Annual Report 2014

Charter Hall Group

Contents

Annual General Meeting

The 2014 Annual General Meeting will be held at Charter Hall's Sydney office:

Level 20, No.1 Martin Place, Sydney on Wednesday, 12 November 2014 at 2.30pm.

Cover:
No.1 Martin Place, Sydney NSW

Corporate Governance Statement

Our commitment to corporate governance

Charter Hall Group (comprising Charter Hall Limited and the Charter Hall Property Trust, listed jointly on the ASX as a stapled security) (the Group or Charter Hall) is committed to delivering strong and sustainable returns (through property investment) to securityholders and investors. The Board of Charter Hall recognises the importance of good governance in achieving these corporate objectives and in discharging its responsibilities to all stakeholders of the Group.

Charter Hall's governance framework, as summarised in this Statement, has been designed to ensure that the Group is effectively managed, that the statutory obligations are met, and that Charter Hall's culture of corporate integrity is reinforced. Due consideration has been given to the *Corporate Governance Principles and Recommendations (2nd Edition)* published June 2010 by the ASX Corporate Governance Council, (ASX Corporate Governance Principles), and any departure from these Principles is noted below. The Board intends to fully adopt the *Corporate Governance Principles and Recommendations (3rd Edition)* (published July 2014) in 2015.

This Statement provides a summary of the key governance practices in place and (unless stated otherwise) which were followed throughout the financial year ended 30 June 2014.

Charter Hall's key corporate policies can be found on its website at www.charterhall.com.au

Corporate governance foundations

Roles of the Board and management

ASX Corporate Governance Principle 1.1 – Companies should establish functions reserved to the board and those delegated to senior executives and disclose those functions.

The Board of Charter Hall is committed to effectively representing and promoting the Group, and thereby adding long-term value to all securityholders. The Board is accountable to securityholders for the management of Charter Hall's business and affairs and as such is responsible for the overall strategy, governance and performance of the Group.

To clarify the roles and responsibilities of directors and management, and to assist the Board in discharging its responsibilities, Charter Hall has established a governance framework which sets out the functions reserved to the Board and provides for the delegation of functions to Board Committees and management. Those functions and responsibilities reserved to the Board are set out in the Board Charter, which is available to view in the 'Corporate Governance' section of Charter Hall's website.

The Board has delegated day-to-day management functions to the Joint Managing Directors and senior executives, who are required to work within authority limits and delegations set out in a 'Delegations of Authority' document. This document is approved by the Board, and is an internal working document.

Non-executive directors have been appointed under a formal letter which sets out the key terms and conditions of that appointment. Each Joint Managing Director has a formal job description and letter of appointment which sets out his/her duties and obligations, rights and responsibilities and entitlements.

Corporate Governance Statement
continued

Governance framework

The diagram below summarises Charter Hall's governance framework, including the functions reserved for the Board and those carried out by the standing Board Committees.

Charter Hall Board

The Board formally delegates certain functions to Board Committees and to Management via formal Board and Committee charters.

The Board directly retains responsibility for a range of matters including:

- overseeing the Group's strategic direction;
- monitoring the operational and financial position and performance of the Group;
- overseeing the Group's risk management framework;
- setting the financial and informational reporting requirements from management to the Board;
- reporting to securityholders and the ASX;
- monitoring the effectiveness of and compliance with policies governing the operation of the Group;
- reviewing and approving the annual operating budgets;
- determining dividend policy and approving dividends;
- approving decisions concerning the capital of the Group; and
- overseeing and evaluating the performance of the Joint Managing Directors and other senior executives in the context of the Group's strategies and objectives.

Investment Committee

The IC considers matters as referred to it/delegated to it by the Board which may include from time to time the approval of the following:

- acquisitions/disposals of entities or assets on behalf of the Group in accordance with the relevant delegated authority;
- capital raisings by the Group;
- underwriting of transactions or capital raisings by Group managed funds;
- smaller related party transactions;
- due diligence reports prepared by external advisers; and
- disclosure documents for capital raisings by funds managed by the RE.

Audit, Risk and Compliance Committee

Key functions:

To oversee and review:

- the internal control and accountability systems;
- the financial reporting process, including significant accounting issues and judgements;
- the appointment and performance of the Auditor, including the scope and effectiveness of audits;
- the internal systems of risk management and control (ensuring that material business risks are identified); and
- compliance processes to meet legislative and regulatory requirements.

Remuneration and Human Resources Committee

Key functions:

To review and make recommendations on:

- the Group's Human Resources strategy;
- criteria for reviewing the performance of the Joint Managing Directors (JMDs);
- remuneration framework and policy for senior executives;
- fixed annual remuneration and incentive outcomes for senior executives;
- incentive plans for all employees;
- any other remuneration matters that relate to executives; and
- remuneration policies and fees for Non-Executive Directors (NEDs) and Committee members.

Nomination Committee

Key functions:

To review and make recommendations on:

- Board size and composition;
- criteria for Board membership;
- appointment and re-election of directors; and
- Board succession.

Valuations Committee

The Committee:

- assesses the proposed Directors valuations and review independent valuations for each asset within the Group's managed funds, together with supporting evidence such as independent valuations and internally prepared valuations supported by market evidence;
- monitors the practices of the executives in terms of valuation policy set by the Committee, in particular rotation of valuers, timing of Independent valuations and the weighting towards 30 June valuations versus other end dates; and
- prepares and inform the Audit, Risk and Compliance Committee about the Valuation Committee policies and procedures.

Joint Managing Directors

Chief Financial Officer

Other senior executives

Company Secretary

Risk management framework

Board Committees

The Board has established three standing Board Committees to assist the Board in the execution of its responsibilities. Each Committee operates under a specific charter, which can be found in the 'Corporate Governance' section of Charter Hall's website.

In accordance with its respective charter, each Board Committee must have at least three non-executive members, be comprised of a majority of 'independent' directors, and be chaired by an 'independent' non-executive director. Director independence is discussed on page 5 of this statement.

During the reporting period, the membership of each Board Committee was as follows:

Board Committee	Membership
Audit, Risk and Compliance Committee	David Deverall (Chair), Anne Brennan, Kerry Roxburgh
Remuneration and Human Resources Committee	Anne Brennan (Chair), Colin McGowan, Peter Kahan, Phil Garling
Nomination Committee	Kerry Roxburgh (Chair), David Deverall, Peter Kahan

The membership of the Board Committees will change from time to time, depending on the needs of the Board and the directors' rotation policy.

Following the appointment of David Clarke to the Board on 10 April 2014, the membership of each of the Board Committee was revised to the following:

Board Committee	Membership
Audit, Risk and Compliance Committee	David Deverall (Chair), Anne Brennan, Kerry Roxburgh, David Clarke
Remuneration and Human Resources Committee	Anne Brennan (Chair), Colin McGowan, Peter Kahan, Phil Garling
Nomination Committee	Kerry Roxburgh (Chair), David Deverall, Peter Kahan

The number of Board and Board Committee meetings held during the reporting period and the number of meetings that were attended by each of the directors is presented in the Directors' Report on page 22 of this Annual Report.

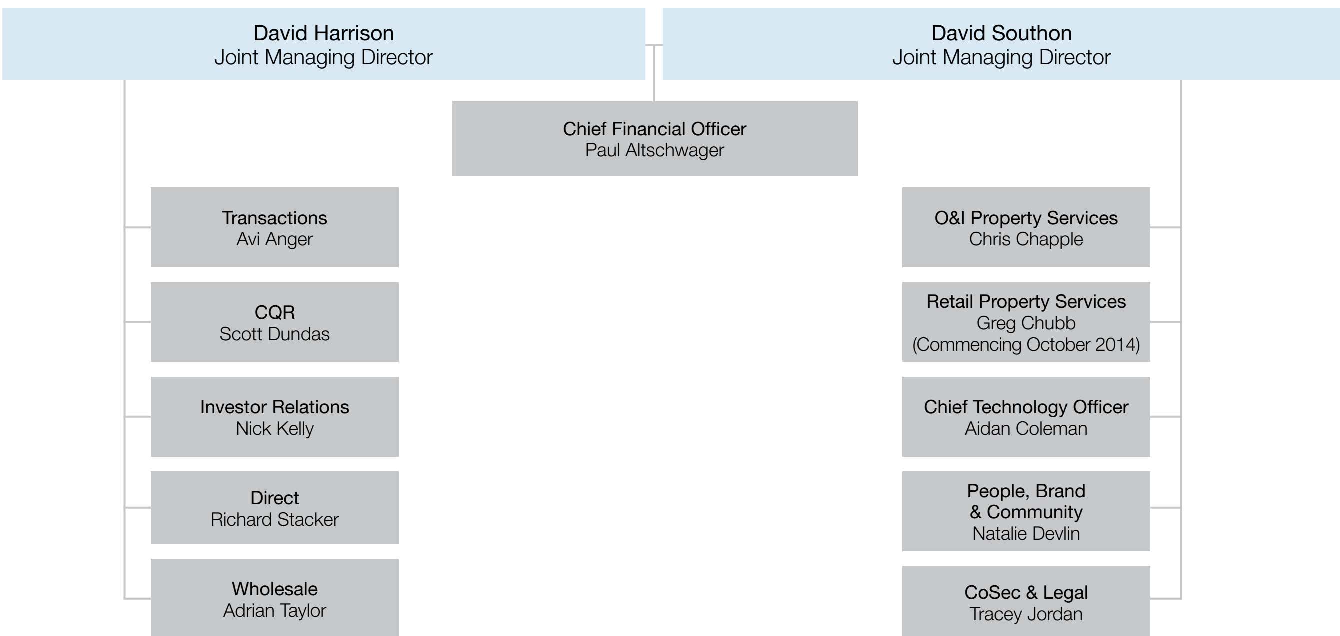
Management

The Board has delegated the responsibility for day-to-day management of the Group to the Joint Managing Directors, who are assisted by an executive management team. The diagrams below present the executives who report to the Joint Managing Directors.

David Harrison has specific responsibility for the investment management divisions of the Group and David Southon has specific responsibility for the service divisions of the Group as outlined below, and both share responsibility for the CFO.

The Joint Managing Directors must consult with the Chairman on any matters which the Joint Managing Directors consider is of such a sensitive, extraordinary or strategic nature as to warrant attention of the Board, regardless of value.

The authorisation thresholds for the control of expenditure and capital commitments have been established and are defined in the Group's internal 'Delegations of Authority' document.



Corporate Governance Statement
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Performance of senior executives

The Group defines its senior executives as the Joint Managing Directors and its executive management team, some of whom are also Key Management Personnel (KMPs) as defined in the Remuneration Report, which forms part of the Directors' Report.

A combination of financial and non-financial key performance indicators (KPIs) are used to monitor senior executive performance. Details of the KPIs used for the Joint Managing Directors in FY14 are set out in the Remuneration Report on page 29 in this Annual Report.

The individual performance of the Joint Managing Directors is formally assessed on an annual basis by the Board. All KPIs are carefully considered by the Remuneration and Human Resources Committee, which evaluates each Joint Managing Director's performance and makes recommendations to the Board.

Executives reporting to the Joint Managing Directors are assessed annually against financial and non-financial KPIs. This assessment is undertaken by either or both of the Joint Managing Directors depending on the reporting lines. Executive performance results are reported to the Board.

This performance evaluation process was in place and was followed for the reporting period.

Each senior executive has a formal job description and letter of appointment which sets out his/her duties and obligations, rights and responsibilities and entitlements.

Senior executives are provided with access to continuing education to update and enhance their skills and knowledge.

An induction program exists for new senior executives to ensure he/she gains an understanding of the Group's financial position, strategies, operations and risk management policies, as well as the responsibilities and roles of the Board and management.

Board structure

ASX Corporate Governance Principle 2 – Structure the Board to add value.

Charter Hall aims to maintain a Board that comprises directors with a broad range of skills, expertise and experience who are able to effectively understand and manage the issues arising in Charter Hall's business activities, review and challenge the performance of management and optimise the Group's performance.

Throughout the reporting period, the Board was comprised of two executive directors and at least six non-executive directors. Of those six non-executive directors, a majority were independent directors. David Clarke was appointed to the Board as a non-executive and independent director on 14 April 2014, and at the conclusion of the 2014 AGM will be elected as successor to the Chairman, Kerry Roxburgh, who has notified the Board of his intention to retire.

Name	Position	Independent (Yes/No)	Appointed
Kerry Roxburgh	Chairman, Non-Executive Director	Yes	12 April 2005
Anne Brennan	Non-Executive Director	Yes	6 October 2010
David Deverall	Non-Executive Director	Yes	7 May 2012
David Clarke	Non-Executive Director	Yes	10 April 2014
David Harrison	Joint Managing Director, Executive Director	No	30 August 2006
Peter Kahan	Non-Executive Director	No	1 October 2009
Colin McGowan	Non-Executive Director	Yes	6 April 2005
David Southon	Joint Managing Director, Executive Director	No	30 August 2006
Phil Garling	Non-Executive Director	Yes	25 February 2013

Details of the background, particular qualifications, expertise and period of service of each director are set out in the Directors' Report on pages 18 to 21 of this Annual Report.

The Chairman of the Board

The Chairman is responsible for leadership of the Board and for the efficient organisation and conduct of the Board's functioning. The Chairman seeks effective contribution of all directors and promotes constructive and respectful relations between directors, and between the Board and management.

Director independence

ASX Recommendation 2.1 – A majority of the board should be independent directors.

The Board considers that a director is independent if he/she is independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of unfettered and independent judgement. The Board evaluates the materiality of any interests or relationships that could be perceived to compromise independence on a case by case basis, having regard to the circumstances of each director.

Directors are expected to be meticulous in their disclosure of any material personal or family contract or relationship. Directors must also strictly adhere to constraints on their participation and voting in relation to matters in which they may have an interest, in accordance with the Corporations Act and the Group's policies.

The Board regularly assesses whether directors are independent, and each director is required to provide information relative to this assessment. It is noted that David Harrison and David Southon, due to their employment by the Group in an executive capacity, are not independent. In addition, Peter Kahan is considered not to be independent due to his role as executive deputy chairman and director of The Gandel Group, a substantial securityholder of Charter Hall.

Independent decision making

Directors are entitled to seek independent professional advice at the expense of the Group as required in the furtherance of their duties and in relation to their functions (including their Board Committee functions), subject to the estimate of costs being first approved by the Chairman as reasonable.

Non-executive directors of the Board meet regularly without management present, in order to consider matters independently of management.

Nomination Committee

ASX Recommendation 2.4 – The board should establish a nomination committee.

The Nomination Committee reviews and, where appropriate, makes recommendations to the Board on the size and composition of the Board, including assessment of necessary and desirable competencies of Board members. The Committee's Charter is available to view under the 'Corporate Governance' section of Charter Hall's website.

The Committee has adopted composition and membership criteria for the Board. A majority of the directors on the Board must be 'independent'. Directors are to encompass an appropriate range of qualifications and expertise. Directors nominated for election require approval of the Board.

Also, guidelines have been adopted for director selection and nomination to the Board. Foremost is integrity, particular expertise (sector and functional) and the degree to which he/she complements the skill set of the existing Board members, his/her reputation and standing in the market and, in the case of prospective independent directors, the actual and perceived independence from Charter Hall.

Presently, the Board and the Nomination Committee have developed a Board skills matrix. This matrix is used to identify any gaps in the skills and experience of the directors on the Board for the purposes of identifying the search and assessment criteria for new directors.

The Committee's current membership is set out on page 3 of this statement and the independence of the members is provided on page 4 of this statement. Details of the Committee's meetings for the reporting period, and the attendance by members, are provided on page 22 of this Annual Report.

Board performance

ASX Recommendation 2.5 – Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

The following structures are in place to support the Group's Directors in performing their duties:

- an induction program for new directors on the Board;
- a formal annual performance self-assessment of the Board, Board Committees, and individual directors; and
- access by directors to continuing education to ensure that their skills and knowledge are updated and enhanced.

The procedure for evaluating Board performance requires each independent director to complete an annual performance evaluation. This is submitted to an independent party who collates and provides summarised and anonymous results to the Chairman, who then distributes the results to the full Board. During the financial year ended 30 June 2014, an external consulting firm was engaged for this process. Based on the results of the survey and the Chairman's feedback, the Board as a whole discusses and analyses Board and Committee performance during the year, including suggestions for change or improvement.

To ensure that directors are well placed to discharge their duties effectively, they are provided Board reports in advance of Board meetings which contain sufficient information to enable informed discussion of all agenda items.

Access to information

The Joint Managing Directors, senior executives and the Company Secretary supply the Board with regular reports and information to enable the Board to discharge its duties. Directors are entitled to request additional information where they consider such information is necessary to make informed decisions.

Independent professional advice

Directors are entitled to obtain independent professional advice at the cost of the Group.

Corporate Governance Statement
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Company Secretary

The Company Secretary plays an important role in supporting the effectiveness of the Board by monitoring that Board policy and procedures are followed, and co-ordinating the timely completion and dispatch of the Board agenda and briefing material.

All directors have access to the Company Secretary.

The appointment and removal of the Company Secretary is a matter for decision by the Board as a whole.

The Company Secretary is accountable to the Board, through the Chairman, on all governance matters.

Ethical and responsible decision making

ASX Corporate Governance Principle 3 – Promote ethical and responsible decision-making

ASX Recommendation 3.1 – Companies should establish a code of conduct and disclose the code or a summary of the code as to: the practices necessary to maintain confidence in the company's integrity; the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Charter Hall has adopted a Code of Conduct which is periodically reviewed and endorsed by the Board. The Code of Conduct forms the basis for ethical behaviour by staff and is the framework that provides the foundation for maintaining and enhancing the Group's reputation. The objective of the Code is to ensure that directors, other stakeholders and the broader community can be confident that the Group conducts its affairs honestly and in accordance with ethical values and practices.

The Code sets the standards for dealing ethically with employees, investors, customers, regulatory bodies and the financial and wider community. In addition to this, in order to deal specifically with responsibility and accountability of individuals for reporting and investigating reports of unethical behaviour, the Group has adopted a Fraud Risk Management Policy.

Staff are trained regularly on matters pertaining to ethical behaviour in the workplace. Topics covered during the year ended 30 June 2014 included key aspects of the Code of Conduct, as well as Bullying and Harassment training, and WHS training tailored for our Retail employees.

The Fraud Risk Management Policy and a summary of Charter Halls' Code of Conduct are available to view under the 'Corporate Governance' section of Charter Hall's website.

Managing conflicts

Charter Hall has implemented a governance framework to safeguard the interests of investors in the investment vehicles, which at times may conflict with those of Charter Hall as sponsor of related vehicles. As part of this framework, the Group has established a Related Party Transactions Policy and Conflicts Protocol for identifying and managing conflicts.

The Policy provides guidance on the management of conflicts of interest arising between Charter Hall-managed vehicles and their related parties and requires that:

- related party transactions are identified and conducted on arm's length terms;
- related party transactions are tested by reference to whether they meet market standards; and
- decisions about transactions between Charter Hall-managed vehicles and Charter Hall or its affiliates are made by independent members of the Board or Investment Committees (where they have been appointed).

The Group has also established protocols for the Board in identifying and managing conflicts, including that:

- Board members declare their interests as required under the Corporations Act, ASX Listing Rules and other general law requirements;
- Board members with a material personal interest in a matter are not to be present at a Board meeting during the consideration of the matter and subsequent vote unless the Board (excluding the relevant Board member) resolves otherwise; and
- Board members with a conflict not involving a material personal interest may be required to absent themselves from the relevant deliberations of the Board.

The Policy is available to view under the 'Corporate Governance' section of Charter Hall's website.

The Group also has a conflicts protocol for dealing with competing deals (e.g. acquisitions, leasing). Such deals may arise out of the fact that Charter Hall is also the manager of other listed and unlisted vehicles and the Group may transact with them from time to time, or share staff or information with other Charter Hall companies or managed vehicles.

Personal conflicts that might arise generally for directors and staff are covered by the Code of Conduct referred to above.

Securities trading

The Group has adopted a Securities Trading Policy which regulates the manner in which directors, senior executives and staff involved in the management of the Group can deal in Charter Hall securities. The Policy specifies the periods in which personal trading is not permitted, the restrictions that apply to directors and senior executives, and the procedures for obtaining prior clearance for trading (when a blackout is not in effect).

Staff compliance with the Policy is monitored under Charter Hall's risk management framework. The Policy is subject to annual review by the Board, and has been lodged with the ASX.

The Securities Trading Policy is available to view under the 'Corporate Governance' section of Charter Hall's website.

Sustainability

Charter Hall is committed to playing a leading role in achieving a sustainable future, and the Board has adopted a Sustainability Policy which forms the basis for integrating environmental and social governance issues into the Group's activities. This Policy is available to view under the 'About Us' section of Charter Hall's website. In addition, Charter Hall's sustainability objectives are outlined on page 16 of Charter Hall's Securityholder Review.

Diversity

ASX Recommendation 3.2 – Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.

ASX Recommendation 3.3 – Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

ASX Recommendation 3.4 – Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

The Board is committed to fostering a diverse and inclusive workforce in pursuit of the achievement of Charter Hall's corporate goals. Charter Hall considers diversity in the workplace as respecting and valuing differences based on a wide range of personal characteristics including gender, age and ethnicity, as well as diversity of thought and background.

Charter Hall believes that people with different experiences, backgrounds and perspectives can provide unique viewpoints and innovative solutions from which the business can benefit. In particular, the promotion of greater gender diversity broadens the pool for recruitment of high quality directors and employees, is likely to support employee retention, encourage greater innovation, and allows the Group to connect with its diverse client base, provides it with a balanced perspective, and is a socially and economically responsible governance practice.

The Board has adopted a Diversity and Inclusion Policy, which is available to view under the 'Corporate Governance' section of Charter Hall's website. This Policy contains the overriding objectives to increase the percentage of women in leadership and business related roles and to promote a culture that values diversity, inclusion and flexibility. To achieve these objectives, Charter Hall has put in place a strategy based around four key pillars. Achievements against the strategy in respect of the financial year ended 30 June 2014 are summarised in the table below.

Management has established a diversity committee comprising senior executives within the Group and chaired by the Head of Direct Property. The aim of this committee is to implement the diversity strategy and objectives of the Board.

FY14 Achievements:

Pillar	Objectives	Achievements
Flexible working – to mainstream flexibility in a way that directly links business performance, productivity and sustainability with workforce well-being and sustainability.	• Design and implement New Way of Working (NWOW) promoting flexibility, collaboration and engagement	• Implemented the NWOW as part of our move to Activity Based Working in our Sydney head office, promoting flexibility and collaboration. • Provided our head office people with the appropriate technology to enable flexible working. • Commenced rolling out the NWOW flexible working IT platform across all offices Australia-wide.
	• Develop and implement flexible working guidelines	• Launched flexible working guidelines across the Group.
	• Develop and implement a suite of benefits focused on enhancing flexibility	• Launched a 'Supporting Working Families' suite of benefits which includes 14 weeks primary and one week secondary carers leave; Work/Life Links services available to all our people; and the Parental Transition Program which guides our people from 'pre-parental leave' to 'whilst on leave' through to 'returning to work'. • 92% of our people who went on carers' parental leave returned to work. • Promoted purchased leave benefit (one to two weeks per year) with 22 people taking up the option in FY14. • Provided a family room with breast feeding and infant change facilities for working parents in our new head office. • Four people took up our career break initiative.
	• Develop management capability to lead teams engaged in flexible work	• NWOW change management program sessions included leading flexible teams.
Inclusive culture – create an environment where people with diverse backgrounds, skills and perspectives feel trusted, valued and respected and that they are able to contribute to the organisation.	• Values are integrated into people lifecycle activities	• NWOW change management program focussed on three of our values – passion, collaboration and accountability. • Launched an employee rewards program which rewards our people for living our values.
	• Conduct refresher training on appropriate workplace behaviour	• Appropriate workplace behaviour training conducted with all our managers.
	• Unconscious bias training	• Unconscious bias training delayed to FY15.
		• Provided a room suitable for prayer and/or meditation as part of our new head office facilities.

Corporate Governance Statement
continued

Pillar	Objectives	Achievements
Gender balance – to achieve gender balance in all roles across our business.	• Continue gender specific development initiatives	• Through FY14 we had a total of 45 internal promotions with 30 being male and 21 female. • Revised recruitment processes to counter possible gender bias. • A number of females attended targeted development courses for Women in Leadership and participated in the Women in Property Mentoring Program.
	• Track and monitor progress against our targets	• Overall we have seen an increase in female representation across all levels of Charter Hall with females making up 49% of our workforce. The Senior Management team compromises 18% females and the Charter Hall Board 14%. • Aspirational gender targets have been set from FY12 through to FY15 with targets through to FY18 currently under revision. Performance against targets has been mixed with solid increases in business related roles and management with more moderate, but encouraging increases at the Senior Management level.
External profile – to develop our employment brand so that Charter Hall is perceived as a "great place to work" by current employees and key external stakeholders (including active and passive candidates, tenants and investors) with an initial focus on gender.	• Sponsor community and industry events around diversity • Represent CHC on the Property Council of Australia (PCA), Women in Property Committee • Participate in creating initiatives that impact gender balance across the industry	• Sponsored Commercial Office Forum and tables at various events aimed at promoting Diversity in the workplace. • Head of People, Brand and Community a member of the PCA's Women in Property Committee . • Participated in the Property Council working group responsible for developing the Women in Property Mentoring Program. • Foundation sponsor Property Council's Women in Property Mentoring Program.

Charter Hall will measure its success in achieving its targets through:

- employee data such as workforce profile data; and learning and development, talent and succession, flexible work practices and recruitment data;
- annual external benchmarking of Charter Hall's diversity initiatives and targets against our competitors; and
- employee surveys to invite better understanding of the creation of a diverse and inclusive workplace.

Charter Hall's Diversity and Inclusion Policy is available to view under the Corporate Governance section of the Charter Hall website.

Financial integrity

ASX Corporate Governance Principle 4 – Safeguard integrity in financial reporting.

The Board has the responsibility for monitoring the integrity of the Group's financial reporting. To assist the Board in fulfilling this responsibility, the processes below have been adopted.

Audit, Risk and Compliance Committee

ASX Recommendation 4.1 – The board should establish an audit committee.

ASX Recommendation 4.2 – The audit committee should be structured so that it: consists only of non-executive directors; consists of a majority of independent directors; is chaired by an independent chair, who is not chair of the board; and has at least three members.

ASX Recommendation 4.3 – The audit committee should have a formal charter.

The Board has established an ARCC to oversee the quality and integrity of accounting, audit, financial and risk management practices for the Group. The ARCC is comprised of only independent directors, and is chaired by an independent director who is not the Chairman of the Board.

The Board has developed a Charter which sets out the Committee's role, responsibilities, composition, structure and membership requirements.

As stated in its Charter, the responsibilities of the ARCC in relation to financial reporting are to:

- review the internal control and compliance systems of the Group;
- monitor the integrity of the financial statements of the Group;
- consider significant financial reporting issues and judgements made in connection with the Group's financial statements;
- review and inform the Board on matters relating to the Auditor;
- monitor compliance by the Group with legal and regulatory requirements;
- regularly monitor risk management reports provided by management; and
- assess at regular intervals whether the Group's compliance plan, internal financial control systems, risk management policies and risk management systems are adequate.

The Auditor is invited to ARCC meetings and also meets privately with the ARCC at least twice a year.

The Committee's current membership is set out on page 3 of this Statement and the independence of the members is provided on page 4 of this Statement. Details of the Committee's meetings for the reporting period, and the attendance by members, are provided on page 22 of this Annual Report.

The Board regularly assesses and has determined that members of the Audit, Risk and Compliance Committee, collectively have an appropriate level of financial and property industry expertise to discharge their responsibilities.

External Auditor

The Board has appointed PricewaterhouseCoopers (PwC) as the Group's Auditor. PwC is expected to carry out its responsibilities in accordance with Australian law and audit firm policy in respect of partner rotation.

The Auditor is invited to attend meetings of the Audit, Risk and Compliance Committee, and also meets privately with Committee members at least twice a year.

In order to ensure the independence of the Auditor, the Board has adopted a Policy requiring that:

- the Auditor remain independent from Charter Hall;
- the Auditor monitor its independence and report to the Board every six months on its continuing independence;
- non-audit assignments undertaken by the Auditor are in accordance with the Policy; and
- all non-audit assignments are reported to the Audit, Risk and Compliance Committee.

The Auditor attends the Group's Annual General Meeting and is available to answer securityholder questions on the conduct of the audit, and the preparation and content of the Auditor's Report.

The Charter Hall Group Auditor Independence Policy is available to view under the 'Corporate Governance' section of Charter Hall's website.

Internal Audit

The Board places considerable importance on maintaining a strong control environment through an organisation structure with clearly drawn lines of accountability and authority. During FY14, Charter Hall has implemented an internal audit function outsourced to an external service provider which delivers regular reporting to the ARCC and the Board as well as implementing action plans with management.

Disclosure

ASX Corporate Governance Principle 5 – Make timely and balanced disclosure.

ASX Recommendation 5.1 – Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance and disclose those policies or a summary of those policies.

Charter Hall strives to provide timely, open and accurate information to all stakeholders, including securityholders, regulators and the wider investment community. This includes presenting a balanced approach to disclosure. The Board has adopted a Continuous Disclosure and Communications Policy which summarises the internal processes to ensure compliance with ASX Listing Rules and Australian law in respect of continuous disclosure. A Continuous Disclosure Committee has also been established by management to review issues surrounding continuous disclosure and to determine whether disclosure is required, and make corresponding recommendations to the Board.

The Policy includes procedures for dealing with potentially price-sensitive information, including referral to the Continuous Disclosure Committee and the Board where necessary, for a determination as to the appropriate disclosure required.

Charter Hall's Company Secretary is the ASX liaison person.

The Continuous Disclosure and Communications Policy is available to view under the 'Corporate Governance' section of Charter Hall's website.

Securityholder communication

ASX Corporate Governance Principle 6 – Respect the right of shareholders.

ASX Recommendation 6.1 – Companies should design and disclose a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

Charter Hall has adopted a Continuous Disclosure and Communications Policy. This Policy contains information on the methods of providing timely and relevant information to securityholders, including:

- the right for investors to receive an annual report and updates which keep them informed of Charter Hall's performance and operations;
- placement under the 'News' section of Charter Hall's website of market-sensitive information in the form of ASX announcements or webcasts; investors also have the ability under this section of the website to register to receive email alerts on the Group's announcements to the ASX;
- placement under the 'Investor' section of Charter Hall's website of distribution and tax information, unit price performance, financial results information including the results webcast, investor presentations, past and current reports to securityholders and past securityholder meeting information; and
- presentations to investor roadshows that are required to be lodged with the ASX are uploaded to the 'News' section of Charter Hall's website.

Corporate Governance Statement
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Charter Hall is required to hold an annual general meeting of securityholders, typically held between October and November. A full copy of the notice of meeting, including an explanatory memorandum on the resolutions, is placed under the 'Investor' section of Charter Hall's website as well as being sent to all securityholders. For securityholders who are unable to attend formal meetings to vote, proxies may be lodged online, by mail or by facsimile. All meetings are also webcast.

Charter Hall's Continuous Disclosure and Communications Policy is available to view under the 'Corporate Governance' section of Charter Hall's website. Recent annual reports and financial results are available to view under the 'Investor' section of Charter Hall's website. Recent ASX announcements and investor webcasts are available to view under the 'News' section of Charter Hall's website.

Risk management

ASX Corporate Governance Principle 7 – Recognise and manage risk.

ASX Recommendation 7.1 – Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Management has implemented a risk management framework under the oversight of the Audit, Risk and Compliance Committee and the Board. The Committee is responsible for reviewing, and reporting to the Board on, the internal control and risk management systems of Charter Hall and assessing the information presented by management. In addition, the Committee regularly assesses whether Charter Hall's compliance plan, internal financial control systems, risk management policies and risk management systems are adequate.

ASX Recommendation 7.2 – The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

Charter Hall's Risk and Compliance Manager is responsible for daily risk and compliance processes across the business and monitors the efficiency of Charter Hall's risk management framework (including compliance systems) on an ongoing basis. The aim is to ensure that appropriate procedures, staff education and reporting arrangements are in place to support the risk management framework.

Management conducts an annual Operational Risk Self-Assessment (ORSA) where key risks and controls are considered and their effectiveness assessed. The results of this assessment are reported to the Audit, Risk and Compliance Committee and the Board.

During the reporting period, management has reported to the Audit, Risk and Compliance Committee on the manner in which it manages its material risks, the effectiveness of the framework and the results of the annual ORSA.

The Board places considerable importance on maintaining a strong control environment through an organisational structure with clearly drawn lines of accountability and authority. In addition, the Board has implemented an internal audit function during FY14.

A summary of the Group's risk management framework is available to view under the 'Corporate Governance' section of Charter Hall's website.

CEO and CFO assurance

ASX Recommendation 7.3 – The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Board has received assurance from the Joint Managing Directors and the Chief Financial Officer that the Group's consolidated financial statements are founded on a sound system of risk management and internal control and that the system is operating in all material respects in relation to financial reporting risks. This assurance is supported by a review and sign-off process from senior managers on the key items that make up the risk management and control systems.

Remuneration

ASX Corporate Governance Principle 8 – Remunerate fairly and responsibly.

ASX Recommendation 8.1 – The board should establish a remuneration committee.

ASX Recommendation 8.2 – The remuneration committee should be structured so that it: consists of a majority of independent directors; is chaired by an independent chair; and has at least three members.

The Board has established a Remuneration and Human Resources Committee to assist the Board in implementing the Group's human resources strategies. The Committee operates under a Charter approved by the Board, is comprised of only non-executive directors, with a majority being 'independent', and is chaired by an independent director.

Broadly, the Committee is responsible for reviewing and making recommendations to the Board in respect of: executive remuneration and incentive policies; equity based incentive schemes; diversity and inclusion objectives; talent management and succession planning; and recruitment, retention, performance measurement and termination policies and procedures. The Committee also reviews the remuneration of the non-executive directors, all key appointments and terminations to the executive management team (and other divisional heads), and the standard contractual terms applicable to management. Stakeholder engagement is also a focus, as well as the disclosure of Charter Hall's remuneration framework in public materials, such as this Annual Report.

From a policy perspective, the Committee assists the Board in ensuring that:

- an appropriate human resources strategy is implemented to enable Charter Hall to deliver on its business strategy;
- remuneration policies and practices are in line with strategic goals and enable Charter Hall to attract and retain high calibre executives and directors who will create value for securityholders;
- directors and executives are fairly and responsibly remunerated having regard to the performance of Charter Hall, the performance of the executives and the general remuneration environment;
- Charter Hall has effective policies and procedures to attract, motivate and retain talented individuals to meet its needs; and
- people policies and practices align with Charter Hall's vision, values and overall objectives and comply with the relevant legislation, reflect current governance and mitigate against operational, financial and reputational risk.

The Committee's current membership is set out on page 3 of this Statement and the independence of members is provided on page 4 of this Statement. Details of meetings held and attendance by each Committee member are contained on page 22 of this Annual Report.

From time to time, the Committee may commission the assistance of external consultants to ensure the Group's remuneration policies remain appropriate, follow best practice and address the requirements of the Group's stakeholders.

