loss	Other comprehensive income
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Australian interest rates						
+ 1%	(7,812)	18,043	10,231	-	12,528	-
- 1%	7,812	(18,656)	(10,844)	-	(12,819)	-

Sensitivity analysis presented above does not take into account impact of changes in interest rates on inflation rate, market capitalisation rate and property values, which together with other external factors, may also influence operating earnings and statutory profit of the REIT and Finance Trust in the future periods.

(b) Market risk – foreign exchange risk

The table below sets out the REIT and Finance Trust's overseas investments, by currency (AUD equivalent):

	Charter Hall Long WALE REIT NZ Dollar exposure		Finance Trust NZ Dollar exposure	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Assets				
Cash and cash equivalents	24	582	-	-
Receivables	1,809	1,550	-	-
Investments accounted for using the equity method	181,493	166,139	-	-
Derivative financial instruments ¹	381	-	381	15
	183,707	168,271	381	15
Liabilities				
Derivative financial instruments	972	-	972	-
Borrowings	162,307	166,507	162,307	166,507
	163,279	166,507	163,279	166,507
Net assets/(liabilities)	20,428	1,764	(162,898)	(166,492)

¹ The amounts represent the notional principal payable under the derivative contracts.

Sensitivity analysis

A strengthening/weakening of New Zealand dollar against Australian dollar would have decreased/increased profit and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. A negative amount in the table reflects a potential reduction in profit or equity while a positive amount reflects a net potential increase.

	Charter Hall Long WALE REIT Profit		Finance Trust Profit	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
NZD +10%	2,043	176	(16,290)	(16,649)
NZD -10%	(2,043)	(176)	16,290	16,649
	-	-	-	-

(c) Liquidity risk

The following table provides the contractual maturity of the REIT's and Finance Trust's fixed and floating rate financial liabilities and derivatives as at balance date. The amounts represent the future contractual undiscounted principal and interest cash inflows/(outflows) based on interest rates and foreign exchange rates prevailing at balance date and therefore do not equate to the value shown in the consolidated balance sheet. Repayments which are subject to notice are treated as if notice were given immediately.

	Charter Hall Long WALE REIT				
	Carrying value \$'000	Less than 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
2022					
Financial liabilities					
Payables	(23,164)	(23,164)	-	-	(23,164)
Distribution payable	(55,162)	(55,162)	-	-	(55,162)
Borrowings	(1,834,203)	(61,480)	(1,332,321)	(977,490)	(2,371,291)
Derivative financial instruments	(104,308)	9,429	(22,050)	(37,263)	(49,884)
Other liabilities	(6,906)	(6,756)	(90)	(60)	(6,906)
Total financial liabilities	(2,023,743)	(137,133)	(1,354,461)	(1,014,813)	(2,506,407)

2021					
Financial liabilities					
Payables	(17,708)	(17,708)	-	-	(17,708)
Distribution payable	(46,488)	(46,488)	-	-	(46,488)
Borrowings	(1,335,162)	(30,059)	(697,299)	(834,157)	(1,561,515)
Derivative financial instruments	(1,927)	(243)	1,662	(9,287)	(7,868)
Other liabilities	(6,994)	(6,994)	-	-	(6,994)
Total financial liabilities	(1,408,279)	(101,492)	(695,637)	(843,444)	(1,640,573)

	Finance Trust				
	Carrying value \$'000	Less than 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
2022					
Financial liabilities					
Payables	(8,618)	(8,618)	-	-	(8,618)
Borrowings	(1,834,203)	(61,480)	(1,332,321)	(977,490)	(2,371,291)
Derivative financial instruments	(104,308)	9,429	(22,050)	(37,263)	(49,884)
Total financial liabilities	(1,947,129)	(60,669)	(1,354,371)	(1,014,753)	(2,429,793)

2021					
Financial liabilities					
Payables	(6,313)	(6,313)	-	-	(6,313)
Borrowings	(1,335,162)	(30,059)	(697,299)	(834,157)	(1,561,515)
Derivative financial instruments	(1,927)	(243)	1,662	(9,287)	(7,868)
Total financial liabilities	(1,343,402)	(36,615)	(695,637)	(843,444)	(1,575,696)

(d) Credit risk

The maximum exposure to credit risk at the end of each reporting period is equivalent to the carrying value of the financial assets. The REIT has policies to review the aggregate exposures of receivables and tenancies across its portfolio. As at 30 June 2022, the REIT has no significant concentrations of credit risk on its receivables.

The table below shows the ageing analysis of those rent receivables of the REIT which are past due or impaired:

	Past due but not impaired				Total \$'000
	Less than 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	More than 90 days \$'000	
2022					
Rent receivable	2,097	962	74	806	3,939
Provision for expected credit losses	-	-	-	-	(387)
2021					
Rent receivable	196	100	96	1,198	1,590
Provision for expected credit losses	-	-	-	-	(462)

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

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

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

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

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

The deferral of lease payments offered to tenants has not had a material impact on the REIT's cash inflows from operations.

