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Important notice

This financial report has been prepared and issued by Charter Hall Limited (ACN 113 531 150) and Charter Hall Funds Management Limited (ACN 082 991 786, AFSL 262861) (CHFML) as Responsible Entity of the Charter Hall Property Trust (ARSN 113 339 147) (together, the Charter Hall Group or 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.

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

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 2015 unless otherwise stated. All references to dollars (\$) or A\$ are Australian Dollars unless otherwise stated.

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 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 Corporate Governance Statement (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 (3rd Edition) published in July 2014 by the ASX Corporate Governance Council, (ASX Corporate Governance Principles), and any departure from these Principles is noted below.

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 2015.

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

Principle 1 – Lay solid foundations for management and oversight

Roles of the Board and management

ASX Corporate Governance Principle 1.1 – A listed entity should disclose:

- (a) *the respective roles and responsibilities of its board and management; and*
- (b) *those matters expressly reserved to the board and those delegated to management.*

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.

Information regarding directors

ASX Corporate Governance Principle 1.2 – A listed entity should:

- (a) *undertake appropriate checks before appointing a person, or putting forward to securityholders a candidate for election as a director; and*
- (b) *provide securityholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.*

Prior to being nominated for appointment to the Board, all relevant checks are undertaken by the Nomination Committee as to the experience and background of the proposed Non-Executive Director, including reference and police checks. Securityholders are provided with a summary biography of each Non-Executive Director who is proposed for election or re-election in the Notice of Meeting for each Annual General Meeting. This details the experience and skills of the Non-Executive Director, details of any other directorships or interests that may be perceived to materially influence his or her capacity to bring an independent judgement to bear on issues before the Board, the term of office currently served (if proposed for re-election) and whether or not the Board considers the Non-Executive Director qualifies as independent. Details of the Non-Executive Directors (NED) are also available on the Charter Hall website.

Non-Executive Directors and Senior Executives to have written agreements setting out terms of appointment

ASX Corporate Governance Principle 1.3 – A listed entity should have a written agreement with each Non-Executive Director and senior executive setting out the terms of their appointment.

Non-Executive Directors have been appointed under a formal letter which sets out the key terms and conditions of that appointment, including the term, time commitment, remuneration, requirement to disclose directors interests, the requirement to comply with key corporate policies, when independent professional advice may be sought, when the office of director may become vacant, indemnity and insurance arrangements and rights of access to corporate information.

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

Principle 1 – Lay solid foundations for management and oversight 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 distribution policy and approving distributions;
- 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 (IC)

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 and disposals of entities or assets on behalf of the Group in accordance with the relevant delegated authority;
- investments in funds managed by the CH entity in accordance with the relevant delegated authority; and
- disclosure documents for capital raisings by funds managed by the Responsible Entity.

Audit, Risk and Compliance Committee (ARCC)

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;
- 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 NEDs and Committee members.

Nomination Committee

Key functions:

To review and make recommendations on:

- Board size and composition;
- criteria for Board membership;
- appointment, induction and re-election of directors;
- performance and enhancement of skills of directors through continuing education programs for directors; and
- Board succession.

Joint Managing Directors

Chief Financial Officer

Other Senior Executives

Company Secretary

Board Committees

The Board has established four 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 7 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, David Clarke, Kerry Roxburgh ¹
Remuneration and Human Resources Committee	Anne Brennan (Chair), Colin McGowan, Peter Kahan, Philip Garling
Investment Committee	Colin McGowan (Chair), Philip Garling, David Clarke, Peter Kahan, Kerry Roxburgh ¹
Nomination Committee	David Clarke (Chair), David Deverall, Peter Kahan

¹ Kerry Roxburgh retired as Chairman and NED in November 2014.

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

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.

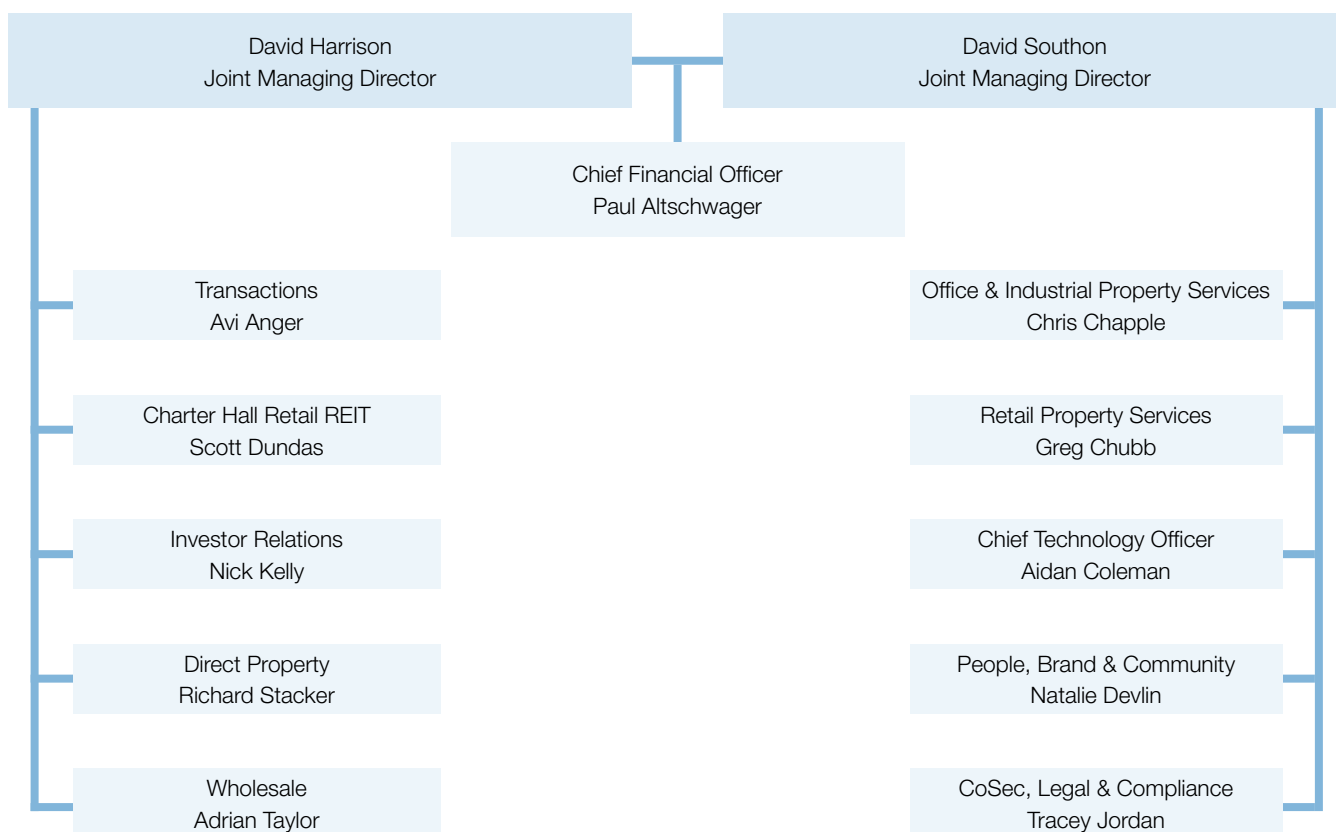
Management

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 Leadership Group. The executives who report to the Joint Managing Directors are shown in the diagrams below.

David Harrison has specific responsibility for the investment management divisions of the Group and David Southon has specific responsibility for the property and support services divisions of the Group as outlined below, with both sharing responsibility for the Chief Financial Officer.

The Joint Managing Directors must consult with the Chairman on any matters which the Joint Managing Directors consider are 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.



Principle 1 – Lay solid foundations for management and oversight continued

Company Secretary

ASX Recommendation 1.4 – The Company Secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

The Company Secretary plays an important role in supporting the effectiveness of the Board by ensuring that Board policy and procedures are followed, co-ordinating the timely completion and dispatch of the Board agenda and briefing material, ensuring the business at Board and Committee meetings is accurately captured in the minutes and advising the Board and Committees on all governance matters.

The Company Secretary retains independent professional advisors at the request of the Board or Board Committee and helps to organise and facilitate the induction and professional development of directors.

All directors have direct 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.

Diversity

ASX Recommendation 1.5 – A listed entity should:

- (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;*
- (b) disclose that policy or a summary of it;*
- (c) disclose at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:
 - (i) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes) or*
 - (ii) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators" as defined in, and published under, that Act.**

Fostering a diverse and inclusive workforce is critical to the achievement of Charter Hall's corporate goals. Diversity at Charter Hall includes 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 view points and innovative solutions from which the business can benefit.

The promotion of greater gender diversity broadens the pool for recruitment of high quality directors and employees, is likely to support employee retention, and encourages greater innovation. It also allows the Group to connect with its diverse client base, providing 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: flexible working, inclusive culture, gender balance and external profile. Achievements against the strategy in respect of the financial year ended 30 June 2015 are summarised on the following page.

Management has established a Diversity Committee comprising one of the Joint Managing Directors, Senior Executives within the Group and is chaired by the Head of Direct Property. The aim of this committee is to implement the diversity strategy and objectives of the Board.

Over the last three years, driven by the Diversity Committee, Charter Hall has spent significant time establishing the foundations for Diversity and Inclusion. Efforts have focused on re-designing the way in which Charter Hall employees work and moving to a more flexible "New Way of Working" approach Australia-wide. This has been supported by formalised induction initiatives, objective performance calibration, a menu of benefits to encourage flexible working and focused talent development to support leaders in managing dispersed teams and accelerating female talent.

More recently, the Executive Leadership Group sought external expertise to support Charter Hall in building upon these foundations and taking the drive for diversity and inclusion to the next level. This work commenced in June 2015.

Current initiatives being undertaken at an executive level include:

- Working with the Executive Leadership Group to re-position the Charter Hall business case to better leverage diversity of thought and develop commitment to a clear narrative that will drive the diversity and inclusion strategy through the business.
- The Executive Leadership Group actively sponsoring this strategy with consistent behaviour and attitudes formalised through awareness of unconscious bias. Unconscious bias awareness training will be cascaded through the business in FY16.
- Agreeing aspirational and achievable gender targets for leadership levels.
- Implementing an objective job framework for the top 50 roles that will highlight gender gaps and inform Charter Hall's recruitment practices.
- Working with industry as part of the Property Male Champions of Change (PMCC) program to identify and implement progressive, high impact actions to increase levels of women in executive positions and talent pipelines. Actions will be implemented at an organisational, as well as industry, level.

FY15 Achievements:

Pillar	Objectives	Achievements
<p>Flexible working – to entrench flexibility in a way that directly links business performance, productivity and sustainability with workforce well-being and sustainability.</p>	<ul style="list-style-type: none"> • Implement New Way of Working (NWOW) promoting flexibility, collaboration and engagement • Develop management capability to lead teams engaged in flexible work • Promote a suite of benefits focused on enhancing flexibility 	<ul style="list-style-type: none"> • Implemented the NWOW flexible working IT platform across all offices Australia-wide. • Commenced rolling out the NWOW Activity Based Working to our offices Australia-wide. • Launched a Group-wide Talent Development Platform which included leading dispersed and flexible teams. • 22 people took up our purchased leave benefit (one to two weeks per year). • 21 of our people who went on carers' parental leave returned to work. • 2 people took up our career break initiative.
<p>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.</p>	<ul style="list-style-type: none"> • Values are integrated into people lifecycle activities • Unconscious bias training 	<ul style="list-style-type: none"> • NWOW focused on three of our five values – passion, collaboration and accountability. • Embedded an employee rewards program which rewards our people for living our values. • Launched an induction program which ensures a consistent and inclusive approach to onboarding for all of our offices Australia-wide. • Implemented unconscious bias training and awareness of a more conscious approach to decision making.
<p>Gender balance – to achieve gender balance in all roles across our business.</p>	<ul style="list-style-type: none"> • Continue gender specific development initiatives • Track and monitor progress against our targets 	<ul style="list-style-type: none"> • Through FY15 we had a total of 52 internal promotions with 32 being male and 20 female. • A number of females attended targeted development programs for women in leadership and participated in the Women in Property Mentoring Program. • Overall we have seen an increase in female representation across all levels of Charter Hall with females making up 50.3% of our workforce. Females comprise 18% of the Senior Management team and 14% of the Charter Hall Board. • Aspirational gender targets have been set, 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.
<p>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.</p>	<ul style="list-style-type: none"> • Play an active role on the Property Council of Australia committees and working groups • Participate in creating initiatives that impact gender balance across the industry 	<ul style="list-style-type: none"> • Participated in research with Ernst & Young and the Property Council of Australia (PCA) into gender diversity in the property industry. • Joint Managing Director is a member of the PCA's Male Champions of Change working group. • Head of People, Brand and Community is a member of the PCA's Women in Property Committee. • Head of Retail is an Implementation Leader of the PCA's Male Champion of Change initiative driving research and actions to impact gender balance across the industry. • Foundation sponsor of the PCA's Women in Property Mentoring Program. • Chief Financial Officer and Head of Wholesale are mentors in the Women in Property Mentoring Program.

Principle 1 – Lay solid foundations for management and oversight continued

Board performance

ASX Corporate Governance Principle 1.6 – A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in that reporting period in accordance with that process.

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. An internal performance self-assessment of the Board, Board Committees and individual directors was conducted during FY15, with a formal external board performance assessment to be conducted during FY16.

To ensure that Directors are well placed to discharge their duties effectively, they are provided with 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.

Performance of Senior Executives

ASX Corporate Governance Principle 1.7 – A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of its Senior Executives; and
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Group defines its Senior Executives as the Joint Managing Directors and its Executive Leadership Group, 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 adopted for the Joint Managing Directors in FY15 are set out in the Remuneration 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.

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 each senior executive 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.