Charter Hall distinguishes the structure of non-executive directors' remuneration from that of executive directors and senior managers. Further information is provided in the Remuneration Report on pages 22 to 47 of this Annual Report.

The Remuneration and Human Resources Committee's Charter is available to view under the 'Corporate Governance' section of Charter Hall's website.

Financial Report

for the year ended 30 June 2014

Directors' Report

For the year ended 30 June 2014

The Directors of Charter Hall Limited and the Directors of Charter Hall Funds Management Limited, the Responsible Entity (RE) of Charter Hall Property Trust, present their report together with the consolidated financial report of the Charter Hall Group (Group or CHC) and the consolidated financial report of the Charter Hall Property Trust Group (Charter Hall Property Trust Group or CHPT) for the year ended 30 June 2014, and the independent auditor's report thereon. The financial report of the Group comprises Charter Hall Limited (Company or CHL) and its controlled entities, which include Charter Hall Funds Management Limited as the RE of Charter Hall Property Trust (Trust). The financial report of the Charter Hall Property Trust Group comprises the Trust and its controlled entities.

Charter Hall Limited and Charter Hall Funds Management Limited have identical boards of directors. The term Board hereafter should be read as a reference to both these Boards.

The units in the Trust are 'stapled' to the shares in the Company. A stapled security comprises one Company share and one Trust unit. The stapled securities cannot be traded or dealt with separately.

Directors

The following persons were Directors of the Group during the whole of the year and up to the date of this report, unless noted otherwise:

- Kerry Roxburgh – Chairman and Non-Executive Independent Director
- Anne Brennan – Non-Executive Independent Director
- David Clarke – Non-Executive Independent Director (Appointed 10 April 2014)
- David Deverall – Non-Executive Independent Director
- Phil Garling – Non-Executive Independent Director
- David Harrison – Joint Managing Director
- Peter Kahan – Non-Executive Director
- Colin McGowan – Non-Executive Independent Director
- David Southon – Joint Managing Director.

Principal activities

During the year, the principal activities of the Group consisted of:

(a) Investment in property funds;

(b) Property funds management.

No significant changes in the nature of the activities of the Group occurred during the year.

Distributions – Charter Hall Group

Distributions paid/declared to members during the year were as follows:

	2014 $'000	2013 $'000
Final ordinary distribution for the six months ended 30 June 2014 of 11.3 cents per security paid on 29 August 2014	**39,323**	–
Interim ordinary distribution for the six months ended 31 December 2013 of 11.0 cents per security paid on 25 February 2014	**34,003**	–
Final ordinary distribution for the six months ended 30 June 2013 of 10.4 cents per security paid on 28 August 2013	**–**	31,435
Interim ordinary distribution for the six months ended 31 December 2012 of 9.8 cents per security paid on 28 February 2013	**–**	29,276
Total distributions paid and payable	**73,326**	60,711

Distribution Re-investment Plan (DRP)

The Group has a Distribution Reinvestment Plan (DRP) under which securityholders may elect to have all or part of their distribution entitlements satisfied by the issue of new securities rather than being paid in cash. The DRP was in operation for the entire year.

The DRP issue price is determined at a discount of 1% to the volume weighted average market prices of stapled securities traded on the ASX over the 15 business days following each balance date. The Group raised $6.3 million from the DRP for the 31 December 2013 distribution ($3.6665 issue price) and raised $6.2 million from the DRP for the 30 June 2014 distribution ($4.1621 issue price).

Review and results of operations

The Group recorded a statutory profit after tax attributable to stapled securityholders for the financial year of $82.1 million compared to a profit of $54.8 million in FY13.

Operating earnings amounted to $81.2 million for the financial year compared to $68.8 million in FY13, an increase of 18.0% over the prior period.

The operating earnings information included in the table below has not been subject to any specific audit procedures by our auditor but has been extracted from Note 3: Segment information of the accompanying financial report.

Directors' Report continued

for the year ended 30 June 2014

Review and results of operations continued

	2014 $'000	2013 $'000
Operating earnings	**81,163**	68,750
Fair value adjustments on derivatives[1]	**(909)**	1,472
Fair value adjustments on investment and property[1]	**14,404**	(3,615)
Amortisation of management rights	**(8,489)**	(7,838)
Transfer from reserves of cumulative FX losses on disposal of foreign investments[1]	**(488)**	(484)
Loss on disposal of investments, property and derivatives[1]	**(3,363)**	(953)
Income taxes	**1,007**	(1,738)
Other[1]	**(1,209)**	(752)
Statutory profit after tax attributable to stapled securityholders	**82,116**	54,842

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

	2014	2013
Basic weighted average number of securities per Note 9 ('000s)	**320,615**	299,805
Basic earnings per stapled security per Note 9 (cents)	**25.61**	18.29
Operating earnings per stapled security (OEPS) per Note 3 (cents)	**25.31**	22.93

The 30 June 2014 financial results with comparatives are summarised as follows:

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2014	2013	**2014**	2013
Revenue including non-controlling interests ($ million)[1]	**122.7**	114.8	**26.4**	36.8
Statutory profit after tax – stapled securityholders ($ million)	**82.1**	54.8	**70.6**	54.4
Statutory earnings per stapled security (EPS) (cents)	**25.61**	18.29	**22.01**	18.13
Operating earnings for stapled securityholders ($ million)[2]	**81.2**	68.8	**N/A**	N/A
Operating earnings per stapled security (cents)[2]	**25.31**	22.93	**N/A**	N/A
Distributions to stapled securityholders ($ million)	**73.3**	60.7	**73.3**	60.7
Distribution per stapled security (cents)	**22.3**	20.2	**22.3**	20.2
Total assets ($ million)	**986.1**	818.8	**889.2**	771.4
Total liabilities ($ million)	**69.0**	78.5	**41.5**	60.2
Net assets attributable to stapled securityholders ($ million)	**917.1**	740.3	**847.7**	704.1
Securities on issue (million)	**348.0**	302.3	**348.0**	302.3
Net assets per security ($)	**2.64**	2.45	**2.44**	2.33
Net tangible assets (NTA) attributable to stapled securityholders ($ million)	**829.5**	644.2	**847.7**	704.1
NTA per stapled security ($)	**2.38**	2.13	**2.44**	2.33
Gearing – borrowings to total assets[3]	**0.00%**	1.88%	**0.00%**	3.28%
Funds under management ($ billion)	**11.5**	10.3	**N/A**	N/A
Domestic funds under management ($ billion)	**11.5**	9.9	**N/A**	N/A

1 Gross revenue does not include share of net profits of associates and joint ventures of $60.8 million (2013: $42.5 million).

2 Excludes fair value adjustments on investment property, financial assets and financial instruments, gains on sale of investments, non-operating movements in equity accounted investments, non-cash items such as amortisation and non-operating income tax expense/(benefit).

3 Gearing is calculated by using debt net of cash divided by total assets net of cash.

Distribution per stapled security (DPS) has increased 10.4% from 20.2 cents in FY13 to 22.3 cents in FY14.

Net Tangible Assets per stapled security (NTA) increased from $2.13 at 30 June 2013 to $2.38 at 30 June 2014.

Funds under management (FUM) increased from $10.3 billion at 30 June 2013 to $11.5 billion at 30 June 2014 due to the establishment of four new retail funds and principally property acquisitions in Charter Hall Core Plus Office Fund, Charter Hall Core Plus Industrial Fund, Core Logistics Partnership and Charter Hall Retail REIT.

Gearing has decreased from 1.88% at 30 June 2013 to 0.00% at 30 June 2014.

The Group generated $81.2 million of operating earnings compared to $68.8 million in 2013. Operating earnings comprises property investments of $49.7 million (2013: $44.5 million), and property funds management of $34.6 million (2013: $27.3 million) less non-cash security based benefit expense of $3.1 million (2013: $3.0 million) which is not allocated to the reportable segments.

Property Investments

The Group's Property Investments are classified into the following categories, reflecting different sources of external equity managed across the Group:

- co-investment in a listed fund;
- co-investments in wholesale unlisted funds and partnerships; and
- co-investments in retail investor funds.

The following table summarises the key metrics for the property investments of the Group.

	Ownership stake (%)	Charter Hall investment ($m)	FY14 Charter Hall investment income ($m)	WALE (in years)	Market cap rate (%)	Discount rate (%)	Minimum rental reviews (%)	FY14 Charter Hall investment yield (%)
Listed Fund		**129.2**	**10.4**	**7.4**				
Charter Hall Retail REIT (CQR)	10.2	129.2	10.4	7.4	7.7	9.2	4.2	9.1
Wholesale		**555.4**	**34.9**	**6.9**				
Charter Hall Office Trust (CHOT)	14.3	172.9	13.2	5.8	7.5	9.0	4.0	7.6
Core Plus Office Fund (CPOF)	9.9	116.9	7.9	6.4	7.5	8.9	3.9	6.9
Core Logistics Partnership (CLP)	19.1	84.8	4.1	10.9	7.7	9.3	3.1	6.9
Core Plus Industrial Fund (CPIF)	11.7	72.2	4.6	8.4	7.9	9.6	3.1	7.6
BP Fund 2 (BP2)	100.0	48.4	0.2	12.0	7.3	9.1	3.0	7.8
Keperra Square Fund (KS)	35.1	22.2	2.0	4.0	7.5	9.3	4.0	9.1
Retail Partnership No. 2 – Bateau Bay (RP2)	20.0	20.7	1.6	3.7	7.5	9.0	4.6	8.8
BP Fund 1 (BP1)	16.8	17.3	1.3	10.3	7.1	8.8	3.0	8.4
Retail Investor Funds		**32.7**	**1.0**	**6.1**				
Charter Hall Direct Property Fund (CHDPF)	4.2	11.0	0.8	4.3	8.1	9.0	3.7	7.9
PFA Diversified Property Trust (PFA)	0.1	0.2	–	3.2	9.4	9.6	3.3	9.9
Direct Industrial Fund (DIF)	0.2	0.2	–	11.3	7.7	9.6	3.3	8.2
Direct Industrial Fund No. 2 (DIF2)	0.3	0.3	–	12.3	7.7	9.5	3.0	8.0
Charter Hall Direct CDC Trust (CHDCDC)	24.0	21.0	0.2	12.7	7.5	8.8	2.8	7.9
Funds being realised		**2.5**	**1.4**	**7.6**				
Diversified Property Fund (DPF)	19.6	1.8	0.2	5.5	10.0	10.1	1.7	6.2
Charter Hall Umbrella Fund (CHUF)	24.2	0.7	1.2	8.0	8.2	9.7	2.9	5.6
Total		**719.8**	**47.7**[1]	**7.6**	**7.6**	**9.1**	**3.7**	**7.7**

1 Charter Hall Group co-investment income per Segment Note 3(a) of the financial report.

Directors' Report continued

for the year ended 30 June 2014

Review and results of operations continued

Property Investments continued

A summary of the activities of each of the Group's property investments is provided below.

i. Listed fund

Charter Hall Retail REIT (CQR)

CQR's strategy is to invest in neighbourhood and sub-regional shopping centres anchored by Coles and Woolworths supermarkets located in demographically diverse catchments across Australia. CQR's Australian supermarket-anchored portfolio comprises 77 properties.

CQR reported operating earnings per security of 29.6 cpu for the year, representing growth of 3.0% on the prior year.

During the year, CQR completed the exit from its European asset portfolio (including Germany, which was contracted in July 2014) and raised a further $116.5 million of new equity from an institutional placement in November 2013 and the Distribution Reinvestment Plan. CQR redeployed the capital into four property acquisitions totalling $252 million at an average yield of 7.6%, and completed $83.6 million of redevelopments at Singleton Square, South Hedland and Orange at a stabilised yield of 9.6%.

ii. Wholesale unlisted funds and partnerships

Charter Hall Office Trust (CHOT)

CHOT is an unlisted wholesale partnership which owns interests in 18 high grade office assets located in major business districts in Australia including the completed project at 171 Collins Street in Melbourne and No.1 Martin Place, Sydney, which CHOT acquired the residual 50% interest from third party investors in August 2013. Charter Hall Group moved its Sydney head office into No.1 Martin Place in March 2014.

Charter Hall Core Plus Office Fund (CPOF)

CPOF is an unlisted wholesale office fund which owns interests in 16 high grade office assets located across the major Australian CBD office markets.

CPOF currently has three development projects underway at 333 George Street, Sydney, 570 Bourke Street, Melbourne and a 50% interest in the new Bank of Queensland building at 100 Skyring Terrace in Brisbane (in partnership with an institutional partner). Total development capital expenditure commitments for 333 George Street and 570 Bourke Street are $142 million.

Core Logistics Partnership (CLP)

CLP is a wholesale industrial partnership which owns 13 assets and is 98.0% occupied (excluding development land). The partnership targets institutional grade properties with strong lease covenants and a target portfolio WALE of greater than eight years.

CLP purchased $272 million of new assets in the year to 30 June 2014. This included Somerton Logistics Centre, AWH Tottenham, Ancon Mt Druitt, Australia Post Chullora, Peters Mulgrave, Manheim Smithfield and Woolworths Laverton.

Charter Hall Core Plus Industrial Fund (CPIF)

CPIF is an unlisted wholesale industrial fund which owns 32 assets across Australia.

During the year, CPIF completed a $150.0 million equity raising and acquired $199.0 million of properties.

BP Fund 1 (BP1)

BP1 is a wholesale investment trust which owns six freestanding Bunnings Warehouse properties. The Group's principal partner in the fund is an Australian superannuation fund.

BP1 sold a portfolio of four assets in March 2014 for $67.6 million to a new Charter Hall-managed syndicate.

BP Fund 2 (BP2)

BP2, a newly established fund, purchased a portfolio of Bunnings properties in June 2014. The portfolio consists of one completed investment property in Armadale, Perth and four investment properties under development. All properties are leased to Bunnings on new 12 year leases providing for average 3% per annum increases.

On 18 August 2014 (post balance date), the Group brought a new equity partner into BP2, reducing the Group's equity interest to 50.1%. The Group received a $20 million return of capital.

Charter Hall Retail Partnership No.2 (RP2)

RP2 is an unlisted wholesale fund which owns the Bateau Bay Square shopping centre on the Central Coast of New South Wales. The Group's principal external investor in the fund is a global institutional partner.

Keperra Square Fund (KS)

The Keperra Square Fund is an unlisted wholesale fund which owns the Keperra Square shopping centre in Brisbane. The Group's principal external investor in the fund is an Australian superannuation fund.

Other wholesale unlisted funds, mandates and partnerships

The Group originates and manages segregated mandates for direct property investments either in joint venture with funds such as CPOF or CQR or as 100% owned assets by our clients. The total property value of third party mandates is $1.3 billion.

iii. Retail investor funds

The Group manages equity raised from retail investors via advisers, high net worth individuals and through direct distribution channels. The Group in total has a $35.2 million investment in a range of unlisted retail funds. The total FUM of these retail funds and single asset syndicates is $1.7 billion.

Charter Hall Direct Retail Fund (DRF)

During the year, DRF sold its last two remaining investments, a 50% interest in Home HQ, Nunawading, Victoria and a direct interest in the Menai Central Shopping Centre in Menai, New South Wales.

Property Funds Management

The Property Funds Management business provides investment management, asset management, property management, development management, leasing and transaction services to the Group's $11.5 billion managed portfolio. The use of an integrated property services model which earns fees from providing these services to the managed portfolio enhances the Group's returns from capital invested. The Group also provides services to segregated mandates looking to capitalise on its property and funds management expertise. The Property Funds Management business contributed $34.6 million in operating earnings to the Group.

During the period, total funds under management increased $1.2 billion to $11.5 billion. The Group's managed funds have acquired approximately $1.8 billion of property and divested approximately $1.3 billion.

This segment also includes the activities of the Group's 50% interest in Commercial and Industrial Property Pty Limited (CIP), an industrial development business. CIP contributed $3.75 million to the Group's earnings for the year.

Interests in development funds and development properties

The Group has residual interests in development funds and development properties. Investments in development funds and development properties do not form part of the operating result of the Group. These include:

- Charter Hall Opportunity Fund 4 (CHOF4). The fund's eight projects have been completed and capital returned to investors (including $0.9 million received by the Group).
- Charter Hall Opportunity Fund 5 (CHOF5) has substantially exited its remaining investments. The WorkZone development reached practical completion in September 2013, and the WorkZone West Tower was sold to a Charter Hall-managed syndicate (the Charter Hall Direct WorkZone Trust). WorkZone East is scheduled to be marketed for sale once the building is substantially leased (currently at 50%). CHOF5 sold its economic interest and shareholding in the Little Bay Cove project and the project company, CHOF5 Little Bay Pty Limited, to a wholly owned entity of the Development Alliance Partner, TA Global. A portion of CHOF5's proceeds are held in escrow until the Plan of Subdivision is registered.
- A conditional contract for the sale of the development site at 685 La Trobe Street, Melbourne was exchanged in July 2014. The Group has a 50% interest in this asset.

Significant changes in the state of affairs

Significant matters of the Group during the year, in addition to the review of operations above, were:

- The Group established one new wholly owned wholesale fund, BP2, and invested $50 million into it by 30 June 2014.
- The Group increased its investment in CLP by $71 million.

Matters subsequent to the end of the period

Since 30 June 2014, the Group has completed the following:

- The Group exchanged a conditional contract of sale for 685 La Trobe St.
- The Group introduced an equity partner into the BP Fund 2 on 18 August 2014. This reduced the Group's equity interest in this fund to $30 million (50.1%) and resulted in a loss of control of the fund. No material gain or loss occurred as a result of this transaction.
- On 8 September 2014, the Long WALE Investment Partnership (LWIP), a newly established fund in which the Group has a 50% interest, exchanged a contract to purchase a $603 million portfolio of properties from ALH Group Pty Ltd. The ALH portfolio comprises 54 high quality hospitality assets, 46 of which also include a Dan Murphy's and/or a BWS retail tenancy. LWIP has committed equity of $302 million which, together with a $340 million non recourse debt facility from a syndicate of two Australian banks, will fund the $603 million acquisition due to complete at the start of October 2014. Charter Hall and HOST**PLUS** Pty Limited have each committed to an initial 50% or $151 million equity investment to LWIP.

Except for the matters discussed above, no other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect:

(a) the Group's operations in future financial years; or

(b) the results of those operations in future financial years; or

(c) the Group's state of affairs in future financial years.

Likely developments and expected results of operations

Business strategy and prospects

Charter Hall's strategy is to use its specialist property expertise to access, deploy and manage equity invested in Australian retail, office and industrial portfolios. Charter Hall invests alongside our partners to create value and provide superior returns for our clients and Charter Hall securityholders.

Charter Hall manages $11.5 billion of Australian real estate and derives approximately 61% of its operating earnings from its $700 million property investment portfolio, with the remainder being earned from property funds management services.

Charter Hall is well positioned to benefit from projected growth of capital inflows from investors seeking property investments driven by the attractive spreads between property yields and long-term interest rates. During the last 12 months, Charter Hall has seen positive equity flows across all sectors from listed, wholesale and retail investors.

Property investment portfolio

The investment portfolio composition is primarily driven by co-investment requirements where typically between 10 and 20% of the equity in a fund is contributed by Charter Hall. In addition to these co-investments, the Group may invest a higher proportion in certain funds to reweight its investment portfolio and is currently reviewing opportunities to increase the proportion of retail and industrial investments and extend the overall WALE of its property investment portfolio.

Directors' Report continued

for the year ended 30 June 2014

Likely developments and expected results of operations continued

Property investment portfolio continued

The Group regularly reviews the performance of its investment portfolio and relevant economic drivers and actively manages performance at an asset level in each fund through its property management services and at an investment portfolio level by refinancing portfolios and recycling Charter Hall's capital and reinvesting into better performing investments.

The material business risks faced by the property investment portfolio that may have an effect on financial performance include interest rate risk, refinancing risk, lease defaults or extended vacancies, portfolio concentration risks and changes in economic or industry factors impacting tenants.

Property funds management platform

The Group manages investments on behalf of listed, wholesale and direct investors and has strict policies in place to ensure that appropriate governance procedures are in place to meet fiduciary responsibilities and manage any conflicts of interest. Charter Hall provides a suite of services including investment management, asset management, property management, transaction services, development services, treasury, finance, legal and custodian services based on each fund's individual requirements.

The Group regularly reviews investor requirements and preferences for an investment partner in the Australian core real estate sectors and transaction structures that would meet their requirements.

The material business risks faced by the property funds management platform that may have an effect on the financial performance of the Group include not delivering on investor expectations leading to loss of FUM, loss of key personnel impacting service delivery, economic factors impacting non-annuity fee streams and portfolio and economic factors impacting property valuations.

Information on Directors

Kerry Roxburgh

Chairman/Independent Non-Executive Director

Experience and expertise

Kerry joined the Board of the Charter Hall Group on 12 August 2005 and became Chairman in October 2005.

Kerry is a Practitioner Member of the Stockbroker Association of Australia and holds positions on the boards of several listed and unlisted companies. Currently, Kerry is the lead independent non-executive director of Ramsay Health Care Ltd, a non-executive director of the Medical Indemnity Protection Society and of MIPS Insurance Ltd. He is Chairman of Tyro Payments Ltd and of Tasman Cargo Airlines Ltd. He is also the Deputy Chairman of Marshall Investments Pty Ltd. Kerry is also a member of the Advisory Board of AON Insurance.

In 2000, Kerry completed a three year term as CEO of E*TRADE Australia (a business that he co-founded in 1997), becoming its Chairman until June 2007, when it was acquired by the ANZ Bank. Prior to this, he was an executive director of HongKong Bank of Australia Group, where for 10 years from 1986, he held various positions including Head of Corporate Finance and Executive Chairman of the group's stockbroker, James Capel Australia. Until 1986, Mr Roxburgh was in practice for more than 20 years as a Chartered Accountant.

Kerry holds a Bachelor of Commerce degree, and an MBA.

Other current listed company directorships

Ramsay Health Care Ltd (since 1997)

Former listed company directorships in last three years

Nil

Special responsibilities

Chair of the Nomination Committee

Member of the Audit, Risk and Compliance Committee

Interests in securities

31,250 securities in Charter Hall Group

Anne Brennan

Independent Non-Executive Director

Experience and expertise

Anne joined the Board of Charter Hall Group on 6 October 2010, and she is on the board of a number of other companies.

Anne is an experienced executive and has held senior management roles in both large corporates and professional services firms.

During Anne's executive career, she was the CFO at CSR and the Finance Director of the Coates Group. Prior to her executive roles, Anne was a partner in three professional services firms: KPMG, Arthur Andersen and Ernst & Young. She has more than 25 years' experience in audit, corporate finance and transaction services. Anne was also a member of the national executive team and a board member of Ernst & Young.

Anne holds a Bachelor of Commerce (Honours) degree, is a Fellow of the Institute of Chartered Accountants in Australia and a Fellow of the Australian Institute of Company Directors.

Other current listed company directorships

Argo Investments Limited

Echo Entertainment Group Limited

Myer Holdings Limited

Nufarm Limited

Former listed company directorships in last three years

Nil

Special responsibilities

Member of Audit, Risk and Compliance Committee (Acting Chair from 15 August to 7 November 2012)

Chair of Remuneration and Human Resources Committee

Interests in securities

30,000 securities in Charter Hall Group via direct and indirect interests

David Clarke

Independent Non-Executive Director

Experience and expertise

David joined the Board of Charter Hall Group on 10 April 2014.

David has 35 years' experience in investment banking, funds management, property finance and retail banking. David was Chief Executive Officer of Investec Bank (Australia) Limited from June 2009 to July 2013. He was also a member of the Global Operating Forum for the Investec Group (Investec Plc and Investec Ltd) and a director of a number of Investec operating companies.

Prior to joining Investec Bank, David was the CEO of Allco Finance Group and a director of AMP Limited, following five years at Westpac Banking Corporation, where he held a number of senior roles including Chief Executive of the Wealth Management Business, BT Financial Group. David also was previously an executive director at Lend Lease Corporation Limited, and Chief Executive of MLC Limited, and prior to this was Chief Executive Officer of Lloyd's Merchant Bank in London.

David holds a Bachelor of Laws degree.

Other current listed company directorships

Austbrokers Holdings Limited

Former listed company directorships in last three years

Nil

Special responsibilities

Nil

Interests in securities

Nil

Directors' Report continued

for the year ended 30 June 2014

Information on Directors continued

David Deverall

Independent Non-Executive Director

Experience and expertise

David joined the Board of the Charter Hall Group on 7 May 2012. David is currently CEO of Hunter Hall International Limited, Australia's leading ethical funds management company. Prior to this, David was the Managing Director and CEO of Perpetual Limited for eight years and during this time he was also chairman of the peak wealth management industry body, The Financial Services Council.

David has extensive experience in financial services, funds management and strategy, having also been Group Head of Funds Management and Head of Strategy at Macquarie Group.

David holds an MBA from Stanford University and a Bachelor of Engineering (Mechanical) from the University of Sydney, and is a member of the Australian Institute of Company Directors.

Other current listed company directorships

Hunter Hall International Limited

Former listed company directorships in last three years

Nil

Special responsibilities

Chair of the Audit, Risk and Compliance Committee

Member of the Nomination Committee

Interests in securities

33,720 securities in Charter Hall Group

Philip Garling

Independent Non-Executive Director

Experience and expertise

Philip joined the Board of the Charter Hall Group on 25 February 2013.

Philip has over 35 years' experience in property and infrastructure, development, operations and asset and investment management. His executive career included nine years as Global Head of Infrastructure at AMP Capital Investors and 22 years at Lend Lease Corporation including five years as CEO of Lend Lease Capital Services.

Philip holds a Bachelor of Building from the University of NSW, and has completed the Advanced Management Program at the Australian Institute of Management, and the Advanced Diploma at the Australian Institute of Company Directors. He is a Fellow of the Australian Institute of Company Directors, the Australian Institute of Building and the Institute of Engineers, Australia.

Other current listed company directorships

Downer EDI Limited

Former listed company directorships in last three years

Australian Renewable Fuels Limited (Chair)

DUET Group

Special responsibilities

Member of the Remuneration and Human Resources Committee

Member of the Valuations Committee

Interests in securities

6,297 securities in Charter Hall Group

David Harrison

Joint Managing Director/Executive Director

Experience and expertise

David joined Charter Hall in 2004 and has 27 years of property market experience across office, retail and industrial sectors. As Charter Hall Group's Joint Managing Director, he is responsible for all aspects of the Charter Hall business, with specific focus on investment management, strategy, corporate transactions and property investment activities. David is directly responsible for overseeing the operation of the investment management divisions, including the listed REITs, wholesale unlisted and retail unlisted divisions, together with investor relations and transactions. He shares responsibility with David Southon for the Chief Financial Officer in relation to group finance, treasury and capital management.

In the last eight years, David has overseen the growth of the Charter Hall Group from $500 million to $11 billion of funds under management. He has been principally responsible for transactions exceeding $15 billion of commercial, retail and industrial property assets across all the Group's property sectors over the past 23 years.

David also sits as an Executive Member on all Fund Boards and Investment Committees and is a Fellow Member of the Australian Property Institute (FAPI).

David holds a Bachelor of Business Degree (Land Economy) from the University of Western Sydney and a Graduate Diploma in Applied Finance from the Securities Institute of Australia.

Other current listed company directorships

Charter Hall Retail REIT (ASX: CQR)

Former listed company directorships in last three years

Charter Hall Office Management Limited for the Charter Hall Office REIT (ASX: CQO) (CQO delisted on 1 May 2012)

Special responsibilities

Member of the Valuations Committee

Interests in securities

1,441,773 securities in Charter Hall Group via indirect interests. 1,443,071 performance rights, 59,649 service rights and 849,868 options in the Charter Hall Performance Rights and Options Plan; performance rights, service rights and options also vest after performance and service criteria are met.

Peter Kahan

Non-Executive Director

Experience and expertise

Peter joined the Charter Hall Board in October 2009, following an investment in Charter Hall by Gandel Group. He is a member of the Remuneration and Human Resources Committee and the Nomination Committee.

Peter is currently the Executive Deputy Chairman of Gandel Group and has approximately 20 years of property and funds management experience. He joined Gandel Group in 1994, became the Group's Finance Director in 2001 and was CEO from 2007 to 2012. Prior to his time at Gandel Group, Peter worked as a Chartered Accountant and held a range of senior financial roles in industry.

Peter was appointed a Non-Executive Director of CFS Retail Property Trust (CFX) in April 2014. He is a member of CFX's Audit Committee and the Remuneration and Organisation Committee.

He is a member of the Institute of Chartered Accountants Australia and the Australian Institute of Company Directors. He holds Bachelor of Commerce and Bachelor of Accountancy degrees from the University of The Witwatersrand Johannesburg, South Africa.

Other current listed company directorships

CFS Retail Property Trust

Former listed company directorships in last three years

Nil

Special responsibilities

Member of the Remuneration and Human Resources Committee

Interests in securities

Nil

Colin McGowan

Independent Non-Executive Director

Experience and expertise

Colin joined the Board of the Charter Hall Group on 6 April 2005.

Colin was formerly CEO of the listed AMP Diversified Property Trust, Executive Vice President of Bankers Trust (Australia), founding Fund Manager of the BT Property Trust and founding Fund Manager of Advance Property Fund.

He is a qualified valuer, a Fellow of the Australian Property Institute and a Senior Fellow of the Financial Services Institute of Australasia (formerly SIA). He was the honorary SIA National Principal Lecturer and Task Force Chairman for the Graduate Diploma's Property Investment Analysis course – a position he held for 11 years until 2003.

Other current listed company directorships

Nil

Former listed company directorships in last three years

Nil

Special responsibilities

Chair of the Valuations Committee

Member of the Remuneration and Human Resources Committee

Member of the Nomination Committee

Interests in securities

Nil

David Southon

Joint Managing Director/Executive Director

Experience and expertise

David is a co-founder of the Charter Hall Group and has over 27 years of property industry experience across the office, industrial and retail sectors. As Charter Hall Group's Joint Managing Director, he is responsible for all aspects of the Charter Hall business, with direct responsibility for overseeing the operation of the property and support services divisions including office, industrial and retail property services; people, brand and community; legal/company secretariat; and technology, as well as strategic involvement in project origination and direction. He shares responsibility with David Harrison for the Chief Financial Officer in relation to group finance, treasury and capital management.

David is an Executive Director on the Charter Hall Group Board, the Board of the Responsible Entity for Charter Hall Retail REIT, as well as the Responsible Entity Board of the Charter Hall Direct Funds. He is also a Non-Executive Director on the Board of Commercial Industrial Property (CIP), a member of the Charter Hall Diversity Committee, and a member of the investment committee of Charter Hall Opportunity Fund No.5, as well as the Valuation Sub Committee.

David is a member of the Board of Advisors NSW for the Property Industry Foundation (PIF) and is a Fellow of the Australian Property Institute (FAPI).

David holds a Bachelor of Business Degree (Land Economy).

Other current listed company directorships

Charter Hall Retail REIT (ASX: CQR)

Former listed company directorships in last three years

Charter Hall Office Management Limited for the Charter Hall Office REIT (ASX: CQO) (CQO delisted on 1 May 2012)

Special responsibilities

Alternate Member of the Valuations Committee

Interests in securities

1,880,612 securities in Charter Hall Group via direct interests. 1,212,584 performance rights, 58,511 service rights and 1,175,122 options in the Charter Hall Performance Rights and Options Plan; performance rights, service rights and options also vest after performance and service conditions are met.

Tracey Jordan

Company Secretary

Tracey Jordan was appointed Company Secretary of the Charter Hall Group on 19 November 2012. Tracey has more than 24 years' experience in real estate and funds management, with extensive knowledge of real estate transactions, structuring, funds management, compliance and corporate governance. Prior to joining Charter Hall, Tracey was National Manager, Unlisted Property Funds, and Senior Legal Counsel at Stockland. Tracey was also a Senior Associate for King & Wood Mallesons in their Canberra office in the Property and Projects division from 1999 to October 2005.

Tracey is a Solicitor of the Supreme Court of NSW, and has been admitted to the Supreme Court of the Australian Capital Territory and the High Court of Australia. She holds a Bachelor of Arts and a Bachelor of Laws degree from the University of Sydney.

Directors' Report continued

for the year ended 30 June 2014

Meetings of Directors

The numbers of meetings of the Group's Board of Directors and of each Committee of the Board held during the year ended 30 June 2014, and the numbers of meetings attended by each Director were:

	FULL MEETINGS OF THE BOARD OF DIRECTORS		AUDIT, RISK AND COMPLIANCE COMMITTEE		NOMINATION COMMITTEE		REMUNERATION AND HR COMMITTEE		VALUATION COMMITTEE	
	A	B	A	B	A	B	A	B	A	B
K Roxburgh	12	12	6	6	8	8	*	*	*	*
A Brennan	12	12	6	6	*	*	6	6	*	*
D Clarke	3	3	*	*	*	*	*	*	*	*
D Deverall	12	12	5	6	8	8	*	*	*	*
P Garling	12	12	*	*	*	*	6	6	2	2
D Harrison	12	12	*	*	*	*	*	*	2	2
P Kahan	12	12	*	*	8	8	6	6	*	*
C McGowan	12	12	*	*	*	*	6	6	2	2
D Southon	12	12	*	*	*	*	*	*	2	2

A = Number of meetings attended.
B = Number of meetings held during the time the Director held office or was a member of the stated Committee during the year.
* = Not a member of the stated Committee.

Letter from the Remuneration and Human Resources Committee Chair

Dear Securityholder

Charter Hall Group is pleased to present its Remuneration Report for the year ended 30 June 2014.

Charter Hall has had another active year executing its strategy of accessing, deploying, managing and investing equity into Australian real estate to deliver a 10.4% increase in operating earnings per security to 25.3cpc or $81.2 million and a 15% increase in funds under management to $11.5 billion.

The Group achieved budgeted OEPS of 25.2 consistent with the results achieved for the year. Senior executives were rewarded under the Short Term Incentive Plan. Senior executives were also rewarded under the 2011 Performance Rights and Options Plan, the Group's long term incentive plan, which vested on 1 July 2013 based on the achievement of absolute and relative total securityholder return hurdles.

We were pleased to have renegotiated the Joint Managing Directors' contracts during the year following approval from securityholders at the 2013 Annual General Meeting. As part of these renewals, and in line with the Group's growth strategy, the Joint Managing Directors were awarded a one off special LTI grant (details outlined in the Report), and David Harrison's remuneration mix was adjusted, increasing the 'at-risk' component of his remuneration package.

Securityholder support for the Remuneration Report has been strong in recent years and we believe this year's Report again demonstrates the alignment between performance, remuneration and securityholder interests.

On behalf of the Board, I invite you to review the full Report and thank you for your continued interest and support.

Yours sincerely

Anne Brennan
Chair, Remuneration and Human Resources Committee

Actual remuneration received in FY14 – unaudited

The actual remuneration presented in the following table provides the remuneration that Reported Executives received during the financial year ended 30 June 2014. This voluntary disclosure, provided to increase transparency, includes:

- Fixed pay and other benefits for FY14
- 2013 cash STI paid during FY14; and
- The value of any LTI award that vested during FY14.