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

C6. Offsetting financial assets and liabilities

The REIT is a party to the master agreement as published by International Swaps and Derivatives Associates, Inc. (ISDA) which allow the REIT's counterparties, under certain conditions (i.e. event of default), to set off the position owing/receivable under a derivative contract to a net position outstanding. As the REIT does not have a legally enforceable right to set off, none of the financial assets or financial liabilities are offset on the balance sheet of the REIT.

The table below demonstrates the effect of offsetting positions should the REIT's counterparties decide to enforce the legal right to set-off:

Consolidated entity	Gross amounts of financial instruments \$'000	Amounts subject to set-off \$'000	Net amount post set-off \$'000
2022			
Derivative assets	73,930	(73,930)	-
Derivative liabilities	(104,308)	73,930	(30,378)
Borrowings	(1,843,561)		(1,843,561)
	(1,873,939)	-	(1,873,939)
2021			
Derivative assets	6,955	(1,927)	5,028
Derivative liabilities	(1,927)	1,927	-
Borrowings	(1,340,832)	-	(1,340,832)
	(1,335,804)	-	(1,335,804)

D. Further information

D1. Related Party Information

(a) Responsible Entity

The Responsible Entity of the REIT and Finance Trust is Charter Hall WALE Limited, a wholly owned controlled entity of Charter Hall. The registered office of the Responsible Entity is Level 20, No.1 Martin Place, Sydney NSW 2000.

(b) Directors

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

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

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

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

The Responsible Entity and its related parties held 77,184,757 stapled securities as at 30 June 2022 (2021: 70,704,197).

The following is a summary of related party transactions including the REIT's share of fees charged to joint ventures for the year ended 30 June 2022:

		Charter Hall Long WALE REIT			
		Basis of fee calculation		Fee amount	
		2022	2021	2022	2021
Type of fee	Basis of fee calculation	\$'000	\$'000	\$'000	\$'000
Base management*	0.45% of average gross assets	5,953,333	4,146,875	26,790	18,661
Acquisition	1% of acquisition price	1,198,633	1,108,618	11,985	11,086
Property management	Up to 3% of gross property income	311,892	204,326	3,486	2,492
Accounting services	Cost recovery	N/A	N/A	974	769
Leasing fees	% gross average annual rent based on a sliding fee scale	4,052	3,189	162	538
Project management fees	3% of the project value	8,462	2,093	199	69
Facility management fee	Annual charge per property	-	-	201	152
Other cost recoveries	Cost recovery	N/A	N/A	282	178
				44,079	33,945

* Includes the REIT's share of \$624,780 paid by 242 Exhibition Trust (2021: \$576,831).

Type of fee	Basis of fee calculation	Finance Trust			
		Basis of fee calculation		Fee amount	
		2022	2021	2022	2021
		\$'000	\$'000	\$'000	\$'000
Base management	0.45% of average gross assets	52,066	31,333	234	141

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

	Charter Hall Long WALE REIT		Finance Trust	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Charter Hall Holdings Pty Limited	2,249	1,807	-	-
	2,249	1,807	-	-

(e) Key management personnel

Key management personnel (KMP) are defined in AASB 124 *Related Party Disclosures* as those having authority and responsibility for planning, directing and controlling the activities of the entity. The Responsible Entity meets the definition of KMP as it has this authority in relation to the activities of the REIT and Finance Trust. These powers have not been delegated by the Responsible Entity to any other person. Details of management fees charged to the REIT by the Responsible Entity and its related parties are included in Note D1(c).

(f) Directors' fees and Fund Manager remuneration

Independent Directors' fees are as follows:

	2022	2021
	\$'000	\$'000
Peeyush Gupta AM	210,000	147,085
Glenn Fraser	155,000	105,055
Ceinwen Kirk-Lennox	140,000	99,805
	505,000	351,945

The level of fees is not related to the performance of the REIT and Finance Trust. The Board of the Responsible Entity reviews remuneration payable to its Independent Directors from time to time. Remuneration of Independent Directors is approved by the Board and any increases are benchmarked to market rates.

The Executive Directors of the Responsible Entity and Fund Manager of the REIT and Finance Trust are employees of Charter Hall Holdings Pty Ltd and are remunerated by Charter Hall Holdings Pty Ltd.

(g) Directors' interests in REIT stapled securities

The number of stapled securities held directly, indirectly or beneficially by the Directors of the Responsible Entity or the Directors' related parties at 30 June is as follows:

	Stapled securities held	Stapled securities held
	2022	2021
Peeyush Gupta AM	397,676	397,676
Glenn Fraser	76,721	76,721
Ceinwen Kirk-Lennox	60,341	56,803
David Harrison	689,285	471,555
Carmel Hourigan	10,250	-
Total	1,234,273	1,002,755

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

	Stapled securities acquired 2022	Stapled securities acquired 2021
Peeyush Gupta AM	-	29,683
Glenn Fraser	-	12,821
Ceinwen Kirk-Lennox	3,538	15,039
David Harrison	217,730	68,968
Carmel Hourigan	10,250	-
Total	231,518	126,511

No stapled securities of the REIT were sold by the Directors of the Responsible Entity or their related parties during the year.