Principle 2: Structure the Board to add value

Nomination Committee

ASX Recommendation 2.1 – The Board of a listed entity should:

(a) Have a nomination committee which:

- (i) has at least three members, a majority of which are independent directors; and
- (ii) is chaired by an independent director;

and disclose:

- (i) the charter of the committee;
- (ii) the members of the committee; and
- (iii) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

The Board has established a Nomination Committee that 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. Directors nominated for election require approval of the Board. The Committee is comprised of three Non-Executive Directors, the majority of whom are Independent Directors:

- (a) Mr David Clarke – Independent Chairman;
- (b) Mr David Deverall – Independent Director; and
- (c) Mr Peter Kahan – Non-Executive Director.

The independence of the members is provided on page 7 of this statement. Details of the Committee's meetings for the reporting period, and the attendance by members, are provided on page 22 in the Directors' Report.

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

Board Skills Matrix

ASX Recommendation 2.2 – A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

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.

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.

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 Board skills matrix is available to view under the Corporate Governance section of Charter Hall's website.

Director independence

ASX Recommendation 2.3 – A listed entity should disclose:

(a) the names of the directors considered to be independent directors;

(b) if a director has an interest, position, association or relationship that may cause doubt about the independence of a director, but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and

(c) the length of service of each director.

ASX Recommendation 2.4 – A majority of the board of a listed entity 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.

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 elected as Chairman of the Board on 12 November 2014.

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.

Name	Position	Independent (Yes/No)	Appointed
Kerry Roxburgh	Chairman, Non-Executive Director (1.7.14 to 12.11.14)	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 (Chairman from 12.11.14)	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
Philip 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.

Directors are entitled to seek independent professional advice at the expense of the Group as required to assist with the proper performance of their duties and 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.

The Chairman of the Board

ASX Recommendation 2.5 – The Chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

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.

The Chairman of the CHC Board is David Clarke, who is an independent Non-Executive Director.

Principle 2: Structure the Board to add value continued
Induction Program for Directors

ASX Recommendation 2.6 – A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

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.

Principle 3: Act ethically and responsibly
Code of Conduct

ASX Recommendation 3.1 – A listed entity should:

- (a) establish a code of conduct for its directors, Senior Executives and employees; and
- (b) disclose that code or a summary of it.

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 an Anti-Bribery, Fraud & Corruption Risk Management Policy.

Employees are trained regularly on matters pertaining to ethical behaviour in the workplace. Topics covered during the year ended 30 June 2015 included key aspects of the Code of Conduct, as well as Bullying and Harassment training, and WHS training tailored for our Retail employees.

The Anti-Bribery, Fraud & Corruption Risk Management Policy and a summary of Charter Hall's Code of Conduct are available to view under the 'Corporate Governance' section of Charter Hall's website.

Principle 4: Safeguard integrity in corporate reporting
Audit Committee

ASX Recommendation 4.1 – The board of a listed entity should:

- (a) have an audit committee which:
- (i) has at least three members, all of whom are Non-Executive Directors and a majority of whom are independent directors; and
 - (ii) is chaired by an independent director, who is not chair of the board,

and disclose:

- (iii) the charter of the committee;
 - (iv) the relevant qualifications and experience of the members of the committee; and
 - (v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have an audit committee, disclose the fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

The Board has established an Audit, Risk and Compliance Committee (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 Committee's current membership is set out on page 3 of this Statement and the independence of the members is provided in the Directors' Report. Details of the Committee's meetings for the reporting period, and the attendance by members, are provided on page 22 in the Directors' Report.

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

CEO and CFO Declaration

ASX Recommendation 4.2 – The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained, and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Board receives a declaration provided in accordance with section 295A of the Corporations Act 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 declaration 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.

External Auditor

ASX Recommendation 4.3 – A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from Securityholders relevant to the audit.

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.

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.

Principle 5: Make timely and balanced disclosure

Continuous Disclosure

ASX Recommendation 5.1 – A listed entity should:

- (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and*
- (b) disclose that policy or a summary of it.*

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.

Principle 6: Respect the rights of securityholders

Provide information to investors

ASX Recommendation 6.1 – A listed entity should provide information about itself and its governance to investors via its website.

Charter Hall provides information to Securityholders, including:

- the right for Securityholders 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; Securityholders 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.

Principle 6: Respect the rights of securityholders

continued

Provide information to investors continued

ASX Recommendation 6.2 – A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

ASX Recommendation 6.3 – A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of securityholders.

ASX Recommendation 6.4 – A listed entity should give securityholders the option to receive communications from, and send communications to, the entity and its security registry electronically.

Charter Hall is committed to providing Securityholders with timely communications regarding matters that impact or have the potential to influence the investment performance of the Charter Hall Group. The Charter Hall Group understands its regulatory requirements in respect to continuous disclosure and various other legal obligations as a consequence of its listing on the Australian Securities Exchange.

Charter Hall employs a dedicated Investor Relations team with the objective of implementing a structured Investor Relations program to provide effective, concise and clear communication of relevant matters for investors' consideration in respect to their investment, or potential investment, in the Charter Hall Group.

A dedicated website has been established at www.charterhall.com.au to assist Securityholders in obtaining current and historic information in respect to their investment, or prospective investment, in the Charter Hall Group.

All relevant ASX announcements, reports, results presentations and other media announcements are logged on this website for review by current and prospective Securityholders.

Securityholders are able to elect to receive communications from, and send communications to, the entity and its security registry electronically.

In addition to the investor website, the annual Investor Relations program includes:

- the preparation and release of Annual and Half Year results presentations and financial reports which include detailed information on various aspects of the Group's Property Funds Management (PFM) business operational activities in addition to the Group's Property Investment (PI) portfolio positioning and performance;
- a live web-cast of annual and half-year results presentations, with web-casts being made available for review by Securityholders via Charter Hall's website;
- the preparation and release of an Annual "Property Book" providing a detailed overview of every asset and portfolio managed by the Group in which the PI portfolio retains a co-investment;
- an Annual Corporate Responsibility and Sustainability (CR&S) report providing Securityholders with an overview of Charter Hall's key objectives and performance against objectives in respect to important CR&S matters;
- an Annual Review report and various half-yearly "Investor Focus" newsletters providing Securityholders with information on ongoing activities within the Group's funds management business, and in addition, its opinion on market conditions with an outlook commentary;
- an Annual General Meeting providing the opportunity for Securityholders to personally meet members of the Charter Hall Executive Leadership Group and Board;
- engagement, communication and dialogue with major Securityholders by the Independent Non-Executive Board Directors separately from senior management; and

- participation in select retail investor conferences and broker sponsored forums to provide an opportunity for retail investors to learn about the Charter Hall Group's business activities and meet with Senior Executives.

In addition to the Investor Relations program noted above, the Group engages independent specialist market feedback consulting firms to survey its major Securityholders and seek feedback on their opinions on the Group's business activities, performance, the effectiveness of its communications and investor relations program and also general opinions on the Group and its team overall.

**Principle 7: Recognise and Manage Risk
Risk Committee**

ASX Recommendation 7.1 – The board of a listed entity should:

(a) have a risk committee or committees to oversee risk, each of which:

- (i) has at least three members, a majority of whom are independent directors; and*
- (ii) is chaired by an independent director;*

and disclose:

- (iii) the charter of the committee;*
- (iv) the members of the committee; and*
- (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*

(b) if it does not have a risk committee, disclose the fact and the processes it employs for overseeing the entity's risk management framework.

ASX Recommendation 7.2 – The board or a committee of the board should:

- (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and*
- (b) disclose, in relation to each reporting period, whether such a review has taken place.*

Management has implemented a risk management framework under the oversight of the ARCC and the Board. The ARCC 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 ARCC regularly assesses whether Charter Hall's compliance plan, internal financial control systems, risk management policies and risk management systems are adequate.

Membership and details of the meetings of the ARCC are set out in the Directors' Report.

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 ARCC and the Board.

During the reporting period, management has reported to the ARCC on the manner in which it manages its material risks, the effectiveness of the risk management 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.

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 Conflicts of Interest and Related Party Transactions Policy 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 be identified and conducted on arm's length terms;
- related party transactions be tested by reference to whether they meet market standards; and
- decisions about transactions between Charter Hall-managed vehicles and Charter Hall, or its affiliates, be 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:

- Board members must 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 employees or information with other Charter Hall companies or managed vehicles.

Personal conflicts that might arise generally for directors and employees are covered by the Code of Conduct referred to earlier in this Statement.

Internal Audit

ASX Recommendation 7.3 – A listed entity should:

- (a) disclose that it has an internal audit function, how the function is structured and what role it performs; or*
- (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.*

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

Sustainability

ASX Recommendation 7.4 – A listed entity should disclose whether it has any material exposure to economic, environmental, and social sustainability risks and, if it does, how it manages or intends to manage those risks.

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 in Charter Hall's Securityholder Review.

Principle 8: Remunerate fairly and responsibly

Remuneration Committee

ASX Recommendation 8.1 – The board of a listed entity should:

(a) have a remuneration committee which:

- (i) has at least three members, a majority of whom are independent directors; and*
- (ii) is chaired by an independent director;*

and disclose:

- (iii) the charter of the committee;*
- (iv) the members of the committee; and*
- (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*

(b) if it does not have a remuneration committee, disclose the fact and the processes it employs for setting the level and composition of remuneration for directors and Senior Executives and ensuring that such remuneration is appropriate and not excessive.

ASX Recommendation 8.2 – A listed entity should separately disclose its policies and practices regarding the remuneration of Non-Executive Directors and the remuneration of executive directors and other Senior Executives.

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.

Principle 8: Remunerate fairly and responsibly continued
Remuneration Committee continued

The Committee also reviews the remuneration of the Non-Executive Directors, all key appointments and terminations to the Executive Leadership Group, 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 Financial 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 7 of this Statement. Details of meetings held and attendance by each Committee member are contained in the Directors' 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 23 to 42 of the Director's Report.

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

ASX Recommendation 8.3 – A listed entity which has an equity based remuneration scheme should:

- (a) *have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and*
- (b) *disclose that policy or a summary of it.*

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 stapled securities, including the Performance Rights Offer Plan. The Policy specifies the periods in which personal trading is permitted, the restrictions that apply to directors and Senior Executives, and the procedures for obtaining prior clearance for trading during a trading window.

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.

Directors' Report

For the year ended 30 June 2015

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 2015, 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 year and up to the date of this report, unless noted otherwise:

- David Clarke – Chairman and Non-Executive Independent Director (Appointed Chairman on 12 November 2014)
- Kerry Roxburgh – Chairman and Non-Executive Independent Director (Resigned on 12 November 2014)
- Anne Brennan – Non-Executive Independent Director
- David Deverall – Non-Executive Independent Director
- Philip 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; and
(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:

	2015 \$'000	2014 \$'000
Final ordinary distribution for the six months ended 30 June 2015 of 12.1 cents per stapled security payable on 31 August 2015	49,225	–
Interim ordinary distribution for the six months ended 31 December 2014 of 12.1 cents per stapled security paid on 27 February 2015	42,961	–
Final ordinary distribution for the six months ended 30 June 2014 of 11.3 cents per stapled security paid on 29 August 2014	–	39,323
Interim ordinary distribution for the six months ended 31 December 2013 of 11.0 cents per stapled security paid on 25 February 2014	–	34,003
Total distributions paid and payable	92,186	73,326

Distribution Re-investment Plan (DRP)

The Group has a Distribution Reinvestment Plan (DRP) under which stapled securityholders may elect to have all or part of their distribution entitlements satisfied by the issue of new stapled 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 from 3 July 2015 to 23 July 2015 inclusive. The Group will raise approximately \$10.8 million from the DRP for the 30 June 2015 distribution (\$4.6026 issue price).

Review and results of operations

The Group recorded a statutory profit after tax attributable to stapled securityholders for the financial year of \$117.9 million compared to a profit of \$82.1 million in 2014.

Operating earnings amounted to \$98.8 million for the financial year compared to \$81.2 million in 2014, an increase of 21.7% 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.

Review and results of operations continued

	2015 \$'000	2014 \$'000
Operating earnings	98,799	81,163
Net fair value (loss)/gain on financial derivatives ¹	(5,582)	(909)
Net fair value movements on investments and property ¹	37,395	13,230
Amortisation and impairment of intangibles	(9,317)	(8,489)
Transfer from reserves of cumulative foreign exchange losses ¹	(702)	(488)
Income tax benefit/(expense)	(357)	1,007
Other ¹	(2,351)	(3,398)
Statutory profit after tax attributable to stapled securityholders	117,885	82,116

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

	2015	2014
Basic weighted average number of stapled securities per Note 9 ('000s)	359,584	320,615
Basic earnings per stapled security per Note 9 (cents)	32.8	25.6
Operating earnings per stapled security (OEPS) per Note 3 (cents)	27.5	25.3

The 30 June 2015 financial results with comparatives are summarised as follows:

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2015	2014	2015	2014
Revenue including non-controlling interests (\$ million) ¹	135.8	122.7	19.7	26.4
Statutory profit after tax – stapled securityholders (\$ million)	117.9	82.1	97.1	70.6
Statutory earnings per stapled security (EPS) (cents)	32.8	25.6	27.0	22.0
Operating earnings for stapled securityholders (\$ million) ²	98.8	81.2	N/A	N/A
Operating earnings per stapled security (cents) ²	27.5	25.3	N/A	N/A
Distributions to stapled securityholders (\$ million)	92.2	73.3	92.2	73.3
Distribution per stapled security (cents)	24.2	22.3	24.2	22.3
Total assets (\$ million)	1,278.5	986.1	1,138.2	889.2
Total liabilities (\$ million)	78.0	69.0	49.5	41.5
Net assets attributable to stapled securityholders (\$ million)	1,200.5	917.1	1,088.7	847.7
Stapled securities on issue (million)	406.8	348.0	406.8	348.0
Net assets per stapled security (\$)	2.95	2.64	2.68	2.44
Net tangible assets (NTA) attributable to stapled securityholders (\$ million)	1,122.2	829.5	1,088.7	847.7
NTA per stapled security (\$)	2.76	2.38	2.68	2.44
Balance sheet gearing ³	0.00%	0.00%	0.00%	0.00%
Funds under management (\$ billion)	13.6	11.5	N/A	N/A

¹ Gross revenue does not include share of net profits of associates and joint ventures of \$88.4 million (30 June 2014: \$60.8 million).