The actual remuneration presented is distinct from the disclosed remuneration in the Remuneration Report on page 34, which is calculated in accordance with statutory obligations and accounting standards and therefore includes accounting values for current and prior years' LTI grants which have not been (and may or may not be) received as they are dependent on performance hurdles and service conditions being met.

2014	SHORT-TERM BENEFITS		POST-EMPLOYMENT BENEFITS	SHARE-BASED BENEFIT	OTHER		
Name	Salary and fees $	Short-term incentive $	Super-annuation $	Value of securities vested[1] $	Non-monetary benefits[2] $	Total $	% of remuneration consisting of rights %
Executive Directors							
D Harrison	1,062,225	392,486	17,775	1,330,889	40,098	2,843,473	46.8
D Southon	1,062,225	385,000	17,775	1,330,889	30,498	2,826,387	47.1
Other Reported Executives							
P Altschwager[3]	682,683	210,000	17,775	478,473	–	1,388,931	34.4
S Dundas	466,225	122,222	17,775	197,432	–	803,654	24.6
R Stacker[4]	466,225	122,222	17,775	627,329	–	1,233,551	50.9
A Taylor	612,202	173,333	17,775	493,216	–	1,296,526	38.0
Former Reported Executives							
N Devlin[5]	295,523	76,389	17,775	72,466	–	462,153	15.7
T Jordan[5]	282,095	46,400	17,775	–	–	346,270	–
N Kelly[5]	443,812	117,000	17,775	278,020	–	856,607	32.5
A Glass[6]	324,352	106,167	13,331	324,352	–	768,202	42.2
Totals	**5,697,567**	**1,751,219**	**173,306**	**5,133,066**	**70,596**	**12,825,754**	**40.0**

1 Values relate to value at vesting date for the 2011 LTI allocation which vested on 1 July 2013.
2 Non-monetary benefits include motor vehicle costs and car parking benefit.
3 P Altschwager was awarded a sign-on incentive of 260,054 service rights to the value of $485,000 when he joined the Group in February 2012. The rights vested 50% (130,027) on 31 December 2012 to the value of $425,188, with the remainder vesting on 31 December 2013 to the value of $478,473.
4 In December 2012 R Stacker was awarded 270,000 service rights vesting in three equal tranches. 90,000 rights vested on 31 December 2013 to the value of $331,182, with the remainder vesting on 31 December 2014 and 31 December 2015.
5 Employees ceased as Key Management Personnel (KMP) effective 10 February 2014, but remain employed by Charter Hall. Remuneration shown is for the full financial year.
6 Ceased employment with Charter Hall and ceased as a KMP on 13 February 2014. Remuneration is pro-rated for the period 1 July 2013 to 13 February 2014.

As required by *Section 308(C)* of the *Corporations Act (2001)* (the Act), the full audited remuneration report from page 24 of this Annual Financial Report provides more detail on Charter Hall's remuneration strategy, components and outcomes.

Directors' Report continued

for the year ended 30 June 2014

Remuneration Report – audited

This Remuneration Report outlines Charter Hall's remuneration policies and practices together with the details and outcomes of the specific remuneration arrangements that apply to Charter Hall's Key Management Personnel (KMP) for the year ended 30 June 2014. The Report has been prepared in accordance with Section 300A of the Act and the information provided has been audited, as required by section 308(3C) of the Act.

1. Executive remuneration governance and structure

1.1 Governance

The Remuneration and Human Resources Committee (Committee) provides advice and recommendations to the Board on:

- the Group's Human Resources strategy;
- criteria for reviewing the performance of the Joint Managing Directors (JMDs);
- remuneration framework and policy for senior executives;
- fixed annual remuneration and incentive outcomes for senior executives;
- incentive plans for all employees;
- any other remuneration matters that relate to executives; and
- remuneration policies and fees for Non Executive Directors (NEDs) and Committee members.

The Committee is appointed by the Board and is comprised solely of Non-Executive Directors, as follows:

- Anne Brennan (Chair of the Committee);
- Colin McGowan;
- Peter Kahan; and
- Philip Garling.

Other Directors, the JMDs and the Head of People, Brand and Community attend Committee meetings by invitation. Specialist external consultants attend as required. A minimum of two Committee members are required for a quorum. The member's attendance is set out at page 22. The Committee's Charter is available on the Group website at www.charterhall.com.au.

1.2 External advisers and remuneration consultants

Where necessary, the Committee seeks advice from independent experts and advisers. Remuneration consultants provide advice on executive remuneration structure and consistency with comparable roles in the market. Other external advisers (including legal practitioners) assist with the administration of the Group's remuneration plans and ensure that the appropriate legal parameters are applied.

The Committee follows a protocol governing the appointment of remuneration consultants and the manner in which any recommendations are made by those consultants to ensure there is no undue influence by management.

The advice and recommendations of external advisers are used as a guide only and do not serve as a substitute for thorough consideration of the issues by the Committee. The Committee takes a number of factors including market practice and Group strategic objectives into account when providing advice and recommendations to the Board. The Board has ultimate decision making authority over matters of remuneration structure and outcomes for the Group.

During the period, the Committee consulted with the following external advisers – Ernst & Young, Deloitte and Herbert Smith Freehills. These advisers did not provide any remuneration recommendations to Charter Hall as defined by the Act.

1.3 Key Management Personnel

Key Management Personnel (KMP) has been revised to reflect the management group responsible for driving group investment strategy, effective 10 February 2014. Following this revision, Natalie Devlin (Head of People, Brand and Community), Tracey Jordan (Group General Counsel and Company Secretary) and Nick Kelly (Head of Investor Relations) cease to be considered KMP. Executive Directors and Executives listed in the table below are referred to in this Remuneration Report as 'Reported Executives'.

Name	Role	Movement during 2014
Non-Executive Directors		
Kerry Roxburgh	Chairman	
Anne Brennan	Director	
David Clarke	Director	Appointed 10 April 2014
David Deverall	Director	
Philip Garling	Director	
Peter Kahan	Director	
Colin McGowan	Director	
Executive Directors		
David Harrison	Joint Managing Director	
David Southon	Joint Managing Director	
Reported Executives		
Paul Altschwager	Group Chief Financial Officer	
Scott Dundas	Fund Manager, Charter Hall Retail REIT (CQR)	
Richard Stacker	Head of Direct Property	
Adrian Taylor	Head of Wholesale	
Former Reported Executives		
Andrew Glass	Head of Wholesale Pooled Funds	Ceased employment with Charter Hall on 13 February 2014
Natalie Devlin[1]	Head of People, Brand and Community	
Tracey Jordan[1]	Group General Counsel and Company Secretary	
Nick Kelly[1]	Head of Investor Relations	

1 No longer KMP as of 10 February 2014.

1.4 Decisions and actions taken during 2014

1.4.1 Remuneration framework changes for 2014

The Committee ensures that remuneration policies balance Charter Hall's performance objectives and stakeholder expectations. Whilst stability in the remuneration structure is important, where modifications can be made to optimise stakeholder alignment and incentivise performance, the Committee actively considers such changes.

The following changes were implemented in 2014:

Component	Change
Short Term Incentive (STI)	• Reweighted key performance indicators (KPIs) from 67% financial and 33% non-financial to 50% financial and 50% non-financial to increase focus on strategic business matters and in recognition of 95% financial gateway. • Increased the STI pool available for Group outperformance such that, at 120% of budgeted operating earnings per share (OEPS), 150% of the STI pool is available (increased from 125%) to be market competitive. • Increased the amount available for individual outperformance at stretch (cap increased from 125% to 150% of target STI). • S Dundas, CQR Fund Manager, received the deferred portion of his STI in CQR units rather than CHC securities.

Directors' Report continued

for the year ended 30 June 2014

Remuneration Report – audited continued

1. Executive remuneration governance and structure continued

1.4.2 Remuneration outcomes in 2014

The following decisions were taken on remuneration outcomes in 2014:

Action	Explanation
JMD contracts	• The JMDs' contracts were renewed in November 2013. The new contracts increased the length of their notice periods and introduced new restraint provisions. • A one off award of performance rights under a special LTI arrangement was made in consideration for these changes. David Harrison was awarded 300,000 rights and David Southon 100,000. The performance rights are due to vest on 4 October 2016, subject to both service and performance conditions, including normal LTI vesting hurdles.
JMD fixed remuneration	• Fixed remuneration for the JMDs increased by 3.0% for 2014. This was the first increase since 2011.
Executive fixed remuneration	• Fixed remuneration for Reported Executives and other Senior Executives increased by an average of 4.0%. There were no increases in fixed remuneration in 2013.
STI awarded to the JMDs	• In 2014, the Group achieved 100% of budgeted OEPS, exceeding the required gateway for STI of 95% of budgeted OEPS. Based on their individual KPI achievement, David Harrison received 115% of his on-target STI and David Southon received 115% of his on-target STI.
STI awarded to Reported Executives	• In 2014, Group achieved 100% of budgeted OEPS, exceeding the required gateway for STI of 95% of budgeted OEPS. Reported Executives were awarded STI based on their KPI achievement. The average STI awarded to Reported Executives was 114% (excluding the JMDs).
STI deferral	• One third of STI awarded to the JMDs and Reported Executives, together with any award above 100% of target, is converted into service rights vesting equally over two years. $1,319,909 of the total $3.3 million FY14 STI awarded was deferred with vesting dates of 31 August 2015 and 31 August 2016.
LTI vesting	• The Absolute TSR Hurdles (12% compound average growth rate over three years) and the Relative TSR (1.1 times A-REIT Index) for the 2011 PROP grant were achieved on 1 July 2013 having achieved a compound average growth rate of 34%.
General Employee Securities Plan	• In 2014, a second grant offer under the General Employee Securities Plan (GESP) was made to encourage greater employee ownership in Charter Hall. Under Employee Share Scheme legislation (Division 83A (ITAA 97)), this plan offers an annual gifting of up to $1,000 of CHC securities each to permanent employees who have completed their probationary period and are not current participants of another equity plan. The aggregate value of the 2014 GESP was $256,383, booked in operating earnings.
Directors' fees	• Non-Executive Director (NED) base and committee fees increased by 3.0%. This was the first increase since 2011.

1.5 2014 Remuneration philosophy and guiding principles

Charter Hall's remuneration philosophy is aimed at rewarding outperformance. This is achieved by attracting and retaining talented people who are motivated to achieve challenging performance targets aligned with both the business strategy and the long-term interests of securityholders.

The following illustrates the link between business strategy and remuneration outcomes:

CHARTER HALL BUSINESS STRATEGY

To access, deploy, manage and co-invest equity to create value and provide superior income and capital returns for our clients and securityholders through:

- delivering top quartile returns vs A-REIT 200;
- recycling equity into higher yielding investments;
- growing sustainable earnings;
- developing scalable and efficient platform;
- recruiting, retaining and motivating a high performance team; and
- maintaining a through the cycle OEPS growth range of 5-7%.

CHARTER HALL REMUNERATION STRATEGY

Create sustainable securityholder value by:

- assessing performance and STI outcomes against financial and non-financial KPIs linked to strategy;
- deferring a portion of STI into equity for the JMDs and Senior Executives;
- aligning LTI performance hurdles with securityholders' expected returns; and
- ensuring a significant 'at-risk' component of total remuneration.

Attract, retain and motivate talent by:

- rewarding superior performance;
- offering competitive total remuneration;
- creating retention mechanisms; and
- ensuring remuneration strategy is simple, transparent and consistent.

CHARTER HALL REMUNERATION COMPONENTS

Fixed	STI	LTI
• Comprises cash salary, superannuation and packaged benefits. • Reflects responsibilities, performance, qualifications and experience. • Is reviewed annually.	• Gateway of 95% of budgeted OEPS for STI for JMDs and Senior Executives. • Size of the STI pool is linked to the achievement of budgeted OEPS. • Each Executive has an STI target, and the opportunity to earn up to 150% of target for individual outperformance. • Individual STI outcomes are linked to KPIs which include performance targets of the Group, Division and individual. • Deferral of one-third of any STI awarded and any amount over 100% into service rights over two years. • Clawback on unvested deferred STI for material misstatement; financial misrepresentation and Board discretion on performance.	• LTI targets have direct links to securityholder value creation. • Performance measures based on Relative and Absolute TSR performance. • Delivered as performance rights with a three year performance measurement period. • Capped at 10% of fully diluted securities on issues. • Clawbacks on unvested LTI for material misstatement, financial misrepresentation and Board discretion on performance.

Directors' Report continued

for the year ended 30 June 2014

Remuneration Report – audited continued

2. Executive remuneration components and outcomes

Executive remuneration is structured as a mixture of fixed and variable 'at-risk' STI and LTI components. While fixed remuneration is designed to provide a base level of remuneration, the STI and LTI components reward executives when challenging measures are met or exceeded.

The components of the JMDs' remuneration are substantially the same as those of the other executives. However, there are differences in the quantum, delivery and timing for the JMDs due to the particulars of their responsibilities and the central role they play in implementing the strategic direction of the Group. Where the JMDs' remuneration approach differs from that of other Reported Executives remuneration, it is noted below.

2.1 Remuneration mix

The table below represents the on target remuneration mix for Reported Executives in 2014.

On target Remuneration Mix

	NOT 'AT-RISK'	'AT-RISK'	
	Fixed remuneration	STI	LTI [1]
2014			
David Harrison, JMD	41.0%	29.5%	29.5%
David Southon, JMD	45.0%	27.5%	27.5%
Paul Altschwager, CFO	50.0%	25.0%	25.0%
Other Reported Executives	60.0%	25.0%	15.0%

1 Remuneration mix shown excludes the one-off LTI awards made to the JMDs as part of their contract renewal and the service rights awarded to Richard Stacker in 2012.

2.2 Fixed remuneration

Composition	Fixed remuneration comprises cash base salary, statutory superannuation contributions and other nominated benefits (such as car parking, novated leases and additional superannuation contributions).
Review process	Fixed remuneration is targeted at the median of the market and is reviewed annually, effective 1 July, benchmarked against equivalent roles in the market, recognising: • individual performance; and • the competitive market environment for each individual's skills and capabilities.
JMDs	Given the unique nature of the JMD roles, the Board references the average remuneration paid to the comparator group CEOs and the 'next highest paid senior executive' (excluding the CFO) when setting their remuneration. The following comparator groups are used when determining JMD remuneration: • **industry related companies**: based on entities in the S&P/ASX 200 Australian Real Estate and Investment Trust (A-REIT) industry group; and • **market capitalisation group**: based on S&P/ASX 200 companies within 50% to 200% of Charter Hall's market capitalisation. The JMDs' fixed remuneration increased by 3.0% in 2014.
Other Reported Executives	The following comparator groups are used when determining Executive remuneration: • **industry remuneration surveys** (AonHewitt Property Industry and Financial Institutions Remuneration Group). Fixed remuneration for other Reported Executives increased by an average of 4.0% in 2014.

2.3 Short Term Incentives (STI)

Purpose	The STI is an 'at-risk' incentive awarded annually and is designed to reward executives subject to performance against agreed financial and non-financial Key Performance Indicators (KPIs).
Gateway for JMDs and other Reported Executives	A Group financial gateway of 95% of budgeted OEPS exists before any STI entitlement is available to the JMDs and other Reported Executives, with the Board retaining overall discretion on performance achievement.
Determining the STI pool	The size of the pool is determined by the Board, upon advice from the Remuneration and Human Resources Committee, based on achieving a budgeted OEPS number. The Board retains discretion to increase or decrease the overall STI pool available, based on its assessment of the overall performance throughout the year. In 2014, the available Group STI pool of $10.8 million was fully awarded.
Performance targets	The STI measures are set to ensure appropriate focus on achievement of Group, Divisional and individual performance targets that are aligned with implementation of Charter Hall's overall strategy. KPIs are split 50% financial and 50% non-financial, based on a Balanced Scorecard approach which encourages executives to take a holistic approach to enhancing and protecting securityholder value.
Delivery	For JMDs and Reported and Senior Executives STI is delivered in the form of cash (67%) and service rights (33%), with any Award over 100% target also deferred into service rights. Service rights are deferred over two years, with 50% deferred for one year and 50% for two years. The number of rights granted to an executive is determined based on an independent fair value calculation by Deloitte using the Black Scholes valuation method. If an Executive's employment terminates prior to expiry of the relevant 12 month period, the equity rights will be forfeited. The value of FY14 STI deferred into service rights for JMDs and Senior Executives was $1,319,909 ($908,695 in 2013).
Short term performance	In 2014, Charter Hall's operating earnings per security (OEPS) was 25.3 cents, which was a 10.4% increase from the 2013 OEPS and exceeded budgeted OEPS.
2014 STI assessment – JMDs	In consultation with the Committee, the Board assesses the Group's financial performance and the performance of the JMDs against agreed KPIs. The Board retains the discretion to increase or decrease the overall STI awarded, based on its assessment of the overall performance throughout the year. In 2014, the Group exceeded the budgeted OEPS target and the financial gateway of 95% of budget OEPS. The JMDs' KPI achievement for 2014 is summarised below:

David Harrison

MEASURE	KPI	STATUS
Financial 50%	Including OEPS at the Group level, domestic fund growth, operating earnings before interest, tax, depreciation and amortisation; margin for funds management.	Exceeded
Non-financial 50%	**Partner** measures (20%) – including partner/stakeholder relationships, and improving the investor satisfaction score.	Exceeded
	People measures (20%) – including embedding new executive structure, employee engagement initiatives and effective joint leadership.	Mainly achieved
	Operational excellence measures (10%) – including reporting improvements and investment management succession plan.	Achieved

David Southon

MEASURE	KPI	STATUS
Financial 50%	Including OEPS at the Group level, operating earnings before interest, tax, depreciation and amortisation; margins across property service divisions and service improvements.	Exceeded
Non-financial 50%	**Partner** measures (10%) – including improved investor satisfaction and stakeholder relationship plans.	Achieved
	People measures (20%) – including embedding new executive structure, employee engagement initiatives and effective joint leadership.	Mainly achieved
	Operational excellence measures (20%) – including sponsorship of organisation change targets and driving operational efficiencies.	Exceeded

Directors' Report continued

for the year ended 30 June 2014

Remuneration Report – audited continued

2. Executive remuneration components and outcomes continued

2.3 Short Term Incentives (STI) continued

2014 STI assessment – other Reported Executives

KPIs for Senior Executives, which are summarised below, are broadly similar to those of the JMDs and are focused on individual areas of accountability:

MEASURE	KPI
Group Financial 25%	Including Group OEPS.
Divisional Financial 25%	Including investment earnings, fund growth; operating earnings before interest, tax, depreciation and amortisation and funds management margin.
Non-financial 50%	**Partner** measures (20%) – including improved investor satisfaction and client relationship initiatives. **People** measures (20%) – including Group engagement initiatives, contribution to Executive Team, turnover reduction and professional growth of team. **Operational** excellence measures (10%) – including achievement of organisation change targets, embedding new operating model and Divisional initiatives.

Table 2.3 Reported Executive STI outcomes for 2014 (statutory accounting)

Name	STI earned $	Paid in cash $	Deferred into performance rights $	Target STI % of fixed pay %	STI earned compared to Target %	Forfeited STI %
Executive directors						
D Harrison	885,500	515,900	369,600	71%	115%	0%
D Southon	759,000	442,200	316,800	61%	115%	0%
Other key management personnel						
P Altschwager	350,229	234,653	115,576	50%	100%	0%
S Dundas	226,875	135,116	91,758	42%	113%	0%
R Stacker	262,166	135,116	127,050	42%	130%	0%
A Taylor	301,664	179,646	121,998	42%	113%	0%
Former key management personnel						
N Devlin[1]	158,990	88,769	70,221	42%	120%	0%
T Jordan[1]	125,000	83,750	41,250	42%	100%	0%
N Kelly[1]	198,958	133,302	65,656	42%	100%	0%
A Glass[2]	113,688	113,688	–	42%	80%	20%

1 Ceased as KMP effective 10 February 2014, however, STI shown represents the full financial year to 30 June 2014 in order to accurately represent the full deferred component for the year.

2 Ceased employment with Charter Hall and ceased as a KMP on 13 February 2014. Amount paid is 80% of target for the period 1 July 2013 to 13 February 2014.

2.4 Long Term Incentives (LTI)

Purpose	The LTI aligns key employee rewards with sustainable growth in securityholder value over time. It also plays an important role in employee retention.
Participants	Reported Executives, Senior Executives, Fund Managers and selected other managers.
Type of equity awarded	The LTI is governed by the Performance Rights and Options Plan (PROP), under which either rights or options to securities are granted to participants. From 2012, all grants under the PROP comprised Performance Rights only (i.e. no Options). 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 outlined below. Details of specific grants made to Reported Executives for 2014 are provided in Section 5 of the Report.
Valuation	The number of rights granted to an executive is determined based on an independent fair value calculation by Deloitte using the Black Scholes valuation method.
Performance hurdles (equally weighted) and vesting schedule	For the 2014 LTI allocation, the two performance hurdles that apply to the Performance Rights for vesting over a three year period commencing 1 July 2013 were: • **Absolute TSR (50%)** – vesting occurs on a linear basis if the compound total return is between 10% and 13% per annum, with 50% vesting at the lower end of the range and 100% vesting at the higher end of the range. • **Relative TSR (50%)** – vesting occurs on a linear basis if the total compounded return is between the S&P/ASX 200 A-REIT Accumulation Index (XPJAI) and 1.10 times that number. Vesting starts at 50% at the lower end of the range and 100% will vest at the higher end of the range. Any Performance Rights that fail to meet these performance hurdles by 1 July 2016 will lapse.
Rationale for performance conditions	Charter Hall's approach to linking individual executive performance and Group performance to the vesting of equity rights is in line with market practice. The conditions are aimed at linking the retention and remuneration of the executive directly to securityholder returns. TSR measures the overall returns that a company has provided for its securityholders, reflecting share price movements and reinvestment of dividends over a specified period. Absolute TSR provides the strongest link to Charter Hall's business strategy of co-investing in managed funds with absolute and total return hurdles. Relative TSR is the most widely used LTI hurdle adopted in Australia and ensures that value is only delivered to participants if the investment return actually received by CHC securityholders is sufficiently high relative to the return they could have received by investing in a portfolio of alternative A-REIT sector stocks over the same period.
Cessation of employment provisions	For the 2014 LTI allocation, the following provisions apply in the case of cessation of a participant's employment: • **misconduct:** all unvested Performance Rights are forfeited unless the Board determines otherwise; • **resignation or where a participant breaches a post-termination restriction in their employment contract:** all unvested Performance Rights are forfeited unless the Board determines otherwise; and • **all other leavers:** all unvested Performance Rights lapse with effect from the date of cessation of employment, unless the Board allows part or all to vest early or remain on foot subject to the original terms of grant.
Change of control provisions	There are no change of control provisions for grants prior to 2013. From the 2013 grant onwards the Board, in its absolute discretion, may determine that all or a specified number of a participant's unvested Performance Rights vest. In doing so, the Board has regard to whether the performance is in line with the Performance Conditions over the period from the date of the grant of the Performance Right to the date of the relevant event.
Treatment of dividends on unvested securities	Participants who hold Performance Rights/Options are not entitled to receive any distributions or dividends declared by the Group until the Performance Rights/options are exercised and held as stapled securities.
Hedging and margin lending prohibitions	In accordance with the *Corporations Act 2001*, all key management personnel are prohibited from hedging or otherwise protecting the value of unvested securities.

Directors' Report continued

for the year ended 30 June 2014

Remuneration Report – audited continued

2. Executive remuneration components and outcomes continued

2.4 Long Term Incentives (LTI) continued

Additional once only special LTI grant for JMDs

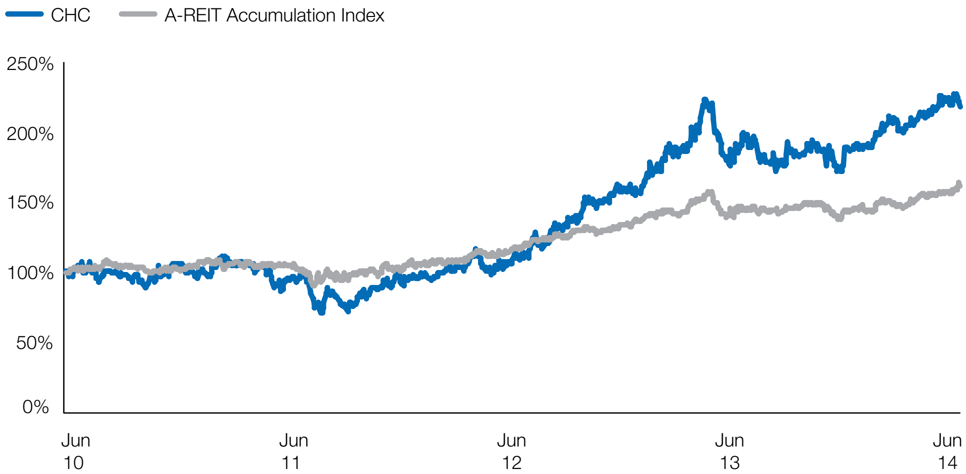
Following securityholder approval, as part of their contract renewal effective 4 November 2013, the JMDs received a one off allocation of three year performance rights. D Harrison received 300,000 performance rights and D Southon 100,000 performance rights.

The vesting of these performance rights is subject to both service and performance conditions over the three year period:

- Absolute TSR Performance – measured over a performance period from 1 July 2013 to 30 June 2016;
- Relative TSR Performance – measured over a performance period from 1 July 2013 to 30 June 2016; and
- Annual Milestones – set annually and measured over a performance period from 4 October 2013 to 4 October 2016.

Long-term performance outcomes

The following graph demonstrates how the Company's TSR (including share price movements and dividends) has performed relative to the ASX A-REIT Accumulation Index since June 2010:



Three year performance in respect of Performance Rights and Options Plan (PROP)

Relative performance

For the three years to June 2014, Charter Hall has outperformed its peers in the S&P/ASX 200 A-REIT Accumulation Index by 16% per annum, with Charter Hall returning a compound average growth rate of 34% per annum, compared to the index performance of 18% per annum.

Absolute performance

For the three years to June 2014, Charter Hall has achieved a compound average growth rate of 34%. This is based on a weighted average security price (VWAP) of $2.15 for the month of July 2011, a 30 June 2014 closing security price of $4.26 and cumulative distributions over the three years of 61 cents. This performance is in excess of the absolute TSR outperformance hurdle of 12% and ahead of the performance of the S&P/ASX 200 A-REIT Accumulation Index of 16% over the same period.

LTI outcomes

The LTI vesting conditions for the Reported Executives provide a clear link to long term total securityholder returns of Charter Hall.

The following LTI outcomes occurred in 2014:

- **2011 PROP** – The first tranche of the 2011 PROP had a vesting date on 1 July 2012, by which date Charter Hall had not met the target performance hurdles. Under the plan rules, any rights or options that did not vest on the first vesting date were retested with the second tranche on its vesting date of 1 July 2013. Both tranches vested on the retest date. Re-testing does not apply from the 2012 PROP.

Further details of LTI grants under the PROP are set out in Section 5 of this Report.

2.5 Group performance and Total Remuneration Outcomes

The tables below provide information on Charter Hall's performance against key metrics over the last five years and the relationship to Reported Executive Total Remuneration, both fixed and 'at-risk'. Charter Hall's STI is weighted towards growth in operating earnings per security (OEPS) and the LTI provides an important link between remuneration and TSR.

Table 2.5.a. Charter Hall five year performance

Key Performance Metrics	2010	2011	2012	2013	2014
Statutory Earnings per Security (cps)	3.22	17.85	5.64	18.29	25.61
Statutory Net Profit after Tax ($'000s)	6,840	52,338	16,678	54,842	82,116
OEPS before specific items[1]	16.83	20.60	21.51	22.93	25.31
Growth/(Decline) in OEPS before specific items on prior year (%)	(44.70)	22.40	4.40	6.60	10.38
Operating Profit before specific items ($'000s)	35,781	60,422	63,586	68,750	81,163
Total Distribution per Security (cps)	12.8	16.5	18.2	20.2	22.3
Security price at 30 June	2.40	2.15	2.27	3.87	4.26
S&P/ASX 200 A-REIT Accumulation Index (XPJAI) (%)	20.41	5.84	11.71	24.31	11.06
Total Securityholder Return/(Loss) – Jul-Jun (%)	26.40	(3.50)	14.00	80.60	16.30

1 A key performance metric for the Group, operating earnings per security (OEPS), before specific items, was 25.31 cents, which represented an increase of 10.4% on the prior corresponding period. There were no specific items in either 2013 or 2014.

Table 2.5.b. Reported Executives' total remuneration

Remuneration Summary	2010	2011	2012	2013	2014
Fixed payments ($)	3,991,129	6,236,089	5,513,308	5,978,392	6,122,898
STI accounting expense ($)	3,194,100	1,640,944	354,294[4]	2,659,913	3,381,549
LTI accounting expense ($)[1]	794,115	1,866,842	1,680,857	2,369,843	2,169,193
Earned remuneration ($)[2]	7,979,344	9,743,875	7,548,459	11,008,148	11,674,140
On target total remuneration ($)[3]	7,268,548	11,238,415	9,350,464	11,216,962	11,984,905
Earned remuneration relative to target remuneration – Over/(Under) (%)	10%	(13%)	(21%)	(2%)	(3%)

1 The LTI expense attributed to the Reported Executives reflects the statutory accounting expense under AASB 2.

2 Earned remuneration for the Reported Executives is the sum of their Fixed Payments, the STI accounting expense and the LTI accounting expense.

3 On-target remuneration for 2014 reflects full year on-target remuneration for all currently employed Reported Executives and pro-rated on-target remuneration for A Glass, whose employment terminated on 13 February 2014. The 2013 and 2014 figures include special LTI for R Stacker and the 2014 figure includes special one-off grant of LTI to D Harrison and D Southon.

4 In 2012, the Board exercised restraint in relation to STI pool available to employees based on Group financial performance.

Directors' Report continued

for the year ended 30 June 2014

Remuneration Report – audited continued

3. Executive remuneration in detail

3.1 Total remuneration of Executives

Details of the 2014 remuneration of the Reported Executives are provided in the following tables.

Table 3.1.a. Executives of the Group and Company 2014 (statutory accounting)

2014	SHORT-TERM BENEFITS					POST-EMPLOYMENT BENEFITS	SHARE BASED PAYMENT	OTHER LONG-TERM BENEFITS		
Name	Salary and fees $	Cash short-term incentive $	Share based short-term incentive $	Annual leave $	Non-monetary benefits[1] $	Super-annuation $	Securities, options and perform-ance rights $	Long service leave $	Total $	% of total remun-eration consisting of rights %
Executive Directors										
D Harrison	1,062,225	515,900	369,600	46,291	40,098	17,775	617,980	25,920	2,695,789	37
D Southon	1,062,225	442,200	316,800	(27,391)	30,498	17,775	529,792	25,414	2,397,313	35
Other Reported Executives										
P Altschwager	682,683	234,653	115,576	49,047	–	17,775	237,231	–	1,336,965	26
S Dundas	466,225	135,116	91,758	(2,936)	–	17,775	88,987	23,963	820,888	22
R Stacker	466,225	135,116	127,050	(29,276)	–	17,775	355,974	18,446	1,091,310	44
A Taylor	612,202	179,646	121,998	14,445	–	17,775	146,196	20,411	1,112,673	24
Former Reported Executives										
N Devlin[2]	295,523	88,769	70,221	1,341	–	17,775	65,411	–	539,040	25
T Jordan[2]	282,095	83,750	41,250	(1,735)	–	17,775	34,906	–	458,041	17
N Kelly[2]	443,812	133,302	65,656	6,143	–	17,775	95,385	11,346	773,419	21
A Glass[3]	324,352	113,688	–	–	–	13,331	(2,669)	–	448,702	(1)
Total	**5,697,567**	**2,062,140**	**1,319,909**	**55,929**	**70,596**	**173,306**	**2,169,193**	**125,500**	**11,674,140**	**30**

1 Non-monetary benefits include motor vehicle costs and car parking benefit.

2 Employees ceased as KMP effective 10 February 2014 but remain employed by the Group. Remuneration shown is for the full financial year to provide a comparative view with 2013.

3 Ceased employment with Charter Hall and ceased as a KMP on 13 February 2014.

2013	SHORT-TERM BENEFITS					POST-EMPLOY-MENT BENEFITS	SHARE BASED PAYMENT	OTHER LONG-TERM BENEFITS		
Name	Salary and fees $	Cash short-term incentive $	Share based short-term incentive $	Annual leave $	Non-monetary benefits[1] $	Super-annuation $	Securities, options and perform-ance rights $	Long service leave $	Total $	% of total remun-eration consisting of rights %
Executive Directors										
D Harrison	1,009,530	392,486	196,243	33,980	38,894	16,470	489,446	22,554	2,199,603	31
D Southon	1,019,130	385,000	192,500	6,128	29,294	16,470	489,446	22,189	2,160,157	32
Other Reported Executives										
P Altschwager[2]	683,529	210,000	105,000	14,163	–	16,470	396,621	–	1,425,783	35
S Dundas	423,530	122,222	66,611	8,992	–	16,470	88,280	30,921	757,026	20
R Stacker[3]	423,530	122,222	70,278	7,198	–	16,470	448,940	5,961	1,094,599	47
A Taylor	607,530	173,333	86,667	(692)	–	16,470	165,581	14,348	1,063,237	24
Former Reported Executives										
N Devlin	258,530	76,389	49,653	(2,196)	–	16,470	58,716	–	457,561	24
T Jordan	162,902	46,400	30,160	4,490	–	16,470	24,096	–	279,035	19
N Kelly	451,529	117,000	58,500	(3,586)	–	16,470	96,354	8,466	744,733	21
A Glass	529,530	106,167	53,083	8,749	–	16,470	112,413	–	826,412	20
Total	**5,569,270**	**1,751,219**	**908,695**	**77,226**	**68,188**	**159,267**	**2,369,843**	**104,439**	**11,008,146**	**30**

1 Non-monetary benefits include motor vehicle costs and associated fringe benefits tax.

2 P Altschwager was awarded 260,054 service rights as a sign-on arrangement when he commenced employment on 27 February 2012. 130,072 service rights vested on 31 December 2012, with the balance vesting on 31 December 2013.

3 R Stacker was awarded 270,000 service rights in his retention arrangement. 90,000 service rights vested on 31 December 2013, with the balance due to vest equally at 31 December 2014 and 2015, subject to meeting the service condition.

3.2 JMD loan arrangements

As disclosed in previous remuneration reports, each of the JMDs entered into a loan agreement with Charter Hall Limited in 2005 in relation to the purchase of 2,500,000 (now 625,000 following the 1 for 4 security consolidation in 2011) listed securities in Charter Hall Group. The securities purchased using the loans are not reflected in the LTI amounts for the JMDs. These securities were not issued as part of any remuneration arrangements.

3.3 JMD contracts

In November 2013, the Joint Managing Directors' employment contracts were renewed following securityholder approval at the 2013 Annual General Meeting. The new employment contracts included an increase in the length of their notice periods and new restraint provisions as follows.

- the three month notice period was extended to 12 months where Charter Hall gives such notice and six months where notice is given by a Joint Managing Director; and
- a non-solicitation/non-compete period of 12 months from the date of termination was included.