D2. Working capital

Financial assets and liabilities not carried at fair value have carrying values that reasonably approximate their fair values.

(a) Receivables and other assets

	Charter Hall Long WALE REIT		Finance Trust	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Receivables				
Trade receivable	3,939	1,590	-	-
Provision for expected credit loss	(387)	(462)	-	-
Net rent receivable	3,552	1,128	-	-
Accrued income and other receivables	1,540	1,674	-	62
Distributions receivable from joint ventures*	21,231	14,248	-	-
	26,323	17,050	-	62

*Distributions received in the corresponding July

Other Assets

Deposits and costs related to the purchase of properties	500	13,868	-	-
Prepayments	1,162	1,493	-	-
	1,662	15,361	-	-

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

(b) Payables and other liabilities

	Charter Hall Long WALE REIT		Finance Trust	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Payables				
Accrued expenses	6,526	4,081	18	-
Accrued base management fee	2,249	1,807	26	44
Accrued capital expenditure	5,864	5,134	-	-
Interest payable	7,677	5,807	7,677	5,807
GST payable	848	417	-	-
Other	-	462	897	462
	23,164	17,708	8,618	6,313
Other liabilities				
Unearned income	6,756	6,994	-	-
	6,756	6,994	-	-

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the REIT. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as

current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

D3. Parent entity information

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

Investments in controlled entities

Investments in controlled entities and joint ventures are accounted for at cost in the financial statements of the parent entity. Such investments include both investments in equity securities issued by the controlled entity and other parent entity interests that in substance form part of the parent entity's investment in the controlled entity. These include investments in the form of interest-free loans which have no fixed contractual term and which have been provided to the controlled entity as an additional source of long-term capital.

Distributions received from controlled entities and joint ventures are recognised in the parent entity's statement of comprehensive income, rather than being deducted from the carrying amount of these investments.

Receivables and payables

Trade amounts receivable from controlled entities in the normal course of business and other amounts advanced on commercial terms and conditions are included in receivables. Similarly, amounts payable to controlled entities are included in payables.

Recoverable amount of assets

The carrying amounts of investments in controlled entities, associates and joint ventures are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying value exceeds their recoverable amount, the assets are written down to the lower value. If required, the write-down is expensed in the year in which it occurs.

(a) Summary financial information

The individual financial statements for the parent entities show the following aggregate amounts:

	Parent entity of Charter Hall Long WALE REIT		Parent entity of Finance Trust	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Balance Sheet				
Current assets	573,223	499,777	4,848	410
Non-current assets	4,509,408	3,466,119	2,500	2,500
Total assets	5,082,631	3,965,896	7,348	2,910
Current liabilities	397,323	326,996	1,516	1,532
Non-current liabilities	1,932,769	1,261,092	-	-
Total liabilities	2,330,092	1,588,088	1,516	1,532
Equity				
Contributed equity	3,271,183	2,790,095	6,641	1,952
Accumulated losses	(518,644)	(412,287)	(809)	(574)
Total equity	2,752,539	2,377,808	5,832	1,378
Statement of comprehensive income				
Profit for the year	211,781	163,129	(235)	(161)
Total comprehensive income	211,781	163,129	(235)	(161)

(b) Guarantees and contingent liabilities

The parent entities did not have any contingent liabilities, either individually or as a class, at 30 June 2022 (2021: \$nil).

(c) Commitments

The parent entities did not have any commitments as at 30 June 2022 (2021: \$nil).

D4. Significant contract terms and conditions

Pre-emptive rights

The joint-ownership agreements to which the REIT is a party contain pre-emptive rights which restrict the REIT's dealings in respect of its interest in the respective co-owned trust or the co-owned property. In particular, where the REIT wishes to deal with its interests in a co-owned trust or property, each other co-owner will have a pre-emptive right over the REIT's interests, other than in limited circumstances (for example, by way of a permitted transfer to a member of the REIT's Securityholder or owner group).

A number of joint-ownership agreements also contain:

- tag-along options, pursuant to which the REIT may be required to take reasonable steps, if it wishes to sell its interest in a co-owned trust or co-owned property, to cause one or more of the other co-owners' interests to be acquired on substantively the same terms;
- drag along rights, pursuant to which a co-owner may require the REIT to sell its interests in a co-owned trust if the co-owner wishes to sell its interest and the REIT has not exercised its pre-emptive;
- provisions under which a default sale process may be triggered on a change of control event, including where the Responsible Entity is replaced with an entity that is not a related body corporate of the Responsible Entity, with the default sale process giving the other co-owners a right to acquire the REIT's interests at the relevant default interest value; and
- dispute resolution procedures which provide for the sale of the relevant property in circumstances where a co-owner does not acquire the other co-owners' interests.

D5. Remuneration of the auditor

	Charter Hall Long WALE REIT		Finance Trust	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Amounts paid or payable to PricewaterhouseCoopers Australian firm for:				
Audit services	450	440	38	50
Amounts paid or payable to related practices of PricewaterhouseCoopers Australian firm for:				
Taxation compliance services	2	1	-	-
	452	441	38	50

D6. Interest in other entities

Material subsidiaries

The REIT's and Finance Trust's principal subsidiaries at 30 June 2022 are set out below. Unless otherwise stated, they have contributed equity consisting solely of ordinary units that are held directly by the parent entity, and the proportion of ownership interests held equals the voting rights held by the parent entity.