² Excludes fair value adjustments on investment property, financial assets and financial instruments, gains or losses on the 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.

Operating earnings per stapled security (OEPS) has increased 8.7% from 25.3 cents for the year ended 30 June 2014 to 27.5 cents for the year ended 30 June 2015.

Annual distribution per stapled security (DPS) has increased 8.5% from 22.3 cents for the year ended 30 June 2014 to 24.2 cents for the year ended 30 June 2015.

Net Tangible Assets per stapled security (NTA) at 30 June 2015 is \$2.76 (30 June 2014: \$2.38).

Funds Under Management (FUM) increased from \$11.5 billion at 30 June 2014 to \$13.6 billion at 30 June 2015 due to the establishment of four new funds, Long WALE Investment Partnership, Long WALE Investment Partnership 2, Retail Partnership No. 6 Trust and Charter Hall Direct Industrial Fund No. 3, and property acquisitions and developments in Charter Hall Core Plus Office Fund, Charter Hall Core Plus Industrial Fund, Core Logistics Partnership, BP Fund, Charter Hall Direct Industrial Fund No. 2 and Charter Hall Direct Office Fund.

Gearing at 30 June 2015 is 0.0% (30 June 2014: 0.0%).

The Group generated \$98.8 million of operating earnings compared to \$81.2 million for the prior corresponding year. Operating earnings comprises property investments of \$58.3 million (30 June 2014: \$49.7 million), property funds management of \$43.3 million (30 June 2014: \$34.6 million) less non-cash security-based benefit expense of \$2.8 million (30 June 2014: \$3.1 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)	FY 15 Charter Hall Investment Income ¹ (\$m)	WALE (in years)	Market Cap Rate (%)	Discount Rate (%)	Average rental reviews (%)	Charter Hall Investment Yield ⁷ (%)
Listed Fund		147.0	11.8					
Charter Hall Retail REIT (CQR)	10.7%	147.0	11.8	7.0	7.2%	8.7%	4.2%	8.7%
Wholesale		731.1	44.5					
Charter Hall Office Trust (CHOT)	14.3%	164.0	10.8	5.5	7.0%	8.4%	3.9%	6.7%
Long WALE Investment Partnership (LWIP) ²	50.0%	147.3	8.7	19.3	6.4%	8.1%	2.5%	8.0%
Charter Hall Core Plus Office Fund (CPOF)	12.8%	168.6	7.7	6.4	7.0%	8.4%	3.9%	6.6%
Core Logistics Partnership (CLP)	14.8%	95.7	6.2	12.2	7.2%	8.7%	3.1%	7.1%
Charter Hall Core Plus Industrial Fund (CPIF)	7.2%	74.9	5.7	7.2	7.6%	9.0%	3.2%	7.9%
Retail Partnership No. 2 (RP2)	20.0%	19.6	1.6	3.1	7.0%	8.8%	4.6%	8.4%
BP Fund (BP) ³	10.6%	19.3	1.3	9.8	6.6%	8.5%	2.0%	7.8%
BP Fund 2 (BP2) ³	14.6%	12.2	1.3	11.6	6.7%	8.6%	3.0%	6.7%
TTP Wholesale Fund (TTP) ^{3,4}	10.0%	7.1	1.0	3.3	7.0%	9.0%	3.9%	7.6%
Retail Partnership No. 6 Trust (RP6)	20.0%	19.3	0.2	4.7	6.5%	9.3%	4.1%	6.5%
Long WALE Investment Partnership 2 (LWIP2)	10.0%	3.1	–	19.8	6.8%	9.0%	2.5%	3.6%
Retail Investor Funds		63.6	1.9					
Charter Hall Direct Office Fund (DOF) ⁵	9.3%	38.8	1.4	7.8	7.2%	8.5%	3.6%	7.8%
PFA Diversified Property Trust (PFA)	0.1%	0.2	–	5.2	8.9%	9.1%	2.8%	9.9%
Charter Hall Direct Industrial Fund No. 3 (DIF3)	24.3%	24.6	0.5	13.2	7.5%	9.2%	2.9%	7.4%
Funds being realised		1.9	0.1					
Diversified Property Fund (DPF)	19.6%	1.3	0.1	4.1	9.5%	10.2%	2.6%	7.6%
Charter Hall Umbrella Fund (CHUF)	24.2%	0.6	–	4.1	9.5%	10.2%	2.6%	7.6%
		943.6	58.3					
Investments disposed/other ⁶	–	–	0.9	n/a	n/a	n/a	n/a	n/a
Total		943.6	59.2	9.1	7.0%	8.5%	3.6%	7.5%

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

2 For LWIP the rental increase is CPI, uncapped.

3 These funds comprise the Long WALE Hardware Partnership.

4 Formerly Keperra Square Fund (KS).

5 Formerly Charter Hall Direct Property Fund.

6 Comprises Charter Hall Direct Industrial Fund (DIF), Charter Hall Direct Industrial Fund No. 2 (DIF2), Charter Hall Direct CDC Trust (CDC) and Retail Partnership No. 4 Trust (RP4).

7 Investment yield is operating earnings divided by investment value at the start of the year adjusted for investments and divestments. Excludes MTM movements during the year.

Review and results of operations continued

Property Investments continued

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

(a) 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 in order to provide unit holders with a secure and growing income stream. CQR's portfolio comprises 73 properties valued at \$2.2 billion (post acquisition of Goulburn and Katherine in August 2015).

CQR reported operating earnings per unit of 29.7 cpu for the year.

During the year, CQR completed the exit of all offshore properties and acquired or contracted four properties. CQR completed a debt restructure during the year, with Moody's assigning a credit rating of Baa1. CQR undertook a US\$200 million (A\$252 million) US Private Placement issuance in April 2015 that was settled on 22 July 2015.

(b) Wholesale unlisted funds and partnerships

Charter Hall Office Trust (CHOT)

CHOT is an unlisted wholesale partnership which owns interests in 15 high grade office assets located in major business districts in Australia. CHOT executed leases over 89,089sqm and agreed terms on a further 29,369sqm, which combined represents 32% of the portfolio.

The fund divested several non-core assets during the year, with the sale of 59 Goulburn Street Sydney, Charter Grove St Leonards and ATO Moonee Ponds, all at a premium to the previous book value.

Long WALE Investment Partnership (LWIP)

LWIP is a newly established fund in which the Group has a 50% interest. In October 2014, LWIP acquired a \$603 million portfolio of properties from ALH Group. The portfolio comprises 54 hospitality assets subject to initial 20 year lease terms.

Long WALE Investment Partnership 2 (LWIP2)

LWIP2 is a newly established fund in which the Group has a 10% interest. The fund has acquired three hospitality assets in Queensland.

Charter Hall Core Plus Office Fund (CPOF)

CPOF is an unlisted wholesale office fund which owns interests in 17 high grade office assets located across the major Australian capital city office markets.

During the year, CPOF acquired a 50% interest at 169 Macquarie Street, Parramatta, fully leased to the Western Sydney University for 15 years. In January 2015, CPOF sold 51 Pirie Street, Adelaide.

The 100 Skyring Terrace, Newstead development reached practical completion in August 2014 and Bank of Queensland relocated into the property. Practical completion of the redevelopment of 570 Bourke Street, Melbourne was achieved in June 2015.

CPOF's other development project is underway at 333 George Street, Sydney.

Core Logistics Partnership (CLP)

CLP is a wholesale industrial partnership which owns 17 assets, with a WALE of 12.2 years and 98.3% occupied (excluding development land).

CLP acquired four assets in the period, including included Woolworths Yennora, Ingham's Murarrie, Ingham's Edinburgh Parks and RCR Tomlinson, Welshpool.

The Fund has several developments underway including a pre-lease to Cascade and Wildbreads at Darra, QLD, a pre-lease to Laverton Cold Storage at Drystone Estate and a new 2,500sqm office building for Peters at Mulgrave, Victoria.

Charter Hall Core Plus Industrial Fund (CPIF)

CPIF is a wholesale industrial pooled fund which owns 42 assets and is 98.3% occupied (excluding development land).

CPIF acquired or contracted 14 assets in the period, including a distribution centre in Laverton North, an industrial facility at Wetherill Park, a 10 year pre-leased distribution centre for Ceva Logistics in Pinkenba, an eight year pre-leased warehousing facility for Akzo Nobel at Willawong, a 15 year pre-leased industrial facility for Cope Sensitive Freight in Yatala, a 12 year pre-leased distribution centre for Northline at East Arm Darwin and a parcel of land adjoining an existing asset in Rosehill.

The Fund has a current development pipeline of approximately 238,600sqm which is spread across a number of sites in Queensland, Sydney and Melbourne.

CPIF closed a \$395.0 million equity raising during the year and facilitated an additional \$155.0 million in secondary equity transactions.

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.

Retail Partnership No.6 Trust (RP6)

RP6 is a newly established unlisted wholesale fund focusing on strong performing neighbourhood and sub regional shopping centres in which the group has a 20% interest. The fund acquired its first asset, Pacific Square Shopping Centre, Maroubra in May 2015.

BP Fund (BP)

BP is an unlisted wholesale fund which owns nine freestanding Bunnings Warehouse properties and one Masters property. During the period BP purchased four land lots. Two of the development properties were completed during the year and the other two are currently at different stages of planning and development.

In December 2014, the Group introduced a new equity partner into BP, reducing the Group's equity interest from 16.8% to 11.4%, with a further reduction to 10.6% in June 2015.

BP Fund 2 (BP2)

BP2 is an unlisted wholesale fund, which owns five freestanding Bunnings Warehouse properties. During the period, BP2 purchased two land lots and completed the development of four properties.

In August 2014, the Group introduced a new equity partner into BP2, reducing the Group's equity interest from 100% to 50.1%. Another partner was introduced in December 2014, further reducing the Group's interest to 14.6%.

TTP Wholesale Fund (TTP) (formerly Keperra Square Fund (KS))

The TTP Wholesale Fund is an unlisted wholesale fund which owns the Keperra Square shopping centre in Brisbane. In December 2014, the Group introduced a new equity partner into TTP.

The combined BP, BP2 and TTP Funds are collectively referred to as the Long WALE Hardware Partnership (LWHP).

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 3rd party mandates is \$1.3 billion.

(c) Direct 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 \$63.6 million investment in a range of unlisted retail funds. The total FUM of these retail funds and single asset syndicates is \$1.9 billion.

Charter Hall Direct Office Fund (DOF)

DOF is an unlisted direct office fund in which the Group has a 9.3% interest.

Charter Hall Direct Industrial Fund No.3 (DIF3)

DIF3 is a newly established unlisted industrial fund in which the Group has a current 24.3% interest.

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 \$13.6 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 \$43.3 million in operating earnings to the Group.

During the year, total funds under management increased by a net \$2.1 billion to \$13.6 billion. The movement was a result of additional capital expenditure and valuation uplifts, along with the Group's managed funds acquiring approximately \$1.9 billion of property and divesting approximately \$0.7 billion of property.

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 \$3.8 million to the Group's earnings for the year.

Significant changes in the state of affairs

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

- On 18 August 2014, the Group introduced an equity partner into BP Fund 2, reducing its equity interest in the Fund to \$30.0 million (50.1%), resulting in a loss of control of the fund. No material gain or loss occurred as a result of this transaction.
- Subsequent to the above transaction, the Group introduced an additional equity partner into the Long WALE Hardware Partnership (comprising BP Fund, BP Fund 2 and TTP Wholesale Fund). This reduced the Group's combined interest in the funds to \$38.6 million, and recycled \$33.0 million of capital, including the redemption of the \$21.3 million convertible preference notes to the TTP Wholesale Fund.
- In October 2014, the Long WALE Investment Partnership (LWIP) acquired a \$603.0 million portfolio of properties from ALH Group Pty Ltd. The Group and HOSTPLUS Pty Limited each own 50.0% of the fund.
- A new fund, Long WALE Investment Partnership 2 (LWIP2) was established in March 2015, with the Group investing \$3.1 million and owning 10.0%.
- On 12 June 2015, the Group invested an additional \$25.0 million into Charter Hall Direct Office Fund (DOF). This resulted in a \$38.8 million investment at 30 June 2015, with CHC owning 9.3% of the fund.
- Charter Hall Direct Industrial Fund No.3 (DIF3) is a direct industrial fund established in November 14. The Group invested \$24.6 million into DIF3 on 12 June 2015, owning 24.3% as at 30 June 15.
- The Group invested an additional \$47.7 million into Charter Hall Core Plus Office Fund (CPOF) on 25 June 2015, increasing the Group's interest to 12.8%.
- On 1 April 2015, the Group established Retail Partnership No.6 (RP6), a new retail partnership to purchase the Pacific Square Shopping Centre in Maroubra for \$137.0 million. Charter Hall owns 20.0% of RP6 and has invested \$19.3 million in the fund.

Matters subsequent to the end of the period

The following events have occurred subsequent to 30 June 2015:

- On 27 July 2015, the Group completed the sale of its 50% interest in the development site at 685 La Trobe Street, Melbourne, for \$15.8 million (50% share). The carrying value of 685 La Trobe Street was \$10.9 million at 30 June 2015.
- On 13 July 2015, for consideration of \$29.4 million, the Group acquired an additional 27.5% ownership interest in Retail Partnership No. 2. The Group's total interest is now 47.5%.
- At an Extraordinary General Meeting held on 7 August 2015, a resolution was passed to ratify the issue of 47,071,130 fully paid ordinary stapled securities by Charter Hall Group at \$4.78 per stapled security on 27 May 2015.

Except for the matters discussed above, no other matter or circumstance has arisen since 30 June 2015 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 Retail, Office and Industrial property fund portfolios. Charter Hall invests alongside equity partners to create value and provide superior returns for clients and Charter Hall securityholders.

Charter Hall manages \$13.6 billion of Australian real estate and derives approximately 59% of its operating earnings from its \$943.6 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 10–20% 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 continues to review opportunities to increase the proportion of retail and industrial investments and extend the overall WALE of its property investment portfolio.