In consideration for entering into these new contracts the JMDs were awarded a one off grant of special Performance Rights under the PROP scheme (see page 31 for more detail).

Directors' Report continued

for the year ended 30 June 2014

Remuneration Report – audited continued

3. Executive remuneration in detail continued

3.4 Key terms of employment

The remuneration and other terms of employment for Reported Executives are formalised in employment contracts. Each of these contracts provides for participation in the Group's STI and LTI programs (as described above) and payment of other benefits (including car allowances).

The terms and conditions of employment of each executive reflect market conditions at the time of their contract. All Reported Executives' contracts are ongoing in duration. The material terms of the employment agreements for the JMDs and Senior Executives are summarised below:

		MINIMUM NOTICE PERIOD[1]	
Name	Position	Employee	Charter Hall
Executive Directors			
D Harrison	Joint Managing Director	6 months	12 months
D Southon	Joint Managing Director	6 months	12 months
Other Reported Executives			
P Altschwager	Group Chief Financial Officer	3 months	6 months
S Dundas	Fund Manager – Charter Hall Retail REIT	3 months	6 months
R Stacker[2]	Head of Direct Property	3 months	3 months
A Taylor[3]	Head of Wholesale	3 months	3 months
Former Reported Executives			
N Devlin[4]	Head of People, Brand & Community	3 months	3 months
T Jordan[4]	Group General Counsel & Company Secretary	3 months	3 months
N Kelly[4]	Head of Investor Relations	3 months	3 months
A Glass[5]	Head of Wholesale Pooled Funds	3 months	3 months

1 No notice period is required for termination by the Company for serious or wilful misconduct by the employee.

2 Termination payments under Richard Stacker's contract equals six months base salary plus one month per year of service to a maximum of 12 months base salary.

3 Termination payments under Adrian Taylor's contract equals nine months base salary plus one month per year of service to a maximum of 12 months base salary.

4 Ceased as KMP effective 10 February 2014.

5 Ceased employment with Charter Hall and ceased as KMP effective 13 February 2014.

Other than as described above, the Executives' contracts do not provide for any termination benefits aside from payment in lieu of notice (where applicable). Treatment of unvested incentives is dealt with in accordance with the terms of grant (refer to STI and LTI discussion in the section above).

4. Non-Executive Director (NED) remuneration

4.1 Policy

The Committee makes recommendations to the Board on the total level of remuneration of the Chairman and NEDs; including any additional fees payable to directors for membership of Board committees.

Fees are set by reference to the following considerations:

- industry practice and best principles of corporate governance;
- responsibilities and risks attaching to the role of NED;
- the time commitment expected of NEDs on Group matters; and
- reference to fees paid to NEDs of other comparable companies.

The Board, via the Committee, periodically reviews its approach to NED remuneration to ensure it remains in line with general industry practice and reflects proper compensation for duties undertaken. External independent advice is sought in these circumstances.

4.2 Fee framework

NED fees, including committee fees, are set by the Board within the aggregate amount approved by securityholders. Currently, the aggregate amount is $1,000,000 per annum, which was approved by securityholders at the 2011 Annual General Meeting.

Under the current framework, NEDs receive Board base fees and committee fees including superannuation.

NEDs are also entitled to be reimbursed for all business related expenses, including travel on Charter Hall business, as may be incurred in the discharge of their duties in accordance with Charter Hall's Constitution.

In accordance with principles of good corporate governance, NEDs do not receive any benefits upon retirement under any retirement benefits schemes (other than statutory superannuation) and NEDs are not eligible to participate in any of Charter Hall Group's employee incentive schemes.

NED base and committee fees were increased by 3.0% in 2014, the first increase since 2011. During the year an additional NED, David Clarke was appointed on 10 April 2014. The NED fees for 2014 were $991,142, representing 99% of the current pool.

Table 4.2. Summary of fee framework

	2013 $	2014 $
Board		
Chair	200,000	206,000
Non Chair	100,000	103,000
Audit, Risk and Compliance Committee		
Chair	20,210	20,816
Non Chair	13,475	13,879
Remuneration and Human Resources Committee		
Chair	20,210	20,816
Non Chair	13,475	13,879
Nomination Committee		
Chair	2,000	2,060
Non Chair	2,000	2,060
Valuation Committee	8,800	9,064
Investment Committee of related party[1]	10,000	60,000

1 Related Party Investment Committee fees were paid to C. McGowan for responsibilities relating to CHOF4 and CHOF5. Payment of fees related to these Committees ceased as of April 2014 for CHOF4 and 31 May 2014 for CHOF5.

Directors' Report continued

for the year ended 30 June 2014

Remuneration Report – audited continued

4. Non-Executive Director remuneration continued

4.3 Total remuneration details

Table 4.3.a. Non-Executive Director remuneration 2014 (statutory accounting)

2014 Name	Salary and fees $
Non-Executive Directors	
K Roxburgh – Chairman	221,939
A Brennan	137,695
D Clarke[1]	22,436
D Deverall	125,876
P Garling	125,943
P Kahan	128,810
C McGowan[2]	228,443
TOTAL	**991,142**

1 Appointed 10 April 2014.

2 Fees paid in relation to the Charter Hall Board and ordinary Committee participation total $125,943. The additional $102,500 relates to payments for CHOF4 and CHOF5 Investment Committees.

Table 4.3.b. Non-Executive Director remuneration 2013 (statutory accounting)

2013 Name	Salary and fees $
Non-Executive Directors	
K Roxburgh – Chairman	215,475
A Brennan	135,376
D Deverall	113,591
P Garling[1]	40,928
P Kahan	109,871
C McGowan	134,276
TOTAL	**833,803**

1 Appointed 25 February 2013.

5. Appendix – Further detail on Long Term Incentives

5.1 Security Holdings

Table 5.1. Key Management Personnel Security Holdings

Name	Opening balance at 30 June 2013	LTI Securities vesting during the year	Sold during the year	Closing balance at 30 June 2014
Directors of Charter Hall Limited				
Ordinary securities				
K Roxburgh	31,250	–	–	31,250
A Brennan	30,000	–	–	30,000
D Clarke[1]	–	–	–	–
D Deverall	33,720	–	–	33,720
P Garling	6,297	–	–	6,297
P Kahan	–	–	–	–
C McGowan	–	–	–	–
D Harrison	1,841,773	201,924	(601,924)	1,441,773
D Southon	1,880,612	201,924	(201,924)	1,880,612
Other Reported Executives of the Group				–
P Altschwager	130,027	130,027	(129,900)	130,154
S Dundas	–	125,004	(125,004)	–
R Stacker	–	277,504	(187,504)	90,000
A Taylor	–	312,504	(312,504)	–
Former Reported Executives of the Group				–
N Devlin[2]	–	38,140	(38,140)	–
T Jordan[2]	–	–	–	–
N Kelly[2]	133	151,448	(151,448)	133
A Glass[3]	–	50,484	(50,484)	–

1 Appointed 10 April 2014.
2 Ceased as KMP effective 10 February 2014.
3 Ceased employment with Charter Hall and ceased as a KMP on 13 February 2014.

Directors' Report continued

for the year ended 30 June 2014

Remuneration Report – audited continued

5. Appendix – Further detail on Long Term Incentives continued

5.2 Performance Rights and Options Plan details

Table 5.2.a. Performance rights, options and service rights issued and outstanding under the PROP

PERFORMANCE RIGHTS

Year of issue	Securities	Exercise price	Vesting conditions
2012	3,242,634	Nil	Absolute and relative performance criteria
2013	1,689,319	Nil	Absolute and relative performance criteria
2014	1,362,446	Nil	Absolute and relative performance criteria
Total Performance Rights Issued	**6,294,399**		

OPTIONS

Year of issue	Securities	Exercise price	Vesting conditions
2010	1,060,062	$1.94	Absolute and relative performance criteria
2010	44,628	$2.80	Absolute and relative performance criteria
2011	1,045,676	$2.44	Absolute and relative performance criteria
Total Options Issued	**2,150,366**		

SERVICE RIGHTS

Year of issue	Securities	Exercise price	Vesting conditions
2013	180,000	Nil	Service conditions
2014	40,000	Nil	Service conditions
2014	343,582	Nil	Service conditions – deferred STI
Total Service Rights Issued	**563,582**		

Valuation Model Inputs

The Black-Scholes or Monte Carlo method, as applicable, is utilised for valuation and accounting purposes. Prior to 2013, the number of rights granted to an executive was determined based on an independent fair value calculation using the Monte Carlo simulation valuation method, which is consistent with the accounting fair value standard AASB 2. From 2013, the allocation methodology was revised. LTI awards are now valued using the Black-Scholes methodology and will continue to be valued for accounting purposes using a Monte Carlo simulation valuation in accordance with AASB 2.

The model inputs for the PROP performance rights and options plan and service rights issued during 2010 to 2014 to assess the fair value are as follows:

PERFORMANCE RIGHTS				
Grant date	17/01/2012	23/11/2012	20/11/2013	20/11/2013
Security price at grant date	$2.10	$3.11	$3.68	$3.68
Fair value of right	$0.94	$1.91	$1.42	$1.11
Expected price volatility	39.00%	26.00%	30.40%	30.40%
Risk-free interest rate	3.90%	3.00%	2.90%	3.00%

OPTIONS				
Grant date	13/11/2009	18/06/2010	6/09/2010	11/11/2010
Security price at grant date[1]	$2.40	$2.80	$2.44	$2.44
Fair value of option[1]	$0.39	$0.56	$0.51	$0.51
Exercise price per security[1]	$1.94	$2.80	$2.44	$2.44
Expiry of loan	4/11/2014	18/06/2015	6/09/2015	6/09/2015
Expected price volatility	40.00%	40.00%	40.00%	40.00%
Risk-free interest rate	5.50%	5.50%	5.50%	5.50%

SERVICE RIGHTS			
Grant date	23/11/2012	20/11/2013	20/11/2013
Security price at grant date	$3.11	$3.68	$3.68
Fair value of right	$2.73	$3.45	$3.42
Expected price volatility	25.00%	27.40%	27.40%
Risk-free interest rate	2.90%	2.60%	2.60%

1 Security prices for prior years have been restated for the security consolidation during 2011.

Table 5.2.b. Number of performance rights and options issued and outstanding to Reported Executives

	PERFORMANCE RIGHTS				OPTIONS			SERVICE RIGHTS		
	2012	2013	2014	Total	2010	2011	Total	2013	2014	Total
Executive Directors										
D Harrison	564,517	346,847	531,707	1,443,071	345,060	504,808	849,868	–	59,649	59,649
D Southon	564,517	346,847	301,220	1,212,584	670,314	504,808	1,175,122	–	58,511	58,511
Other Reported Executives										
P Altschwager	–	189,190	106,708	295,898	–	–	–	–	31,916	31,916
S Dundas	107,527	59,460	36,891	203,878	–	–	–	–	20,372	20,372
R Stacker	157,549	59,460	36,891	253,900	–	–	–	180,000	21,362	201,362
A Taylor	223,433	84,325	47,561	355,319	–	–	–	–	26,344	26,344
Former Reported Executives										
N Devlin	97,581	37,163	23,629	158,373	–	–	–	–	15,094	15,094
A Glass	141,130	–	–	141,130	–	–	–	–	16,136	16,136
T Jordan	–	37,838	22,866	60,704	–	–	–	–	9,168	9,168
N Kelly	120,968	63,244	36,395	220,607	–	–	–	–	17,782	17,782

Directors' Report continued

for the year ended 30 June 2014

Remuneration Report – audited continued

5. Appendix – Further detail on Long Term Incentives continued

5.2 Performance Rights and Options Plan details continued

Table 5.2.c. Reported Executives Performance Rights and Options – details by plan

	Type of Equity	Rights previously granted	Rights granted during the year	Rights held at 30 June 2014	Grant date
Executive Directors					
D Harrison	LTI Performance Rights	100,962	–	–	19-Nov-10
	LTI Performance Rights	100,962	–	–	19-Nov-10
	LTI Performance Rights	564,517	–	564,517	17-Jan-12
	LTI Performance Rights	346,847	–	346,847	23-Nov-12
	LTI Performance Rights	–	231,707	231,707	20-Nov-13
	LTI Performance Rights	–	300,000	300,000	20-Nov-13
	LTI Options	9,903	–	9,903	13-Nov-09
	LTI Options	335,157	–	335,157	13-Nov-09
	LTI Options	252,404	–	252,404	11-Nov-10
	LTI Options	252,404	–	252,404	11-Nov-10
	LTI Deferred STI Rights	–	29,825	29,825	20-Nov-13
	LTI Deferred STI Rights	–	29,824	29,824	20-Nov-13
D Southon	LTI Performance Rights	100,962	–	–	19-Nov-10
	LTI Performance Rights	100,962	–	–	19-Nov-10
	LTI Performance Rights	564,517	–	564,517	17-Jan-12
	LTI Performance Rights	346,847	–	346,847	23-Nov-12
	LTI Performance Rights	–	201,220	201,220	20-Nov-13
	LTI Performance Rights	–	100,000	100,000	20-Nov-13
	LTI Options	335,157	–	335,157	13-Nov-09
	LTI Options	335,157	–	335,157	13-Nov-09
	LTI Options	252,404	–	252,404	11-Nov-10
	LTI Options	252,404	–	252,404	11-Nov-10
	LTI Deferred STI Rights	–	29,256	29,256	20-Nov-13
	LTI Deferred STI Rights	–	29,255	29,255	20-Nov-13

1 The maximum value of the grants yet to vest is the amount at the grant date fair value yet to be reflected in the Group's consolidated income statement. The minimum future value is $nil as the future performance and service conditions may not be met.

Fair value per right at grant date	Option exercise price	No. vested and exercised during the year	No. forfeited during the year	Vesting date	Option expiry date	Maximum value to be realised in future years[1]
$1.37	–	100,962	–	1-Jul-13	–	–
$1.29	–	100,962	–	1-Jul-13	–	–
$0.94	–	–	–	1-Jul-14	–	–
$1.91	–	–	–	1-Sep-15	–	$221,028
$1.42	–	–	–	1-Sep-16	–	$219,650
$1.11	–	–	–	4-Oct-16	–	$222,304
$0.39	$1.94	–	–	1-Jul-12	13-Nov-14	–
$0.39	$1.94	–	–	1-Jul-12	13-Nov-14	–
$0.51	$2.44	–	–	1-Jul-13	6-Sep-15	–
$0.51	$2.44	–	–	1-Jul-13	6-Sep-15	–
$3.42	–	–	–	31-Aug-14	–	–
$3.42	–	–	–	31-Aug-15	–	–
$1.37	–	100,962	–	1-Jul-13	–	–
$1.29	–	100,962	–	1-Jul-13	–	–
$0.94	–	–	–	1-Jul-14	–	–
$1.91	–	–	–	1-Sep-15	–	$221,028
$1.42	–	–	–	1-Sep-16	–	$190,749
$1.11	–	–	–	4-Oct-16	–	$74,101
$0.39	$1.94	–	–	1-Jul-12	13-Nov-14	–
$0.39	$1.94	–	–	1-Jul-12	13-Nov-14	–
$0.51	$2.44	–	–	1-Jul-13	6-Sep-15	–
$0.51	$2.44	–	–	1-Jul-13	6-Sep-15	–
$3.42	–	–	–	31-Aug-14	–	–
$3.42	–	–	–	31-Aug-15	–	–

Directors' Report continued

for the year ended 30 June 2014

Remuneration Report – audited continued

5. Appendix – Further detail on Long Term Incentives continued

5.2 Performance Rights and Options Plan details continued

Table 5.2.c. Reported Executives Performance Rights and Options – details by plan continued

	Type of Equity	Rights previously granted	Rights granted during the year	Rights held at 30 June 2014	Grant date
Key Management Personnel					
P Altschwager	LTI Performance Rights	189,190	–	189,190	23-Nov-12
	LTI Performance Rights	–	106,708	106,708	20-Nov-13
	LTI Service Rights	130,027	–	–	22-May-12
	LTI Deferred STI Rights	–	15,958	15,958	20-Nov-13
	LTI Deferred STI Rights	–	15,958	15,958	20-Nov-13
N Devlin	LTI Performance Rights	5,449	–	–	6-Sep-10
	LTI Performance Rights	5,448	–	–	6-Sep-10
	LTI Performance Rights	97,581	–	97,581	17-Jan-12
	LTI Performance Rights	37,163	–	37,163	23-Nov-12
	LTI Performance Rights	–	23,629	23,629	20-Nov-13
	LTI Options	13,622	–	–	11-Jan-11
	LTI Options	13,621	–	–	11-Jan-11
	LTI Deferred STI Rights	–	7,547	7,547	20-Nov-13
	LTI Deferred STI Rights	–	7,547	7,547	20-Nov-13
S Dundas	LTI Performance Rights	17,876	–	–	18-Jun-10
	LTI Performance Rights	17,876	–	–	18-Jun-10
	LTI Performance Rights	107,527	–	107,527	17-Jan-12
	LTI Performance Rights	59,460	–	59,460	23-Nov-12
	LTI Performance Rights	–	36,891	36,891	20-Nov-13
	LTI Options	44,626	–	–	18-Jun-10
	LTI Options	44,626	–	–	18-Jun-10
	LTI Deferred STI Rights	–	10,186	10,186	20-Nov-13
	LTI Deferred STI Rights	–	10,186	10,186	20-Nov-13
A Glass	LTI Performance Rights	25,242	–	–	6-Sep-10
	LTI Performance Rights	25,241	–	–	6-Sep-10
	LTI Performance Rights	141,130	–	141,130	17-Jan-12
	LTI Performance Rights	73,784	–	–	23-Nov-12
	LTI Performance Rights	–	41,616	41,616	20-Nov-13
	LTI Options	63,102	–	–	6-Sep-10
	LTI Options	63,102	–	–	6-Sep-10
	LTI Deferred STI Rights	–	8,068	8,068	20-Nov-13
	LTI Deferred STI Rights	–	8,068	8,068	20-Nov-13

1 The maximum value of the grants yet to vest is the amount at the grant date fair value yet to be reflected in the Group's consolidated income statement. The minimum future value is $nil as the future performance and service conditions may not be met.

Fair value per right at grant date	Option exercise price	No. vested and exercised during the year	No. forfeited during the year	Vesting date	Option expiry date	Maximum value to be realised in future years[1]
$1.91	–	–	–	1-Sep-15	–	$120,561
$1.42	–	–	–	1-Sep-16	–	$101,155
$1.87	–	130,027	–	31-Dec-13	–	–
$3.42	–	–	–	31-Aug-14	–	–
$3.42	–	–	–	31-Aug-15	–	–
$1.37	–	5,449	–	1-Jul-13	–	–
$1.28	–	5,448	–	1-Jul-13	–	–
$0.94	–	–	–	1-Jul-14	–	–
$1.91	–	–	–	1-Sep-15	–	$23,682
$1.42	–	–	–	1-Sep-16	–	$22,399
$0.49	$2.35	13,622	–	30-Jun-13	6-Sep-15	–
$0.49	$2.35	13,621	–	30-Jun-13	6-Sep-15	–
$3.42	–	–	–	31-Aug-14	–	–
$3.42	–	–	–	31-Aug-15	–	–
$1.58	–	17,876	–	1-Jul-13	–	–
$1.46	–	17,876	–	1-Jul-13	–	–
$0.94	–	–	–	1-Jul-14	–	–
$1.91	–	–	–	1-Sep-15	–	$37,891
$1.42	–	–	–	1-Sep-16	–	$34,971
$0.56	$2.80	44,626	–	30-Jun-13	18-Jun-15	–
$0.56	$2.80	44,626	–	30-Jun-13	18-Jun-15	–
$3.59	–	–	–	31-Aug-14	–	–
$3.59	–	–	–	31-Aug-15	–	–
$1.37	–	25,242	–	1-Jul-13	–	–
$1.27	–	25,241	–	1-Jul-13	–	–
$0.94	–	–	–	1-Jul-14	–	–
$1.91	–	–	73,784	1-Sep-15	–	–
$1.42	–	–	41,616	1-Sep-16	–	–
$0.51	$2.44	63,102	–	1-Jul-13	–	–
$0.51	$2.44	63,102	–	1-Jul-13	–	–
$3.42	–	–	–	31-Aug-14	–	–
$3.42	–	–	–	31-Aug-15	–	–

Directors' Report continued

for the year ended 30 June 2014

Remuneration Report – audited continued

5. Appendix – Further detail on Long Term Incentives continued

5.2 Performance Rights and Options Plan details continued

Table 5.2.c. Reported Executives Performance Rights and Options – details by plan continued

	Type of Equity	Rights previously granted	Rights granted during the year	Rights held at 30 June 2014	Grant date
Key Management Personnel continued					
T Jordan	LTI Performance Rights	37,838	–	37,838	23-Nov-12
	LTI Performance Rights	–	22,866	22,866	20-Nov-13
	LTI Deferred STI Rights	–	4,584	4,584	20-Nov-13
	LTI Deferred STI Rights	–	4,584	4,584	20-Nov-13
N Kelly	LTI Performance Rights	21,636	–	–	6-Sep-10
	LTI Performance Rights	21,636	–	–	6-Sep-10
	LTI Performance Rights	120,968	–	120,968	17-Jan-12
	LTI Performance Rights	63,244	–	63,244	23-Nov-12
	LTI Performance Rights	–	36,395	36,395	20-Nov-13
	LTI Options	54,088	–	–	6-Sep-10
	LTI Options	54,088	–	–	6-Sep-10
	LTI Deferred STI Rights	–	8,891	8,891	20-Nov-13
	LTI Deferred STI Rights	–	8,891	8,891	20-Nov-13
R Stacker	LTI Performance Rights	26,814	–	–	18-Jun-10
	LTI Performance Rights	26,814	–	–	18-Jun-10
	LTI Performance Rights	157,549	–	157,549	17-Jan-12
	LTI Performance Rights	59,460	–	59,460	23-Nov-12
	LTI Performance Rights	–	36,891	36,891	20-Nov-13
	LTI Options	66,938	–	–	18-Jun-10
	LTI Options	66,938	–	–	18-Jun-10
	LTI Service Rights	90,000	–	–	23-Nov-12
	LTI Service Rights	90,000	–	90,000	23-Nov-12
	LTI Service Rights	90,000	–	90,000	23-Nov-12
	LTI Deferred STI Rights	–	10,681	10,681	20-Nov-13
	LTI Deferred STI Rights	–	10,681	10,681	20-Nov-13
A Taylor	LTI Performance Rights	44,626	–	–	18-Jun-10
	LTI Performance Rights	44,626	–	–	18-Jun-10
	LTI Performance Rights	223,433	–	223,433	17-Jan-12
	LTI Performance Rights	84,325	–	84,325	23-Nov-12
	LTI Performance Rights	–	47,561	47,561	20-Nov-13
	LTI Options	111,626	–	–	18-Jun-10
	LTI Options	111,626	–	–	18-Jun-10
	LTI Deferred STI Rights	–	13,172	13,172	20-Nov-13
	LTI Deferred STI Rights	–	13,172	13,172	20-Nov-13

1 The maximum value of the grants yet to vest is the amount at the grant date fair value yet to be reflected in the Group's consolidated income statement. The minimum future value is $nil as the future performance and service conditions may not be met.

Fair value per right at grant date	Option exercise price	No. vested and exercised during the year	No. forfeited during the year	Vesting date	Option expiry date	Maximum value to be realised in future years[1]
$1.91	–	–	–	1-Sep-15	–	$24,112
$1.42	–	–	–	1-Sep-16	–	$21,676
$3.42	–	–	–	31-Aug-14	–	–
$3.42	–	–	–	31-Aug-15	–	–
$1.37	–	21,636	–	1-Jul-13	–	–
$1.28	–	21,636	–	1-Jul-13	–	–
$0.94	–	–	–	1-Jul-14	–	–
$1.91	–	–	–	1-Sep-15	–	$40,302
$1.42	–	–	–	1-Sep-16	–	$34,501
$0.51	$2.44	54,088	–	1-Jul-13	6-Sep-15	–
$0.51	$2.44	54,088	–	1-Jul-13	6-Sep-15	–
$3.42	–	–	–	31-Aug-14	–	–
$3.42	–	–	–	31-Aug-15	–	–
$1.58	–	26,814	–	1-Jul-13	–	-
$1.46	–	26,814	–	1-Jul-13	–	-
$0.94	–	–	–	1-Jul-14	–	-
$1.91	–	–	–	1-Sep-15	–	$37,891
$1.42	–	–	–	1-Sep-16	–	$34,971
$0.56	$2.80	66,938	–	1-Jul-13	13-Nov-14	-
$0.56	$2.80	66,938	–	1-Jul-13	13-Nov-14	-
$2.90	–	90,000	–	31-Dec-13	–	-
$2.72	–	–	–	31-Dec-14	–	-
$2.56	–	–	–	31-Dec-15	–	-
$3.42	–	–	–	31-Aug-14	–	-
$3.42	–	–	–	31-Aug-15	–	-
$1.58	–	44,626	–	1-Jul-13	–	-
$1.46	–	44,626	–	1-Jul-13	–	-
$0.94	–	–	–	1-Jul-14	–	-
$1.91	–	–	–	1-Sep-15	–	$53,736
$1.42	–	–	–	1-Sep-15	–	$45,086
$0.56	$2.80	111,626	–	1-Jul-13	13-Nov-14	-
$0.56	$2.80	111,626	–	1-Jul-13	13-Nov-14	-
$3.42	–	–	–	31-Aug-14	–	-
$3.42	–	–	–	31-Aug-15	–	-

Directors' Report continued

for the year ended 30 June 2014

Indemnification and insurance of directors, officers and auditor

During the year, Charter Hall Group contributed to the premium for a contract insuring all directors, secretaries, executive officers and officers of the Charter Hall Group and of each related body corporate of the Group, with the balance of the premium paid by funds managed by members of the Charter Hall Group. The insurance does not provide any cover for the independent auditor of the Charter Hall Group or of a related party of the Charter Hall Group. In accordance with usual commercial practice, the insurance contract prohibits disclosure of details of the nature of the liabilities covered by the insurance, the limit of indemnity and the amount of the premium paid under the contract.

So long as the officers of the Responsible Entity act in accordance with the Charter Hall Property Trust's Constitution and the *Corporations Act 2001*, the officers are indemnified out of the assets of the Charter Hall Property Trust against losses incurred while acting on behalf of the Charter Hall Property Trust. The Charter Hall Group indemnifies the auditor (PricewaterhouseCoopers Australia) against any liability (including legal costs) for third party claims arising from a breach by Charter Hall Group of the auditor's engagement terms, except where prohibited by the *Corporations Act 2001*.

Non-audit services

The Company may decide to employ the auditor on assignments additional to its statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out below.

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 compatible 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 below, did not compromise the auditor 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 they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the year, the following fees were paid or payable for non-audit services provided by the auditor of the Charter Hall Group and Charter Hall Property Trust Group, its related practices and non-related audit firms:

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2014 $	2013 $	**2014 $**	2013 $
Taxation services				
PricewaterhouseCoopers Australian firm				
Tax compliance services, including review of company income tax returns	**48,817**	50,341	**–**	–
Total remuneration for taxation services	**48,817**	50,341	**–**	–
Total remuneration for non-audit services	**48,817**	50,341	**–**	–

Environmental regulation

The Group ensures compliance with applicable environmental standards and regulations and reports its greenhouse gas emissions and energy use on an annual basis under the *National Greenhouse and Energy Reporting Act 2007*. In October 2014, the Group will report to the Clean Energy Regulator emissions for the measurement period 1 July 2013 to 30 June 2014. The Group continues to implement resource efficiency measures to mitigate against energy price increases associated with the carbon price.

To the best of the Directors' knowledge, the operations of the Group have been undertaken in compliance with the applicable environmental regulations that apply to the Group's activities.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

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 50.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of the Directors.

K Roxburgh
Chairman

Sydney
16 September 2014

Auditor's Independence Declaration

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Charter Hall Limited and Charter Hall Property Trust for the year ended 30 June 2014, 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 Limited and Charter Hall Property Trust and the entities they controlled during the period.

Wayne Andrews
Wayne Andrews
Partner
PricewaterhouseCoopers

Sydney
16 September 2014

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Consolidated Statements of Comprehensive Income

for the year ended 30 June 2014

		CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	Note	**2014 $'000**	Restated 2013 $'000	**2014 $'000**	Restated 2013 $'000
Income					
Revenue	4	**122,652**	114,841	**26,394**	36,773
Share of net profit of investments accounted for using the equity method	33,34	**60,843**	42,541	**51,351**	37,633
Net fair value adjustment on investment properties	6	**183**	–	**183**	–
Fair value adjustment on contingent consideration	6	**–**	1,123	**–**	–
Net unrealised gain from derivative financial instruments	6	**–**	121	**–**	121
Foreign exchange gains		**–**	112	**–**	–
Total income		**183,678**	158,738	**77,928**	74,527
Expenses					
Investment property expenses		**(161)**	(2,304)	**(161)**	(2,304)
Depreciation	5	**(1,375)**	(1,186)	**–**	–
Finance costs	5	**(1,303)**	(3,323)	**(1,793)**	(4,125)
Net loss on sale of investment properties, derivatives and other investments		**(3,424)**	(2,285)	**(2,682)**	(2,299)
Net fair value adjustments on investment properties	6	**–**	(8,419)	**–**	(8,419)
Net loss on investment in associates at fair value	6	**(1,778)**	(1,596)	**(1,773)**	(1,691)
Net loss on remeasurement of equity interests		**–**	(368)	**–**	(368)
Foreign exchange losses		**(14)**	–	**–**	(1)
Amortisation of management rights	5,17	**(8,489)**	(7,838)	**–**	–
Asset management fees		**–**	–	**(854)**	(1,836)
Employee costs	5	**(72,466)**	(62,731)	**–**	–
Administration and other expenses	5	**(13,559)**	(12,559)	**(144)**	(407)
Total expenses		**(102,569)**	(102,609)	**(7,407)**	(21,450)
Profit before tax		**81,109**	56,129	**70,521**	53,077
Income tax benefit/(expense)	7	**1,007**	(1,738)	**–**	–
Profit for the year		**82,116**	54,391	**70,521**	53,077
Profit for the year as attributable to:					
Equity holders of Charter Hall Limited		**11,553**	488	**–**	–
Equity holders of Charter Hall Property Trust (non-controlling interest)		**70,563**	54,354	**70,563**	54,354
Profit attributable to stapled securityholders of Charter Hall Group		**82,116**	54,842	**70,563**	54,354
Net loss attributable to other non-controlling interests		**–**	(451)	**(42)**	(1,277)
Profit for the year		**82,116**	54,391	**70,521**	53,077
Other comprehensive income					
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations		**80**	1,141	**19**	986
Transfer of cumulative foreign exchange losses	24	**488**	209	**488**	209
Other comprehensive income for the year, net of tax		**568**	1,350	**507**	1,195
Total comprehensive income for the year		**82,684**	55,741	**71,028**	54,272

Consolidated Statements of Comprehensive Income continued

for the year ended 30 June 2014

	Note	CHARTER HALL GROUP 2014 $'000	CHARTER HALL GROUP Restated 2013 $'000	CHARTER HALL PROPERTY TRUST GROUP 2014 $'000	CHARTER HALL PROPERTY TRUST GROUP Restated 2013 $'000
Total comprehensive income for the year is attributable to:					
Equity holders of Charter Hall Limited		**11,614**	643	**–**	–
Equity holders of Charter Hall Property Trust (non-controlling interest)		**71,070**	55,549	**71,070**	55,549
Total comprehensive income attributable to stapled securityholders of Charter Hall Group		**82,684**	56,192	**71,070**	55,549
Total comprehensive income attributable to other non-controlling interests		**–**	(451)	**(42)**	(1,277)
Total comprehensive income for the year		**82,684**	55,741	**71,028**	54,272
Basic and diluted earnings per stapled security					
Basic earnings per stapled security (cents) attributable to securityholders	9(a)	**25.61**	18.29	**22.01**	18.13
Diluted earnings per stapled security (cents) attributable to securityholders	9(b)	**24.92**	17.67	**21.41**	17.52

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

Consolidated Balance Sheets

for the year ended 30 June 2014

		CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	Note	2014 $'000	Restated 2013 $'000	2014 $'000	Restated 2013 $'000
Assets					
Current assets					
Cash and cash equivalents	10	**50,184**	12,236	**577**	2,229
Trade and other receivables	11	**66,983**	63,550	**52,474**	32,432
Assets classified as held for sale	12	**11,592**	55,225	**–**	55,225
Total current assets		**128,759**	131,011	**53,051**	89,886
Non-current assets					
Trade and other receivables	11	**6,500**	2,400	**181,292**	197,240
Investment in associates at fair value through profit or loss	13	**14,234**	49,229	**14,234**	49,229
Inventories	14	**–**	10,848	**–**	–
Investments accounted for using the equity method	15	**682,901**	520,147	**591,869**	435,084
Investment properties	16	**48,386**	–	**48,386**	–
Intangible assets	17	**87,577**	96,066	**–**	–
Property, plant and equipment	18	**9,374**	2,743	**–**	–
Deferred tax assets	19	**8,002**	6,389	**–**	–
Other assets	22	**319**	–	**319**	–
Total non-current assets		**857,293**	687,822	**836,100**	681,553
Total assets		**986,052**	818,833	**889,151**	771,439
Liabilities					
Current liabilities					
Trade and other payables	20	**60,661**	48,821	**41,450**	32,740
Provisions	21	**1,579**	1,101	**–**	–
Interest-bearing liabilities	22	**–**	27,455	**–**	27,455
Total current liabilities		**62,240**	77,377	**41,450**	60,195
Non-current liabilities					
Trade and other payables	20	**5,670**	–	**–**	–
Provisions	21	**1,054**	1,162	**–**	–
Total non-current liabilities		**6,724**	1,162	**–**	–
Total liabilities		**68,964**	78,539	**41,450**	60,195
Net assets		**917,088**	740,294	**847,701**	711,244
Equity					
Equity holders of Charter Hall Limited					
Contributed equity	23(a)	**232,101**	211,335	**–**	–
Reserves	24	**(44,386)**	(54,147)	**–**	–
Accumulated losses	25	**(118,328)**	(121,066)	**–**	–
Parent entity interest		**69,387**	36,122	**–**	–
Equity holders of Charter Hall Property Trust					
Contributed equity	23(a)	**945,333**	799,548	**945,333**	799,548
Reserves	24	**296**	(1,410)	**296**	(1,410)
Accumulated losses	25	**(97,928)**	(93,966)	**(97,928)**	(93,966)
Equity holders of Charter Hall Property Trust (non-controlling interest)		**847,701**	704,172	**847,701**	704,172
Interest attributable to stapled securityholders of Charter Hall Group		**917,088**	740,294	**847,701**	704,172
Non-controlling interest in DRF	26	**–**	–	**–**	7,072
Total equity		**917,088**	740,294	**847,701**	711,244