Name of entity	Country of incorporation / Place of business	Ownership interest held by the REIT		Principal activities
		2022	2021	
<u>Charter Hall Direct Industrial Fund</u>				
CHDIF Altona North Trust	Australia	100%	100%	Property Investment
CHDIF Kingsgrove Trust	Australia	100%	100%	Property Investment
CHDIF Hoppers Crossing Trust	Australia	100%	100%	Property Investment
CHDIF Kingston Holding Trust	Australia	100%	100%	Holding Trust
CHDIF Kingston Trust	Australia	100%	100%	Property Investment
CHDIF Beverley Holding Trust	Australia	100%	100%	Holding Trust
CHDIF Beverley Trust	Australia	100%	100%	Property Investment
CHDIF Perth Holding Trust	Australia	100%	100%	Holding Trust
CHDIF Perth Airport Trust	Australia	100%	100%	Property Investment
LWR LWIP Holding Trust	Australia	100%	100%	Holding Trust
LWR LWIP Investment Trust	Australia	100%	100%	Property Investment
Suez Portfolio Trust	Australia	100%	100%	Property Investment
CH Direct VA Trust	Australia	100%	100%	Property Investment
LWR Bunnings Trust	Australia	100%	100%	Property Investment
LWR Truganina Trust	Australia	100%	100%	Property Investment
LWR Canning Vale Trust	Australia	100%	100%	Property Investment
CPOF Kogarah Trust	Australia	100%	100%	Property Investment
LWR Tank Street Trust	Australia	100%	100%	Property Investment
LWR Club Hotel Waterford Trust	Australia	100%	100%	Property Investment
LWR Optima Centre Trust	Australia	100%	100%	Property Investment
LWR George Street Trust	Australia	100%	100%	Property Investment
Charter Hall Chester Hill Trust	Australia	100%	100%	Property Investment
LWR AL Holding Trust	Australia	100%	100%	Holding Trust
LWR AL Trust	Australia	100%	100%	Property Investment
LWR BBD Trust	Australia	100%	100%	Holding Trust
LWR Mort Street Trust	Australia	100%	100%	Property Investment
LWR Franklin Street Trust	Australia	100%	100%	Property Investment
LWR Murray Rose Trust	Australia	100%	100%	Property Investment
LWR Exchange Trust	Australia	100%	100%	Holding Trust
LWR UMG Trust	Australia	100%	100%	Property Investment
LWR Palmerston Trust	Australia	100%	100%	Property Investment
LWR 242 Exhibition Trust	Australia	100%	100%	Holding Trust
LWR Dartmoor Trust	Australia	100%	100%	Holding Trust
LWR 61 Huntingwood Drive Trust	Australia	100%	100%	Property Investment
LWR Macquarie Park Trust	Australia	100%	100%	Property Investment
LWR Caboolture Trust	Australia	100%	100%	Property Investment
LWR Dartmouth NZ Trust	Australia	100%	100%	Holding Trust
LWR Redbank Plain Trust	Australia	100%	100%	Property Investment
LWR 76 Pitt Street Trust	Australia	100%	100%	Property Investment
LWR DJ Trust	Australia	100%	100%	Property Investment
CLW Albury Trust	Australia	100%	100%	Property Investment
CLW Alexandria Trust	Australia	100%	100%	Property Investment
CLW Boxhill Trust	Australia	100%	100%	Property Investment
CLW Tuggeranong Trust	Australia	100%	100%	Property Investment
LWR Baldivis Trust	Australia	100%	-	Property Investment
LWR Carole Park Trust	Australia	100%	-	Property Investment
LWR BSM Trust	Australia	100%	-	Property Investment
LWR Brendale Trust	Australia	100%	-	Property Investment
LWR 74 Pitt Street Trust	Australia	100%	-	Property Investment
LWR Wetherill Park Trust	Australia	100%	-	Property Investment
Larapinta Unit Trust	Australia	100%	-	Property Investment
LWR LEP Trust	Australia	100%	-	Holding Trust

LWR Finance Trust

Charter Hall LWR Limited	Australia	100%	100%	Provision of finance
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D7. Events occurring after balance date

Post the reporting date, LWIP settled on the acquisition of Emu Hotel, Morphett Vale SA for a purchase price of \$20.4 million (REIT's share: \$10.2 million).

Post the reporting date, the REIT entered into a \$650.0 million interest rate swap agreement commencing in September 2022 and expiring in June 2024 at an average rate of 1.5% over the term of the swap at a cost of \$21.6 million.

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

D8. Other significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the requirements of the REIT's and Finance Trust's constitutions, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. The REIT and Finance Trust is a for-profit entity for the purpose of preparing the consolidated financial statements. The consolidated financial statements are presented in Australian dollars, which is the REIT's and Finance Trust's functional and presentation currency.