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 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 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

David Clarke

Chairman/ Independent Non-Executive Director

Experience and expertise

David joined the Board of Charter Hall Group on 10 April 2014, and was appointed Chairman of the Board on 12 November 2014.

David has over 35 years' experience in investment banking, funds management, property finance and retail banking. David was Chief Executive Officer of Investec Bank (Australia) Limited from 2009 to 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, Chief Executive of MLC Limited, and prior to this was Chief Executive Officer of Lloyds 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

Chair of the Nomination Committee (from 25 August 2014)

Member of the Audit, Risk and Compliance Committee

Member of the Investment Committee

Interests in securities

43,138 stapled securities in Charter Hall Group via an indirect interest

Kerry Roxburgh

*Chairman/Independent Non-Executive Director
(until 12 November 2014)*

Experience and expertise

Kerry joined the Board of the Charter Hall Group on 12 August 2005 and became Chairman in October 2005. Kerry retired as Chairman and Non-Executive Director of the Board of the Charter Hall Group on 12 November 2014.

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 Chairman of The Eclipx Group Ltd, of Tyro Payments Ltd and of Tasman Cargo Airlines Ltd. He 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 also the Deputy Chairman of Marshall Investments Pty Ltd and 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 Hong Kong Bank of Australia Group (now HSBC 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)

Eclipx Group Ltd (appointed March 2015)

Former listed company directorships in last three years

Nil

Special responsibilities

N/A – no longer a Director of Charter Hall Group

Interests in securities

N/A – no longer a Director of 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

Myer Holdings Limited

Nufarm Limited

Former listed company directorships in last three years

Echo Entertainment Group Limited

Special responsibilities

Member of Audit, Risk and Compliance Committee

Chair of Remuneration and Human Resources Committee

Interests in securities

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

David Deverall

Independent Non-Executive Director

Experience and expertise

David joined the Board of the Charter Hall Group on 7 May 2012. David is also Managing Director and CEO of Hunter Hall International Limited. 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 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 and a Bachelor of Engineering (Mechanical).

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

36,858 stapled securities in Charter Hall Group via an indirect interest

Information on Directors continued

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, 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, Australian Institute of Building and Institution 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, until 15 December 2014 when it was reconstituted as the Executive Property Valuations Committee

Member of the Investment Committee

Interests in securities

9,435 stapled securities in Charter Hall Group via a direct interest

David Harrison

Joint Managing Director/Executive Director

Experience and expertise

David joined Charter Hall in 2004 and has 28 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 operation of the investment management divisions, including the listed REIT's, 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 finance, treasury, tax and capital management.

In the last eight years, David has overseen the growth of the Charter Hall Group from \$500 million to \$13.6 billion of funds under management. He has been principally responsible for transactions exceeding \$15 billion of commercial, retail and industrial property assets 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 (FAP).

David holds a Bachelor of Business Degree (Land Economy) from Western Sydney University 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, reconstituted as the Executive Property Valuations Committee

Interests in securities

1,441,773 stapled securities in Charter Hall Group via indirect interests. 1,126,925 performance rights and 125,328 service rights in the Charter Hall Performance Rights and Options Plan; performance rights, service rights and options vest after performance and service conditions are met.

Peter Kahan

Non-Executive Director

Experience and expertise

Peter joined the Board of the Charter Hall Group on 1 October 2009, following an investment in the Charter Hall Group by The Gandel Group.

Peter is the Executive Deputy Chairman of Gandel and has over 20 years of property and funds management experience. He joined Gandel in 1994 and was the Group's CEO from 2007 to 2012. Prior to this, Peter worked as a Chartered Accountant and held senior financial positions in various industry sectors. From 2002 to 2006, he was a director of Gandel Retail Management Pty Ltd and Colonial First State Property Retail Pty Ltd, a leading property and fund manager managing a portfolio of approximately \$8 billion of retail assets in Australia.

Peter is a member of the Institute of Chartered Accountants in 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

Federation Limited and Federation Centres Limited

Novion RE Limited

Former listed company directorships in last three years

Novion Limited

Special responsibilities

Member of the Remuneration and Human Resources Committee

Member of the Investment 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 (formally 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, until 15 December 2014 when it was reconstituted as the Executive Property Valuations Committee

Member of the Remuneration and Human Resources Committee

Chair of the Investment Committee

Interests in securities

10,000 stapled securities in Charter Hall Group

David Southon

Joint Managing Director/Executive Director

Experience and expertise

David is a co-founder of the Charter Hall Group and one of its Joint Managing Directors, with over 28 years of property industry experience. In consultation with the CHC Executive Leadership Group and Board, the Joint Managing Directors are responsible for the formulation and implementation of the Group's strategy. David is directly responsible for overseeing the operation of the Property and Support Services Divisions including Retail, Office and Industrial Property Services; People, Brand and Community; Legal/CoSec; and Technology, as well as strategic involvement in project origination and direction. Together the Joint Managing Directors share responsibility for the Chief Financial Officer in relation to Group Finance, Treasury and Capital Management.

In addition to being an Executive Director on the Charter Hall Group Board, David is an Executive Director on the Board of the Responsible Entity for the separately listed Charter Hall Retail REIT (ASX: CQR), 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 Executive Property Valuations Committee.

David is a Director on the Property Industry Foundation Board of Advisers NSW; Vice President on the Board of the Property Council of Australia; and a Fellow Member of the Australian Property Institute (FAPI).

David holds a Bachelor of Business Degree (Land Economy) from Western Sydney University.

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, reconstituted as the Executive Property Valuations Committee

Interests in securities

1,880,612 stapled securities in Charter Hall Group via direct interests. 858,797 performance rights and 111,116 service rights in the Charter Hall Performance Rights and Options Plan; performance rights, service rights and options 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 December 2012. Tracey has more than 25 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 Bachelor of Laws from the University of Sydney.

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 2015, 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	
	A	B	A	B	A	B	A	B
K Roxburgh	4	4	2	2	*	*	*	*
A Brennan	8	8	6	6	*	*	6	6
D Clarke	8	8	6	6	3	3	*	*
D Deverall	7	8	6	6	3	3	*	*
P Garling	8	8	*	*	*	*	5	6
D Harrison	8	8	*	*	*	*	*	*
P Kahan	8	8	*	*	3	3	6	6
C McGowan	8	8	*	*	*	*	6	6
D Southon	8	8	*	*	*	*	*	*

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 Limited is pleased to present its remuneration report for the year ended 30 June 2015.

Charter Hall Group has continued to achieve strong performance over the financial year (FY15), with 18% growth in funds under management to \$13.6 billion and a total securityholder return (TSR) of 12%. Charter Hall achieved an OEPS of 27.5 cps for the year ended 30 June 2015, representing growth of 8.7% over the corresponding period.

Outcome for employees

Following this performance, the Short Term Incentive (STI) pool was made available for award to employees and Reported Executives (as defined in section 1 of the remuneration report (Report)). Individual awards are based on an assessment of performance against individual balanced scorecards, including financial and non-financial key performance indicators (KPIs). The STI outcomes for Reported Executives are reflected in section 3 of this Report.

As a result of the TSR performance of the Group over the past three years, both on a relative and absolute basis, the Long Term Incentive (LTI) Plan Securities, granted on 1 July 2012, fully vested.

We are pleased that the alignment of the FY15 STI and LTI outcomes recognises the significant efforts and expertise of our employees in achieving strong performance outcomes for the Group and our securityholders.

Framework changes

Over the past three years, we have introduced a number of changes to the executive remuneration framework to better align with our business strategy and the long term interests of securityholders. Whilst stability in the remuneration structure is important, where modifications can be made to optimise stakeholder alignment, more effectively drive business strategy or incentivise performance, the Committee actively considers such changes.

In July 2014, we reviewed and adjusted the remuneration mix of the Joint Managing Directors (JMDs) and some Reported Executives, increasing the weighting of the 'at risk' components to better enable Charter Hall to reward executives when challenging performance measures are met (section 3).

At the AGM in 2014, securityholders approved an increase to the fee pool for Non-Executive Directors (NEDs), to \$1.3 million per annum, to allow Charter Hall to continue to remunerate its NEDs at an appropriate level. NED fees were reviewed in 2014 and fees were revised as set out in section 5.

Securityholder support for the remuneration report has been strong over recent years and we believe this year's remuneration report continues to demonstrate the alignment between performance, remuneration and securityholder interests.

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

Yours sincerely



Anne Brennan

Chair, Remuneration and Human Resources Committee

Remuneration Report

Actual remuneration received in 2015 – unaudited

The actual remuneration presented in the following table provides the remuneration that Reported Executives received during the financial year ended 30 June 2015. This voluntary disclosure, provided to increase transparency, includes:

- Fixed pay and other benefits for 2015;
- 2014 cash STI paid during 2015; and
- The value of any LTI award that vested during 2015.

The actual remuneration presented is distinct from the audited disclosed remuneration (as required by *Section 308(C)* of the *Corporations Act* (the Act)) in the Financial Report on page 44, 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.

Name	SHORT TERM BENEFITS		POST-EMPLOYMENT BENEFITS	SECURITY-BASED BENEFIT	OTHER		% of remuneration consisting of rights %
	Salary \$	Short term incentive \$	Super-annuation \$	Value of securities vested ¹ \$	Non-monetary benefits ² \$	Total \$	
Executive Directors							
D Harrison	1,093,617	515,900	18,783	2,615,105	42,088	4,285,493	61.0
D Southon	1,093,617	442,200	18,783	2,612,601	35,464	4,202,665	62.2
Other Reported Executives							
P Altschwager	707,217	234,653	18,783	70,215	1,276	1,032,144	6.8
S Dundas	481,217	135,116	18,783	514,260	1,276	1,150,652	44.7
R Stacker ³	581,217	135,116	18,783	1,170,394	3,402	1,908,912	61.3
A Taylor	646,217	179,646	18,783	1,043,594	3,893	1,892,133	55.2
Totals	4,603,102	1,642,631	112,698	8,026,169	87,399	14,471,999	55.5

1 Values relate to value at vesting date for the 2012 LTI allocation and the first tranche of 2013 deferred STI which vested on 1 July 2014. The value of securities vested for the 2012 LTI allocation reflects the significant outperformance of Charter Hall's securities over the three year vesting period, as noted in section 3.6.2.

2 Non-monetary benefits include motor vehicle costs, car parking benefits and salary continuance insurance.

3 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, a further 90,000 rights vested on 31 December 2014 to the value of \$430,182 and the remainder are expected to vest on 31 December 2015.

Remuneration Report continued

1. 2015 Key Management Personnel

This remuneration report outlines the remuneration policies and practices that apply to Charter Hall's Key Management Personnel (KMP) for the year ended 30 June 2015. It also provides details of the remuneration outcomes for the KMP for the same period.

The KMP, listed in the table below, include the Non-Executive Directors, Joint Managing Directors and other Reported Executives who are responsible for the Group's strategy.

Name	Role	Term as KMP
Non-Executive Directors		
David Clarke	Chairman	Full Year ¹
Kerry Roxburgh	Chairman	Part Year ²
Anne Brennan	Director	Full Year
David Deverall	Director	Full Year
Philip Garling	Director	Full Year
Peter Kahan	Director	Full Year
Colin McGowan	Director	Full Year
Executive Directors		
David Harrison	Joint Managing Director	Full Year
David Southon	Joint Managing Director	Full Year
Other Reported Executives		
Paul Altschwager	Chief Financial Officer	Full Year
Scott Dundas	Fund Manager, Charter Hall Retail REIT (CQR)	Full Year
Richard Stacker	Head of Direct Property	Full Year
Adrian Taylor	Head of Wholesale	Full Year

¹ Appointed to Chairman as ratified at the AGM on 12 November 2014. Previously a Board Member.

² Retired as Chairman and Board Member at the AGM on 12 November 2014.

The remuneration report has been prepared and audited in accordance with the requirements of the *Corporations Act 2001*.

2. Remuneration governance

2.1 Board and Remuneration and Human Resources Committee

Charter Hall's Board and the Remuneration and Human Resources Committee (the Committee) are responsible for setting and overseeing remuneration policy for the Group.

The specific responsibilities of the Board and the Committee are detailed in their respective charters, which are available on the Group website at www.charterhall.com.au.

In summary, the Committee provides advice and recommendations to the Board for approval on:

- The Group's Human Resources strategy;
- Remuneration policies and fees for NEDs and Committee members;
- Criteria for reviewing the performance of the JMDs;
- Remuneration policy for executives;
- Fixed annual remuneration and incentive outcomes for executives;
- Incentive plans for all employees; and
- Any other remuneration matters that relate to executives.

The Committee is appointed by the Board and is comprised solely of NEDs, as follows:

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

Other Directors of the Board, the JMDs and the Head of People, Brand and Community attend Committee meetings by invitation. Importantly, executives (including the JMDs), do not attend meetings, or sections of meetings where agenda items for discussion relate to their own remuneration outcomes.

The Board and Committee continue to be committed to reviewing, monitoring and aligning our remuneration framework to meet regulatory and corporate governance requirements. Additionally, the Board and Committee's decisions are informed by market practice and investors' views whilst taking into account Charter Hall's business strategy and key drivers.

2.2 Remuneration and risk management

The Board and the Committee have ultimate responsibility for, and oversight of, remuneration for the Group. Risk is managed at various points in the executive remuneration framework through:

- Deferral of STI awards into service rights over two years;
- LTI performance hurdles that reflect the long-term performance of the business, measured over three years;
- Clawback on unvested deferred STI and unvested LTI for material misstatement and financial misrepresentation; and
- Board discretion on performance.

2.3 External advisors and remuneration consultants

Where necessary, the Committee seeks support from independent experts and advisors. Remuneration consultants provide information on market trends in respect of executive remuneration structures and benchmarking information on executive remuneration levels. Other external advisors (including legal practitioners) assist with the administration of the Group's remuneration plans and ensure that the appropriate legal parameters are applied and employment contracts are in place.