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

Consolidated Statement of Changes in Equity – Charter Hall Group

for the year ended 30 June 2014

		ATTRIBUTABLE TO THE OWNERS OF THE CHARTER HALL GROUP					
	Note	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Restated balance at 1 July 2012		994,663	(50,470)	(215,285)	728,908	27,448	756,356
Profit/(loss) for the year		–	–	54,842	54,842	(451)	54,391
Other comprehensive income		–	1,350	–	1,350	–	1,350
Total comprehensive income/(loss)		–	1,350	54,842	56,192	(451)	55,741
Transactions with equity holders in their capacity as equity holders:							
Contributions of equity, net of issue costs	23	10,568	–	–	10,568	–	10,568
Performance rights and options exercised		5,652	(2,038)	–	3,614	–	3,614
Distribution provided for or paid	8	–	–	(60,711)	(60,711)	(10,870)	(71,581)
Non-cash security-based benefit expense		–	3,035	–	3,035	–	3,035
Transactions with non-controlling interest		–	(1,312)	–	(1,312)	(16,127)	(17,439)
Transfer to accumulated losses		–	(6,122)	6,122	–	–	–
		16,220	(6,437)	(54,589)	(44,806)	(26,997)	(71,803)
Restated balance at 1 July 2013		**1,010,883**	**(55,557)**	**(215,032)**	**740,294**	**–**	**740,294**
Profit for the year		**–**	**–**	**82,116**	**82,116**	**–**	**82,116**
Other comprehensive income		**–**	**568**	**–**	**568**	**–**	**568**
Total comprehensive income		**–**	**568**	**82,116**	**82,684**	**–**	**82,684**
Transactions with equity holders in their capacity as equity holders:							
Contributions of equity, net of issue costs	23	**158,198**	**–**	**–**	**158,198**	**–**	**158,198**
Performance rights and options exercised		**8,353**	**(3,400)**	**–**	**4,953**	**–**	**4,953**
Transfer due to deferred compensation payable in performance rights		**–**	**1,196**	**–**	**1,196**	**–**	**1,196**
Distribution provided for or paid	8	**–**	**–**	**(73,326)**	**(73,326)**	**–**	**(73,326)**
Non-cash security-based benefit expense		**–**	**3,089**	**–**	**3,089**	**–**	**3,089**
Transfer to accumulated losses		**–**	**10,014**	**(10,014)**	**–**	**–**	**–**
		166,551	**10,899**	**(83,340)**	**94,110**	**–**	**94,110**
Balance at 30 June 2014		**1,177,434**	**(44,090)**	**(216,256)**	**917,088**	**–**	**917,088**

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

Consolidated Statement of Changes in Equity – Charter Hall Property Trust Group

for the year ended 30 June 2014

		ATTRIBUTABLE TO THE OWNERS OF THE CHARTER HALL PROPERTY TRUST GROUP					
	Note	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Restated balance at 1 July 2012		785,113	(1,415)	(87,609)	696,089	40,558	736,647
Restated profit/(loss) for the year		–	–	54,354	54,354	(1,277)	53,077
Other comprehensive income		–	1,195	–	1,195	–	1,195
Restated total comprehensive income/(loss)		–	1,195	54,354	55,549	(1,277)	54,272
Transactions with equity holders in their capacity as equity holders:							
Contributions of equity, net of issue costs	23	9,395	–	–	9,395	–	9,395
Performance rights and options exercised		5,040	–	–	5,040	–	5,040
Distribution provided for or paid	8	–	–	(60,711)	(60,711)	(16,060)	(76,771)
Transactions with non-controlling interest		–	(1,190)	–	(1,190)	(16,149)	(17,339)
		14,435	(1,190)	(60,711)	(47,466)	(32,209)	(79,675)
Restated balance at 1 July 2013		**799,548**	**(1,410)**	**(93,966)**	**704,172**	**7,072**	**711,244**
Profit/(loss) for the year		**–**	**–**	**70,563**	**70,563**	**(42)**	**70,521**
Other comprehensive income		**–**	**507**	**–**	**507**	**–**	**507**
Total comprehensive income/(loss)		**–**	**507**	**70,563**	**71,070**	**(42)**	**71,028**
Transactions with equity holders in their capacity as equity holders:							
Contributions of equity, net of issue costs	23	**138,424**	**–**	**–**	**138,424**	**–**	**138,424**
Performance rights and options exercised		**7,361**	**–**	**–**	**7,361**	**–**	**7,361**
Distribution provided for or paid	8	**–**	**–**	**(73,326)**	**(73,326)**	**(7,030)**	**(80,356)**
Transfer to accumulated losses		**–**	**1,199**	**(1,199)**	**–**	**–**	**–**
		145,785	**1,199**	**(74,525)**	**72,459**	**(7,030)**	**65,429**
Balance at 30 June 2014		**945,333**	**296**	**(97,928)**	**847,701**	**–**	**847,701**

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

Consolidated Cash Flow Statements

for the year ended 30 June 2014

		CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	Note	**2014 $'000**	2013 $'000	**2014 $'000**	2013 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		**127,846**	117,672	**1,658**	12,999
Clawback of performance fees (inclusive of GST)		**–**	(15,663)	**–**	–
Payments to suppliers and employees (inclusive of GST)		**(88,592)**	(84,715)	**(1,183)**	(12,509)
		39,254	17,294	**475**	490
Interest received		**4,576**	1,967	**1,565**	540
Interest paid		**(1,058)**	(2,708)	**(1,548)**	(3,681)
Distributions and dividends from investments		**44,561**	36,417	**37,535**	19,191
Net cash inflow from operating activities	28	**87,333**	52,970	**38,027**	16,540
Cash flows from investing activities					
Payments for PP&E (net of lease incentive received)		**(2,343)**	(1,233)	**–**	–
Proceeds on disposal of investment property		**53,656**	72,668	**53,656**	72,668
Payments for inventory		**(742)**	(1,329)	**–**	–
Payments for investment properties		**(49,800)**	(5,580)	**(49,800)**	(5,580)
Investments in associates and joint ventures		**(154,397)**	(52,853)	**(154,397)**	(52,853)
Proceeds on disposal and return of capital from investments in associates		**30,141**	35,546	**32,236**	34,993
Payments for other intangibles		**(1,857)**	(12,902)	**–**	–
Loans to associates, joint ventures and related parties		**(1,500)**	(22,280)	**(70,937)**	(60,051)
Repayments from associates, joint ventures and related parties		**5,500**	1,650	**104,267**	73,575
Repayments from key management personnel		**2,200**	800	**–**	–
Transactions with non-controlling interests		**–**	(16,566)	**–**	(16,566)
Net cash (outflow)/inflow from investing activities		**(119,142)**	(2,079)	**(84,975)**	46,186
Cash flow from financing activities					
Proceeds from issues of securities and other equity securities		**163,153**	3,585	**145,785**	5,013
Payment on settlement of derivative financial instruments		**–**	(547)	**–**	(547)
Proceeds from borrowings		**47,000**	40,950	**47,000**	40,950
Repayment of borrowings		**(75,024)**	(64,950)	**(75,023)**	(64,950)
Distributions paid to securityholders		**(65,437)**	(57,143)	**(72,466)**	(62,637)
Net cash inflow/(outflow) from financing activities		**69,692**	(78,105)	**45,296**	(82,171)
Net increase/(decrease) in cash and cash equivalents		**37,883**	(27,214)	**(1,652)**	(19,445)
Cash and cash equivalents at the beginning of the year		**12,236**	39,315	**2,229**	21,674
Effects of exchange rate changes on cash and cash equivalents		**65**	135	**–**	–
Cash and cash equivalents at the end of the year	10	**50,184**	12,236	**577**	2,229

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2014

1. Summary of significant accounting policies

The significant policies which have been adopted in the preparation of these financial statements for the year ended 30 June 2014 are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

(a) Basis of preparation

The Charter Hall Group (Group, CHC or Charter Hall) is a 'stapled' entity comprising Charter Hall Limited (Company or CHL) and its controlled entities, and Charter Hall Property Trust (Trust or CHPT) and its controlled entities (Charter Hall Property Trust Group). The shares in the Company are stapled to the units in the Trust. The stapled securities cannot be traded or dealt with separately. The stapled securities of the Group are listed on the Australian Securities Exchange. CHL has been identified as the parent entity in relation to the stapling.

The two Charter Hall 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 Class Order 05/642, issued by the Australian Securities and Investments Commission, this financial report is a combined financial report that presents the financial statements and accompanying notes of both the Charter Hall Group and the Charter Hall Property Trust Group.

The financial report of the Charter Hall Group comprises CHL and its controlled entities including Charter Hall Funds Management Limited (Responsible Entity) as responsible entity for CHPT. The results and equity, not directly owned by CHL, of CHPT have been treated and disclosed as a non-controlling interest. Whilst the results and equity of CHPT are disclosed as a non-controlling interest, the stapled securityholders of CHL are the same as the stapled securityholders of CHPT.

The financial report of the Charter Hall Property Trust Group comprises the Trust and its controlled entities.

The results and equity of the Charter Hall Direct Retail Fund (DRF) not directly owned by the Group and/or the Trust have been treated and disclosed as non-controlling interests. Effective 20 April 2013, the Charter Hall Group owns 100% of DRF and the non-controlling interest disclosed by Charter Hall Property Trust Group solely represents the 16% interest held by Charter Hall Holdings Pty Ltd (CHH), a subsidiary of CHL. Refer to Note 26 for further details regarding non-controlling interests.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. The Charter Hall Group and the Charter Hall Property Trust Group are for-profit entities for the purpose of preparing the financial statements.

On 6 June 2005, CHL acquired CHH. Under the terms of AASB 3 *Business Combinations*, CHH was deemed to be the accounting acquirer in this business combination. This transaction has therefore been accounted for as a reverse acquisition under AASB 3. Accordingly, the consolidated financial statements of the Group have been prepared as a continuation of the consolidated financial statements of CHH. CHH, as the deemed acquirer, has acquisition accounted for CHL as at 6 June 2005.

Restatement of 2013 comparative financial information

The Charter Hall Property Trust Group comparative financial statements have been restated to include a previously unrecognised inter-staple loan and related interest receivable from Charter Hall Limited which related to the Group's previous employee loan share plan. The financial effect of the restatement is to increase the loan receivable from Charter Hall Limited at 30 June 2013 by $51.3 million, increase contributed equity by $45.9 million and increase interest revenue for the year ended 30 June 2013 by $5.4 million (representing an increase of 1.81 and 1.75 cents in basic and diluted earnings per security respectively). The impact on the opening comparative balance sheet of the Charter Hall Property Trust Group at 30 June 2012 was to increase both the loan receivable from Charter Hall Limited and contributed equity by $45.9 million.

Consequently, the 30 June 2013 Charter Hall Group financial statements have been restated to reflect an increase in accumulated losses attributable to the parent entity of $51.3 million offset by an increase in equity attributable to the equity holders of Charter Hall Property Trust (comprising an increase in contributed equity of $45.9 million and a decrease in accumulated losses of $5.4 million). An amount of $5.4 million has also been reallocated from profit attributable to equity holders of Charter Hall Limited to profit attributable to equity holders of Charter Hall Property Trust in the Charter Hall Group Consolidated Statement of Comprehensive Income for the year ended 30 June 2013. Corresponding adjustments have been made to the 2013 comparative parent entity financial information disclosed in Note 39.

The adjustments have no impact on Charter Hall Group net assets, total equity, statutory profit or operating earnings per the segment note.

Compliance with IFRS

The financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

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

- investment properties – measured at fair value;
- financial assets and liabilities held at fair value through profit or loss (including derivative instruments); and
- assets held for sale – measured at the lower of carrying amount and fair value less cost of disposal.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2014

1. Summary of significant accounting policies continued

(a) Basis of preparation continued

New and amended standards adopted

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 July 2013:

- AASB 10 *Consolidated Financial Statements,* AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, AASB 128 *Investments in Associates and Joint Ventures*, AASB 127 *Separate Financial Statements*, AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* and AASB 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments*;
- AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*; and
- AASB 119R *Employee Benefits* and AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements*.

The Group has reviewed its investments in other entities to assess whether the conclusion to consolidate is different under AASB 10 than under AASB 127. No material differences were found and therefore no adjustments to any carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

Under AASB 11 *Joint Arrangements*, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group's accounting for its interests in joint ventures was not affected by the adoption of the new standard since the Group had already applied the equity method in accounting for these interests.

AASB 12 requires entities to disclose significant judgements and assumptions made in determining whether the entity controls, jointly controls, significantly influences or has some other interests in other entities. Entities are also required to provide more disclosures around certain 'structured entities'. Adoption of the standard has impacted the Group's level of disclosure in certain of the above noted areas, but has not impacted the Group's financial position or results of operations.

AASB 13 *Fair Value Measurement* aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards. The standard does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other Australian Accounting Standards.

Previously, the fair value of financial liabilities (including derivatives) was measured on the basis that the financial liability would be settled or extinguished with the counterparty. The adoption of AASB 13 has clarified that fair value is an exit price notion, and as such, the fair value of financial liabilities should be determined based on a transfer value to a third party market participant.

In July 2011, the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 *Related Party Disclosures*, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001*. While this reduces the disclosures that are currently required in the notes to the financial statements, it does not affect any of the amounts recognised in the financial statements. The amendments applied from 1 July 2013.

(b) Principles of consolidation

(i) Controlled entities

The consolidated financial statements of the Charter Hall Group and the Charter Hall Property Trust Group incorporate the assets and liabilities of all controlled entities as at 30 June 2014 and their results for the year then ended.

The Group controls an entity when the Group 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. Controlled entities are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

Non-controlling interests in the results and equity of controlled entities are shown separately in the consolidated statement of comprehensive income, consolidated balance sheet and consolidated statement of changes in equity respectively.

(ii) Investments in associates

Associates are entities over which the Group has significant influence but not control. Investments in associates are accounted for in the consolidated balance sheet at either fair value through profit or loss or by using the equity method. Within CHPT, the classification of investments at fair value through profit or loss occurs when investments are acquired having an interest of less than 5%. However, two investments in sell-down are accounted for at fair value through profit or loss. Investments greater than 5% are classified as equity accounted investments. Investments held by CHL or its subsidiaries will be equity accounted regardless of the percentage interest acquired.

Under the equity accounted method, the Group's share of the associates' post acquisition net profits after income tax expense is recognised in the consolidated statement of comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Distributions and dividends received from associates are recognised in the consolidated financial report as a reduction of the carrying amount of the investment.

(iii) Joint arrangements

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

Joint operations

The Group 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 are incorporated in the financial statements under the appropriate headings.

Joint ventures

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

When the Group'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 Group 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 Group and its joint venture entities are eliminated to the extent of the Group'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 Group.

(iv) Changes of ownership interests

When the Group ceases to have control or joint control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a joint venture entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture entity is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

(c) Segment reporting

Segment information is reported in a manner that is consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments.

(d) Foreign currency translation

(i) Functional and presentation currencies

Items included in the financial statements of each of the Group'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 Group's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency 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.

(iii) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

Notes to the Consolidated Financial Statements
continued

for the year ended 30 June 2014

1. Summary of significant accounting policies
continued

(d) Foreign currency translation continued

(iv) Foreign currency translation

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. On disposal of interest in foreign controlled entities, the cumulative foreign exchange gains/losses relating to these investments are transferred to the consolidated statement of comprehensive income in accordance with the requirements of AASB 121 *The Effect of Changes in Foreign Exchange Rates*.

At the balance date, the spot and average rates used were:

	30 Jun 2014	30 Jun 2013
Spot rate		
US Dollar	**0.9395**	0.9138
NZ Dollar	**1.0749**	1.1811
Euro	**0.6883**	0.7025
British Pound	**0.5515**	0.6007
Average rate		
US Dollar	**0.9267**	1.0214
NZ Dollar	**1.1280**	1.2456
Euro	**0.6954**	0.7889
British Pound	**0.5761**	0.6541

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

(i) Rental income

Rental income from operating leases represents income earned from the rental of properties (inclusive of outgoings recovered from tenants) and is recognised on a straight-line basis over the lease term. Rental income relating to straight-lining is included as a component of the net gain from fair value adjustments on investment properties. The portion of operating lease income in a reporting period relating to fixed increases in operating lease rentals in future years is recognised as a separate component of investment properties.

(ii) Management fees

Management fees are brought to account on an accruals basis and, if not received at the reporting date, are reflected in the balance sheet as a receivable.

Where management fees are derived in respect of an acquisition or disposal of property, the fees are recognised where services have been performed and the fee can be reliably estimated.

(iii) Performance and transaction fees

Performance fees are only recognised when the outcome can be reliably estimated. Transaction fees are recognised where services have been performed and the fee can be reliably estimated. Detailed calculations are completed and the risks associated with the fee are assessed when deciding when it is appropriate to recognise revenue. Further information is provided in the critical accounting estimates in Note 2.

(iv) Interest income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(v) Dividends/distributions

Dividends/distributions are recognised as revenue when the right to receive payment is established.

(f) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by Charter Hall. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, Charter Hall recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of Charter Hall's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

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

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

(g) Income tax

The year's income tax expense or benefit is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's controlled entities and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(h) Impairment of assets

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

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

(i) Cash and cash equivalents

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

(j) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

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

(k) Investments and other financial assets

Classification

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held to maturity, re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for long-term investment. Their treatment is discussed at Note 1(ab).

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2014

1. Summary of significant accounting policies continued

(k) Investments and other financial assets continued

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting date.

(iii) Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Recognition and derecognition

Regular purchases and sales of investments are recognised at trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Subsequent measurement

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest method. Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss, excluding interest and dividend income, are presented in the statement of comprehensive income in the year in which they arise.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity specific inputs. Further details on how the fair value of financial instruments is determined are disclosed in Note 1(l) and Note 30.

Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of comprehensive income – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments classified as available-for-sale are not reversed through the statement of comprehensive income.

(l) Derivative financial instruments

Derivative financial instruments held as financial assets or financial liabilities designated at fair value through profit or loss are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. From time to time, the Group may designate certain derivatives as either hedges of net investments in foreign operations (net investment hedges) or hedges of exposures to variability in cash flows associated with future interest payments on variable rate debt (cash flow hedges).

To qualify as effective hedging, the Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

None of the financial derivative contracts held by the Group qualify for hedge accounting, and accordingly, changes in the fair value of these contracts are recorded in the statement of comprehensive income.

The Group does not hold any financial derivative contracts as at 30 June 2014.

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(n) Plant and equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

Depreciation on other assets is calculated using the straightline method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Furniture, fittings and equipment 3 to 10 years
- Fixtures 5 to 10 years
- Software 3 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1(h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

(o) Lease incentives

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

The benefits of incentives received as lessee are recognised as a reduction of rental expense over the lease term on a straight-line basis.

(p) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (Note 36). Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis. Lease income from operating leases is recognised in income on a straight-line basis over the lease time.

(q) Investment properties

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

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

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

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

The use of independent external valuers is on a progressive basis over a three year period, or earlier, where the Directors deem it appropriate or believe there may be a material change in the carrying value of the property.

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

- assume a willing buyer and willing seller, without duress and an appropriate time to market the property to maximise price;
- information obtained from valuers, sales and leasing agents, market research reports, vendors and potential purchasers;
- capitalisation rates used to value the asset, market rental levels and lease expiries;
- changes in interest rates;
- asset replacement values;
- discounted cash flow models;
- available sales evidence;
- comparisons to valuation professionals performing valuation assignments across the market; and
- contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

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

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

Investment property under construction is measured at fair value if the fair valued is considered reliably determinable. Investment property under construction for which the fair value cannot be determined reliably, but for which the Group expects that the fair value of the investment property will be reliably determinable when construction is completed, are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed – whichever is earlier. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

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

Notes to the Consolidated Financial Statements
continued

for the year ended 30 June 2014

1. Summary of significant accounting policies
continued

(r) Non-current assets classified as held for sale and discontinued operations

Non-current assets are classified as held for sale and carried as current assets if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets and investment property that are carried at fair value.

(s) Intangibles

(i) Management rights – indefinite life assets

Management rights in relation to entities with no fixed life are not amortised as they have an indefinite life. Management rights with an indefinite life are tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired, and are carried at cost less accumulated impairment losses. Management rights are allocated to cash-generating units for the purpose of impairment testing.

(ii) Management rights – finite life assets

Management rights in relation to entities with a fixed life are amortised using the straight-line method over their useful life. Management rights of Charter Hall Office Trust (CHOT) are amortised over six years.

(t) Trade and other payables

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

(u) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowing using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(v) Borrowing costs

Borrowing costs associated with the acquisition or construction of a qualifying asset, including interest expense, are capitalised as part of the cost of that asset during the period that is required to complete and prepare the asset for its intended use. Borrowing costs not associated with qualifying assets are expensed.

(w) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

(x) Goods and Services Tax (GST)

Revenues, expenses and assets (with the exception of receivables) are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

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

(y) Employee benefits

(i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date, are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

Liabilities for other employee entitlements which are not expected to be paid or settled within 12 months of reporting date are accrued in respect of all employees at present values of future amounts expected to be paid, based on a projected weighted average increase in wage and salary rates. Expected future payments are discounted using interest rates on national government securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(iii) Retirement benefit obligations

Contributions to employee defined contribution superannuation funds are recognised as an expense as they become payable.

(iv) Security-based benefits

Security-based compensation benefits are provided to employees via the Charter Hall Performance Rights and Options Plan (PROP) and the General Employee Security Plan (GESP). Information relating to these schemes is set out in Note 38. For PROP, the fair value at grant date is independently valued using a Monte Carlo simulation pricing model that takes into account the exercise price, the term of the option, impact of dilution, security price at grant date, expected price volatility of the underlying security, expected dividend yield and the risk-free interest rate for the term of the option and market vesting conditions but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of securities that are expected to vest. At each reporting date, the entity revises its estimate of the number of securities that are expected to vest. The employee benefits expense recognised each year takes into account the most recent estimate.

Upon the vesting of stapled securities, the balance of the stapled security-based benefits reserve relating to those stapled securities is transferred to equity, net of any directly attributable transaction costs.

For GESP, eligible employees are entitled to receive up to $1,000 in stapled securities based on the stapled security price on the grant date. The cost of the stapled securities bought on market to settle the award liability is included in employee benefits expense. The stapled securities are held in trust on behalf of eligible employees until the earlier of the completion of three years' service or termination.

(v) Bonus plans

Charter Hall recognises a liability and an expense for amounts payable to employees. Charter Hall recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(vi) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates:

(a) when the Group can no longer withdraw the offer of those benefits; and

(b) when the entity recognises costs for a restructuring that is within the scope of AASB 137 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(z) Contributed equity

Ordinary stapled securities are classified as equity. Incremental costs directly attributable to the issue of new stapled securities or options are shown in equity as a deduction, net of tax, from the proceeds.

(aa) Distributions paid and payable

A liability is recognised for the amount of any distribution declared by the Group on or before the end of the reporting period but not distributed at balance date. A liability has been recognised in the financial statements at 30 June 2014 as the final distribution had been declared at the balance date.

(ab) Fair value estimation

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

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

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

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

Unlisted property securities have been designated on initial recognition to be treated at fair value through profit or loss. Movements in fair value during the period have been recognised in the statement of comprehensive income. These assets have been acquired with the intention of being long-term investments. Where the assets in this category are expected to be sold within 12 months, they are classified as current assets; otherwise they are classified as non-current.

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

Notes to the Consolidated Financial Statements
continued

for the year ended 30 June 2014

1. Summary of significant accounting policies
continued

(ac) Earnings per unit

Basic earnings per stapled security from continuing operations is determined by dividing profit from continuing operations attributable to the stapled securityholders by the weighted average number of ordinary stapled securities on issue during the year.

Basic earnings per stapled security from discontinued operations is determined by dividing profit/(loss) from discontinued operations attributable to the stapled securityholders by the weighted average number of ordinary stapled securities on issue during the year.

Basic earnings per stapled security is determined by dividing the profit by the weighted average number of ordinary stapled securities on issue during the year.

Diluted earnings per stapled security from continuing operations is determined by dividing profit from continuing operations attributable to the stapled securityholders by the weighted average number of ordinary stapled securities and dilutive potential ordinary stapled securities on issue during the year.

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

Diluted earnings per stapled security is determined by dividing the profit by the weighted average number of ordinary stapled securities and dilutive potential ordinary stapled securities on issue during the year.

(ad) Parent entity financial information

The financial information for the parent entity of the Charter Hall Group, Charter Hall Limited, and for the parent entity of the Charter Hall Property Trust Group, Charter Hall Property Trust, disclosed in Note 39, has been prepared on the same basis as the Group's financial statements except as set out below:

(i) Investments in controlled entities

Investments in controlled entities, associates 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.

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

(ii) 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.

(iii) Recoverable amount of assets

The carrying amounts of investments in controlled entities, associates and joint ventures valued on the cost basis 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. The writedown is expensed in the year in which it occurs.

(iv) Tax consolidation legislation

The head entity, Charter Hall Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Charter Hall Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in Note 7.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(ae) Impact of new standards and interpretations issued but not yet adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2014 reporting period. The impact of these new standards (to the extent relevant to the Group) and interpretations is set out below:

(i) AASB 9 Financial Instruments

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and liabilities. Since December 2013, it also sets out new rules for hedge accounting. The standard is not applicable until 1 January 2018 but is available for early adoption. AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, would therefore have to be recognised directly in the statement of comprehensive income. The Group has not yet decided when to adopt AASB 9 and management is currently assessing the impact of the new standard.

(ii) AASB 2013-3 Amendments to Australian Accounting Standard 136 – Recoverable Amount Disclosures for Non-Financial Assets

The AASB has made amendments to the disclosures required by AASB 136 *Impairment of* Assets which remove the requirement to disclose the recoverable amount of all cash-generating units (CGU) that contain goodwill or identifiable assets with indefinite lives if there has been no impairment; this disclosure was introduced with AASB 13 and became applicable from 1 January 2013. It also requires disclosure of the recoverable amount of an asset or CGU when an impairment loss has been recognised or reversed and detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognised or reversed. The amendments apply from 1 January 2014 and management is currently assessing the impact of the new standard.

(iii) AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting

The AASB has made a limited scope amendment to AASB 139 *Financial Instruments*: *Recognition and Measurement.* AASB 139 requires an entity to stop hedge accounting when a novation (replacement of one party of the derivative contract with a new party) occurs, because the original hedging instrument envisaged in the hedge documentation has changed. The amendment allows the continuation of hedge accounting provided specific conditions are met. Given the Group does not apply hedge accounting, this is not expected to have a significant impact to the Group.

(af) Rounding of amounts

The Group is an entity of a kind referred to in Class Order 98/0100 (as amended) issued by the Australian Securities & Investments Commission relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2014

2. Critical accounting estimates and judgements

The Charter Hall Group and Charter Hall Property Trust Group make estimates and assumptions concerning the future. Estimates and judgements are continually evaluated and are based on experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Classification and carrying value of investments

AASB 10 was issued in August 2011 and replaces the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements* and in Interpretation 112 *Consolidation – Special Purpose Entities*. Under the new principles, the Group controls an entity when the Group 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 over the entity. The Group has reviewed its investments in other entities to assess whether the consolidation conclusion in relation to these entities is different under AASB 10 than under AASB 127. No material differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

Critical judgements are made in assessing whether an investee entity is controlled or subject to significant influence or joint control. These judgements include an assessment of the nature, extent and financial effects of the Group's interest in joint arrangements and associates, including the nature and effects of its contractual relationship with the entity or with other investors.

Generally, investments in unlisted retail funds (typically representing less than 5% interests with the exception of two legacy funds, Charter Hall Umbrella Fund and Charter Hall Diversified Property Fund) are designated at fair value through profit or loss on acquisition and investments in listed and wholesale funds/ partnerships where Charter Hall has significant influence (typically representing between 5% and 49% interests with the exception of one legacy fund, Charter Hall Opportunity Fund No. 4) are accounted for using the equity method.

Management regularly reviews equity accounted investments for impairment and remeasures investments carried at fair value through profit or loss by reference to changes in circumstances or contractual arrangements, external independent property valuations and market conditions, using generally accepted market practices.

The reported fair values of assets classified as held for sale reflect market conditions at the end of the reporting period. While this represents best estimates as at the reporting date, actual sales prices may be higher or lower than the most recent valuations. This is particularly relevant in periods of market illiquidity or uncertainty.

(ii) Estimated performance fees

Critical judgements are made by the Charter Hall Group in respect of recognising performance fee revenue. Performance fees are only recognised when services have been performed and they can be reliably estimated. Detailed calculations are completed and the risks associated with the fee are assessed when deciding when it is appropriate to recognise revenue.

(iii) Tax losses

The Charter Hall Group has recognised a deferred tax asset relating to tax losses as it is considered probable that future taxable income will be available to utilise the losses in the short to medium term. Refer to Note 7(d) Income tax expense for further details.

(iv) Impairment testing of management rights

Critical judgements are made by the Charter Hall Group in assessing the recoverable amount of management rights acquired, where the funds to which those management rights relate have an indefinite life. Management rights are considered to have an indefinite useful life if there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. Refer to Note 17 for further details.

3. Segment information

(a) Description of segments

Charter Hall Group

Management has determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions. The Board is responsible for allocating resources and assessing performance of the operating segments.

The Board has identified the following two reportable segments, the performance of which it monitors separately.

Property Investments

This segment comprises investments in property funds.

Property Funds Management

This segment comprises funds management services, property management services and other property services.

Change in composition of reportable segments

Strategic initiatives implemented in the period, including a restructure of the responsibilities within the executive committee, have resulted in a change to reporting of operating segments to the Board. Two of the segments that were previously reported to the Board, Property Funds Investments and Property Direct Investments, are now reported together as the Property Investments segment. The current and prior year segment disclosures below reflect this restructure.

Change in composition of segment income

Effective 1 July 2013 operating earnings is inclusive of non-cash security-based benefit expense to reflect its nature of employee compensation. Non-cash security-based benefit expense is not allocated to the reportable segments.

Charter Hall Property Trust Group

The Board allocates resources and assesses the performance of operating segments for the entire Charter Hall Group. Results are not separately identified and reported according to the legal structure of the Charter Hall Group.

Charter Hall Group

The operating segments provided to the Board for the reportable segments for the year ended 30 June 2014 are as follows:

30 June 2014	Property Investments $'000	Property Funds Management $'000	Combined Group $'000
Net property income	**1,018**	**–**	**1,018**
Co-investment Income	**47,684**	**–**	**47,684**
Total rental and property income	**48,702**	**–**	**48,702**
Total property funds management income	**–**	**99,145**	**99,145**
Total income	**48,702**	**99,145**	**147,847**
Operating expenses	**(206)**	**(82,729)**	**(82,935)**
Less: recovery of expenses	**–**	**19,523**	**19,523**
Net operating expenses	**(206)**	**(63,206)**	**(63,412)**
Operating earnings before interest, tax, depreciation and amortisation	**48,496**	**35,939**	**84,435**
Non-cash security-based benefits expense	**–**	**–**	**(3,089)**
Depreciation	**–**	**(1,375)**	**(1,375)**
Operating earnings before interest and tax	**48,496**	**34,564**	**79,971**
Interest income	**2,495**	**–**	**2,495**
Interest expense	**(1,303)**	**–**	**(1,303)**
Operating earnings attributable to stapled securityholders	**49,688**	**34,564**	**81,163**
Weighted average number of securities ('000)			**320,615**
Operating earnings per security (OEPS)			**25.31 cps**
Number of securities for distribution per security			**347,989**
DPS			**22.30 cps**

Geographical segments are immaterial as the vast majority of the Group's income is from Australian sources.

Assets and liabilities have not been reported on a segmented basis as the Board is provided with consolidated information.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2014

3. Segment information continued

(a) Description of segments continued

Charter Hall Group continued

The reportable segments for the year ended 30 June 2013 are as follows:

30 June 2013	Property Investments $'000	Property Funds Management $'000	Combined Group $'000
Net property income	9,101	–	9,101
Co-investment Income	38,468	–	38,468
Total rental and property income	47,569	–	47,569
Total property funds management income	–	83,505	83,505
Total income	47,569	83,505	131,074
Operating expenses	(675)	(71,585)	(72,260)
Less: recovery of expenses	–	16,573	16,573
Net operating expenses	(675)	(55,012)	(55,687)
Operating earnings before interest, tax, depreciation and amortisation	46,894	28,493	75,387
Non-cash security-based benefits expense	–	–	(3,035)
Depreciation	–	(1,186)	(1,186)
Operating earnings before interest and tax	46,894	27,307	71,166
Interest income	2,348	–	2,348
Interest expense	(3,152)	–	(3,152)
Operating earnings (including non-controlling interests)	46,090	27,307	70,362
Non-controlling interest	(1,612)	–	(1,612)
Operating earnings attributable to stapled securityholders	44,478	27,307	68,750
Weighted average number of securities ('000)			299,805
Operating earnings per security (OEPS)			22.93 cps
Number of securities for distribution per security			302,262
DPS			20.20 cps

The reconciliation of total segment income stated above to the statement of comprehensive income is as follows:

	2014 $'000	2013 $'000
Total income per segment note	**147,847**	131,074
Add: recovery of expenses	**19,523**	16,573
	167,370	147,647
Add: investment property expenses	**161**	2,304
Add: interest income	**4,407**	2,348
Add: straight-lining of income	**21**	–
Less: coupon income	**(135)**	–
Less: amortisation of lease incentives	**–**	(453)
Less: equity accounted profit in Property Investments segment	**(45,422)**	(35,221)
Less: equity accounted profit in Property Funds Management segment	**(3,750)**	(1,784)
Revenue per statement of comprehensive income	**122,652**	114,841

The reconciliation of net interest expense per the segment notes for 2014 and 2013 to the statement of comprehensive income is below:

	2014 $'000	2013 $'000
Net operating interest per segment note	**1,192**	(804)
Less: unwind of discount on contingent consideration	**–**	(171)
Add: interest reclassified to investment income	**1,912**	113
Net interest expense	**3,104**	(862)
Interest income	**4,407**	2,461
Finance costs	**(1,303)**	(3,323)
Net interest expense	**3,104**	(862)

Operating earnings is a financial measure which represents statutory profit/(loss) adjusted for proportionally consolidated fair value adjustments, gains or losses on sale of investments and non-cash items such as amortisation. The inclusion of operating earnings as a measure of the Group'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.

The calculation of operating earnings to statutory profit after tax attributable to stapled securityholders is shown below:

	2014 $'000	2013 $'000
Operating earnings	**81,163**	68,750
Fair value adjustments on derivatives[1]	**(909)**	1,472
Fair value adjustments on investment and property[1]	**14,404**	(3,615)
Amortisation of management rights	**(8,489)**	(7,838)
Transfer from reserves of cumulative FX losses on disposal of foreign investments[1]	**(488)**	(484)
Loss on disposal of investments, property and derivatives[1]	**(3,363)**	(953)
Income taxes	**1,007**	(1,738)
Other[1]	**(1,209)**	(752)
Statutory profit after tax attributable to stapled securityholders of Charter Hall Group	**82,116**	54,842

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

	2014	2013
Basic weighted average number of securities per Note 9	**320,614,668**	299,804,805
Operating earnings per stapled security (OEPS) (excluding non-controlling interest)	**25.31 cents**	22.93 cents

Refer to Note 9 for statutory earnings per stapled security figures.