Compliance with IFRS

The consolidated financial statements of the REIT and Finance Trust also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except derivative financial instruments, investments in financial assets held at fair value, assets held for sale and investment properties, which have been measured at fair value.

Net current asset deficiency

At 30 June 2022, the REIT has a net deficiency of current assets over current liabilities of \$35.5 million (30 June 2021: \$41.8 million net current asset surplus). At 30 June 2022, the Finance Trust has a net deficiency of current assets over current liabilities of \$0.5 million (30 June 2021: \$67.3 million net current asset surplus). The REIT and Finance Trust will be able to meet their day-to-day working capital requirements from readily accessible credit facilities of \$378.2 million and operating cashflows.

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

(b) Principles of consolidation

Stapling

The Charter Hall Long WALE REIT is a 'stapled' entity comprising Charter Hall Direct Industrial Fund ('DIF') and its controlled entities, and LWR Finance Trust ('Finance Trust') and its controlled entities. The units in DIF are stapled to the units in Finance Trust. The stapled securities are listed on the Australian Securities Exchange and cannot be traded or dealt with separately. The two entities comprising the stapled group remain separate legal entities in accordance with the *Corporations Act 2001*, and are each required to comply with the reporting and disclosure requirements of Accounting Standards and the *Corporations Act 2001*. As permitted by ASIC Corporations (Stapled Group Reports) Instrument 2015/838, this financial report is a combined financial report that presents the consolidated financial statements and accompanying notes of both DIF and Finance Trust.

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

Under AASB 3 *Business Combinations* and AASB 10 *Consolidated Financial Statements*, one of the stapled entities of a stapled structure is to be identified as the parent entity for the purpose of preparing a consolidated annual financial report. In accordance with this requirement, DIF has been identified as the parent entity.

The results and equity of Finance Trust have been treated and disclosed as non-controlling interests in the consolidated financial statements of the REIT. Whilst the results and equity of Finance Trust are disclosed as non-controlling interests, the stapled securityholders of DIF are the same as the stapled securityholders of Finance Trust.

Controlled entities

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

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

(c) Foreign currency translation

(i) Functional and presentation currencies

Items included in the financial statements of each of the REIT's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Australian dollars, which is the REIT's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(d) Comparative information

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

(e) Rounding of amounts

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

(f) Changes in accounting standards

No new accounting standards or amendments have come into effect for the year ended 30 June 2022 that affect the REIT's operations or reporting requirements.

Directors' declaration to stapled Securityholders

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

- a the consolidated financial statements and notes set out on pages 38 to 71 are in accordance with the *Corporations Act 2001*, including:
 - i complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii giving a true and fair view of the REIT's and LWR Finance Trust's financial position as at 30 June 2022 and of their performance for the year ended on that date; and
- b there are reasonable grounds to believe that the REIT and LWR Finance Trust will be able to pay their debts as and when they become due and payable.

Note D8(a) confirms that the consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given declarations by the Fund Manager, who performs the Chief Executive Officer function, and the Head of Finance, who performs the Chief Financial Officer function, required by section 295A of the *Corporations Act 2001*.

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



Peeyush Gupta AM

Director

Sydney

9 August 2022



Independent auditor's report

To the stapled securityholders of Charter Hall Long WALE REIT and the unitholders of LWR Finance Trust Report on the audit of the financial report

Our opinion

In our opinion:

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

- (a) giving a true and fair view of the REIT's and Finance Trust's financial positions as at 30 June 2022 and of their financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The REIT and Finance Trust financial reports comprise:

- the consolidated balance sheets as at 30 June 2022
- the consolidated statements of comprehensive income for the year then ended
- the consolidated statements of changes in equity for the year then ended
- the consolidated cash flow statements for the year then ended
- the notes to the consolidated financial statements, as contained in the "About this report" section, which include significant accounting policies and other explanatory information
- the directors' declaration to stapled securityholders.

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

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

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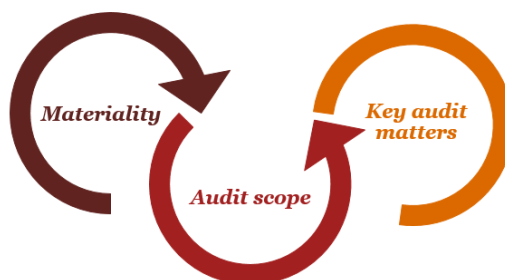
Independence

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

Our audit approach

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

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



Materiality

- We calculated materiality for the REIT and Finance Trust and applied the lower of these two materiality amounts in the audit of both the REIT and Finance Trust. For the purpose of our audit we used overall quantitative materiality of \$10.4 million, which represents approximately 5% of the REIT's operating earnings.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose operating earnings (which is an adjusted profit metric) as the benchmark because, in our view, it is the benchmark against which the performance of the REIT is most commonly measured and is a generally accepted benchmark within the industry. We selected 5% threshold based on our professional judgement and noting it is within the range of acceptable quantitative materiality thresholds.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.