The Committee independently appoints its remuneration consultants and engages with them in a manner in which any information provided is not subject to undue influence by management.

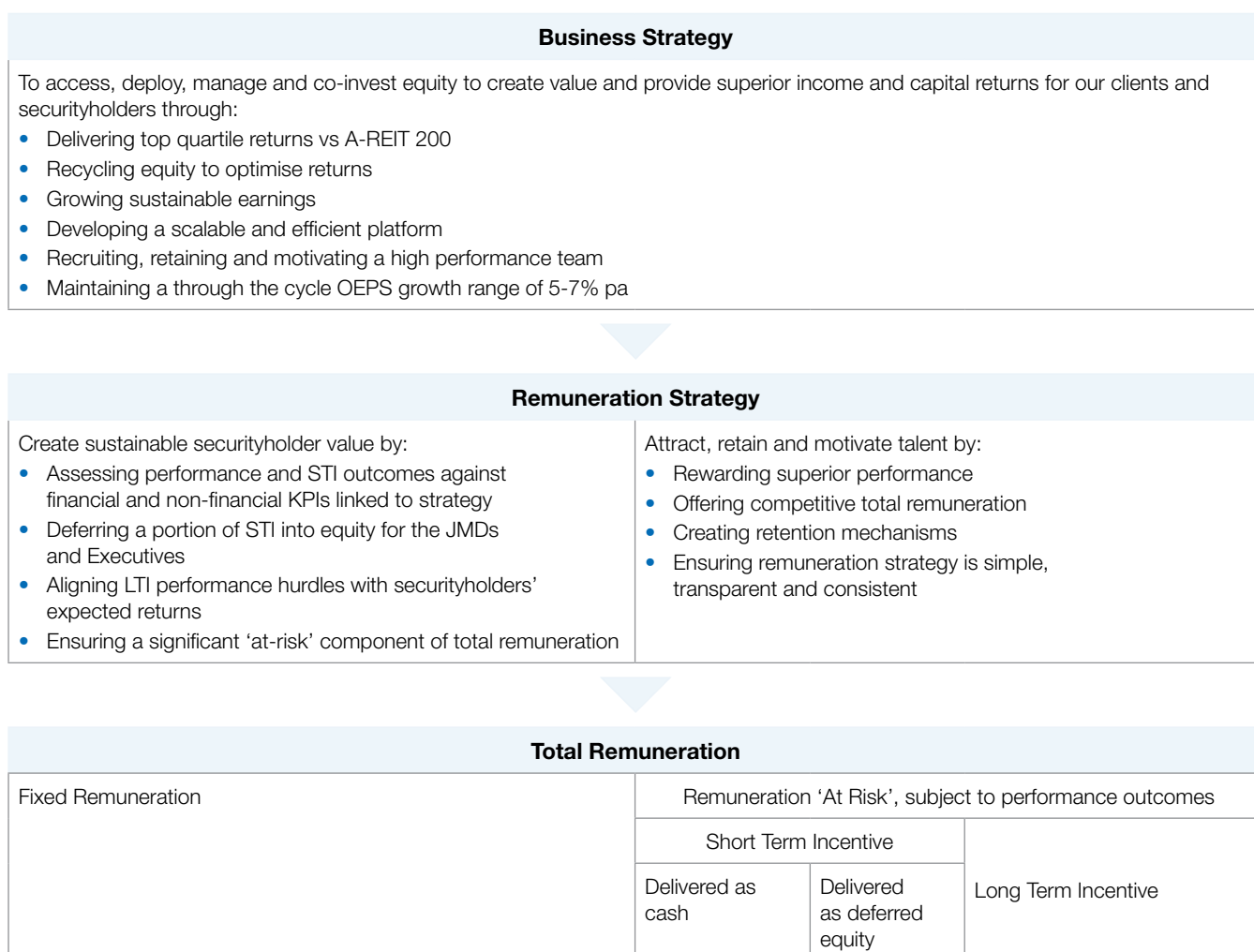
The information provided by external advisors is used as an input to the Committee's considerations and decision making only. The Board has ultimate decision making authority over matters of remuneration structure and outcomes.

3. Executive remuneration framework

3.1 Executive remuneration strategy

Charter Hall's remuneration philosophy is aimed at rewarding performance. 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:



Remuneration Report continued

3. Executive remuneration framework continued

3.2 Executive remuneration changes for 2015

The Committee ensures that remuneration policies balance Charter Hall's performance objectives and stakeholder expectations.

The following changes were implemented in 2015:

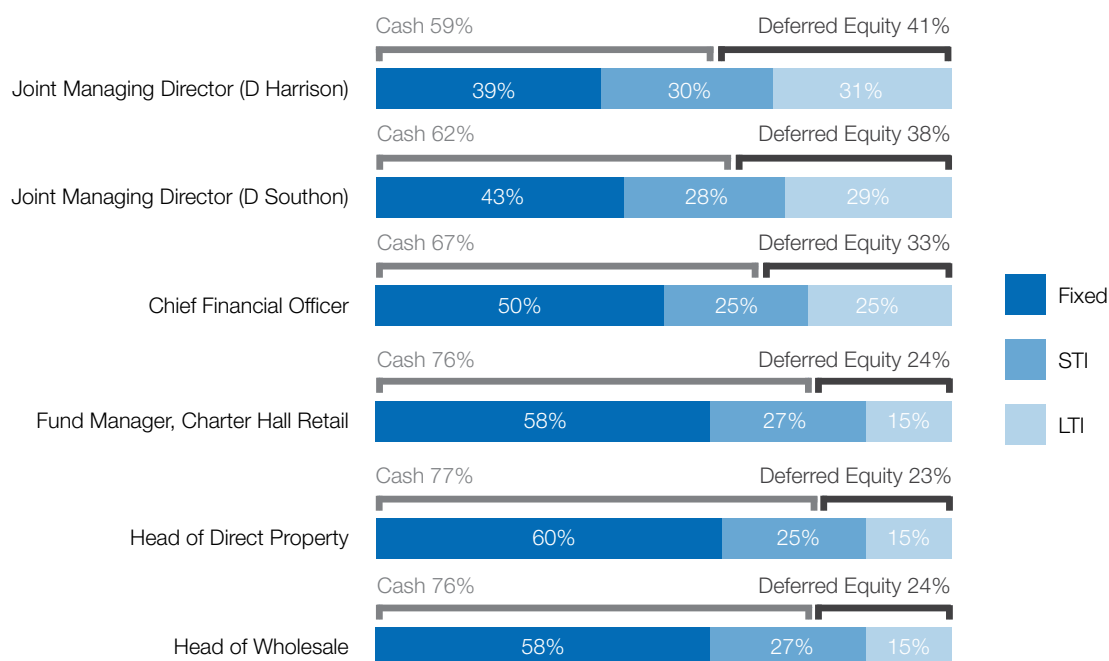
Component	Change
Remuneration Mix	<ul style="list-style-type: none"> The Committee reviewed the mix of remuneration components in 2015 with a view to increase the proportion of 'at risk' remuneration. The remuneration mixes for both JMDs was amended to increase the 'at risk' remuneration through an increase in LTI and STI. Remuneration mixes for other Reported Executives (Fund Manager, Charter Hall Retail REIT and Head of Wholesale) were reviewed with the roles receiving an increase in 'at risk' through an increase in the STI component.
Short Term Incentive	<ul style="list-style-type: none"> The weighting of the People Key Performance Indicator was increased to 25% of measures to ensure a sharpened focus on building future capability.

3.3 Remuneration mix

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 performance measures are met or exceeded.

The components of the JMDs' remuneration packages are substantially the same as the other executives. However, there are differences in the quantum, delivery and timing for each JMD 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 other Reported Executives remuneration, it is noted.

The figure below represents the on target remuneration mix for Reported Executives in 2015.



3.4 Fixed Remuneration

3.4.1 Policy

Composition	Fixed remuneration comprises cash base salary, statutory superannuation contributions and other nominated benefits.
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: <ul style="list-style-type: none">• 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: <ul style="list-style-type: none">• 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.
Other Reported Executives	The following comparator groups are used when determining executive remuneration: <ul style="list-style-type: none">• Industry remuneration surveys: Aon Hewitt Property Industry Report and Financial Institutions Remuneration Group

3.4.2 Fixed remuneration outcomes

Fixed remuneration for the JMDs increased by 3% in 2015 and for other Reported Executives increased by an average of 8.6%.

3.5 Short term incentive

3.5.1 Policy

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 KPIs.
Gateway for JMDs and other Reported Executives	A Group financial gateway of 95% of budgeted OEPS must be met 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 target. The Board retains discretion to increase or decrease the overall STI pool available, based on its assessment of the overall performance throughout the year.
Maximum STI potential	The maximum STI potential for all employees is 150% of STI target, enabling recognition for outperformance.
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 Executives, STI is delivered in the form of cash (67%) and service rights (33%), with any award over 100% of target deferred into service rights. For the Fund Manager, CQR they are issued securities in CQR rather than CHC. Service rights are deferred over two years, with 50% vesting at the end of year one and 50% at the end of year two. 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 vesting period, the equity rights will be forfeited or remain 'on foot' subject to the Board's discretion to determine 'good leaver' status.

Remuneration Report continued

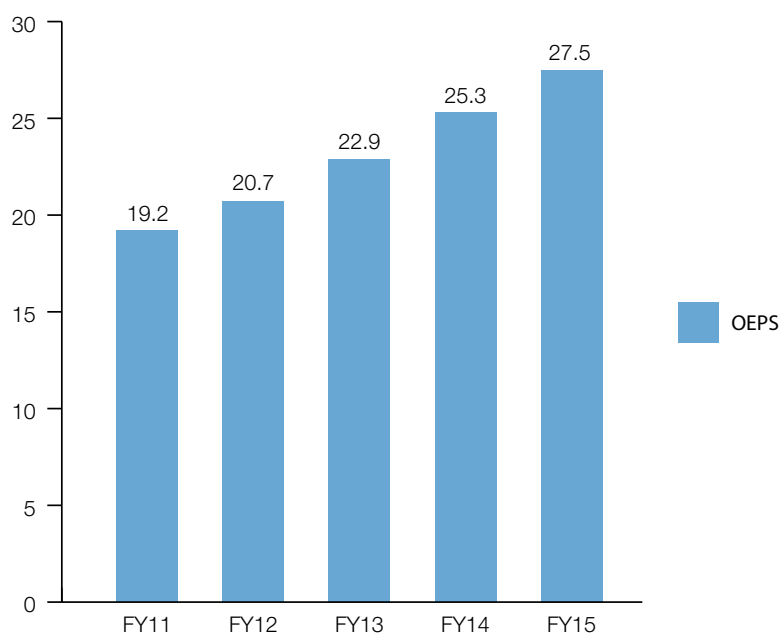
3. Executive remuneration framework continued

3.5.2 Group 2015 short term performance outcomes

In 2015, Charter Hall's operating earnings per stapled security (OEPS) was 27.5 cents, which was 8.7% above the 2014 OEPS.

In 2015, 105.2% of the on target budgeted STI pool was awarded, recognising the outperformance of the Group across a number of key metrics. This represented \$12.5 million or 11.2% of Group operating earnings before STI.

The table below shows Charter Hall's OEPS before specific items (cps) over a 5 year period:



3.5.3 Short Term Incentive assessment and outcomes

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.

2015 Short Term Incentive – assessment of JMDs

The JMDs' KPI achievement for 2015 is summarised below:

Measure	KPI	Status
David Harrison		
Financial 50%	Including Group OEPS; growth in funds under management; growth in operating earnings before interest, tax, depreciation and amortisation; and property funds management margin.	Exceeded
Non-financial 50%	Partner measures (15%) – including growth of new equity flows and improving the investor satisfaction score.	Achieved
	People measures (25%) – including talent optimisation, executive leadership development, employee engagement initiatives and effective joint leadership.	Partially achieved
	Operational excellence measures (10%) – including embedding improvements in performance and reporting to Fund Investors and implementing operation excellence initiatives.	Achieved
David Southon		
Financial 50%	Including Group OEPS; growth in operating earnings before interest, tax, depreciation and amortisation; property funds management margin(s); and service improvements.	Exceeded
Non-financial 50%	Partner measures (15%) – including stakeholder relationship plans and driving a customer centred culture.	Achieved
	People measures (25%) – including talent optimisation, executive leadership development, employee engagement initiatives and effective joint leadership.	Partially achieved
	Operational excellence measures (10%) – including finalisation and implementation of Operational Excellence Plan, FY15 Business Improvement Initiatives.	Achieved

2015 Short Term Incentive assessment – other Reported Executives

KPIs for other Reported Executives are broadly similar to that of the JMDs and are focused on individual areas of accountability:

Measure	KPI
Group Financial 30%	Including Groups OEPS.
Divisional Financial 20%	Including investment earnings, fund growth, operating earnings before interest, tax, depreciation and amortisation and margin for funds management or their divisional budget/financial initiatives.
Non-financials 50%	<p>Partner measures (15%) – including improved investor satisfaction and client relationship initiatives.</p> <p>People measures (25%) – including Group engagement initiatives, contribution to Executive Leadership Group, turnover reduction and professional growth of team.</p> <p>Operational excellence measures (10%) – including driving operational excellence and productivity through implementation of initiatives.</p>

3.5.4 2015 Reported Executive Short Term Incentive outcomes

The table below shows the short term incentive outcomes for Reported Executives for 2015.