Notes to the Consolidated Financial Statements
continued

for the year ended 30 June 2014

4. Revenue

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2014 $'000	2013 $'000	2014 $'000	Restated 2013 $'000
Sales revenue				
Gross rental income	**1,066**	10,443	**1,066**	10,443
Management, transaction and performance fees	**114,918**	98,295	**207**	–
	115,984	108,738	**1,273**	10,443
Other revenue				
Interest	**4,407**	2,461	**22,859**	22,688
Distributions/dividends[1]	**2,261**	3,642	**2,262**	3,642
	6,668	6,103	**25,121**	26,330
Total revenue	**122,652**	114,841	**26,394**	36,773

1 Represents the distribution of income from investments in associates accounted for at fair value by the Group and Trust Group. Revenue excludes share of net profits of equity accounted associates and joint ventures. Refer to Notes 33 and 34 for further details.

5. Expenses

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Profit before income tax includes the following specific expenses:				
Depreciation				
Plant and equipment	**1,375**	1,186	**–**	–
Amortisation				
Leasing and other incentives	**–**	453	**–**	453
Management rights	**8,489**	7,838	**–**	–
	8,489	8,291	**–**	453
Finance costs				
Interest and finance charges paid/payable	**1,303**	3,152	**1,793**	4,125
Finance costs due to unwinding of discount on contingent consideration	**–**	171	**–**	–
	1,303	3,323	**1,793**	4,125
Employee costs				
Employee benefits expense	**64,645**	55,757	**–**	–
Restructuring costs	**1,336**	1,192	**–**	–
Non-cash security-based benefits expense	**3,089**	3,035	**–**	–
Payroll tax	**3,396**	2,747	**–**	–
	72,466	62,731	**–**	–
Administration and other expenses				
Legal and consulting costs	**1,112**	1,613	**42**	88
Rent expense – minimum lease payments on operating leases	**2,031**	1,623	**–**	–
Other occupancy costs	**828**	729	**–**	–
Communication and IT expenses	**3,606**	2,513	**–**	–
Other expenses	**5,982**	6,081	**102**	319
	13,559	12,559	**144**	407

6. Fair value adjustments

		CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	Note	**2014 $'000**	Restated 2013 $'000	**2014 $'000**	Restated 2013 $'000
Included in total income:					
Investment properties	16	**183**	–	**183**	–
Contingent consideration payable		**–**	1,123	**–**	–
Derivative financial instruments		**–**	121	**–**	121
		183	1,244	**183**	121
Included in total expenses:					
Investment properties		**–**	(8,419)	**–**	(8,419)
Investments in associates at fair value through profit or loss	13,33	**(1,778)**	(1,596)	**(1,773)**	(1,691)
		(1,778)	(10,015)	**(1,773)**	(10,110)

7. Income tax expense

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2014 $'000	Restated 2013 $'000	**2014 $'000**	Restated 2013 $'000
(a) Income tax (benefit)/expense				
Current tax expense	**606**	–	**–**	–
Deferred income tax (benefit)/expense	**(1,613)**	1,933	**–**	–
Over provided in prior years	**–**	(195)	**–**	–
	(1,007)	1,738	**–**	–
Deferred income tax expense				
(Increase)/decrease in deferred tax assets	**(2,830)**	1,935	**–**	–
Increase/(decrease) in deferred tax liabilities	**1,217**	(2)	**–**	–
	(1,613)	1,933	**–**	–
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit before income tax expense	**81,109**	56,129	**70,521**	53,077
Prima facie tax expense at the Australian tax rate of 30%	**24,333**	16,839	**21,156**	15,923
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Charter Hall Property Trust income	**(21,437)**	(15,997)	**(21,437)**	(15,997)
Non-allowable expenses	**2,459**	2,231	**–**	–
Share-based payments expense	**(1,633)**	(33)	**–**	–
Utilisation of losses not previously recognised	**(2,531)**	(1,233)	**–**	–
Sundry items	**186**	–	**281**	74
Tax expenses on foreign subsidiaries	**606**	–	**–**	–
Derecognition of deferred tax asset on unrealised capital losses	**4,308**	–	**–**	–
Recognition of deferred tax asset on prior year income tax losses	**(5,892)**	–	**–**	–
Non-taxable dividends, net of equity accounted profit	**(1,138)**	(535)	**–**	–
Adjustments in respect of prior years	**(262)**	480	**–**	–
Difference in overseas tax rates	**(6)**	(14)	**–**	–
	(1,007)	1,738	**–**	–

Notes to the Consolidated Financial Statements
continued

for the year ended 30 June 2014

7. Income tax expense continued

(c) Tax consolidation legislation

Charter Hall Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation with effect from 1 July 2003. The accounting policy in relation to this legislation is set out in Note 1(g).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Charter Hall Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Charter Hall Limited for any current tax payable assumed and are compensated by Charter Hall Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Charter Hall Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

(d) Tax losses – Charter Hall Group

As it is considered probable that there will be future taxable profits, a deferred tax asset for unutilised tax losses carried forward has been recognised in the current year.

	2014 $'000	2013 $'000
Unused tax losses for which a deferred tax asset has been recognised	**19,640**	–
Unused tax losses for which no deferred tax asset has been recognised	**–**	7,726
Tax benefit @ 30%	**5,892**	2,318

Based upon the completion of the June 2013 income tax return, the actual carried forward tax losses (unbooked) was calculated to be $17,666,000. This was an increase of $9,940,000 on the previously estimated carried forward losses (unbooked) in the prior year financial statements of $7,726,000.

8. Distributions paid and payable

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
(a) Ordinary securities				
Final ordinary distribution for the six months ended 30 June 2014 of 11.3 cents per security paid on 29 August 2014	**39,323**	–	**39,323**	–
Interim ordinary distribution for the six months ended 31 December 2013 of 11.0 cents per security paid on 25 February 2014	**34,003**	–	**34,003**	–
Final ordinary distribution for the six months ended 30 June 2013 of 10.4 cents per security paid on 28 August 2013	**–**	31,435	**–**	31,435
Interim ordinary distribution for the six months ended 31 December 2012 of 9.8 cents per security paid on 28 February 2013	**–**	29,276	**–**	29,276
Total distributions paid and payable	**73,326**	60,711	**73,326**	60,711
Paid or payable in cash	**60,761**	35,924	**60,761**	35,924
Satisfied by issue of securities[1]	**12,565**	24,787	**12,565**	24,787

1 Inclusive of securities issued on 29 August 2014 under the Distribution Re-investment Plan.

Franking credits available in the parent entity (Charter Hall Limited) for subsequent financial years based on a tax rate of 30% (2013: 30%) are $3,336,951 (2013: $3,336,951).

9. Earnings per security

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2014 Cents	2013 Cents	**2014 Cents**	Restated 2013 Cents
(a) Basic earnings per security				
Basic earnings attributable to the stapled securityholders	**25.61**	18.29	**22.01**	18.13
(b) Diluted earnings per security				
Diluted earnings attributable to the stapled securityholders	**24.92**	17.67	**21.41**	17.52

	2014 $'000	2013 $'000	**2014 $'000**	Restated 2013 $'000
(c) Reconciliations of earnings used in calculating earnings per security				
Profit attributable to the ordinary equity holders of the Group used in calculating diluted earnings per security	**82,116**	54,842	**70,563**	54,354

	2014 Number	2013 Number	**2014 Number**	2013 Number
(d) Weighted average number of securities used as the denominator				
Weighted average number of ordinary securities used as the denominator in calculating basic earnings per security	**320,614,668**	299,804,805	**320,614,668**	299,804,805
Adjustments for calculation of diluted earnings per security:				
Performance rights	**6,098,199**	5,614,052	**6,098,199**	5,614,052
Service rights	**263,193**	460,846	**263,193**	460,846
Options	**2,532,125**	4,364,646	**2,532,125**	4,364,646
Securities issued under the Charter Hall Limited Executive Loan Security Plan	**–**	63,161	**–**	63,161
Weighted average number of ordinary securities and potential ordinary securities used as the denominator in calculating diluted earnings per security	**329,508,185**	310,307,510	**329,508,185**	310,307,510

(e) Information concerning the classification of securities

(i) Performance rights, service rights and options issued under the Charter Hall Performance Rights and Options Plan

The performance rights and options are unquoted securities. Conversion to stapled securities and vesting to executives is subject to service and performance conditions.

(ii) Securities issued under the General Employee Share Plan (GESP)

Securities issued under the GESP are purchased on market on behalf of eligible employees but held in trust until the earlier of the completion of three years' service or termination. No adjustment to diluted earnings per security is required in relation to these securities.

(iii) Securities issued under the Charter Hall Limited Executive Loan Security Plan (ELSP)

Securities issued under the ELSP were issued in trust and corresponding loans were granted to employees. Under AASB 2 *Share-based Payment*, the loan, interest received on the loan, securities and the distribution paid and payable were not recognised in the preparation of the financial statements but included in the calculation of diluted earnings per security. All securities issued under this plan were cancelled prior to 30 June 2013. Refer to Note 38(a) for further details.

Notes to the Consolidated Financial Statements
continued

for the year ended 30 June 2014

10. Cash and cash equivalents

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Cash at bank and on hand	**50,184**	12,236	**577**	2,229

These amounts earn floating interest rates of between nil and 3.0% (2013: nil and 3.1%).

11. Trade and other receivables

		CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	Note	**2014 $'000**	2013 $'000	**2014 $'000**	Restated 2013 $'000
Current					
Trade receivables		**11,694**	15,423	**139**	283
Loans to key management personnel		**1,200**	1,122	**–**	–
Loans to joint ventures	31(e)	**21,250**	26,250	**21,250**	21,250
Loans to associates	31(e)	**–**	6,044	**–**	–
Distributions receivable		**14,399**	12,558	**13,605**	10,557
Capital distributions receivable		**11,910**	–	**11,910**	–
Other receivables		**6,207**	1,595	**5,570**	117
Prepayments		**323**	558	**–**	225
		66,983	63,550	**52,474**	32,432
Non-current					
Loans to key management personnel		**–**	2,400	**–**	–
Loans to joint ventures	31(e)	**6,500**	–	**–**	–
Loan receivable from Charter Hall Limited		**–**	–	**181,292**	197,240
		6,500	2,400	**181,292**	197,240

(a) Bad and doubtful trade receivables

During the year, the Charter Hall Group and Charter Hall Property Trust Group incurred $nil expense (2013: $nil) in respect of provisioning for bad and doubtful trade receivables.

(b) Fair values

Receivables are carried at amounts that approximate their fair value.

(c) Credit risk

There is a limited concentration of credit risk as the majority of current and non-current receivables are due from related parties of Charter Hall Group and Charter Hall Property Trust Group. Refer to Note 29 for more information on the risk management policy of the Charter Hall Group and Charter Hall Property Trust Group.

The ageing of trade receivables at the reporting date was as follows:

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Current	**11,032**	14,120	**139**	283
1 to 3 months	**662**	258	**–**	–
3 to 6 months	**–**	84	**–**	–
More than 6 months	**–**	961	**–**	–
	11,694	15,423	**139**	283

As at 30 June 2014, Charter Hall Group had trade receivables of $662,000 (2013: $1,303,000) past due but not impaired. Charter Hall Property Trust had $nil receivables past due (2013: $nil).

12. Assets classified as held for sale

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
685 La Trobe St	**11,592**	–	**–**	–
Menai Central, Menai	**–**	31,500	**–**	31,500
Home HQ, Nunawading	**–**	23,725	**–**	23,725
	11,592	55,225	**–**	55,225

685 La Trobe St was reclassified as held for sale from non-current inventories during the year. A conditional contract of sale in excess of the carrying value was exchanged in July 2014. All assets classified as held for sale as at 30 June 2013 were investment properties. These assets were sold during the year.

A reconciliation of the movements in assets held for sale during the year is set out below:

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Opening balance	**55,225**	136,390	**55,225**	136,390
Assets reclassified to held for sale	**11,592**	–	**–**	–
Additions	**–**	768	**–**	768
Amortisation of lease incentives	**7**	(319)	**7**	(319)
Fair value adjustments	**–**	(8,419)	**–**	(8,419)
Disposals	**(55,232)**	(73,195)	**(55,232)**	(73,195)
Closing balance	**11,592**	55,225	**–**	55,225

(a) Amounts recognised in the statement of comprehensive income for investment properties

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Property income	**922**	10,443	**922**	10,443
Direct operating expenses from property that generated rental income	**(156)**	(2,304)	**(156)**	(2,304)
	766	8,139	**766**	8,139

This table includes the total income of all investment properties disposed of or classified as held for sale. The income is up to the earlier of date of sale or 30 June of the relevant year.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2014

12. Assets classified as held for sale continued

(b) Valuation basis

Assets held for sale are carried at the lower of book value and fair value less costs to sell, representing the amount at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of valuation.

13. Investments in associates at fair value through profit or loss

		CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	Note	**2014 $'000**	2013 $'000	**2014 $'000**	2013 $'000
Investments in associates	33	**14,234**	49,229	**14,234**	49,229

Changes in fair values of investments in associates at fair value through profit or loss are recorded in fair value adjustments in the statement of comprehensive income.

These investments comprise units in certain unlisted Charter Hall managed funds which have been designated at fair value through profit or loss.

Information about the Charter Hall Group and Charter Hall Property Trust Group's material exposure to share and unit price risk is provided in Note 29.

14. Inventories

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Non-current assets				
685 La Trobe St	**–**	10,848	**–**	–
	–	10,848	**–**	–

685 La Trobe St was reclassified to assets classified as held for sale during the year. Refer to Note 12.

15. Investments accounted for using the equity method

		CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	Note	**2014 $'000**	2013 $'000	**2014 $'000**	2013 $'000
Investments in associates	33	**583,414**	459,908	**520,627**	401,966
Investments in joint venture entities	34	**99,487**	60,239	**71,242**	33,118
		682,901	520,147	**591,869**	435,084

Investments in associates represent units in listed and unlisted Charter Hall managed funds which are accounted for using the equity method. Refer to Note 33(a) for carrying value assessments of investments in associates. Investments in joint venture entities represent joint venture interests in Australian and overseas joint ventures which are accounted for using the equity method. Refer to Note 34(a) for carrying value assessments of investments in joint venture entities.

16. Investment properties

During the year, the Group established a new controlled entity investment fund, BP Fund 2, to facilitate the purchase of a portfolio of investment properties. A reconciliation of the carrying amount of investment properties at the beginning and end of the year is set out below:

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Opening balance	**–**	–	**–**	–
Additions	**46,215**	–	**46,215**	–
Acquisition costs incurred	**1,966**	–	**1,966**	–
Revaluation increment	**183**	–	**183**	–
Straightlining of rental income	**22**	–	**22**	–
Closing balance	**48,386**	–	**48,386**	–

The Group introduced an equity partner into BP Fund 2 on 18 August 2014, reducing the Group's equity interest in the fund to $30 million (50.1%).

Key valuation assumptions used in the determination of the investment properties' fair value and the Group's valuation policy are disclosed in Note 30.

Leasing arrangements

The investment properties, excluding development properties, are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Due within one year	**1,643**	–	**1,643**	–
Due between one and five years	**7,080**	–	**7,080**	–
Over five years	**14,595**	–	**14,595**	–
	23,318	–	**23,318**	–

17. Intangible assets

In March 2010, the Charter Hall Group completed a transaction to acquire the majority of Macquarie Group's core real estate management platform. This transaction was structured to secure the management rights (i.e. future management fee revenue) of Macquarie Office Trust (renamed Charter Hall Office REIT), Macquarie CountryWide Trust (renamed Charter Hall Retail REIT) and Macquarie Direct Property Fund (renamed Charter Hall Direct Property Fund). The excess of consideration paid over net tangible assets acquired represents the value of these management rights.

With the exception of management rights held over the Charter Hall Office Trust (CHOT), management considers that the management rights have an indefinite life as there are no finite terms in the underlying agreements and the Charter Hall Group has no intention to cease managing these Funds and the Funds do not have a finite life. The carrying value of management rights with an indefinite life (i.e. excluding CHOT) is $54.9 million.

On 1 May 2012, Charter Hall Office REIT (CQO) was privatised and renamed CHOT. With implementation of the privatisation, CQO changed from a listed REIT to a wholesale unit trust with liquidity reviews every five years. It is expected that the net fee revenue that the Group will earn from managing CHOT will be generally consistent with the net revenue earned previously from managing the Australian assets of CQO. The Group is amortising the management rights over a six year period from 1 May 2012 (includes an additional year to source liquidity were the trust to be wound up in five years as a result of the liquidity review). Only the management rights held over the Charter Hall Office Trust are finite life.

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17. Intangible assets continued

On 15 August 2012, a subsidiary of the Group paid $5.2 million to the previous manager of PFA Diversified Property Trust (PFA) to facilitate the appointment of a Group subsidiary as the responsible entity of PFA. As PFA is an open ended fund with no termination date or review event contemplated in its constitution, these facilitation payments have been treated as management rights and are considered to have an indefinite useful life. There is currently no headroom in the valuation of the PFA management rights at balance date. Any adverse change to the assumptions used in the valuation will result in an impairment.

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Indefinite life management rights				
Charter Hall Retail REIT				
Opening and closing balance	**42,288**	42,288	**–**	–
Charter Hall Direct Property Fund				
Opening balance	**10,672**	10,672	**–**	–
Transfers to finite life management rights[1]	**(3,249)**	–	**–**	–
Closing balance	**7,423**	10,672		
PFA Diversified Property Trust				
Opening balance	**5,217**	–	**–**	–
Additions	**–**	5,217	**–**	–
Closing balance	**5,217**	5,217	**–**	–
Total indefinite life management rights	**54,928**	58,177	**–**	–
Finite life management rights				
Charter Hall Office Trust				
Opening balance	**37,889**	45,727	**–**	–
Transfers from indefinite life management rights[1]	**3,249**	–	**–**	–
Amortisation charge	**(8,489)**	(7,838)	**–**	–
Total finite life management rights	**32,649**	37,889	**–**	–
Total intangible assets	**87,577**	96,066	**–**	–

1 During the year, CHOT purchased the remaining 50% of No. 1 Martin Place Trust. As a result the management rights associated with this trust form part of the CHOT CGU and have been reclassified to finite life intangibles.

All management rights recognised on the balance sheet (excluding PFA) were independently valued as at 30 April 2012 by KPMG Corporate Finance. The valuation supports the carrying values and the methodology applied was an assessment of fair value (less costs to sell) based on discounted cash flows. Management's internal valuations for indefinite-life management rights as at 30 June 2014 have been prepared on a consistent basis in the current year.

Key assumptions used for the indefinite life intangibles valuation calculations are as follows:

- cash flow projections based on financial budgets approved by management covering a five year period. Cash flows beyond the five year period are extrapolated using estimated growth rates appropriate for the business;
- discount rate range of 14% – 17% (2013: 14% – 17%) which is in excess of the Charter Hall Group's weighted average cost of capital as a result of the management platform carrying more risk than the return on property investment cash flows;
- growth over the next five years of 3% (2013: 3%) per annum; and
- terminal value multiple of 4.9 to 7.0 times earnings (2013: 4.9 to 7.0 times).

Impairment is tested at the cash-generating unit (CGU) level for each CGU. Each individual CGU is considered to be a fund which generates management fee income.

18. Property, plant and equipment

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Opening net book amount	**2,743**	3,026	**–**	–
Additions[1]	**9,153**	1,233	**–**	–
Disposals	**(1,147)**	(330)	**–**	–
Depreciation charge	**(1,375)**	(1,186)	**–**	–
Closing net book amount	**9,374**	2,743	**–**	–
At balance date				
Cost	**12,725**	4,777	**–**	–
Accumulated depreciation	**(3,351)**	(2,034)	**–**	–
Net book amount	**9,374**	2,743	**–**	–

1 Additions of $9.2 million include $6.6 million in relation to the fitout of Charter Hall's new office in No. 1 Martin Place. A lease incentive of $6.6 million was received to offset the cost of the fitout. A liability for the value of the incentive is being amortised over the life of the lease. Refer to Note 20.

19. Deferred tax assets

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Deferred tax assets comprises temporary differences attributable to:				
Tax losses carried forward	**5,892**	–	**–**	–
Employee benefits	**5,130**	4,217	**–**	–
Investments in associates	**–**	4,308	**–**	–
Other	**380**	47	**–**	–
	11,402	8,572	**–**	–
Deferred tax liabilities comprises temporary differences attributable to:				
Investment in associates	**(3,218)**	(2,042)	**–**	–
Other	**(182)**	(141)	**–**	–
	(3,400)	(2,183)	**–**	–
Net deferred tax assets	**8,002**	6,389	**–**	–

Deferred tax liabilities have been set-off against deferred tax assets pursuant to set-off provisions.

A reconciliation of the carrying amount of deferred tax assets at the beginning and end of the current and previous years is set out below:

		CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	Note	**2014 $'000**	2013 $'000	**2014 $'000**	2013 $'000
Opening balance		**6,389**	8,322	**–**	–
Charged to income statement	7	**1,613**	(1,933)	**–**	–
Closing balance		**8,002**	6,389	**–**	–
Net deferred tax assets expected to reverse within 12 months		**9,935**	3,538	**–**	–
Net deferred tax (liabilities)/assets expected to reverse after more than 12 months		**(1,933)**	2,851	**–**	–
		8,002	6,389	**–**	–

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20. Trade and other payables

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Current				
Trade payables	**17**	5	**–**	2
Accruals	**3,550**	2,933	**1,996**	1,193
Distribution payable	**39,323**	31,435	**39,323**	31,435
GST payable	**1,683**	–	**(20)**	–
Annual leave payable	**2,770**	2,129	**–**	–
Contingent consideration payable	**–**	1,856	**–**	–
Employee benefits payable	**11,762**	9,693	**–**	–
Other payables	**1,057**	770	**151**	110
Lease incentive liability	**499**	–	**–**	–
	60,661	48,821	**41,450**	32,740
Non-current				
Lease incentive liability	**5,670**	–	**–**	–

All current liabilities are expected to be settled within 12 months.

21. Provisions

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Current				
Employee benefits – long service leave	**1,579**	1,101	**–**	–
Non-current				
Employee benefits – long service leave	**1,054**	1,162	**–**	–

Movement in employee benefits provisions are set out below:

Long service leave				
Opening balance	**2,263**	2,084	**–**	–
Amount utilised	**(273)**	–	**–**	–
Additional provisions recognised	**643**	179	**–**	–
Closing balance	**2,633**	2,263	**–**	–
Current	**1,579**	1,101	**–**	–
Non-current	**1,054**	1,162	**–**	–
Total	**2,633**	2,263	**–**	–

22. Interest-bearing liabilities

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Secured				
Bank loans drawn:				
Charter Hall Property Trust loan	–	14,000	–	14,000
DRF loan	–	13,750	–	13,750
Unamortised borrowing costs	–	(295)	–	(295)
Total interest-bearing liabilities	–	27,455	–	27,455

Charter Hall Property Trust loan

In August 2013, the expiry date of the loan facility was extended to 24 August 2015. In June 2014, the facility limit was increased from $75.0 million to $100.0 million.

At 30 June 2014, no cash (2013: $14.0 million) and bank guarantees of $9.3 million (2013: $8.1 million) had been drawn under this facility.

Amounts drawn under this facility are potentially repayable if the Trust defaults on payments of interest or principal or allows:

- the ratio of debt to total tangible assets to exceed 35%;
- the ratio of debt to EBITDA to exceed 2.0 times (2013: 4.0 times); or
- the ratio of 'net cash inflow' to gross interest to fall below a minimum of 4.25 times; or
- the drawn debt (including bank guarantees) to exceed the market value of CHC's investment in CQR.

Security

The Charter Hall Property Trust loan is secured over the Trust's investment in listed and unlisted funds.

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22. Interest-bearing liabilities continued

Borrowing costs

$274,000 additional borrowing costs were incurred during 2014 in relation to the extension to the term and facility limit of the CHPT loan. As no debt was drawn on the CHPT facility as at 30 June 2014, the unamortised borrowing costs of $319,470 are disclosed on the balance sheet as Other Assets.

The carrying amounts of assets pledged as security for borrowings are:

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Current				
First mortgage				
Investment property classified as held for sale	**–**	23,725	**–**	23,725
Total current assets pledged as security	**–**	23,725	**–**	23,725
Non-current				
First mortgage				
Investment in associates	**606,103**	484,313	**606,103**	484,313
Total non-current assets pledged as security	**606,103**	484,313	**606,103**	484,313
Total assets pledged as security	**606,103**	508,038	**606,103**	508,038

(a) Financial arrangements

The Charter Hall Group and Charter Hall Property Trust Group had unrestricted access at reporting date to the following lines of credit:

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Total facilities	**100,000**	88,750	**100,000**	88,750
Used at reporting date	**(9,330)**	(35,850)	**(9,330)**	(35,850)
Unused at reporting date	**90,670**	52,900	**90,670**	52,900

The facility utilised includes bank guarantees of $9.3 million (2013: $8.1 million), which under the terms of the agreement reduce the available facility. No liability is recognised for bank guarantees.

(b) Capital risk management

Gearing is a measure used to monitor levels of debt capital used by the business to fund its operations. This ratio is calculated as interest-bearing debt divided by tangible assets with both net of cash and cash equivalents.

The gearing ratio of the Charter Hall Group at 30 June 2014 was nil % (2013: 1.88%), and of the Charter Hall Property Trust Group nil % (2013: 3.51%). Debt covenants are monitored regularly to ensure compliance and reported to the debt provider on a six monthly basis. The Group Treasurer is responsible for negotiating new debt facilities and monitoring compliance with covenants.

23. Contributed equity

(a) Security capital

	2014 Securities	2013 Securities	2014 $'000	Restated 2013 $'000
Charter Hall Limited			**232,101**	211,335
Charter Hall Property Trust			**945,333**	799,548
Ordinary securities – stapled units, fully paid	**347,989,262**	302,262,312	**1,177,434**	1,010,883

(b) Movements in ordinary security capital

Details	Number of securities[1]	Issue price	Charter Hall Limited $'000	Charter Hall Property Trust $'000	Total $'000
Restated opening balance	296,168,170		209,550	785,113	994,663
Performance rights and options exercised[2]	2,835,759	$1.94	612	5,040	5,652
Issuance under DRP[3]	3,258,383	$3.25	1,175	9,411	10,586
Restated balance at 30 June 2013	302,262,312		211,337	799,564	1,010,901
Less: transaction costs on security issues			(2)	(16)	(18)
Restated balance per accounts at 30 June 2013	**302,262,312**		**211,335**	**799,548**	**1,010,883**
Performance rights and options exercised[4]	**3,467,703**	**$2.55**	**992**	**7,361**	**8,353**
Issuance under DRP[5]	**5,417,141**	**$3.79**	**2,422**	**18,104**	**20,526**
Issued under institutional placement	**36,842,106**	**$3.80**	**17,640**	**122,360**	**140,000**
Balance at 30 June 2014	**347,989,262**		**232,389**	**947,373**	**1,179,762**
Less: transaction costs on security issues			**(288)**	**(2,040)**	**(2,328)**
Balance per accounts at 30 June 2014	**347,989,262**		**232,101**	**945,333**	**1,177,434**

1 This includes shares of Charter Hall Limited and units in Charter Hall Property Trust, which are stapled. Refer to Note 1 for details of the accounting for this stapling arrangement.

2 Includes 1,772,116 options with a strike price of $1.94 and 72,117 with a strike price of $2.44.

3 The DRP was only in place for the second distribution paid in the year. The issue price reported above is for securities issued in February 2013.

4 Includes 602,636 options with a strike price of $2.80, 27,243 with a strike price of $2.35 and 1,312,080 with a strike price of $2.44.

5 Includes 3,691,877 issued in August 2013 with an issue price of $3.85 and 1,725,254 issued in February 2014 with an issue price of $3.67.

(c) Ordinary securities

Ordinary securities entitle the holder to participate in distributions/dividends and the proceeds on winding up of the Trust/Company in proportion to the number of and amounts paid on the securities held.

On a show of hands, every holder of ordinary securities present at a meeting in person or by proxy is entitled to one vote, and upon a poll each security is entitled to one vote.

(d) Distribution Re-investment Plan

The Group has established a Distribution Re-investment Plan (DRP) under which holders of ordinary securities may elect to have all or part of their distribution satisfied by the issue of new ordinary securities rather than by being paid in cash. Securities are issued under the plan at a discount to the market price. The DRP was in effect for the entire year.

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24. Reserves

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Business combination reserve	**(52,000)**	(52,000)	**–**	–
Security-based benefits reserve	**8,365**	7,480	**–**	–
Transactions with non-controlling interests	**–**	(10,014)	**–**	(1,199)
Foreign currency reserve	**(455)**	(1,023)	**296**	(211)
	(44,090)	(55,557)	**296**	(1,410)
Charter Hall Limited	**(44,386)**	(54,147)	**–**	–
Charter Hall Property Trust	**296**	(1,410)	**296**	(1,410)
	(44,090)	(55,557)	**296**	(1,410)
Movements:				
Business combination reserve				
Opening and closing balance	**(52,000)**	(52,000)	**–**	–
Security-based benefits reserve				
Opening balance	**7,480**	12,605	**–**	–
Non-cash security-based benefits expense	**3,089**	3,035	**–**	–
Transfer due to deferred compensation payable in performance rights	**1,196**	–	**–**	–
Transferred to equity on options and performance rights exercised	**(3,400)**	(2,038)	**–**	–
Transferred to accumulated losses for ELSP lapse	**–**	(6,122)	**–**	–
Closing balance	**8,365**	7,480	**–**	–
Transactions with non-controlling interests				
Opening balance	**(10,014)**	(8,702)	**(1,199)**	(9)
DRF acquisition premium	**–**	(1,312)	**–**	(1,190)
Transfer to accumulated losses	**10,014**	–	**1,199**	–
Closing balance	**–**	(10,014)	**–**	(1,199)
Foreign currency reserve				–
Opening balance	**(1,023)**	(2,373)	**(211)**	(1,406)
Exchange differences on translation of foreign operations	**80**	1,141	**19**	986
Transfer of cumulative FX losses to profit or loss	**488**	209	**488**	209
Closing balance	**(455)**	(1,023)	**296**	(211)

(i) Business combination reserve

This reserve relates to the reverse acquisition at the initial public offering (IPO) in 2005. This is the amount that relates to the investment in CHH that is not eliminated by paid in capital. No goodwill is recognised as this transaction is the result of a reverse acquisition.

(ii) Security-based benefits reserve

The security-based benefits reserve is used to recognise the fair value of rights and options issued under the PROP.

(iii) Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in loss of control are treated as transactions with equity owners of the Charter Hall Group and Charter Hall Property Trust Group.

A change in ownership interest results in an adjustment between the carrying amounts of controlling and non-controlling interests to reflect their relative interests in the controlled entity. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within this reserve.

Charter Hall Direct Retail Fund has now liquidated all its assets and distributed total net proceeds to its unitholders. As a result there are no longer any non-controlling interests so the balance of the reserve created on transactions with non-controlling interests has been transferred to accumulated losses.

(iv) Foreign currency reserve

Exchange differences arising on translation of foreign controlled entities and the Charter Hall Group's and Charter Hall Property Trust Group's share of foreign exchange differences arising from the equity accounted investments are recognised in other comprehensive income as described in Note 1(d) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

25. Accumulated losses

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2014 $'000	Restated 2013 $'000	**2014 $'000**	Restated 2013 $'000
Opening balance	**(215,032)**	(215,285)	**(93,966)**	(87,609)
Profit for the year	**82,116**	54,842	**70,563**	54,354
Distributions	**(73,326)**	(60,711)	**(73,326)**	(60,711)
Transfer from security-based benefits reserve	**–**	6,122	**–**	–
Transfer from non-controlling interest reserve	**(10,014)**	–	**(1,199)**	–
Closing balance	**(216,256)**	(215,032)	**(97,928)**	(93,966)
Charter Hall Limited	**(118,328)**	(121,066)	**–**	–
Charter Hall Property Trust	**(97,928)**	(93,966)	**(97,928)**	(93,966)
Closing balance	**(216,256)**	(215,032)	**(97,928)**	(93,966)

26. Non-controlling interest

The Charter Hall Group owns 100% of DRF and the non-controlling interest (NCI) disclosed by Charter Hall Property Trust Group solely represents the 16% interest held by Charter Hall Holdings Pty Ltd, a subsidiary of Charter Hall Limited. DRF has disposed of its investments and distributed its residual balances, reducing its net assets to nil.

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2014 $'000 0% NCI	2013 $'000 0% NCI	**2014 $'000 16% NCI**	2013 $'000 16% NCI
Interest in:				
Contributed equity	**–**	–	**32,145**	32,145
Accumulated losses	**–**	–	**(32,145)**	(25,073)
Other non-controlling interest in DRF	**–**	–	**–**	7,072

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27. Remuneration of auditors

During the year, the following fees were paid or payable for services provided by the auditors of the Charter Hall Group and Charter Hall Property Trust Group, their related practices and non-related audit firms:

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2014 $	2013 $	**2014 $**	2013 $
(a) Audit services				
PricewaterhouseCoopers – Australian Firm				
Audit and review of financial reports	**367,048**	383,279	**5,000**	33,150
Total remuneration for audit services	**367,048**	383,279	**5,000**	33,150
(b) Taxation services				
PricewaterhouseCoopers – Australian Firm				
Tax compliance services, including review of the company income tax returns	**48,817**	50,341	**–**	–
Total remuneration for taxation services	**48,817**	50,341	**–**	–

Total fees paid to PricewaterhouseCoopers by the Charter Hall Group, together with funds managed by the Group, for audit and audit-related services amounted to $1,496,385 (2013: $1,699,691).

The Charter Hall Group and Charter Hall Property Trust Group's policy is to employ PricewaterhouseCoopers (PwC) on assignments additional to statutory audit duties where PwC's expertise and experience with the Charter Hall Group and Charter Hall Property Trust Group are important. These assignments are principally tax and accounting advice or where PwC is awarded assignments on a competitive basis. It is the Charter Hall Group and Charter Hall Property Trust Group's policy to seek competitive tenders for all major consulting projects.

28. Reconciliation of profit after tax to net cash inflow from operating activities

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2014 $'000	2013 $'000	**2014 $'000**	Restated 2013 $'000
Profit after tax for the year	**82,116**	54,391	**70,521**	53,077
Non-cash items				
Amortisation of management rights	**8,489**	7,838	**–**	–
Depreciation and amortisation	**1,631**	2,845	**256**	1,020
Non-cash employee benefits expense – security-based benefits	**3,089**	3,035	**–**	–
Net loss/(gain) on sale of investments, property and derivatives	**2,528**	(376)	**1,787**	(249)
Net loss on remeasurement of equity interests	**–**	368	**–**	368
Fair value adjustments	**1,596**	8,495	**1,590**	10,110
Change in assets and liabilities, net of effects from purchase of controlled entity				
(Increase)/decrease in trade debtors and other receivables	**3,447**	(7,836)	**(20,380)**	(23,592)
Increase/(decrease) in trade creditors and accruals	**4,590**	4,019	**332**	(2,110)
Net income receivable from investment in associates and joint venture entities	**(18,544)**	(7,503)	**(16,079)**	(22,084)
Decrease in provisions	**–**	(14,239)	**–**	–
(Increase)/decrease for net deferred income tax	**(1,609)**	1,933	**–**	–
Net cash inflow from operating activities	**87,333**	52,970	**38,027**	16,540

Dividend and interest income received on investments has been classified as cash flow from operating activities.