Audit Scope

- Our audit focused on where the REIT and Finance Trust made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- We identified separate components of the REIT being its equity accounted investments and the REIT. We established an audit strategy for each component.
- The audit work performed at the component level, together with the additional audit procedures performed at the REIT level provided us with sufficient evidence for our opinion on the financial reports as a whole.
- In all of our audits, we also address the risk of management override of internal controls, including whether there was evidence of bias by the directors that may represent a risk of material misstatement due to fraud.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties, including those investment properties held in joint ventures accounted for using the equity method - Charter Hall Long WALE REIT <i>(Refer to About this report section and Note B)</i> The REIT's investment property portfolio is predominantly comprised of industrial, retail, office and agrilogistic investment properties. At 30 June 2022 the carrying value of the REIT's total investment property portfolio (excluding investment properties held in equity accounted investments) was \$3,722 million (2021: \$3,093 million), refer to Note B1. The carrying value of the REIT's joint venture vehicles that also hold investment properties is \$2,634 million (2021: \$1,473 million) refer Note B2. In measuring the fair value of investment properties, the REIT applied the principles of accounting for investment properties at fair value	We assessed the REIT's process for valuing investment properties. This included discussing, with management, the key drivers affecting the value of the investment property portfolio such as, significant leasing activity, capital expenditure and vacancies impacting the portfolio. We inspected a selection of independent property market reports and held discussions with PwC Real Estate experts to develop an understanding of prevailing market conditions and their expected impact on the REIT's investment properties. We assessed the design and tested the operating effectiveness of certain controls supporting the REIT's investment property valuation process. We assessed the scope, competence, capability and objectivity of external valuation



pwc

Key audit matter	How our audit addressed the key audit matter
under Australian Accounting Standards and applied the valuation methodology described in Note B of the financial report. We considered this a key audit matter because of the: • Financial significance of the investment property balances in the REIT's consolidated balance sheet. • Financial significance of revaluation gains that directly impact the REIT's consolidated statement of comprehensive income through the net fair value gain on investment properties. • Inherently subjective nature of investment property valuations such as prevailing market conditions, the individual nature and location and comparable sales evidence for each property. • Estimation uncertainty exists with respect to the key inputs and assumptions used by the REIT in developing fair value estimates including capitalisation rates and discount rates.	experts engaged by the REIT. Where external valuations were obtained by the REIT, we: • read a selection of the relevant valuation reports and agreed a sample of the fair values to the REIT's accounting records • selected a sample of key data inputs to the valuations and agreed to supporting documentation. For example, we agreed a sample of rental income in valuations to lease agreements. For a sample of properties which were assessed at greater risk of material misstatement, we performed the following procedures to assess the appropriateness of significant assumptions used in the REIT's assessment of fair value, we: • assessed the appropriateness of the methodology adopted against the Australian Accounting Standards and the mathematical accuracy of valuations. • assessed the appropriateness of certain significant assumptions, including comparing the capitalisation rates and discount rates to market data, including comparable transactions, where possible. • held discussions with certain external valuation firms to develop an understanding of their processes, judgements and observations. We assessed the reasonableness of the REIT's disclosures in the financial report against the requirements of Australian Accounting Standards.



Key audit matter	How our audit addressed the key audit matter
Hedge accounting- Finance Trust (Refer to About this report section and Note C) The Finance Trust issued two tranches of unsecured medium term fixed notes (MTN's) with a principal amount of \$700m in the prior year. Concurrently the Finance Trust entered into interest rate swaps (IRS's) with matching maturity dates in order to mitigate the fair value risk associated with the market interest rate. The Finance Trust entered into a fair value hedge accounting relationship in accordance with Australian Accounting Standards for the MTN (hedging item) and IRS (hedging instrument). We considered the hedging relationship to be a key audit matter because of the audit effort involved to assess the continued appropriateness of the application of the hedge accounting relationship in accordance with Australian Accounting Standards, including auditing the revaluation of the IRS hedging instruments.	We evaluated the designation and documentation of the fair value hedge relationship and the expected prospective hedging effectiveness at inception. This included assessing the hedge documentation for compliance with Australian Accounting Standards. In addition we: • Inspected journals on a sample basis and compared the terms of the hedging instrument to the hedged item to assess whether there was an economic relationship consistent with the Finance Trust's risk management strategy. • Assessed if the fair value of the IRS's was appropriate by engaging PwC valuation experts to independently revalue the derivatives. We assessed the reasonableness of the Finance Trust's disclosures in the financial report in light of the requirements of Australian Accounting Standards. In particular, we considered the disclosures made in Note C to the consolidated financial statements which explains the hedging relationship.

Other information

The directors of CHWALE Limited, the Responsible Entity of Charter Hall Direct Industrial Fund and LWR Finance Trust (the directors) are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2022, but does not include the financial reports and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Director's Report. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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

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



pwc

Responsibilities of the directors for the financial reports

The directors of CHWALE Limited are responsible for the preparation of the financial reports 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 determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial reports, the directors are responsible for assessing the ability of the REIT and Finance Trust to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the REIT and Finance Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial reports

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

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

PricewaterhouseCoopers

R W McMahon
Partner

Sydney
9 August 2022

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Fund Manager remuneration

Avi Anger, Fund Manager CLW

Fund Manager's Total Target Remuneration is structured as a mixture of fixed and variable 'at-risk' Short Term Incentive (STI) and Long Term Incentive (LTI) components. While Fixed Annual Remuneration (FAR) is designed to provide a base level of remuneration, the 'at-risk' STI and LTI components align the employee's performance with Fund objectives and long-term Charter Hall Securityholder interests.