Name	STI earned \$	Paid in cash \$	Deferred into Service Rights \$	Target STI of fixed pay %	STI earned compared to target %	Forfeited STI %
Executive Directors						
D Harrison	941,270	570,467	370,803	77%	110%	0%
D Southon	796,840	482,933	313,907	65%	110%	0%
Other Reported Executives						
P Altschwager	399,300	242,000	157,300	50%	110%	0%
S Dundas	256,080	155,200	100,880	47%	110%	0%
R Stacker	287,500	166,667	120,833	42%	115%	0%
A Taylor	356,040	206,400	149,640	47%	115%	0%

3.6 Long Term Incentive

3.6.1 Policy

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	JMDs, Reported Executives, Executives, Fund Managers and selected other managers.
Type of equity awarded	<p>The LTI is governed by the Performance Rights and Options Plan (PROP), under which either rights or options to stapled securities are granted to participants. From 2012, all grants under the PROP for LTI 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.</p> <p>Details of specific grants made to Reported Executives for 2015 allocation are provided in Section 6 of the report.</p>
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	<p>For the 2015 LTI allocation, the two performance hurdles that apply to the Performance Rights for vesting over a three year period commencing 1 July 2014 were:</p> <p>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.</p> <p>Relative Return (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% vesting at the higher end of the range.</p> <p>Any Performance Rights that fail to meet these performance hurdles by 1 July 2017 will lapse.</p>

Remuneration Report continued

3. Executive remuneration framework continued

Rationale for performance conditions	<p>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.</p> <p>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.</p> <p>Absolute TSR provides a strong link to Charter Hall's business strategy of co-investing in managed funds with absolute and total return hurdles.</p> <p>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.</p>
Cessation of employment provisions	<p>For the 2015 LTI allocation, the following provisions apply in the case of cessation of a participant's employment:</p> <ul style="list-style-type: none"> • 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	<p>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.</p>
Treatment of dividends on unvested stapled securities	<p>Participants who hold Performance Rights or Options are not entitled to receive any distributions or dividends declared by the Group until the Performance Rights or Options are exercised and held as stapled securities.</p>
Hedging and margin lending prohibitions	<p>In accordance with the <i>Corporations Act 2001</i>, all key management personnel are prohibited from hedging or otherwise protecting the value of unvested stapled securities.</p>
Additional once only special LTI grant for JMDs	<p>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.</p> <p>The vesting of these performance rights is subject to both service and performance conditions over the three year period:</p> <ul style="list-style-type: none"> • 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.

3.6.2 Group long term performance outcomes

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



Three year performance of Performance Rights and Options Plan

Absolute performance	For the three years to 30 June 2015, Charter Hall stapled securities achieved a compound average growth rate of 31%. This is based on a weighted average security price (VWAP) of \$2.36 for the month of July 2012, a 30 June 2015 closing stapled security price of \$4.52 and cumulative distributions over the three years of 67 cents. This performance is in excess of the absolute TSR outperformance hurdle of 13% per annum.
Relative performance	For the three years to 30 June 2015, Charter Hall has outperformed the S&P/ASX 200 A-REIT Accumulation Index by 13% per annum, with Charter Hall returning a compound average growth rate of 31% per annum, compared to the index performance of 18% per annum.

3.6.3 2015 individual Long Term Incentive 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 2015:

- 2012 PROP – The 2012 PROP had a vesting date of 1 July 2014. The performance hurdles were exceeded and hence 100% of the rights vested.

Further details of LTI grants under the PROP are set out in section 6 of this report.

Remuneration Report continued

3. Executive remuneration framework continued

3.7 Group summary of 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 OEPS and the LTI provides an important link between remuneration and Total Securityholder Return.

Key performance metrics	2011	2012	2013	2014	2015
Statutory Earnings per stapled security (cps)	17.9	5.6	18.3	25.6	32.8
Statutory Net Profit after Tax (\$000s)	52,338	16,678	54,842	82,116	117,885
OEPS before specific items (cps) ^{1,2}	19.2	20.7	22.9	25.3	27.5
Growth/(Decline) in OEPS before specific items on prior year (%)	22.4	7.8	10.8	10.4	8.7
Operating Profit before specific items (\$000s) ²	56,335	61,248	68,750	81,163	98,799
Total Distribution per stapled security (cps)	16.5	18.2	20.2	22.3	24.2
Stapled security price at 30 June (\$)	2.15	2.27	3.87	4.26	4.52
S&P/ASX 200 A-REIT Accumulation Index (XPJAI) (%)	5.8	11.7	24.3	11.1	20.3
Total Securityholder Return/(Loss) – Jul – Jun %	(3.5)	14.0	80.6	16.3	11.8

1 A key performance metric for the Group, operating earnings per stapled security (OEPS), before specific items, was 27.5 cents, which represented an increase of 8.7% on the prior corresponding period and was the upper end of market guidance of 7–9%. There were no specific items in either 2013, 2014 or 2015.

2 OEPS and Operating Profit before specific items have been restated for 2011 and 2012 to include non-cash security-based benefits expense as part of Operating Earnings.

Reported Executives total remuneration

Remuneration summary	2011	2012	2013	2014	2015
Fixed payments (\$)	6,236,089	5,513,308	5,978,392	6,122,898	4,776,471
STI accounting expense (\$)	1,640,944	354,294	2,659,913	3,381,549	3,037,030
LTI accounting expense (\$) ¹	1,866,842	1,680,857	2,369,843	2,169,193	1,746,018
Earned remuneration (\$) ²	9,743,875	7,548,459	11,008,148	11,673,640	9,559,519
On target total remuneration (\$) ³	11,238,415	9,350,464	11,216,962	11,984,905	9,257,989
Earned remuneration relative to target remuneration – over/(under) (%)	(13%)	(21%)	(2%)	(3%)	4%

1 The LTI expense attributed to the Reported Executives reflects the statutory accounting expense under AASB2.

2 Earned remuneration for the Reported Executives is the sum of their Fixed Payments, the STI accounting expense and the LTI accounting expense. The Reported Executives remuneration reflects the data as reported in the relevant financial year.

3 On-target remuneration for 2015 reflects full year on-target remuneration for all currently employed Reported Executives. The 2013, 2014 and 2015 figures include a special LTI for R Stacker.

4. Executive remuneration in detail

4.1 Total remuneration of Reported Executives

The following table details the total remuneration of the Reported Executives of the Group for 2014 and 2015.

Name	SHORT TERM BENEFITS				POST-EMPLOYMENT BENEFITS	SECURITY-BASED PAYMENT		OTHER LONG TERM BENEFITS		Total \$	% of total remuneration consisting of rights %
	Salary \$	Cash short term incentive	Annual leave \$	Non-monetary benefits ¹ \$	Super-annuation \$	Security-based short term incentive \$	Securities, options and performance rights \$	Long service leave \$			
Executive Directors											
D Harrison											
2015	1,093,617	570,467	(48,783)	42,088	18,783	370,803	614,260	24,927	2,686,162	37	
2014	1,062,225	515,900	46,291	40,098	17,775	369,600	617,980	25,920	2,695,789	37	
D Southon											
2015	1,093,617	482,933	16,971	35,464	18,783	313,907	499,678	24,574	2,485,927	33	
2014	1,062,225	442,200	(27,391)	30,498	17,775	316,800	529,792	25,414	2,397,313	35	
Other Reported Executives											
P Altschwager											
2015	707,217	242,000	5,902	1,276	18,783	157,300	241,912	-	1,374,390	29	
2014	682,683	234,653	49,047	-	17,775	115,576	237,231	-	1,336,965	26	
S Dundas											
2015	481,217	155,200	451	1,276	18,783	100,880	80,589	13,129	851,525	21	
2014	466,225	135,116	(2,936)	-	17,775	91,758	88,987	23,963	820,888	22	
R Stacker											
2015	581,217	166,667	(6,973)	3,402	18,783	120,833	199,764	(72,790)	1,010,903	32	
2014	466,225	135,116	(29,276)	-	17,775	127,050	355,974	18,446	1,091,310	44	
A Taylor											
2015	646,217	206,400	(4,197)	3,893	18,783	149,640	109,815	20,061	1,150,612	23	
2014	612,202	179,646	14,445	-	17,775	121,998	146,196	20,411	1,112,673	24	
Former Reported Executives											
N Devlin ²											
2014	295,523	88,769	1,341	-	17,775	70,221	65,411	-	539,040	25	
T Jordan ²											
2014	282,095	83,750	(1,735)	-	17,775	41,250	34,906	-	458,041	17	
N Kelly ²											
2014	443,812	133,302	6,143	-	17,775	65,656	95,385	11,346	773,419	21	
A Glass ²											
2014	324,352	113,688	-	-	13,331	-	(2,669)	-	448,702	(1)	
Total 2015	4,603,102	1,823,667	(36,629)	87,399	112,698	1,213,363	1,746,018	9,901	9,559,519	31	
Total 2014	5,697,567	2,062,140	55,929	70,596	173,306	1,319,909	2,169,193	125,500	11,674,140	30	

1 Non-monetary benefits include motor vehicle costs, car parking benefits and salary continuance.

2 Employees ceased as KMP effective 10 February 2014 but remained employed by the Group. Remuneration shown is for the full 2014 financial year, excluding A Glass who ceased employment on 10 February 2014.

Remuneration Report continued

4.2 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.

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 Reported Executives are summarised below:

Name	Position	MINIMUM NOTICE PERIOD ¹	
		Employee	Charter Hall
Executive Directors			
David Harrison	Joint Managing Director	6 months	12 months
David Southon	Joint Managing Director	6 months	12 months
Other Reported Executives			
Paul Altschwager	Chief Financial Officer	3 months	6 months
Scott Dundas	Fund Manager – Charter Hall Retail REIT	3 months	6 months
Richard Stacker ²	Head of Direct Property	3 months	3 months
Adrian Taylor ³	Head of Wholesale	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.

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

Charter Hall's redundancy policy applies to all employees, including Reported Executives (except the JMDs), and is calculated based on notice period plus four weeks pay for each completed year of service, with a minimum payment of eight weeks and a maximum of 52 weeks. Payments are calculated on the base rate of pay on ordinary hours worked and exclude any incentive-based payments or bonuses. Redundancy policies for the JMDs are set out in their respective contracts.

4.3 JMD loan arrangements

As disclosed in previous remuneration reports, each of the JMDs entered into a loan arrangement 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 loans have been fully paid by each JMD. The securities purchased using the loan are not reflected in the LTI amounts for the JMDs. These securities were not issued as part of any remuneration arrangements.

5. Non-Executive Director remuneration

5.1 Non-Executive Director Policy

The Committee makes recommendations to the Board on the total level of remuneration of the Chairman and other 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 NEDs;
- 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.

The following changes to our NED remuneration were implemented in 2015:

- As approved by securityholders at the 2014 AGM, the maximum NED fee pool was increased by \$300,000 to \$1.3 million.
- The Chair's fee structure was changed upon appointment of a new Chair to an all-inclusive approach incorporating base fees, committee fees and superannuation to \$300,000 per annum with the increase staged over a two year period, with \$265,000 being payable for 2015.
- An increase to the base fees for NEDs to \$120,000 per annum to be staged over a two year period, with a base fee for 2015 of \$110,000.
- An increase to the Audit, Risk and Compliance Committee Chair and member fees to \$30,000 and \$15,000 respectively and an increase to the Remuneration and Human Resources Committee Chair fee to \$25,000.

5.2 Fee framework

NED fees, including committee fees, are set by the Board within the aggregate amount of \$1.3 million per annum approved by securityholders.

Under the current framework, NEDs, other than the Chair, receive:

- Board base fee;
- Committee fees; and
- Superannuation.

The Chair receives an all-inclusive fee.

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's employee incentive schemes.

Table 5.2 Summary of fee framework

	2015 \$	2014 \$
Board		
Chair	265,000	206,000
Non Chair	110,000	103,000
Audit Risk and Compliance Committee		
Chair	30,000	20,816
Non Chair	15,000	13,879
Remuneration and Human Resources Committee		
Chair	25,000	20,816
Non Chair	13,879	13,879
Nomination Committee		
Chair	2,060	2,060
Non Chair	2,060	2,060
Valuation Committee	9,064	9,064
Investment Committee of related party¹	–	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.

5.3 Total remuneration details

Non-Executive Director remuneration 2015 and 2014:

	2015	2014
Name	Fees \$	Fees \$
Non-Executive Directors		
D Clarke ¹	213,636	22,436
K Roxburgh ²	97,167	221,939
A Brennan	151,000	137,695
D Deverall	143,060	125,876
P Garling	133,943	125,943
P Kahan	126,939	128,810
C McGowan ³	138,943	228,443
TOTAL	1,004,688	991,142

1 Appointed to Chair November 2014, appointed to Board 10 April 2014.

2 Retired as Chair and NED November 2014.

3 Fees paid in 2014 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.

Remuneration Report continued**6. Appendix – further detail****6.1 Securityholdings**

Table 6.1 Key Management Personnel Securityholdings

Name	Opening balance at 30 June 2014	Stapled securities purchased	Rights and options exercised	Stapled securities sold	Closing balance at 30 June 2015
Directors of Charter Hall Limited					
<i>Ordinary stapled securities</i>					
D Clarke	–	43,138	–	–	43,138
K Roxburgh ¹	31,250	–	–	(31,250)	–
A Brennan	30,000	–	–	–	30,000
D Deverall	33,720	3,138	–	–	36,858
P Garling	6,297	3,138	–	–	9,435
P Kahan	–	–	–	–	–
C McGowan	–	10,000	–	–	10,000
Executive Directors					
D Harrison	1,441,773	–	1,444,210	(1,444,210)	1,441,773
D Southon	1,880,612	–	1,768,895	(1,768,895)	1,880,612
Other Reported Executives					
P Altschwager	130,154	3,436	15,958	(149,548)	–
S Dundas	–	–	107,527	(107,527)	–
R Stacker	90,000	–	258,230	(168,230)	180,000
A Taylor	–	–	236,605	(175,000)	61,605

1 Retired as Chairman and Board Member at the AGM on 12 November 2014. Deemed disposal of all stapled securityholdings as no longer a director of the Group.