29. Capital and financial risk management

(a) Capital risk management

The key capital risk management objective of the Charter Hall Group and Charter Hall Property Trust Group is to optimise returns through the mix of available capital sources whilst complying with statutory and constitutional capital requirements, and complying with the covenant requirements of the finance facility. The capital management approach is regularly reviewed by management and the Board as part of the overall strategy. The capital mix can be altered by issuing new units, electing to have the DRP underwritten, adjusting the amount of distributions paid, activating a unit buyback program or selling assets.

(b) Financial risk management

The Charter Hall Group and Charter Hall Property Trust Group activities expose them to a variety of financial risks: market risk (price risk, interest rate risk and foreign exchange risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. From time to time, the Group uses derivative financial instruments such as interest rate swaps and option contracts to hedge certain risk exposures.

Risk management is carried out by the Group Treasurer, the Chief Financial Officer and the Joint Managing Directors in consultation with senior management, the Audit, Risk and Compliance Committee and the Board of Directors. The Group Treasurer identifies, evaluates and hedges financial risks in close co-operation with the Chief Financial Officer. The Board provides guidance for overall risk management, as well as covering specific areas, such as mitigating price, interest rate and credit risks, the use of derivative financial instruments and investing excess liquidity.

(i) Market risk

Unlisted unit price risk

The Group is exposed to unlisted unit price risk. This arises from investments in unlisted property funds managed by the Group. These funds invest in direct property. Charter Hall manages all the funds that the Group invests in and its staff have a sound understanding of the underlying property values and trends that give rise to price risk. The carrying value of investments in associates at fair value through profit or loss is measured with reference to the funds' unit prices which are determined in accordance with the funds' respective constitutions. The key determinant of the unit price is the underlying property values which are approved by the Board and the Valuation sub-Committee of the Board.

The table below illustrates the potential impact a change in unlisted unit prices by +/-10% would have on the Charter Hall Group and Charter Hall Property Trust Group's profit and equity. The movement in the price variable has been determined based on management's best estimate, having regard to a number of factors, including historical levels of price movement, historical correlation of either Group's investments with the relevant benchmark and market volatility. However, actual movements in the price may be greater or less than anticipated due to a number of factors. As a result, historic price variations are not a definitive indicator of future price variations.

		-10%		+10%	
2014	Carrying amount $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Assets – Charter Hall Group					
Investments in associates at fair value through profit or loss	**14,234**	**(1,423)**	**(1,423)**	**1,423**	**1,423**
Assets – Charter Hall Property Trust Group					
Investments in associates at fair value through profit or loss	**14,234**	**(1,423)**	**(1,423)**	**1,423**	**1,423**

		-10%		+10%	
2013	Carrying amount $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Assets – Charter Hall Group					
Investments in associates at fair value through profit or loss	49,229	(4,923)	(4,923)	4,923	4,923
Assets – Charter Hall Property Trust Group					
Investments in associates at fair value through profit or loss	49,229	(4,923)	(4,923)	4,923	4,923

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2014

29. Capital and financial risk management continued

(b) Financial risk management continued

(i) Market risk continued

Cash flow and fair value interest rate risk

As both the Charter Hall Group and Charter Hall Property Trust Group have no long-term interest-bearing assets, both Groups' income and operating cash receipts are not materially exposed to changes in market interest rates.

The Charter Hall Group's and Charter Hall Property Trust Group's interest rate risk arises from the $100 million loan facility. At 30 June 2014 no borrowings were drawn on this facility (2013: $27,750,000). Borrowings drawn at variable rates expose both Groups to cash flow interest rate risk. Borrowings drawn at fixed rates expose both Groups to fair value interest rate risk. The Charter Hall Group and Charter Hall Property Trust Group's policy is to fix rates between 50-100% of core borrowings for the anticipated debt term. Core borrowings are defined as being the level of borrowings that are expected to be held for a period of more than two years. The Group did not hold any derivatives as at 30 June 2014.

The Charter Hall Group and Charter Hall Property Trust Group both manage their cash flow interest rate risk by using floating-to-fixed interest rate swaps and option contracts that provide a similar hedge under certain interest rate outcomes. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

(ii) Interest rate risk exposure

As the Group has no drawn debt, interest rate risk exposure is minimal. The following tables set out the exposure to interest rate risk, including the contractual repricing dates and the effective weighted average interest rate by maturity period for financial liabilities.

Exposures arise predominantly from liabilities bearing variable interest rates as the Charter Hall Group and Charter Hall Property Trust Group intend to hold fixed rate liabilities to maturity.

		FIXED INTEREST MATURING IN:				
Charter Hall Group 2014	Floating interest rate $'000	1 year or less $'000	Over 1 to 2 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
Trade and other payables	**–**	**–**	**–**	**–**	**60,661**	**60,661**
Weighted average interest rate	**0.0%**					

		FIXED INTEREST MATURING IN:				
Charter Hall Group 2013	Floating interest rate $'000	1 year or less $'000	Over 1 to 2 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
Trade and other payables	–	–	–	–	46,965	46,965
Contingent consideration payable	–	–	–	–	1,856	1,856
Interest-bearing liabilities	27,750	–	–	–	–	27,750
	27,750	–	–	–	48,821	76,571
Weighted average interest rate	5.7%					

		FIXED INTEREST MATURING IN:				
Charter Hall Property Trust Group 2014	Floating interest rate $'000	1 year or less $'000	Over 1 to 2 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
Trade and other payables	**–**	**–**	**–**	**–**	**41,450**	**41,450**
Weighted average interest rate	**0.0%**					

		FIXED INTEREST MATURING IN:				
Charter Hall Property Trust Group 2013	Floating interest rate $'000	1 year or less $'000	Over 1 to 2 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
Trade and other payables	–	–	–	–	32,740	32,740
Interest-bearing liabilities	27,750	–	–	–	–	27,750
	27,750	–	–	–	32,740	60,490

Charter Hall Property Trust Group 2013	Floating interest rate $'000	FIXED INTEREST MATURING IN: 1 year or less $'000	Over 1 to 2 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
Weighted average interest rate	5.7%					

Interest rate sensitivity analysis

The following tables illustrate the potential impact a change in interest rates of +/-1% would have on the Charter Hall Group and Charter Hall Property Trust Group's profit and equity.

Charter Hall Group 2014	Fair value $'000	Carrying amount $'000	-1% Profit $'000	-1% Equity $'000	+1% Profit $'000	+1% Equity $'000
Financial assets						
Cash and cash equivalents	**50,184**	**50,184**	**(502)**	**(502)**	**502**	**502**
Total increase/(decrease)			**(502)**	**(502)**	**502**	**502**

Charter Hall Group 2013	Fair value $'000	Carrying amount $'000	-1% Profit $'000	-1% Equity $'000	+1% Profit $'000	+1% Equity $'000
Financial assets						
Cash and cash equivalents	12,236	12,236	(122)	(122)	122	122
Financial liabilities						
Interest-bearing liabilities	27,750	27,455	278	278	(278)	(278)
Total increase/(decrease)			156	156	(156)	(156)

Charter Hall Property Trust Group 2014	Fair value $'000	Carrying amount $'000	-1% Profit $'000	-1% Equity $'000	+1% Profit $'000	+1% Equity $'000
Financial assets						
Cash and cash equivalents	**577**	**577**	**(6)**	**(6)**	**6**	**6**
Loan receivable from Charter Hall Ltd	**181,292**	**181,292**	**(1,813)**	**(1,813)**	**1,813**	**1,813**
Total increase/(decrease)			**(1,819)**	**(1,819)**	**1,819**	**1,819**

Charter Hall Property Trust Group 2013	Fair value $'000	Carrying amount $'000	-1% Profit $'000	-1% Equity $'000	+1% Profit $'000	+1% Equity $'000
Financial assets						
Cash and cash equivalents	2,229	2,229	(22)	(22)	22	22
Restated loan receivable from Charter Hall Ltd	197,240	197,240	(1,972)	(1,972)	1,972	1,972
Financial liabilities						
Interest-bearing liabilities	27,750	27,455	278	278	(278)	(278)
Restated total increase/(decrease)			(1,694)	(1,694)	1,694	1,694

The fair value of interest-bearing liabilities is inclusive of costs which would be incurred on settlement of a liability, and is based upon market prices, where a market exists, or by discounting the expected future cash flows by the current interest rates for liabilities with similar risk profiles.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2014

29. Capital and financial risk management continued

(b) Financial risk management continued

(iii) Foreign exchange risk

The Charter Hall Group's principal exposure to foreign exchange risk arises from its investments in foreign subsidiaries. The major asset held by foreign subsidiaries is cash in foreign denominated bank accounts. The Charter Hall Property Trust Group does not have any exposure of this type. Additionally, both Groups were exposed to foreign exchange risk arising from their equity accounted investment in the Charter Hall Retail REIT (CQR). Following CQR's disposal program of its offshore assets, the impact of foreign exchange risk on net assets is immaterial and no longer considered a significant risk at 30 June 2014.

The tables below illustrate the potential impact a change in foreign exchange rates of +/-10% would have on the Charter Hall Group's and Charter Hall Property Trust Group's profit and equity:

	2014		2013	
Charter Hall Group	Profit $'000	Equity $'000	Profit $'000	Equity $'000
US dollars +10%	**(78)**	**(5)**	(72)	105
US dollars -10%	**95**	**7**	81	(127)
Euros +10%	**(13)**	**(87)**	270	(526)
Euros -10%	**16**	**107**	(335)	647
NZ dollars +10%	**(2)**	**(83)**	6	(115)
NZ dollars -10%	**3**	**84**	(7)	146

	2014		2013	
Charter Hall Property Trust Group	Profit $'000	Equity $'000	Profit $'000	Equity $'000
US dollars +10%	**–**	**–**	9	(120)
US dollars -10%	**–**	**–**	(18)	147
Euros +10%	**–**	**–**	267	(432)
Euros -10%	**–**	**–**	(331)	534
NZ dollars +10%	**–**	**(82)**	–	(55)
NZ dollars -10%	**–**	**82**	–	74

(c) Credit risk

The Charter Hall Group and Charter Hall Property Trust Group have policies in place to ensure that sales of services are made to customers with appropriate credit histories.

62% of the Charter Hall Group's income is derived from management fees, transaction and other fees from related parties. 34% of the Charter Hall Group's income is derived from equity accounted investments in property funds, and distributions from investments in property funds held at fair value through the profit and loss. The balance relates to interest income and property rental income.

66% of the Charter Hall Property Trust Group's income is derived from investments in related party property funds. All tenants in the underlying property funds are assessed for creditworthiness, taking into account their financial position, past experience and other factors. Refer to Note 11(c) for more information on credit risk.

Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Charter Hall Group and Charter Hall Property Trust Group have policies that limit the amount of credit exposure to any one financial institution.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Charter Hall Group and Charter Hall Property Trust Group aim at maintaining flexibility in funding by keeping committed credit lines available.

Maturities of financial liabilities

The following table provides the contractual maturity of Charter Hall Group's and Charter Hall Property Trust Group's financial liabilities and derivatives. The amounts presented represent the future contractual undiscounted principal and interest cash flows and therefore do not equate to the value shown in the balance sheet. Repayments which are subject to notice are treated as if notice were given immediately.

Charter Hall Group 2014	Carrying amount $'000	Less than 1 year $'000	Between 1 and 2 years $'000	Over 2 years $'000	Total cash flows $'000
Trade and other payables	**60,661**	**60,661**	**–**	**–**	**60,661**
	60,661	**60,661**	**–**	**–**	**60,661**

Charter Hall Group 2013	Carrying amount $'000	Less than 1 year $'000	Between 1 and 2 years $'000	Over 2 years $'000	Total cash flows $'000
Trade and other payables	46,965	46,965	–	–	46,965
Contingent consideration payable	1,856	1,856	–	–	1,856
Interest-bearing liabilities	27,455	27,815	–	–	27,815
	76,276	76,636	–	–	76,636

Charter Hall Property Trust Group 2014	Carrying amount $'000	Less than 1 year $'000	Between 1 and 2 years $'000	Over 2 years $'000	Total cash flows $'000
Trade and other payables	**41,450**	**41,450**	**–**	**–**	**41,450**
	41,450	**41,450**	**–**	**–**	**41,450**

Charter Hall Property Trust Group 2013	Carrying amount $'000	Less than 1 year $'000	Between 1 and 2 years $'000	Over 2 years $'000	Total cash flows $'000
Trade and other payables	32,740	32,740	–	–	32,740
Interest-bearing liabilities	27,455	27,815	–	–	27,815
	60,195	60,555	–	–	60,555

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for the year ended 30 June 2014

30. Fair value measurement

(a) Recognised fair value measurement

The Charter Hall Group and the Charter Hall Property Trust Group measure and recognise the following assets and liabilities at fair value on a recurring basis:

- Investments in associates at fair value through profit and loss (refer to Note 33).
- Investment properties (refer to Note 16).
- Contingent consideration payable (nil balance at 30 June 2014) (refer to Note 20).

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

(ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

(iii) Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Charter Hall Group and Charter Hall Property Trust Group's assets and liabilities measured and recognised at fair value:

Charter Hall Group 2014	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Investments in associates at fair value through profit and loss	**–**	**–**	**14,234**	**14,234**
Investment properties	**–**	**–**	**48,386**	**48,386**
Total assets	**–**	**–**	**62,620**	**62,620**

Charter Hall Group 2013	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Investments in associates at fair value through profit and loss	–	–	49,229	49,229
Total assets	–	–	49,229	49,229
Contingent consideration payable	–	–	1,856	1,856
Total liabilities	–	–	1,856	1,856

Charter Hall Property Trust Group 2014	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Investments in associates at fair value through profit and loss	**–**	**–**	**14,234**	**14,234**
Investment properties	**–**	**–**	**48,386**	**48,386**
Total assets	**–**	**–**	**62,620**	**62,620**

Charter Hall Property Trust Group 2013	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Investments in associates at fair value through profit and loss	–	–	49,229	49,229
Total assets	–	–	49,229	49,229

(b) Disclosed fair values

The carrying amounts of current trade receivables and payables approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Charter Hall Group and Charter Hall Property Trust Group for similar financial instruments. The fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant. There were no financial liabilities at 30 June 2014. Refer to Note 22.

(c) Valuation techniques used to derive level 3 fair values

The fair value of associates held at fair value through profit and loss, which are investments in unlisted securities, approximates book value and is determined giving consideration to the unit prices and net assets of the underlying funds. The unit prices and net asset values are largely driven by the fair values of investment properties and derivatives held by the funds. Recent arm's length transactions, if any, are also taken into consideration.

In determining fair value of investment properties, management has considered the nature, characteristics and risks of the investment properties:

Fair value as at 30 June 2014 ('000)	Valuation technique	Significant unobservable inputs used to measure fair value	Range of unobservable inputs
48,569	DCF and capitalisation method	Gross market rent (per annum per square metre)	\$156 – \$202
		Adopted capitalisation rate	7.0% – 7.5%
		Adopted terminal yield	7.25% – 7.75%
		Adopted discount rate	9.0% – 9.25%

Term	Definition
Discounted cash flow method (DCF)	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.
Gross market rent	The estimated amount for which an interest in a real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate terms in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.
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.

(d) Valuation process

The Board conducts investment property valuation process on a half yearly basis. All valuations are performed either by independent professionally qualified external valuers or by Charter Hall's internal valuation team and then are reviewed and approved by the Valuations Sub-Committee, for recommendation to the ARCC and subsequent approval by the Board.

All investment properties held must be independently valued on an 'as is' basis at least once every 12 months. Where an internal valuation differs from the most recent independent valuation by +/- 5%, a new independent valuation is obtained.

In determining the valuation of all investment properties measured at recurring fair value, consideration has been given to the highest and best use of those properties.

Development properties

The total cost of a development property is generally capitalised to its carrying value until the development is complete. At the commencement of a development project an estimated valuation on an 'as if complete' basis is obtained and the capitalised costs during the project are monitored against this initial valuation.

At each reporting date, the carrying value of development properties is reviewed to determine whether they are in excess of their fair value. Where appropriate, a writedown is made to reflect fair value. On completion, the property is externally valued.

(e) Sensitivity analysis

Asset class	Significant input	Fair value measurement sensitivity to significant increase in input	Fair value measurement sensitivity to significant decrease in input
Investments in associates at fair value through profit and loss	Price per security	Increase	Decrease
Investment properties	Gross market rent (per annum per square metre)	Increase	Decrease
	Adopted capitalisation rate	Decrease	Increase
	Adopted terminal yield	Increase	Decrease
	Adopted discount rate	Decrease	Increase

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31. Related parties

(a) Parent entity

The parent entity of the Charter Hall Group is Charter Hall Limited. The parent entity of the Charter Hall Property Trust Group is the Charter Hall Property Trust.

(b) Controlled entities

Interests in controlled entities are set out in Note 32.

(c) Key management personnel

The following persons were considered key management personnel during the year:

Executive directors

D Harrison

D Southon

Other key management personnel

P Altschwager

S Dundas

R Stacker

A Taylor

Former key management personnel

N Devlin[1]

T Jordan[1]

N Kelly[1]

A Glass[2]

1 As a result of an internal restructure these employees ceased to qualify as key management personnel on 10 February 2014.

2 Ceased employment with Charter Hall and ceased to qualify as a key management personnel on 13 February 2014.

Below are the aggregate amounts paid to key management personnel:

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2014 $	2013 $	**2014 $**	2013 $
Salary and fees	**5,697,567**	5,569,272	**–**	–
Short-term incentives	**3,125,310**	354,300	**–**	–
Superannuation	**173,306**	159,267	**–**	–
Value of securities vested	**4,808,714**	1,864,174	**–**	–
Non-monetary benefits	**68,188**	68,188	**–**	–
	13,873,085	8,015,201	**–**	–

(d) Transactions with related parties

The following income was earned from related parties during the year:

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2014 **$**	2013 $	**2014** **$**	2013 $
Accounting cost recoveries	**7,160,374**	6,392,807	**–**	–
Marketing cost recoveries	**1,291,013**	1,632,511	**–**	–
Management and performance fees	**46,537,099**	39,651,732	**–**	–
Transaction and development fees	**19,622,404**	15,675,243	**–**	–
Commitment fees	**67,500**	135,000	**–**	–
Property management fees and cost recoveries	**37,712,834**	32,953,495	**–**	–

The following balances arising through the normal course of business were due from/to related parties at balance date:

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2014 **$**	2013 $	**2014** **$**	2013 $
Management fee receivables	**6,908,532**	5,690,632	**–**	–
Other receivables	**4,785,346**	9,203,342	**–**	–

Transactions with associates and joint ventures are disclosed in Notes 33 and 34 respectively.

(e) Loans to/from related parties

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2014 **$**	2013 $	**2014** **$**	Restated 2013 $
Loans to joint ventures and associates				–
Opening balances	**32,293,898**	11,120,000	**21,250,000**	1,650,000
Loans advanced	**1,500,000**	22,280,000	**–**	21,250,000
Loan repayments received	**(5,500,000)**	(1,650,000)	**–**	(1,650,000)
Interest charged	**2,942,972**	1,184,114	**1,911,723**	–
Interest received/receivable	**(3,486,870)**	(640,216)	**(1,911,723)**	–
Closing balance	**27,750,000**	32,293,898	**21,250,000**	21,250,000
Loans to Charter Hall Limited				
Opening balance	**–**	–	**197,240,144**	209,479,256
Loans advanced	**–**	–	**215,691,599**	36,358,156
Loan repayments received	**–**	–	**(252,477,771)**	(70,750,253)
Interest charged	**–**	–	**20,838,097**	22,152,985
Closing balance	**–**	–	**181,292,069**	197,240,144

No provisions for doubtful debts have been raised in relation to any outstanding balances.

The loan to CHL comprises an unsecured stapled loan maturing on 30 June 2021. Interest is charged on an arm's length basis which, at 30 June 2014, amounted to a weighted average rate of 10.66% (June 2013: 11.26%).

CHPT issued $21,250,000 in convertible preference notes to Keperra Square Fund on 28 June 2013. The notes incur interest based on a yield formula and will mature on 31 December 2014. On conversion, CHPT is entitled to receive units in a related fund where the number of units is equal to the principal value of the notes divided by the fund's net tangible assets on the date of conversion.

(f) Fees paid to the Responsible Entity or its associates

Fees paid to the Responsible Entity of the Charter Hall Property Trust, and its associates, by the Charter Hall Property Trust Group amounted to $853,636 (2013: $1,835,855). At 30 June 2014, related fees payable amounted to $207,876 (2013: $237,656).

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32. Controlled entities

The consolidated financial statements of the Charter Hall Group incorporate the assets, liabilities and results of the following controlled entities in accordance with the accounting policy described in Note 1(b):

(a) Details of controlled entities of the Charter Hall Group

Name of entity	Country of incorporation	Principal activity	Class of securities	2014 %	2013 %
Controlled entities of Charter Hall Limited					
Charter Hall Holdings Pty Limited	Australia	Property management	Ordinary	**100**	100
CHTOM Pty Limited[1]	Australia	Holding company	Ordinary	**–**	100
Charter Hall Mordialloc Pty Limited[1]	Australia	Holding company	Ordinary	**–**	100
Charter Hall La Trobe Pty Limited[1]	Australia	Holding company	Ordinary	**–**	100
CH La Trobe Trust	Australia	Property investment	Ordinary	**100**	100
Controlled entities of Charter Hall Holdings Pty Ltd					
Bieson Pty Limited	Australia	Trustee company	Ordinary	**100**	100
Bowvilla Pty Limited	Australia	Trustee company	Ordinary	**100**	100
CH Nominees Pty Limited	Australia	Trustee company	Ordinary	**100**	100
Charter Hall Asset Services Pty Limited	Australia	Property management	Ordinary	**100**	100
Charter Hall Asset Services Europe Sp z.o.o	Poland	Property management	Ordinary	**100**	100
Charter Hall Direct Property Management Limited	Australia	Responsible entity	Ordinary	**100**	100
Charter Hall Escrow Agent Pty Limited	Australia	Holding company	Ordinary	**100**	100
Charter Hall Funds Management Limited	Australia	Responsible entity	Ordinary	**100**	100
Charter Hall Holdings Investment Trust	Australia	Holding company	Ordinary	**100**	100
Charter Hall Holdings Real Estate Pty Limited	Australia	Holding company	Ordinary	**100**	100
Charter Hall International Office Pty Limited	Australia	Holding company	Ordinary	**100**	100
Charter Hall Investment Management Limited	Australia	Responsible entity	Ordinary	**100**	–
Charter Hall (NZ) Pty Limited	Australia	Property management	Ordinary	**100**	100
Charter Hall Office Collins Street Pty Limited	Australia	Holding company	Ordinary	**100**	100
Charter Hall Office Investments Pty Limited	Australia	Holding company	Ordinary	**100**	100
Charter Hall Office Management Limited	Australia	Responsible entity	Ordinary	**100**	100
Charter Hall Real Estate Inc	USA	Property management	Ordinary	**100**	100
CHREI US Office LLC	USA	Property management	Ordinary	**100**	100
CHREI US Retail LLC	USA	Property management	Ordinary	**100**	100
Charter Hall Real Estate Europe Limited	UK	Property management	Ordinary	**100**	100
Charter Hall Real Estate Management Services Pty Limited	Australia	Property management	Ordinary	**100**	100
Charter Hall Real Estate Management Services (ACT) Pty Limited	Australia	Property management	Ordinary	**100**	100
Charter Hall Real Estate Management Services (NSW) Pty Limited	Australia	Property management	Ordinary	**100**	100
Charter Hall Real Estate Management Services (QLD) Pty Limited	Australia	Property management	Ordinary	**100**	100
Charter Hall Real Estate Management Services (SA) Pty Limited	Australia	Property management	Ordinary	**100**	100
Charter Hall Real Estate Management Services (TAS) Pty Limited	Australia	Property management	Ordinary	**100**	100
Charter Hall Real Estate Management Services (VIC) Pty Limited	Australia	Property management	Ordinary	**100**	100
Charter Hall Real Estate Management Services (WA) Pty Limited	Australia	Property management	Ordinary	**100**	100
Charter Hall Retail Management Pty Limited	Australia	Responsible entity	Ordinary	**100**	100
Frolish Pty Limited	Australia	Trustee company	Ordinary	**100**	100
Real Estate Capital Investments Limited	Australia	Holding company	Ordinary	**100**	100
Stelridge Pty Limited	Australia	Trustee company	Ordinary	**100**	100
Visokoi Pty Limited	Australia	Trustee company	Ordinary	**100**	100
Charter Hall Development Services Pty Ltd	Australia	Property management	Ordinary	**100**	100

1 Terminated during the year.

Name of entity	Country of incorporation	Principal activity	Class of securities	2014 %	2013 %
Controlled entities of Charter Hall Property Trust					
BP Fund 2[1]	Australia	Property investment	Ordinary	**100**	–
Charter Hall Direct Retail Fund	Australia	Property investment	Ordinary	**100**	100
Charter Hall Co-Investment Trust[2]	Australia	Property investment	Ordinary	**100**	100
Charter Hall Special Situations Office Fund	Australia	Property investment	Ordinary	**100**	100
CHC CDC Holding Trust[1]	Australia	Property investment	Ordinary	**100**	–
CHC CDC Trust[1]	Australia	Property investment	Ordinary	**100**	–
CHPT RP2 Trust	Australia	Property investment	Ordinary	**100**	100

1 Trusts established during the year. CHC CDC Holding Trust and CHC CDC Trust were established to purchase the Group's 24% interest in Charter Hall Direct CDC Trust. BP Fund 2 was established to hold the Group's investment in the portfolio of investment properties disclosed in Note 16. On 18 August 2014, the Group sold down its interest in BP Fund 2 to 50.1%. Refer Note 41.

2 Charter Hall Co-Investment Trust is an entity which was set up by Charter Hall Property Trust to hold its investments in Charter Hall Retail REIT (CQR), Charter Hall Office Trust (CHOT), BP Fund (BP), BP Fund 2 (BP2), Core Logistics Partnership (CLP), Keperra Square Fund (Keperra Square), Charter Hall Direct Property Fund (CHDPF) and Charter Hall Direct CDC Trust (CDC).

Name of entity	Country of incorporation	Principal activity	Class of securities	2014 %	2013 %
Controlled entities of Charter Hall Direct Retail Fund					
Core Plus Retail Fund New Zealand	Australia	Property investment	Ordinary	**100**	100
Stafford Retail Warehouse Trust[1]	Australia	Property investment	Ordinary	**–**	100
Stafford Wiley Trust[1]	Australia	Property investment	Ordinary	**–**	100
Ipswich Retail Property Trust[1]	Australia	Property investment	Ordinary	**–**	100
Mentone Property Trust	Australia	Property investment	Ordinary	**100**	100
Charter Hall MMN Property Trust	Australia	Property investment	Ordinary	**100**	100
CPRF Gepps X Trust	Australia	Property investment	Ordinary	**100**	100
CPRF Gepps 109 Trust	Australia	Property investment	Ordinary	**100**	100
CPRF MSN Property Trust	Australia	Property investment	Ordinary	**100**	100

1 Trusts terminated during the year as part of the wind up of DRF.

(b) Details of controlled entities of the Charter Hall Property Trust Group

Name of entity	Country of incorporation	Principal activity	Class of securities	2014 %	2013 %
Controlled entities of Charter Hall Property Trust					
BP Fund 2[1]	Australia	Property investment	Ordinary	**100**	–
Charter Hall Direct Retail Fund[2]	Australia	Property investment	Ordinary	**84**	84
Charter Hall Co-Investment Trust[3]	Australia	Property investment	Ordinary	**100**	100
Charter Hall Special Situations Office Fund	Australia	Property investment	Ordinary	**100**	100
CHC CDC Holding Trust[1]	Australia	Property investment	Ordinary	**100**	–
CHC CDC Trust[1]	Australia	Property investment	Ordinary	**100**	–
CHPT RP2 Trust	Australia	Property investment	Ordinary	**100**	100

1 Trusts established during the year. CHC CDC Holding Trust and CHC CDC Trust were established to purchase the Group's 24% interest in Charter Hall Direct CDC Trust. BP Fund 2 was established to hold the Group's investment in the portfolio of investment properties disclosed in Note 16. On 18 August 2014, the Group sold down its interest in BP Fund 2 to 50.1%. Refer Note 41.

2 Refer to Note 32(a) for the controlled entities of Charter Hall Direct Retail Fund.

3 Charter Hall Co-Investment Trust is an entity which was set up by Charter Hall Property Trust to hold its investments in Charter Hall Retail REIT (CQR), Charter Hall Office Trust (CHOT), BP Fund (BP), BP Fund 2 (BP2), Core Logistics Partnership (CLP), Keperra Square Fund (Keperra Square), Charter Hall Direct Property Fund (CHDPF) and Charter Hall Direct CDC Trust (CDC).

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33. Investments in associates

(a) Carrying amounts

Information relating to associates is set out below. All associates are incorporated and operate in Australia.

Charter Hall Group Name of entity	Principal activity	Ownership interest 2014 %	Ownership interest 2013 %	2014 $'000	2013 $'000
Accounted for at fair value through profit or loss:					
Unlisted					
Charter Hall Direct Property Fund	Property investment	**4.2**	4.0	**11,026**	10,665
Charter Hall Diversified Property Fund	Property investment	**19.6**	19.6	**1,763**	8,085
Charter Hall Umbrella Fund	Property investment	**24.2**	24.2	**699**	30,080
Charter Hall Direct Industrial Fund 2	Property investment	**0.3**	–	**339**	–
Charter Hall Direct Industrial Fund	Property investment	**0.2**	0.2	**248**	234
PFA Diversified Property Trust	Property investment	**0.1**	0.1	**159**	165
				14,234	49,229
Equity accounted					
Unlisted					
Charter Hall Office Trust[1]	Property investment	**14.3**	14.5	**172,938**	158,971
Charter Hall Core Plus Office Fund	Property investment	**9.9**	12.3	**116,871**	114,722
Core Logistics Partnership	Property investment	**19.1**	5.3	**84,777**	10,808
Charter Hall Core Plus Industrial Fund	Property investment	**11.7**	13.2	**72,241**	56,661
Charter Hall Opportunity Fund 5	Property development	**15.0**	15.0	**7,326**	14,891
Charter Hall Opportunity Fund 4	Property development	**3.0**	3.0	**35**	800
Listed					
Charter Hall Retail REIT[2]	Property investment	**10.2**	9.2	**129,226**	103,055
				583,414	459,908
Total investments in associates				**597,648**	509,137

1 The entity has a 31 December balance date.

2 Fair value at the ASX quoted price as at 30 June 2014 was $146,309,000 (2013: $118,241,000).

Charter Hall Property Trust Group Name of entity	Principal activity	OWNERSHIP INTEREST 2014 %	2013 %	2014 $'000	2013 $'000
Accounted for at fair value through profit or loss:					
Unlisted					
Charter Hall Direct Property Fund	Property investment	**4.2**	4.0	**11,026**	10,665
Charter Hall Diversified Property Fund	Property investment	**19.6**	19.6	**1,763**	8,085
Charter Hall Umbrella Fund	Property investment	**24.2**	24.2	**699**	30,080
Charter Hall Direct Industrial Fund 2	Property investment	**0.3**	–	**339**	–
Charter Hall Direct Industrial Fund	Property investment	**0.2**	0.2	**248**	234
PFA Diversified Property Trust	Property investment	**0.1**	0.1	**159**	165
				14,234	49,229
Equity accounted					
Unlisted					
Charter Hall Office Trust[1]	Property investment	**14.3**	14.5	**172,938**	158,971
Charter Hall Core Plus Office Fund	Property investment	**9.0**	11.2	**106,239**	104,287
Core Logistics Partnership	Property investment	**19.1**	5.3	**84,777**	10,808
Charter Hall Core Plus Industrial Fund	Property investment	**4.4**	5.7	**27,447**	24,845
Listed					
Charter Hall Retail REIT[2]	Property investment	**10.2**	9.2	**129,226**	103,055
				520,627	401,966
Total investments in associates				**534,861**	451,195

1 The entity has a 31 December balance date.
2 Fair value at the ASX quoted price as at 30 June 2014 was $146,309,000 (2013: $118,241,000).

All investments accounted for at fair value through profit or loss (Note 13) are held by Charter Hall Property Trust (CHPT).

(b) Summarised movements in carrying amounts of equity accounted associates

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Opening balance	**459,908**	444,515	**401,966**	373,578
Investment	**121,940**	22,201	**121,941**	22,201
Share of profit after income tax	**47,849**	40,374	**42,107**	37,295
Distributions received/receivable	**(38,361)**	(48,182)	**(35,169)**	(32,087)
Share of movement in reserves	**489**	1,217	**507**	1,196
Returns of capital	**(8,411)**	–	**–**	–
Disposal of units	**–**	–	**(10,725)**	–
Gain/(loss) on equity remeasurement	**–**	(217)	**–**	(217)
Closing balance	**583,414**	459,908	**520,627**	401,966

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continued

for the year ended 30 June 2014

33. Investments in associates continued

(c) Summarised financial information for material associates

The tables below provide summarised financial information for the associates that are material to CHC and CHPT. Materiality is assessed on the investments' contribution to Group income and net assets. The information presented reflects the amounts in the financial statements of the associates, not the Group's proportionate share.

2014	Charter Hall Office Trust $'000	Charter Hall Retail REIT $'000	Charter Hall Core Plus Office Fund $'000	Core Logistics Partnership $'000	Charter Hall Core Plus Industrial Fund $'000
Summarised balance sheet:					
Current assets	**219,958**	**160,422**	**20,533**	**14,399**	**62,726**
Non-current assets	**2,126,986**	**1,904,635**	**1,818,850**	**549,935**	**740,530**
Current liabilities	**46,704**	**192,117**	**41,866**	**12,705**	**17,824**
Non-current liabilities	**1,093,011**	**617,839**	**609,941**	**114,523**	**162,329**
Net assets	**1,207,229**	**1,255,101**	**1,187,576**	**437,106**	**623,103**
Summarised statement of comprehensive income:					
Revenue	**169,159**	**184,516**	**152,062**	**27,374**	**58,920**
Profit for the year from continuing operations	**77,567**	**133,381**	**88,962**	**34,942**	**76,204**
Loss from discontinued operations[1]	**–**	**(48,194)**	**–**	**–**	**–**
Other comprehensive income	**300**	**32,200**	**–**	**–**	**–**
Total comprehensive income	**77,867**	**117,387**	**88,962**	**34,942**	**76,204**

2013	Charter Hall Office Trust $'000	Charter Hall Retail REIT $'000	Charter Hall Core Plus Office Fund $'000	Core Logistics Partnership $'000	Charter Hall Core Plus Industrial Fund $'000
Summarised balance sheet:					
Current assets	42,145	347,780	14,657	12,176	40,006
Non-current assets	2,058,483	1,709,331	1,643,160	200,626	515,344
Current liabilities	32,517	305,589	32,007	9,535	79,897
Non-current liabilities	975,455	630,407	691,283	–	41,861
Net assets	1,092,656	1,121,115	934,527	203,267	433,592
Summarised statement of comprehensive income:					
Revenue	260,357	162,631	148,924	4,603	61,808
Profit for the year from continuing operations	147,535	70,625	65,845	(1,971)	32,957
Loss from discontinued operations	–	(18,037)	–	–	–
Other comprehensive income	84	15,344	–	–	–
Total comprehensive income	147,619	67,932	65,845	(1,971)	32,957

1 CQR has discontinued its foreign operations. The loss is comprised of revaluation decrements on foreign investment properties held for sale and transfers of cumulative foreign currency translation reserve to profit and loss on disposal of foreign investment properties.