STI

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

Role	Financial	Customer	Culture, Leadership and Collaboration
Overall Weighting	50%	30%	20%
KPIs	- Deliver CLW OEPS target of no less than 30.5 cents per security for FY22 - Enhance CLW portfolio WALE to ensure resilience against external factors - Drive a focus on strategic COVID risks throughout the portfolio - Demonstrate ESG progress with a focus on onsite and offsite renewables as part of Net Zero Carbon pathway - Drive focus on strategic and operational risk management across the portfolio	- Positive feedback from institutional investors on fund manager performance and CLW, including acting on any improvement areas noted in the Greenwich Investor Survey - Customer retention and positive feedback - Management of reputational risks in decision making associated with customer issues - Implement GRESB improvement pathway for CLW	- Development of key talent, including a clear succession plan for Fund Manager, CLW - Maintain high levels of employee engagement and retention through inclusive leadership and a focus on well-being - Industry leadership via active participation in PCA and Listed REIT forums

For FY22, 75% of the STI award will be delivered in cash and 25% deferred into CLW units as service rights. These service rights are deferred over two years, with 50% vesting at the end of year one (on 31 August 2023) and 50% at the end of year two (31 August 2024).

Effective FY22, following a CHC Board review, the methodology for determining the number of mandatorily deferred STI service rights will be on a face value basis, calculated on the Volume Weighted Average Price (VWAP) for the month of June 2022. A cash payment, equivalent to cash distributions declared to the Securityholders during the vesting period, will be paid to the Fund Manager. This will only be payable on the rights that vest at the end of the relevant vesting period.

LTI

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

- Charter Hall Group's aggregate operating earnings per security (OEPS) growth - 50% of LTI allocation
- Charter Hall Group's relative total securityholder return (TSR) - 50% of LTI allocation

More details are provided under section 6.5 of the Charter Hall Group's Remuneration Report within the 2022 Annual Report.

Securityholder analysis

Distribution of equity stapled Securityholders

as at 21 July 2022

Range	Stapled securities held	% of issued stapled securities	No. of holders
100,001 and Over	554,969,277	76.76	186
10,001 to 100,000	102,996,300	14.25	4,521
5,001 to 10,000	36,203,972	5.01	4,979
1,001 to 5,000	26,785,990	3.71	9,382
1 to 1,000	1,999,927	0.28	4,576
Total	722,955,466	100.00	23,644
Unmarketable parcels	37,468	0.01	859

Substantial Securityholder notices

as at 22 July 2022

Ordinary securities	Date of change	Stapled securities held	% securities held
Macquarie Group Limited ('MQG')	1 July 2022	37,429,894	5.18
State Street Corporation	27 June 2022	46,522,269	6.44
Vanguard Group	22 December 2021	55,075,657	7.67
Blackrock Group	11 January 2021	35,281,641	6.17
Charter Hall Limited	29 September 2020	59,688,288	11.87

Top 20 registered equity Securityholders

as at 21 July 2022

Rank	Name	A/C designation	Stapled securities held	%IC of issued securities
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED		182,344,697	25.22
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED		109,136,604	15.10
3	TRUST COMPANY LIMITED	<CHARTER HALL CO-INVEST A/C>	77,184,757	10.68
4	CITICORP NOMINEES PTY LIMITED		42,513,780	5.88
5	NATIONAL NOMINEES LIMITED		27,538,554	3.81
6	BNP PARIBAS NOMS PTY LTD	<DRP>	22,536,889	3.12
7	NETWEALTH INVESTMENTS LIMITED	<WRAP SERVICES A/C>	7,103,561	0.98
8	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD	<DRP A/C>	6,844,710	0.95
9	ENDEAVOUR GROUP LIMITED		5,957,813	0.82
10	CITICORP NOMINEES PTY LIMITED	<COLONIAL FIRST STATE INV A/C>	5,807,015	0.80
11	BNP PARIBAS NOMINEES PTY LTD	<AGENCY LENDING DRP A/C>	3,875,544	0.54
12	PIVOT GROUP PTY LTD		3,172,585	0.44
13	BNP PARIBAS NOMINEES PTY LTD	<PITCHER PARTNERS DRP>	2,712,697	0.38
14	ORDA INVESTMENTS PTY LIMITED		2,559,140	0.35
15	ARTMAX INVESTMENTS LIMITED		2,545,171	0.35
16	AUSTRALIAN EXECUTOR TRUSTEES LIMITED	<NO 1 ACCOUNT>	1,858,634	0.26
17	AUSTRALIAN EXECUTOR TRUSTEES LIMITED	<IPS IOOF EMPLOYER SUPER A/C>	1,708,580	0.24
18	NAVIGATOR AUSTRALIA LTD	<MLC INVESTMENT SETT A/C>	1,534,921	0.21
19	ONE MANAGED INVESTMENT FUNDS LTD	<CHARTER HALL MAXIM PROPERTY SEC>	1,450,000	0.20
20	CHARTER HALL WSALE MNGT LTD		1,376,306	0.19
Total			509,761,958	70.51
Balance of register			213,193,508	29.49
Grand total			722,955,466	100.00

Investor information

How do I invest in Charter Hall Long WALE REIT?