6.2 Performance Rights and Options Plan details

Table 6.2.1 Performance Rights, Options and Service Rights issued and outstanding under the PROP

PERFORMANCE RIGHTS			
Year of Issue	Securities	Exercise Price	Vesting Conditions
2013	1,581,344	Nil	Absolute and relative performance criteria
2014	1,306,271	Nil	Absolute and relative performance criteria
2015	1,041,186	Nil	Absolute and relative performance criteria
Total performance rights issued	3,928,801		
SERVICE RIGHTS			
Year of Issue	Securities	Exercise Price	Vesting Conditions
2013	90,000	Nil	Service conditions
2014	20,000	Nil	Service conditions
2014	167,091	Nil	Service conditions – Deferred STI
2015	131,580	Nil	Service conditions
2015	357,031	Nil	Service conditions – Deferred STI
Total service rights issued	765,702		

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 standard AASB 2. From 2013, the allocation methodology was revised with LTI awards now valued using the Black Scholes methodology and accounting value determined using a Monte Carlo simulation valuation in accordance with AASB 2.

The model inputs for the PROP performance rights and options plan 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	19/12/2014
Stapled security price at grant date	\$2.10	\$3.11	\$3.68	\$3.68	\$4.68
Fair value of right	\$0.94	\$1.91	\$1.42	\$1.11	\$2.09
Expected price volatility	39.0%	26.0%	30.4%	30.4%	30.4%
Risk-free interest rate	3.9%	3.00%	2.90%	3.00%	3.00%

OPTIONS

Grant date	13/11/2009	18/06/2010	6/09/2010	11/11/2010
Stapled 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	40.0%	40.0%	40.0%	40.0%
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	19/12/2014
Stapled security price at grant date	\$3.11	\$3.68	\$3.68	\$4.68
Fair value of right	\$2.73	\$3.45	\$3.42	\$4.36
Expected price volatility	25.0%	27.4%	27.4%	24.6%
Risk-free interest rate	2.90%	2.60%	2.60%	2.50%

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

Table 6.2.2 Number of Performance and Service Rights issued and outstanding to Reported Executives as at 30 June 2015

	PERFORMANCE RIGHTS				LTI SERVICE RIGHTS		STI DEFERRED RIGHTS		
	2013	2014	2015	Total	2013	Total	2014	2015	Total
Executive Directors									
D Harrison	346,847	531,707	248,371	1,126,925	–	–	29,824	95,504	125,328
D Southon	346,847	301,220	210,730	858,797	–	–	29,255	81,861	111,116
Other Reported Executives									
P Altschwager	189,190	106,708	101,967	397,865	–	–	15,958	29,866	45,824
S Dundas	59,460	36,891	36,324	132,675	–	–	10,186	25,920	36,106
R Stacker	59,460	36,891	42,135	138,486	90,000	90,000	10,681	32,830	43,511
A Taylor	84,325	47,561	48,315	180,201	–	–	13,172	31,526	44,698

Remuneration Report continued**6. Appendix – further detail** continued

Table 6.2.3 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 2015
Executive Directors				
D Harrison	LTI Performance Rights	564,517	–	–
	LTI Performance Rights	346,847	–	346,847
	LTI Performance Rights	231,707	–	231,707
	LTI Performance Rights	300,000	–	300,000
	LTI Performance Rights	–	248,371	248,371
	LTI Options	9,903	–	–
	LTI Options	335,157	–	–
	LTI Options	252,404	–	–
	LTI Options	252,404	–	–
	STI Deferred Rights	29,825	–	–
	STI Deferred Rights	29,825	–	29,825
	STI Deferred Rights	–	47,752	47,752
	STI Deferred Rights	–	47,752	47,752
	D Southon	LTI Performance Rights	564,517	–
LTI Performance Rights		346,847	–	346,847
LTI Performance Rights		201,220	–	201,220
LTI Performance Rights		100,000	–	100,000
LTI Performance Rights		–	210,730	210,730
LTI Options		335,157	–	–
LTI Options		335,157	–	–
LTI Options		252,404	–	–
LTI Options		252,404	–	–
STI Deferred Rights		29,256	–	–
STI Deferred Rights		29,255	–	29,255
STI Deferred Rights		–	40,931	40,931
STI Deferred Rights		–	40,930	40,930

Grant Date	Fair value per right at grant date	Option exercise price	No. vested & exercised during the year	No. forfeited during the year	Vesting Date	Maximum value to be realised in future years ¹
17-Jan-12	\$0.94	-	564,517	-	1-Jul-14	-
23-Nov-12	\$1.91	-	-	-	1-Jul-15	-
20-Nov-13	\$1.42	-	-	-	1-Jul-16	\$109,675
20-Nov-13	\$1.11	-	-	-	1-Jul-16	\$111,000
19-Dec-14	\$2.09	-	-	-	1-Jul-17	\$346,064
13-Nov-09	\$0.39	\$1.94	9,903	-	1-Jul-12	-
13-Nov-09	\$0.39	\$1.94	335,157	-	1-Jul-12	-
11-Nov-10	\$0.51	\$2.44	252,404	-	1-Jul-13	-
11-Nov-10	\$0.51	\$2.44	252,404	-	1-Jul-13	-
20-Nov-13	\$3.42	-	29,825	-	31-Aug-14	-
20-Nov-13	\$3.42	-	-	-	31-Aug-15	-
19-Dec-14	\$4.49	-	-	-	31-Aug-15	-
19-Dec-14	\$4.23	-	-	-	31-Aug-16	-
17-Jan-12	\$0.94	-	564,517	-	1-Jul-14	-
23-Nov-12	\$1.91	-	-	-	1-Jul-15	-
20-Nov-13	\$1.42	-	-	-	1-Jul-16	\$95,244
20-Nov-13	\$1.11	-	-	-	1-Jul-16	\$37,000
19-Dec-14	\$2.09	-	-	-	1-Jul-17	\$293,617
13-Nov-09	\$0.39	\$1.94	335,157	-	1-Jul-12	-
13-Nov-09	\$0.39	\$1.94	335,157	-	1-Jul-12	-
11-Nov-10	\$0.51	\$2.44	252,404	-	1-Jul-13	-
11-Nov-10	\$0.51	\$2.44	252,404	-	1-Jul-13	-
20-Nov-13	\$3.42	-	29,256	-	31-Aug-14	-
20-Nov-13	\$3.42	-	-	-	31-Aug-15	-
19-Dec-14	\$4.49	-	-	-	31-Aug-15	-
19-Dec-14	\$4.23	-	-	-	31-Aug-16	-

Remuneration Report continued

6. Appendix – further detail continued

	Type of Equity	Rights previously granted	Rights granted during the year	Rights held at 30 June 2015
Key Management Personnel				
P Altschwager	LTI Performance Rights	189,190	–	189,190
	LTI Performance Rights	106,708	–	106,708
	LTI Performance Rights	–	101,967	101,967
	STI Deferred Rights	15,958	–	–
	STI Deferred Rights	15,958	–	15,958
	STI Deferred Rights	–	14,933	14,933
	STI Deferred Rights	–	14,933	14,933
S Dundas	LTI Performance Rights	107,527	–	–
	LTI Performance Rights	59,460	–	59,460
	LTI Performance Rights	36,891	–	36,891
	LTI Performance Rights	–	36,324	36,324
	STI Deferred Rights ²	10,186	–	–
	STI Deferred Rights ²	10,186	–	10,186
	STI Deferred Rights ²	–	12,960	12,960
R Stacker	STI Deferred Rights ²	–	12,960	12,960
	LTI Performance Rights	157,549	–	–
	LTI Performance Rights	59,460	–	59,460
	LTI Performance Rights	36,891	–	36,891
	LTI Performance Rights	–	42,135	42,135
	LTI Service Rights	90,000	–	–
	LTI Service Rights	90,000	–	90,000
	STI Deferred Rights	10,681	–	–
	STI Deferred Rights	10,681	–	10,681
STI Deferred Rights	–	16,415	16,415	
A Taylor	STI Deferred Rights	–	16,415	16,415
	LTI Performance Rights	223,433	–	–
	LTI Performance Rights	84,325	–	84,325
	LTI Performance Rights	47,561	–	47,561
	LTI Performance Rights	–	48,315	48,315
	STI Deferred Rights	13,172	–	–
	STI Deferred Rights	13,172	–	13,172
	STI Deferred Rights	–	15,763	15,763
STI Deferred Rights	–	15,763	15,763	

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.

2 S Dundas will receive securities in Charter Hall Retail REIT for these LTI Deferred STI rights.

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*.

Grant Date	Fair value per right at grant date	Option exercise price	No. vested & exercised during the year	No. forfeited during the year	Vesting Date	Maximum value to be realised in future years ¹
23–Nov–12	\$1.91	–	–	–	1–Jul–15	–
20–Nov–13	\$1.42	–	–	–	1–Jul–16	\$50,508
19–Dec–14	\$2.09	–	–	–	1–Jul–17	\$142,074
20–Nov–13	\$3.42	–	15,958	–	31–Aug–14	–
20–Nov–13	\$3.42	–	–	–	31–Aug–15	–
19–Dec–14	\$4.49	–	–	–	31–Aug–15	–
19–Dec–14	\$4.23	–	–	–	31–Aug–16	–
17–Jan–12	\$0.94	–	107,527	–	1–Jul–14	–
23–Nov–12	\$1.91	–	–	–	1–Jul–15	–
20–Nov–13	\$1.42	–	–	–	1–Jul–16	\$17,462
19–Dec–14	\$2.09	–	–	–	1–Jul–17	\$50,611
20–Nov–13	\$3.59	–	10,186	–	31–Aug–14	–
20–Nov–13	\$3.59	–	–	–	31–Aug–15	–
19–Dec–14	\$4.04	–	–	–	31–Aug–15	–
19–Dec–14	\$3.76	–	–	–	31–Aug–16	–
17–Jan–12	\$0.94	–	157,549	–	1–Jul–14	–
23–Nov–12	\$1.91	–	–	–	1–Jul–15	–
20–Nov–13	\$1.42	–	–	–	1–Jul–16	\$17,462
19–Dec–14	\$2.09	–	–	–	1–Jul–17	\$58,708
23–Nov–12	\$2.72	–	90,000	–	31–Dec–14	–
23–Nov–12	\$2.56	–	–	–	31–Dec–15	–
20–Nov–13	\$3.42	–	10,681	–	31–Aug–14	–
20–Nov–13	\$3.42	–	–	–	31–Aug–15	–
19–Dec–14	\$4.49	–	–	–	31–Aug–15	–
19–Dec–14	\$4.23	–	–	–	31–Aug–16	–
17–Jan–12	\$0.94	–	223,433	–	1–Jul–14	–
23–Nov–12	\$1.91	–	–	–	1–Jul–15	–
20–Nov–13	\$1.42	–	–	–	1–Jul–16	\$22,512
19–Dec–14	\$2.09	–	–	–	1–Jul–17	\$67,319
20–Nov–13	\$3.42	–	13,172	–	31–Aug–14	–
20–Nov–13	\$3.42	–	–	–	31–Aug–15	–
19–Dec–14	\$4.49	–	–	–	31–Aug–15	–
19–Dec–14	\$4.23	–	–	–	31–Aug–16	–

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*.

Non audit services continued

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	
	2015 \$	2014 \$	2015 \$	2014 \$
PricewaterhouseCoopers Australian firm				
Taxation services	145,780	48,817	-	-
Total remuneration for non-audit services	145,780	48,817	-	-

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 2015, the Group will report to the Clean Energy Regulator emissions for the measurement period 1 July 2014 to 30 June 2015. To mitigate its carbon emissions, the Group continues to implement resource efficiency measures across its portfolio of assets and is also exploring renewable energy generation opportunities within its retail and industrial portfolios.

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

Section 237 of the *Corporations Act 2001* allows for a person to apply to the Court to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, in certain circumstances.

No person has made such an application and no proceedings have been brought or intervened in on behalf of the Company with the Court under this section.

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 43.

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.



D Clarke

Chairman

Sydney

26 August 2015

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 2015, 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
Partner

PricewaterhouseCoopers

Sydney
26 August 2015

PricewaterhouseCoopers, ABN 52 780 433 757

Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171

T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

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Consolidated Statements of Comprehensive Income

for the year ended 30 June 2015

	Note	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Income					
Revenue	4	135,802	122,652	19,708	26,394
Share of net profit of investments accounted for using the equity method	31,32	88,367	60,843	78,293	51,351
Net gain on sale of other investments		438	–	426	–
Net fair value adjustment on investment properties	6	–	183	–	183
Net gain on investment in associates at fair value	6	1,901	–	1,901	–
Total income		226,508	183,678	100,328	77,928
Expenses					
Investment property expenses		–	(161)	–	(161)
Depreciation	5	(2,019)	(1,375)	–	–
Finance costs	5	(1,796)	(1,303)	(2,066)	(1,793)
Net loss on sale of investment properties, derivatives and other investments		–	(3,424)	–	(2,682)
Net loss on investment in associates at fair value	6	–	(1,778)	–	(1,773)
Foreign exchange losses		(731)	(14)	–	–
Amortisation and impairment of intangibles	5,16	(9,317)	(8,489)	–	–
Asset management fees		–	–	(944)	(854)
Employee costs	5	(79,811)	(72,466)	–	–
Administration and other expenses	5	(14,592)	(13,559)	(184)	(144)
Total expenses		(108,266)	(102,569)	(3,194)	(7,407)
Profit before tax		118,242	81,109	97,134	70,521
Income tax (expense)/benefit	7	(357)	1,007	–	–
Profit for the year		117,885	82,116	97,134	70,521
Profit for the year as attributable to:					
Equity holders of Charter Hall Limited		20,751	11,553	–	–
Equity holders of Charter Hall Property Trust (non-controlling interest)		97,134	70,563	97,134	70,563
Profit attributable to stapled securityholders of Charter Hall Group		117,885	82,116	97,134	70,563
Net loss attributable to other non-controlling interests		–	–	–	(42)
Profit for the year		117,885	82,116	97,134	70,521
Other comprehensive income					
<i>Items that may be reclassified to profit or loss</i>					
Exchange differences on translation of foreign operations		(264)	80	(342)	19
Transfer of cumulative foreign exchange losses	23	673	488	–	488
Other comprehensive income for the year, net of tax		409	568	(342)	507
Total comprehensive income for the year		118,294	82,684	96,792	71,028
Total comprehensive income for the year is attributable to:					
Equity holders of Charter Hall Limited		21,502	11,614	–	–
Equity holders of Charter Hall Property Trust (non-controlling interest)		96,792	71,070	96,792	71,070
Total comprehensive income attributable to stapled securityholders of Charter Hall Group		118,294	82,684	96,792	71,070
Total comprehensive income attributable to other non-controlling interests		–	–	–	(42)
Total comprehensive income for the year		118,294	82,684	96,792	71,028
Basic and diluted earnings per stapled security					
Basic earnings per stapled security (cents) attributable to stapled securityholders	9(a)	32.8	25.6	27.0	22.0
Diluted earnings per stapled security (cents) attributable to stapled securityholders	9(b)	32.3	24.9	26.6	21.4