(d) Reconciliation of net assets of associates to carrying amounts of equity accounted investments

Charter Hall Group 2014	Charter Hall Office Trust $'000	Charter Hall Retail REIT $'000	Charter Hall Core Plus Office Fund $'000	Core Logistics Partnership $'000	Charter Hall Core Plus Industrial Fund $'000
Net assets of associate	**1,207,229**	**1,255,101**	**1,187,576**	**437,106**	**623,103**
Group's share in %	**14.3**	**10.2**	**9.9**	**19.1**	**11.7**
Group's share in $	**172,634**	**128,020**	**117,570**	**83,487**	**72,903**
Other movements not accounted for under the equity method[1]	**304**	**1,206**	**(699)**	**1,290**	**(662)**
Carrying amount	**172,938**	**129,226**	**116,871**	**84,777**	**72,241**
Movements in carrying amounts:					
Opening balance	**158,971**	**103,055**	**114,722**	**10,808**	**56,661**
Investment	**14,712**	**24,317**	**–**	**71,813**	**11,100**
Share of profit after income tax	**11,143**	**11,187**	**10,043**	**6,307**	**9,038**
Other comprehensive income	**20**	**488**	**–**	**–**	**–**
Distributions received/receivable	**(11,908)**	**(9,821)**	**(7,894)**	**(4,151)**	**(4,558)**
Closing balance	**172,938**	**129,226**	**116,871**	**84,777**	**72,241**

Charter Hall Group 2013	Charter Hall Office Trust $'000	Charter Hall Retail REIT $'000	Charter Hall Core Plus Office Fund $'000	Core Logistics Partnership $'000	Charter Hall Core Plus Industrial Fund $'000
Net assets of associate	1,092,656	1,121,115	934,527	203,267	433,592
Group's share in %	14.5	9.2	12.3	5.3	13.2
Group's share in $	158,435	103,143	114,947	10,773	57,234
Other movements not accounted for under the equity method[1]	536	(88)	(225)	35	(573)
Carrying amount	158,971	103,055	114,722	10,808	56,661
Movements in carrying amounts:					
Opening balance	145,720	101,338	112,951	–	54,885
Investment	7,114	3,985	–	11,102	–
Share of profit/(loss) after income tax	22,140	5,245	9,021	(609)	5,329
Other comprehensive income	122	1,074	–	–	–
Distributions received/receivable	(14,852)	(8,175)	(7,708)	(363)	(3,885)
Remeasurement of equity interest	(1,273)	(412)	458	678	332
Closing balance	158,971	103,055	114,722	10,808	56,661

1 Other movements are primarily due to the funds issuing new units to external investors at a price above or below the underlying net assets of the fund.

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33. Investments in associates continued

(d) Reconciliation of net assets of associates to carrying amounts of equity accounted investments continued

Charter Hall Property Trust Group 2014	Charter Hall Office Trust $'000	Charter Hall Retail REIT $'000	Charter Hall Core Plus Office Fund $'000	Core Logistics Partnership $'000	Charter Hall Core Plus Industrial Fund $'000
Net assets of associate	**1,207,229**	**1,255,101**	**1,187,576**	**437,106**	**623,103**
Group's share in %	**14.3**	**10.2**	**9.0**	**19.1**	**4.4**
Group's share in $	**172,634**	**128,020**	**106,882**	**83,487**	**27,417**
Other movements not accounted for under the equity method[1]	**304**	**1,206**	**(643)**	**1,290**	**30**
Carrying amount	**172,938**	**129,266**	**106,239**	**84,777**	**27,447**
Movements in carrying amounts:					
Opening balance	**158,971**	**103,055**	**104,287**	**10,808**	**24,845**
Investment	**14,712**	**24,317**	**–**	**71,813**	**11,100**
Share of profit after income tax	**11,143**	**11,187**	**9,125**	**6,307**	**4,345**
Other comprehensive income	**20**	**488**	**–**	**–**	**–**
Distributions received/receivable	**(11,908)**	**(9,821)**	**(7,173)**	**(4,151)**	**(2,117)**
Disposal	**–**	**–**	**–**	**–**	**(10,726)**
Closing balance	**172,938**	**129,226**	**106,239**	**84,777**	**27,447**

Charter Hall Property Trust Group 2013	Charter Hall Office Trust $'000	Charter Hall Retail REIT $'000	Charter Hall Core Plus Office Fund $'000	Core Logistics Partnership $'000	Charter Hall Core Plus Industrial Fund $'000
Net assets of associate	1,092,656	1,121,115	934,527	203,267	433,592
Group's share in %	14.5	9.2	11.2	5.3	5.7
Group's share in $	158,435	103,143	104,667	10,773	24,715
Other movements not accounted for under the equity method[1]	536	(88)	(380)	35	130
Carrying amount	158,971	103,055	104,287	10,808	24,845
Movements in carrying amounts:					
Opening balance	145,720	101,338	102,635	–	23,885
Investment	7,114	3,985	–	11,102	
Share of profit after income tax	22,140	5,245	8,197	(609)	2,322
Other comprehensive income	122	1,074	–	–	–
Distributions received/receivable	(14,852)	(8,175)	(7,003)	(363)	(1,694)
Remeasurement of equity interest	(1,273)	(412)	458	678	332
Closing balance	158,971	103,055	104,287	10,808	24,845

1 Other movements are primarily due to the funds issuing new units to external investors at a price above or below the underlying net assets of the fund.

(e) Summarised financial information and movement in carrying amounts of other equity accounted associates

The following table shows the Group's share of the summarised profit and loss of equity accounted associates that are not material to the Group, and a reconciliation of the movement in the aggregated carrying amount of these investments.

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Aggregate amount of the Group's share of:				
Profit/(loss) from continuing operations	**131**	(752)	**–**	–
Other comprehensive income	**(20)**	21	**–**	–
Total comprehensive income	**111**	(731)	**–**	–
Movements in aggregate carrying amount:				
Opening balance	**15,691**	29,621	**–**	–
Share of profit after income tax	**131**	(752)	**–**	–
Distributions received/receivable	**(30)**	(13,199)	**–**	–
Return of capital	**(8,411)**	–	**–**	–
Share of movement in reserves	**(20)**	21	**–**	–
Closing balance	**7,361**	**15,691**	**–**	–

(f) Commitments and contingent liabilities of associates

Charter Hall Retail REIT (CQR) has entered into contracts for the construction and development of properties in Australia. The commitments of CQR total $29.2 million (2013: $48.2 million). In addition, as at 30 June 2014, CQR was a party to a Put and Call Option deed to acquire Coomera City Centre in Queensland for $59.2 million. These commitments have not been reflected in the consolidated financial statements of CQR.

CQR has issued a guarantee to MCW Alt-Chemnitz Grundbesitz GmbH & Co KG, a German subsidiary of CQR, to ensure that there is sufficient cash to fund planned development expenditure at its Alt-Chemnitz property. This guarantee was initially capped at €4.0 million ($6.2 million) and was reducing progressively as the German structure retained sufficient cash to fund the redevelopment. At 30 June 2014, the guarantee has reduced to €nil ($nil) (2013: €1.0 million, $1.4 million) and was terminated by the lender.

Charter Hall Core Plus Office Fund's significant capital expenditure contracted for at the reporting date but not recognised as liabilities was $157.5 million relating to investment properties. These commitments include capital expenditure commitments of $68.8 million relating to the development of the 333 George Street, Sydney property and $72.9 million relating to the development of the 570 Bourke Street, Melbourne property. In addition, the Charter Hall Core Plus Office Fund's share of significant capital expenditure contracted for at the reporting date but not recognised as liabilities through joint venture entities was $2.1 million relating to investment properties for the development of the 100 Skyring Terrace, Newstead property.

Charter Hall Office Trust's significant capital expenditure contracted for at the reporting date but not recognised as liabilities was $34.3 million relating to investment properties for certain expenditure and fitout contributions. In addition, the Charter Hall Office Trust's share of significant capital expenditure contracted for at the reporting date but not recognised as liabilities through joint venture entities was $11.3 million relating to investment properties for certain expenditure and fitout contributions.

Charter Hall Direct Industrial Fund 2 had capital expenditure contracted for at the reporting date but not recognised as liabilities of $2.8 million in relation to the Rockhampton property.

Charter Hall Core Logistics Partnership has capital expenditure contracted for at the reporting date but not recognised as liabilities of $68.4 million in relation to developments and capital expenditure on investment properties.

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34. Investments in joint ventures

(a) Carrying amounts

Information relating to joint ventures is set out below. All joint ventures are incorporated and operate in Australia.

Charter Hall Group Name of entity	Principal activity	OWNERSHIP INTEREST 2014 %	2013 %	2014 $'000	2013 $'000
Unlisted					
Commercial and Industrial Property Pty Ltd	Property development	**50.0**	50.0	**28,245**	27,121
Charter Hall Direct CDC Trust	Property investment	**24.0**	–	**21,025**	–
Retail Partnership No. 2 Trust[1]	Property investment	**20.0**	20.0	**20,749**	17,688
BP Fund	Property investment	**16.8**	13.0	**17,190**	14,319
Retail Partnership No. 4 Trust	Property investment	**50.0**	–	**11,372**	–
Keperra Square Fund	Property investment	**10.0**	10.0	**906**	1,111
				99,487	60,239

1 The entity has a 31 December balance date.

Charter Hall Property Trust Group Name of entity	Principal activity	OWNERSHIP INTEREST 2014 %	2013 %	2014 $'000	2013 $'000
Unlisted					
Charter Hall Direct CDC Trust	Property investment	**24.0**	–	**21,025**	–
Retail Partnership No. 2 Trust[1]	Property investment	**20.0**	20.0	**20,749**	17,688
BP Fund	Property investment	**16.8**	13.0	**17,190**	14,319
Retail Partnership No. 4 Trust	Property investment	**50.0**	–	**11,372**	–
Keperra Square Fund	Property investment	**10.0**	10.0	**906**	1,111
				71,242	33,118

1 The entity has a 31 December balance date.

(b) Summarised financial information and movements in carrying amounts

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Aggregate amount of the Group's share of:				
Profit/(loss) from continuing operations	**12,994**	1,811	**9,244**	(240)
Other comprehensive income	**–**	–	**–**	–
Total comprehensive income	**12,994**	1,811	**9,244**	(240)
Movements in aggregate carrying amount:				
Opening balance	**60,239**	27,644	**33,118**	–
Investment	**32,032**	35,341	**32,032**	35,341
Share of profit after income tax	**12,994**	1,589	**9,244**	(240)
Distributions received/receivable	**(5,778)**	(4,170)	**(3,152)**	(1,837)
Disposal of units	**–**	(14)	**–**	–
Loss on equity remeasurement	**–**	(151)	**–**	(146)
Closing balance	**99,487**	60,239	**71,242**	33,118

(c) Commitments and contingent liabilities of joint ventures

The Group has no exposure to any commitments or contingent liabilities in relation to its investment in joint ventures.

35. Interests in unconsolidated structured entities

The Charter Hall Group considers its investments in associates and joint ventures to be unconsolidated structured entities. An unconsolidated structured entity is an entity where the Group's voting rights are not the sole factor in determining whether control over an entity exists. Where the Group determines that control over an entity does not exist, the entity is recognised as an associate or joint venture of the Group for reporting purposes.

The activity and objective of the unconsolidated structured entities of the Group include property investment for annuity income and medium to long-term capital growth and/or development profit.

The aggregate of all the Group's interests and maximum exposure to loss in unconsolidated structured entities, being the Group's interests in associates and joint ventures, are included in the table below:

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Current assets				
Trade receivables	**3,729**	3,518	**–**	–
Distributions receivable	**26,309**	12,558	**25,515**	10,557
Loans to joint ventures	**21,250**	26,250	**21,250**	21,250
Loans to associates	**–**	6,044	**–**	–
Total current assets	**51,288**	48,370	**46,765**	31,807
Non-current assets				
Investments in associates at fair value through profit or loss	**14,234**	49,229	**14,234**	49,229
Investments accounted for using the equity method	**682,901**	520,147	**591,869**	435,084
Total non-current assets	**703,635**	569,376	**606,103**	484,313
Total carrying amount of interests in unconsolidated structured entities	**754,923**	617,746	**652,868**	516,120
Total funds under management in unconsolidated structured entities	**9,754,731**	8,888,328	**9,662,731**	8,540,583

There are no additional arrangements that would expose the Charter Hall Group or Charter Hall Property Trust Group to losses beyond the carrying amounts.

During the year, the Charter Hall Group earned fees from structured entities in its capacity as investment manager. Refer to Note 31 for further information.

No financial support has been provided to the funds beyond the loans disclosed in the above table.

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36. Commitments

(a) Lease commitments: Group as lessee

Commitments payable in relation to leases contracted for at the reporting date but not recognised as liabilities:

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Due within one year	**3,061**	2,071	**–**	–
Due between one and five years	**10,397**	5,715	**–**	–
Over five years	**11,615**	–	**–**	–
	25,073	7,786	**–**	–

(b) Capital commitments

Charter Hall Group

The Group had no contracted capital commitments as at 30 June 2014 (2013: $nil).

Charter Hall Property Trust Group

The Group had no capital commitments as at 30 June 2014 (2013: $nil).

37. Contingent liabilities

The Group did not have any contingent liabilities as at 30 June 2014.

38. Security-based benefits expense

(a) Charter Hall – Executive Loan Security Plan (ELSP) (legacy plan)

The ELSP was suspended on 1 July 2009 and was wound up in July 2012.

Set out below are summaries of securities cancelled:

Charter Hall Group and Charter Hall Property Trust Group	**2014 Number**	2013 Number
Opening balance	**–**	678,076
Cancellation of forfeited LTI securities off market	**–**	(678,076)
	–	–

(b) Charter Hall – Performance Rights and Options Plan (PROP)

The performance rights and options are unquoted securities and conversion to stapled securities, and vesting to executives, is subject to service and performance conditions which are discussed in the Remuneration Report.

Charter Hall Group and Charter Hall Property Trust Group	2010 Number	2011 Number	2012 Number	2013 Number	2014 Number	Total Number
Performance rights						
Rights issued on 13/11/09	1,562,250	–	–	–	**–**	**1,562,250**
Rights issued on 18/6/10	644,625	–	–	–	**–**	**644,625**
Rights issued on 6/9/10	–	863,345	–	–	**–**	**863,345**
Rights issued on 11/11/10	–	465,388	–	–	**–**	**465,388**
Rights issued on 17/1/12	–	–	3,905,231	–	**–**	**3,905,231**
Rights issued on 23/11/12	–	–	–	1,796,076	**–**	**1,796,076**
Rights issued on 22/11/13	–	–	–	–	**1,422,660**	**1,422,660**
Performance rights issued	2,206,875	1,328,733	3,905,231	1,796,076	**1,422,660**	**10,659,575**
Number rights forfeited/lapsed in prior years	(660,611)	(346,168)	(662,597)	–	**–**	**(1,669,376)**
Number rights forfeited/lapsed in current year	–	–	–	(106,757)	**(60,214)**	**(166,971)**
Number rights vested in prior years	(1,287,252)	(28,848)	–	–	**–**	**(1,316,100)**
Number rights vested in current year	(259,012)	(953,717)	–	–	**–**	**(1,212,729)**
Closing balance	–	–	3,242,634	1,689,319	**1,362,446**	**6,294,399**
Service rights						
Rights issued on 6/9/10	–	316,377	–	–	**–**	**316,377**
Rights issued on 22/5/12	–	–	431,516	–	**–**	**431,516**
Rights issued on 23/11/12	–	–	–	270,000	**–**	**270,000**
Rights issued on 22/11/13	–	–	–	–	**403,582**	**403,582**
Service rights issued	–	316,377	431,516	270,000	**403,582**	**1,421,475**
Number rights forfeited/lapsed in prior years	–	(164,540)	–	–	**–**	**(164,540)**
Number rights forfeited/lapsed in current year	–	–	–	–	**–**	**–**
Number rights vested in prior year	–	(78,849)	(301,489)	–	**–**	**(380,338)**
Number rights vested in current year	–	(72,988)	(130,027)	(90,000)	**(20,000)**	**(313,015)**
Closing balance	–	–	–	180,000	**383,582**	**563,582**
Options						
Options issued on 4/11/09 at $1.94	4,088,078	–	–	–	**–**	**4,088,078**
Options issued on 13/11/09 at $1.94	1,497,036	–	–	–	**–**	**1,497,036**
Options issued on 18/6/10 at $2.80	1,611,656	–	–	–	**–**	**1,611,656**
Options issued on 6/9/10 at $2.44	–	2,035,649	–	–	**–**	**2,035,649**
Options issued on 11/11/10 at $2.44	–	1,163,464	–	–	**–**	**1,163,464**
Options issued on 19/1/11 at $2.35	–	123,397	–	–	**–**	**123,397**
Options issued	7,196,770	3,322,510	–	–	**–**	**10,519,280**
Number options forfeited/lapsed in prior years	(2,009,985)	(865,394)	–	–	**–**	**(2,875,379)**
Number options forfeited/lapsed in current year	–	–	–	–	**–**	**–**
Number options vested and exercised in prior year	(3,479,459)	(72,117)	–	–	**–**	**(3,551,576)**
Number options vested and exercised in current year	(602,636)	(1,339,323)	–	–	**–**	**(1,941,959)**
Closing balance	1,104,690	1,045,676	–	–	**–**	**2,150,366**

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2014

38. Security-based benefits expense continued

(c) PROP expense

Total expenses related to the PROP recognised during the year as part of employee benefit expense were as follows:

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Performance rights and option plan	**3,089**	3,035	**–**	–

(d) Option inputs

The Black-Scholes or Monte Carlo method, as applicable, is utilised for valuation and accounting purposes. The model inputs for the PROP performance rights and options plan issued during FY10 through FY14 and outstanding as at 30 June 2014 to assess the fair value are as follows:

Performance rights

Grant date	17/01/2012	23/11/2012	20/11/2013	20/11/2013
Security price at grant date	$2.10	$3.11	$3.68	$3.68
Fair value of right	$0.94	$1.91	$1.42	$1.11
Expected price volatility	39.0%	26.0%	30.4%	30.4%
Risk-free interest rate	3.9%	3.0%	2.9%	3.0%

Options

Grant date	13/11/2009	18/06/2010	6/09/2010	11/11/2010
Security price at grant date[1]	$2.40	$2.80	$2.44	$2.44
Fair value of option[1]	$0.39	$0.56	$0.51	$0.51
Exercise price per security[1]	$1.94	$2.80	$2.44	$2.44
Expiry of loan	04/11/14	18/06/15	06/09/15	06/09/15
Expected price volatility	40.0%	40.0%	40.0%	40.0%
Risk-free interest rate	5.5%	5.5%	5.5%	5.5%

Service rights

Grant date	23/11/2012	20/11/2013	20/11/2013
Security price at grant date	$3.11	$3.68	$3.68
Fair value of right	$2.73	$3.45	$3.42
Expected price volatility	25.0%	27.4%	27.4%
Risk-free interest rate	2.9%	2.6%	2.6%

1 Security prices for prior years have been restated for the unit consolidation during FY11.

(e) Charter Hall General Employee Security Plan (GESP)

During the year, eligible employees received up to $1,000 (2013: $1,000) in securities which vested immediately on issue but are held in trust until the earlier of the completion of three years' service or termination. An expense of $256,383 (2013: $211,878) was recognised in relation to this plan during the year.

39. Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity of the Charter Hall Group, being Charter Hall Limited, and the Charter Hall Property Trust Group, being the Charter Hall Property Trust, show the following aggregate amounts:

	CHARTER HALL LIMITED		CHARTER HALL PROPERTY TRUST	
Balance sheet	**2014 $'000**	Restated 2013 $'000	**2014 $'000**	Restated 2013 $'000
Current assets	**14,073**	25,786	**16,176**	4,077
Total assets	**270,919**	272,283	**869,413**	759,045
Current liabilities	**30**	17	**41,245**	46,032
Total liabilities	**183,652**	197,256	**41,245**	46,032
Shareholders' equity				
Issued capital	**232,101**	211,335	**945,333**	799,548
Accumulated losses	**(144,875)**	(136,308)	**(117,165)**	(86,535)
Net equity	**87,267**	75,027	**828,168**	713,013
Profit/(loss) for the year	**(8,527)**	(44,075)	**42,695**	33,724
Total comprehensive profit/(loss) for the year	**(8,527)**	(44,075)	**42,695**	33,724

(b) Contingent liabilities of the parent entity

Charter Hall Limited and Charter Hall Property Trust had no contingent liabilities (2013: $nil).

(c) Contractual commitments

As at 30 June 2014, Charter Hall Limited and Charter Hall Property Trust had no contractual commitments (2013: $nil).

Notes to the Consolidated Financial Statements
continued
for the year ended 30 June 2014

40. Deed of cross guarantee

Charter Hall Group

Charter Hall Limited and its wholly-owned subsidiary, Charter Hall Holdings Pty Ltd (CHH), are parties to a deed of cross guarantee under which each company guarantees the debts of the other. By entering into the deed, CHH has been relieved from the requirement to prepare financial statements and a directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

(a) Consolidated statement of comprehensive income and summary of movements in consolidated accumulated losses

The above companies represent a 'closed group' for the purposes of the Class Order and, as there are no other parties to the deed of cross guarantee that are controlled by Charter Hall Limited, they also represent the 'extended closed group'.

Set out below is a consolidated statement of comprehensive income and a summary of movements in consolidated accumulated losses for the year of the closed group consisting of Charter Hall Limited and Charter Hall Holdings Limited.

	2014 $'000	Restated 2013 $'000
Statement of comprehensive income		
Revenue	**122,190**	93,940
Fair value adjustment on contingent consideration	**–**	1,123
Depreciation	**(1,375)**	(1,207)
Finance costs	**(20,857)**	(22,327)
Foreign exchange (loss)/gain	**(79)**	349
Share of net loss of associates accounted for using the equity method	**3,882**	1,032
Loss on sale of investments, property and other assets	**(967)**	–
Fair value adjustments	**(205)**	(1,165)
Amortisation of management rights	**(8,489)**	(7,838)
Other expenses	**(85,090)**	(72,984)
Profit/(loss) before income tax	**9,010**	(9,077)
Income tax benefit	**6,081**	3,096
Profit/(loss) for the year	**15,091**	(5,981)
Other comprehensive income for the year:		
Exchange differences on translation of foreign operations	**(20)**	20
Total comprehensive profit/(loss) for the year	**15,071**	(5,961)
Summary of movements in consolidated accumulated losses		
Accumulated losses at the beginning of the financial year	**(139,347)**	(139,488)
Transferred to accumulated losses for ELSP lapse	**–**	6,122
Profit/(loss) for the year	**15,091**	(5,981)
Accumulated losses at the end of the financial year	**(124,256)**	(139,347)

(b) Balance sheet

Set out below is a consolidated balance sheet of the closed group consisting of Charter Hall Limited and Charter Hall Holdings Pty Limited.

	2014 $'000	Restated 2013 $'000
Assets		
Current assets		
Cash and cash equivalents	**40,291**	2,180
Trade and other receivables	**23,248**	40,286
Total current assets	**63,539**	42,466
Non-current assets		
Trade and other receivables	**9,639**	5,077
Investments accounted for using the equity method	**35,605**	42,811
Investment in associates at fair value through profit or loss	**7,750**	7,233
Investments in controlled entities	**44,462**	85,284
Property, plant and equipment	**9,374**	2,744
Intangible assets	**87,577**	96,066
Deferred tax assets	**11,379**	8,572
Total non-current assets	**205,786**	247,787
Total assets	**269,325**	290,253
Liabilities		
Current liabilities		
Trade and other payables	**15,519**	63,262
Provisions	**1,579**	1,101
Total current liabilities	**17,098**	64,363
Non-current liabilities		
Trade and other payables	**5,670**	–
Loans from Charter Hall Property Trust	**181,292**	197,240
Provisions	**1,054**	1,162
Total non-current liabilities	**188,016**	198,402
Total liabilities	**205,114**	262,765
Net assets	**64,211**	27,488
Equity		
Contributed equity	**232,101**	211,335
Reserves	**(43,634)**	(44,500)
Accumulated losses	**(124,256)**	(139,347)
Total equity	**64,211**	27,488

Notes to the Consolidated Financial Statements
continued
for the year ended 30 June 2014

41. Events occurring after the reporting date

The following events have occurred subsequent to 30 June 2014:

- the Group exchanged a conditional contract of sale for 685 La Trobe St;
- the Group introduced an equity partner into the BP Fund 2 on 18 August 2014. This reduced the Group's equity interest in this fund to $30 million (50.1%) and resulted in a loss of control of the fund. No material gain or loss occurred as a result of this transaction; and
- on 8 September 2014, the Long WALE Investment Partnership (LWIP), a newly established fund in which the Group has a 50% interest, exchanged a contract to purchase a $603 million portfolio of properties from ALH Group Pty Ltd. The ALH portfolio comprises 54 high quality hospitality assets, 46 of which also include a Dan Murphy's and/or a BWS retail tenancy. LWIP has committed equity of $302 million, which together with a $340 million non-recourse debt facility from a syndicate of two Australian banks, will fund the $603 million acquisition due to complete at the start of October 2014. Charter Hall and HOST**PLUS** Pty Limited have each committed to an initial 50% or $151 million equity investment to LWIP.

Except for the matters discussed above, no other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect:

(a) the Group's operations in future financial years; or

(b) the results of those operations in future financial years; or

(c) the Group's state of affairs in future financial years.

Directors' Declaration to Unitholders

for the year ended 30 June 2014

In the opinion of the Directors of Charter Hall Limited (Company), and the Directors of the Responsible Entity of Charter Hall Property Trust (Trust), Charter Hall Funds Management Limited (collectively referred to as the Directors):

(a) the financial statements and notes of Charter Hall Limited and its controlled entities including Charter Hall Property Trust and its controlled entities (Charter Hall Group) and Charter Hall Property Trust and its controlled entities (Charter Hall Property Trust Group) set out on pages 51 to 114 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 Charter Hall Group's and Charter Hall Property Trust Group's financial position as at 30 June 2014 and of their performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that both Charter Hall Limited and the Charter Hall Property Trust will be able to pay their debts as and when they become due and payable; and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in Note 40 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 40.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Joint Managing Directors and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

K Roxburgh
Chairman

Sydney
16 September 2014

Independent Auditor's Report

pwc

Independent auditor's report to the securityholders of Charter Hall Limited and Charter Hall Property Trust

Report on the financial reports

We have audited the accompanying financial reports of:

- Charter Hall Limited, which comprises the consolidated balance sheet as at 30 June 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Charter Hall Group. The Charter Hall Group comprises Charter Hall Limited and the entities it controlled at year's end or from time to time during the financial year and Charter Hall Property Trust and the entities it controlled at year's end or from time to time during the financial year.

- Charter Hall Property Trust, which comprises the consolidated balance sheet as at 30 June 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Charter Hall Property Trust Group. The Charter Hall Property Trust Group comprises Charter Hall Property Trust and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial reports

The directors of Charter Hall Limited and the directors of Charter Hall Funds Management Limited, the responsible entity of Charter Hall Property Trust (collectively referred to as "the directors") are responsible for the preparation of financial reports that give true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of financial reports that are free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial reports based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial reports, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Charter Hall Group's and the Charter Hall Property Trust Group's preparation and fair presentation of financial reports in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of their internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of

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accounting estimates made by the directors, as well as evaluating the overall presentation of the financial reports.

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

Independence

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

Auditor's opinion

In our opinion:

(a) the financial reports of Charter Hall Limited and Charter Hall Property Trust are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of Charter Hall Group's and Charter Hall Property Trust Group's financial positions as at 30 June 2014 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

(b) the financial reports and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 24 to 47 of the directors' report for the year ended 30 June 2014. The directors are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Charter Hall Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Wayne Andrews

Wayne Andrews
Partner

Sydney
16 September 2014

Securityholder Analysis

A. Distribution of equity securities as at 29 August 2014

Number of securities held by securityholders	No. of holders	Ordinary securities held	% of issued securities
100,001 and over	56	335,969,301	96.13
50,001 to 100,000	41	2,960,758	0.85
10,001 to 50,000	286	5,610,672	1.61
5,001 to 10,000	338	2,418,452	0.69
1,001 to 5,000	819	2,338,138	0.67
1 to 1,000	655	189,427	0.05
Total	**2,195**	**349,486,748**	**100.00**

The total number of securityholders with less than a marketable parcel of 117 securities is 261 and they hold 3,559 securities.

B. Top 20 registered equity securityholders as at 29 August 2014

	Ordinary securities held	% of issued securities
J P MORGAN NOMINEES AUSTRALIA LIMITED	72,024,585	20.61
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	60,583,426	17.33
NATIONAL NOMINEES LIMITED	43,153,185	12.35
CITICORP NOMINEES PTY LIMITED	25,792,970	7.38
BNP PARIBAS NOMS PTY LTD	16,691,401	4.78
BESGAN NO. 2 PTY LTD	16,022,726	4.58
BESGAN NO. 4 PTY LTD	16,022,726	4.58
BESGAN NO. 1 PTY LTD	16,022,726	4.58
BESGAN NO. 3 PTY LTD	16,022,726	4.58
BUTTONWOOD NOMINEES PTY LTD	14,490,000	4.15
AMP LIFE LIMITED	7,468,452	2.14
CITICORP NOMINEES PTY LIMITED	6,322,027	1.81
CHAPELGREEN PTY LTD	5,146,000	1.47
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	2,093,472	0.60
MR DAVID JOHN SOUTHON	1,880,612	0.54
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,787,059	0.51
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	1,447,763	0.41
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD	1,444,593	0.41
PORTMIST PTY LIMITED	1,441,773	0.41
BOND STREET CUSTODIANS LIMITED	799,030	0.23
Total units held by top 20	**326,657,252**	**93.47**
Total units on issue	**349,486,748**	**100.00**

C. Substantial securityholder notices as at 29 August 2014*

Ordinary securities	Date of change	Securities held	% securities held
The Gandel Group	14/05/2014	69,236,901	19.90
FIL Limited	14/05/2014	31,084,800	8.93
Commonwealth Bank of Australia	28/03/2014	29,925,888	8.60
AMP Limited	17/07/2014	17,614,053	5.06
BT Investment Management	22/01/2014	15,484,168	5.01
Macquarie Group	10/07/2014	17,402,761	5.00

* Information in this table has been collated from the most recent relevant substantial holder notices lodged with ASX, as at 29 August 2014.

D. Voting rights

The voting rights attaching to each class of equity securities are set out below:

(a) Ordinary securities

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each security shall have one vote.

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

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

Fax: +61 2 9287 0303

charterhall.reits@linkmarketservices.com.au
www.linkmarketservices.com.au

Investor relations

All other enquiries related to Charter Hall Group can be directed to Investor Relations:

Charter Hall Group
GPO Box 2704
Sydney NSW 2001

Tel: 1300 365 585 (local call cost)
+ 61 2 8651 9000 (outside Australia)

Fax: +61 2 9221 4655

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www.charterhall.com.au

Corporate Directory

Directors

Kerry Roxburgh, David Clarke, Anne Brennan, David Deverall, Philip Garling, David Harrison, Peter Kahan, Colin McGowan and David Southon

Company Secretary

Tracey Jordan

ASX Code

Charter Hall Group stapled securities are listed on the Australian Securities Exchange (code CHC).

Principal registered office in Australia

Level 20, No.1 Martin Place
Sydney NSW 2000

Tel: +61 2 8651 9000

Auditor

PricewaterhouseCoopers
Darling Park Tower 2
201 Sussex Street
Sydney NSW 1171

Important Notice

This Annual Report has been prepared and issued by Charter Hall Limited (ABN 57 113 531 150) and Charter Hall Funds Management Limited (ABN 31 082 991 786 AFSL 262861) (CHFML) as Responsible Entity of the Charter Hall Property Trust (together, the Charter Hall Group or the Group). The information contained in this report has been compiled to comply with legal and regulatory requirements and to assist the recipient in assessing the performance of the Group independently and does not relate to, and is not relevant for, any other purpose.

This report is not intended to be and does not constitute an offer or a recommendation to acquire any securities in the Charter Hall Group. This report does not take into account the personal objectives, financial situation or needs of any investor. Before investing in Charter Hall Group 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 the Group. 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, the Group does 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 Charter Hall Group is not to be taken as constituting the giving of investment, legal or tax advice by the Charter Hall Group nor any of their related bodies corporate, directors or employees to any such person. Neither the Charter Hall Group, their 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 Charter Hall Group or the matters contained in this report, is accurate or complete.

CHFML does not receive fees in respect of the general financial product advice it may provide; however, entities within the Charter Hall Group receive fees for operating the Charter Hall Property Trust in accordance with its constitution. Entities within the Group may also receive fees for managing the assets of, and providing resources to the Charter Hall Property Trust. All information herein is current as at 30 June 2014 unless otherwise stated. All references to dollars ($) or A$ are Australian Dollars unless otherwise stated.

Information regarding US Investors/US Persons:

Each person that holds Charter Hall Group securities that is in the United States (US) or is a US Person is required to be a Qualified Institutional Buyer/Qualified Purchaser (QIB/QP) at the time of the acquisition of any Charter Hall Group securities, and is required to make the representations in the confirmation letter or subscription agreement as of the time it acquired the applicable securities. The securities can only be resold or transferred in a regular brokered transaction on the ASX in accordance with Rule 903 or 904 of Regulation S, where neither it nor any person acting on its behalf knows or has reason to know, that the sale has been prearranged with, or that the purchaser is, in the United States or a US Person (e.g. no prearranged trades (‘special crossing’) with US Persons or other off-market transactions). To the maximum extent permitted by law, the Charter Hall Group reserves the right to (i) request any person that they deem to be in the United States or a US Person, who was not at the time of acquisition of the securities a QIB/QP, to sell its securities, (ii) refuse to record any subsequent sale or transfer of securities to a person in the United States or a US Person, and (iii) take such other action as they deem necessary or appropriate to enable the Charter Hall Group to maintain the exception from registration under Section 3(c)(7) of the Investment Company Act.

If you are not the beneficial owner of securities in the Charter Hall Group, you must pass this information to the beneficial owner of the securities.

Complaints handling

A formal complaints handling procedure is in place for the Group. CHFML is a member of the Financial Ombudsman Service (FOS). Complaints should in the first instance be directed to CHFML.

If you have any enquiries or complaints, please contact the Compliance Manager on +61 2 8651 9000.

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