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

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

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

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

Can I receive my Annual Report electronically?

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

How do I receive my distribution?

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

The REIT no longer pays distributions by cheque.

Can I reinvest my distribution?

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

Do I need to supply my Tax File Number?

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

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

At the end of each financial year, we issue Securityholders with an Annual Taxation Statement. This statement includes information required to complete your tax return. The quarterly distributions paid are required to be included in your tax return for the financial year the income was earned, that is, the distribution income paid in August 2022 should be included in your 2022 financial year tax return.

How do I make a complaint?

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

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

Australian Financial Complaints Authority

GPO Box 3
Melbourne VIC 3001

Phone 1800 931 678

Email info@afca.org.au

Web www.afca.org.au

Contact details

Registry

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

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

Phone 1300 303 063 (within Australia)
+61 2 8280 7134 (outside Australia)

Email charterhall.reits@linkmarketservices.com.au

Web linkmarketservices.com.au

Investor Relations

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

Charter Hall WALE Limited
GPO Box 2704
Sydney NSW 2001

Phone 1300 365 585 (within Australia)
+61 2 8651 9000 (outside Australia)

Email reits@charterhall.com.au

Web charterhall.com.au

Corporate directory

Responsible Entity and Manager

Charter Hall WALE Limited
ABN 20 610 772 202
AFSL 486721

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

Directors of the Responsible Entity

Peeyush Gupta AM (Chair), Ceinwen Kirk-Lennox,
Glenn Fraser, David Harrison and Carmel Hourigan

Fund Manager

Avi Anger

Company Secretary

Mark Bryant | Rebekah Hourigan

Responsible Entity's office

Level 20, No.1 Martin Place
Sydney NSW 2000

GPO Box 2704
Sydney NSW 2001

Phone 1300 365 585 (within Australia)
+61 2 8651 9000 (outside Australia)

Email reits@charterhall.com.au

Web charterhall.com.au/clw

ASX code CLW

Auditor

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

Important information

This report comprises Charter Hall Direct Industrial Fund and its controlled entities (together referred to as Charter Hall Long WALE REIT, REIT or CLW). The REIT was formed upon the stapling of the units of the two Australian registered schemes listed below (collectively referred to as the Stapled Trusts): Charter Hall Direct Industrial Fund (DIF) and its controlled entities (ARSN 144 613 641); LWR Finance Trust (Finance Trust) and its controlled entities (ARSN 614 713 138); and Charter Hall WALE Limited ABN 20 610 772 202; AFSL 486721 (CHWALE) is the Responsible Entity of the Stapled Trusts and is a controlled entity of Charter Hall Limited ABN 57 113 531 150 (Charter Hall). This report is not intended to be and does not constitute an offer or a recommendation to acquire any securities in the REIT. This report does not take into account the personal objectives, financial situation or needs of any investor. Before investing in REIT securities, you should consider your own objectives, financial situation and needs and seek independent financial, legal and/or taxation advice. Historical performance is not a reliable indicator of future performance. Due care and attention has been exercised in the preparation of forward looking statements. However, any forward looking statements contained in this report are not guarantees or predictions of future performance and, by their very nature, are subject to uncertainties and contingencies, many of which are outside the control of CHWALE and its entities. Actual results may vary materially from any forward looking statements contained in this report. Readers are cautioned not to place undue reliance on any forward looking statements. Except as required by applicable law, CHWALE and its related entities do not undertake any obligation to publicly update or review any forward looking statements, whether as a result of new information or future events. The receipt of this report by any person and any information contained herein or subsequently communicated to any person in connection with the REIT is not to be taken as constituting the giving of investment, legal or tax advice by the REIT nor any of its related bodies corporate, directors or employees to any such person. Neither the REIT, its related bodies corporate, directors, employees nor any other person who may be taken to have been involved in the preparation of this report represents or warrants that the information contained in this report, provided either orally or in writing to a recipient in the course of its evaluation of the REIT or the matters contained in this report, is accurate or complete. CHWALE does not receive fees in respect of the general financial product advice it may provide; however, it will receive fees for operating the REIT which, in accordance with the REIT's constitutions, are calculated by reference to the value of the assets. Controlled entities of Charter Hall may also receive fees for managing the assets of, and providing resources to, the REIT. Charter Hall and its related entities, together with their officers and directors, may hold securities in the REIT from time to time. All information herein is current as at 30 June 2022 unless otherwise stated. All references to dollars (\$) or A\$ are to Australian Dollars unless otherwise stated.

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