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

Consolidated Balance Sheets

as at 30 June 2015

		CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	Note	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Assets					
<i>Current assets</i>					
Cash and cash equivalents	10	151,593	50,184	37,037	577
Trade and other receivables	11	38,609	66,983	16,154	52,474
Assets classified as held for sale	12	10,876	11,592	–	–
Total current assets		201,078	128,759	53,191	53,051
<i>Non-current assets</i>					
Trade and other receivables	11	–	6,500	198,427	181,292
Investments in associates at fair value through profit or loss	13	65,535	14,234	65,535	14,234
Investments accounted for using the equity method	14	913,865	682,901	820,589	591,869
Investment properties	15	–	48,386	–	48,386
Intangible assets	16	78,260	87,577	–	–
Property, plant and equipment	17	11,931	9,374	–	–
Deferred tax assets	18	7,307	8,002	–	–
Other assets	21	453	319	453	319
Total non-current assets		1,077,351	857,293	1,085,004	836,100
Total assets		1,278,429	986,052	1,138,195	889,151
Liabilities					
<i>Current liabilities</i>					
Trade and other payables	19	70,213	60,661	49,449	41,450
Provisions	20	1,595	1,579	–	–
Total current liabilities		71,808	62,240	49,449	41,450
<i>Non-current liabilities</i>					
Trade and other payables	19	5,007	5,670	–	–
Provisions	20	1,153	1,054	–	–
Total non-current liabilities		6,160	6,724	–	–
Total liabilities		77,968	68,964	49,449	41,450
Net assets		1,200,461	917,088	1,088,746	847,701
Equity					
<i>Equity holders of Charter Hall Limited</i>					
Contributed equity	22(a)	253,907	232,101	–	–
Reserves	23	(44,615)	(44,386)	–	–
Accumulated losses	24	(97,577)	(118,328)	–	–
Parent entity interest		111,715	69,387	–	–
<i>Equity holders of Charter Hall Property Trust</i>					
Contributed equity	22(a)	1,181,772	945,333	1,181,772	945,333
Reserves	23	(46)	296	(46)	296
Accumulated losses	24	(92,980)	(97,928)	(92,980)	(97,928)
Equity holders of Charter Hall Property Trust (non-controlling interest)		1,088,746	847,701	1,088,746	847,701
Total equity		1,200,461	917,088	1,088,746	847,701

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 2015

ATTRIBUTABLE TO THE OWNERS OF THE CHARTER HALL GROUP					
	Note	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2013		1,010,883	(55,557)	(215,032)	740,294
Profit for the year		–	–	82,116	82,116
Other comprehensive income		–	568	–	568
Total comprehensive income		–	568	82,116	82,684
<i>Transactions with equity holders in their capacity as equity holders:</i>					
Contributions of equity, net of issue costs	22	158,198	–	–	158,198
Performance rights and options exercised		8,353	(3,400)	–	4,953
Transfer due to deferred compensation payable in performance rights		–	1,196	–	1,196
Distribution provided for or paid	8	–	–	(73,326)	(73,326)
Non-cash security-based benefit expense	36(b)	–	3,089	–	3,089
Transfer to accumulated losses		–	10,014	(10,014)	–
		166,551	10,899	(83,340)	94,110
Balance at 30 June 2014		1,177,434	(44,090)	(216,256)	917,088
Profit for the year		–	–	117,885	117,885
Other comprehensive income		–	409	–	409
Total comprehensive income		–	409	117,885	118,294
<i>Transactions with equity holders in their capacity as equity holders:</i>					
Contributions of equity, net of issue costs	22	248,317	–	–	248,317
Performance rights and options exercised		9,928	(5,229)	–	4,699
Transfer due to deferred compensation payable in performance rights		–	1,474	–	1,474
Distribution provided for or paid	8	–	–	(92,186)	(92,186)
Non-cash security-based benefit expense	36(b)	–	2,775	–	2,775
		258,245	(980)	(92,186)	165,079
Balance at 30 June 2015		1,435,679	(44,661)	(190,557)	1,200,461

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 2015

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
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
<i>Transactions with equity holders in their capacity as equity holders:</i>							
Contributions of equity, net of issue costs	22	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
Profit for the year		–	–	97,134	97,134	–	97,134
Other comprehensive income		–	(342)	–	(342)	–	(342)
Total comprehensive income		–	(342)	97,134	96,792	–	96,792
<i>Transactions with equity holders in their capacity as equity holders:</i>							
Contributions of equity, net of issue costs	22	227,271	–	–	227,271	–	227,271
Performance rights and options exercised		9,168	–	–	9,168	–	9,168
Distribution provided for or paid	8	–	–	(92,186)	(92,186)	–	(92,186)
		236,439	–	(92,186)	144,253	–	144,253
Balance at 30 June 2015		1,181,772	(46)	(92,980)	1,088,746	–	1,088,746

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 2015

	Note	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		145,259	127,846	2	1,658
Payments to suppliers and employees (inclusive of GST)		(101,616)	(88,592)	(1,123)	(1,183)
Interest received		3,115	4,576	1,198	1,565
Interest paid		(1,654)	(1,058)	(1,676)	(1,548)
Distributions and dividends from investments		56,079	44,561	50,019	37,535
Net cash inflow from operating activities	26	101,183	87,333	48,420	38,027
Cash flows from investing activities					
Payments for PP&E, net of lease incentive received		(5,190)	(2,343)	-	-
Proceeds on disposal of investment property		19,595	53,656	19,595	53,656
Refund/(payments) for inventory		1,162	(742)	-	-
Payments for investment properties		-	(49,800)	-	(49,800)
Investments in associates and joint ventures		(293,650)	(154,397)	(291,318)	(154,397)
Proceeds on disposal and return of capital from investments in associates and joint ventures		85,538	30,141	81,632	32,236
Payments for other intangibles		-	(1,857)	-	-
Loans to associates, joint ventures and related parties		-	(1,500)	(374,110)	(219,148)
Repayments from associates, joint ventures and related parties		21,250	5,500	398,610	252,478
Repayments from key management personnel		1,200	2,200	-	-
Net cash (outflow)/inflow from investing activities		(170,095)	(119,142)	(165,591)	(84,975)
Cash flow from financing activities					
Proceeds from issues of stapled securities and other equity securities		253,049	163,153	236,438	145,785
Proceeds from borrowings		102,100	47,000	102,100	47,000
Repayment of borrowings		(102,623)	(75,024)	(102,623)	(75,023)
Distributions paid to stapled securityholders		(82,284)	(65,437)	(82,284)	(72,466)
Net cash outflow from financing activities		170,242	69,692	153,631	45,296
Net (decrease)/increase in cash and cash equivalents		101,330	37,883	36,460	(1,652)
Cash and cash equivalents at the beginning of the year		50,184	12,236	577	2,229
Effects of exchange rate changes on cash and cash equivalents		79	65	-	-
Cash and cash equivalents at the end of the year	10	151,593	50,184	37,037	577

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 2015

1 Summary of significant accounting policies

The significant policies which have been adopted in the preparation of these consolidated financial statements for the year ended 30 June 2015 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 and CHPT and its controlled entities. 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.

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 Charter Hall Property Trust Group are for-profit entities for the purpose of preparing the consolidated 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.

Compliance with IFRS

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

- investment properties – measured at fair value
- investments in associates at fair value through profit or loss – measured at fair value
- investments in financial assets held at fair value – measured at fair value
- assets held for sale – measured at the lower of carrying amount and fair value less cost of disposal (except for investment properties which are measured at fair value)
- derivative financial instruments – measured at fair value

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 2014:

AASB 2013–3 Amendments to Australian Accounting Standards – Recoverable Amount Disclosures for Non-Financial Assets

The AASB has made amendments to AASB 136 Impairment of Assets which 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.

Additional disclosure is included in Note 16.

Critical accounting estimates

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

The areas involving significant estimates or judgements are:

- Consolidation decisions and classification of joint arrangements – Note 1(b)
- Income tax – Note 1(g)
- Impairment of assets – Note 1(h)
- Investment properties – Note 1(p)
- Non-current assets held for sale – Note 1(q)
- Intangibles – Note 1(r)
- Fair value estimation – Note 1(aa)

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

1 Summary of significant accounting policies continued

(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 2015 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 or joint control. Investments in associates are accounted for in the consolidated balance sheet at either fair value through profit or loss (CHPT only) or by using the equity method (CHPT and CHL). On initial recognition, the Group elects to account for investments in associates at either fair value through profit or loss or using the equity method based on assessment of the expected strategy for the investment.

Under the equity accounted method, the Group's share of the associates' post acquisition net profit 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.

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 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. The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group.

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 consolidated financial statements are presented in Australian dollars, which is CHL's and CHPT'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 consolidated balance sheet presented are translated at the closing rate at the date of that consolidated balance sheet;
- income and expenses for each income statement and consolidated statement of comprehensive income are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

(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 interests 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 2015	30-Jun 2014
Spot rate		
US Dollar	0.7678	0.9395
NZ Dollar	1.1369	1.0749
Euro	0.6865	0.6883
British Pound	0.4885	0.5515
Average rate		
US Dollar	0.8365	0.9267
NZ Dollar	1.0755	1.128
Euro	0.6962	0.6954
British Pound	0.5306	0.5761

(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 consolidated 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 and judgements 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 flows 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) Distributions

Distributions are recognised as revenue when the right to receive payment is established.

1 Summary of significant accounting policies continued

(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 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 consolidated 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: Investment in associates 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) Investment in associates at fair value through profit or loss

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

(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 of marketable equity securities, are non-derivative financial assets 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. Investment in associates at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated statement of comprehensive income. 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 Investment in associates 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 Investment in associates at fair value through profit or loss, excluding interest and distribution income, are presented in the consolidated 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(aa) and Note 28.

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 consolidated statement of comprehensive income – is removed from equity and recognised in the consolidated statement of comprehensive income. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments classified as available for sale are not reversed through the consolidated statement of comprehensive income.

(l) 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.

(m) 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 consolidated statement of comprehensive income during the financial year in which they are incurred.

Depreciation on other assets is calculated using the straight line 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 consolidated statement of comprehensive income.

1 Summary of significant accounting policies continued

(n) Lease incentives

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

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

(o) 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 34). Payments made under operating leases are charged to the statements 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 term.

(p) Investment properties

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

Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition, the investment properties are stated at fair value. Fair value of investment property is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 responsible entity with reference to independent valuation reports or through appropriate valuation techniques adopted by the responsible entity. Fair value is determined using a long term investment period. Specific circumstances of the owner are not taken into account.

The fair value measurement of investment property takes into account the 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 rotational basis at least once every 12 months, or earlier, where the responsible entity deems it appropriate or believes there may be a material change in the carrying value of the property.

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

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

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

Where the 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 consolidated statement of comprehensive income within net fair value gain/(loss) on investment property.

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

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

(q) Non-current assets classified as held for sale

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.

(r) Intangibles

(i) Intangibles – indefinite life assets

Intangibles with no fixed life are not amortised as they have an indefinite life. Intangibles 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. Intangibles are allocated to cash-generating units for the purpose of impairment testing.

(ii) Management Rights – finite life assets

Management rights 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.

(s) 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.

(t) Borrowings

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

Borrowings are removed from the consolidated 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.

(u) 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.

(v) 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.

(w) 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 inclusive of GST. The net amount of GST recoverable from or payable to the tax authority is included in receivables or payables in the consolidated balance sheet.

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

(x) 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 a corporate bond rate 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.

1 Summary of significant accounting policies continued

(x) Employee benefits continued

(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 36. 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, stapled security price at grant date, expected price volatility of the underlying stapled 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.

(y) 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.

(z) 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.

(aa) 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 cross currency interest rate swaps is determined using forward foreign exchange market rates and the present value of the estimated future cash flows at the balance date.

Certain 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 consolidated 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.

(ab) Earnings per stapled security

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.

(ac) 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 37, 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 write-down 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 a tax funding agreement 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.

(ad) 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 2015 reporting period but are available for early adoption. The impact of these new standards and interpretations (to the extent relevant to the Group) is set out below:

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

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

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

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

(iii) AASB 2014–3 Accounting for Acquisitions of Interests in Joint Operations (applicable 1 January 2016)

AASB 11 *Joint Arrangements* clarifies the accounting for the acquisition of an interest in a joint operation where the joint operation constitutes a business for AASB 3 *Business Combinations*. The Group does not expect a significant impact from its application.

(ae) Rounding of amounts

Under the option provided by Class Order 98/100 (as amended) issued by the Australian Securities and Investments Commission relating to the 'rounding off' of amounts in the financial statements, amounts in the Company and the Trust's financial statements have been rounded to the nearest hundred thousand dollars in accordance with that Class Order, unless otherwise indicated.

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:

(a) Classification and carrying value of investments

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. 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.

Investments in associates are accounted for at either fair value through profit or loss (CHPT only) or by using the equity method (CHPT and CHL). CHPT designates investments in associates as fair value through profit or loss or equity accounted on a case by case basis taking the investment strategy into consideration.

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.

(b) 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.

(c) 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.

(d) Impairment testing of intangibles

Critical judgements are made by the Charter Hall Group in assessing the recoverable amount of intangibles acquired, where the funds to which those intangibles relate have an indefinite life. Intangibles 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 16 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.

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 and therefore segment information for CHPT is not prepared and provided to the chief operating decision maker.

Charter Hall Group

The operating segments provided to the Board for the reportable segments for the year ended 30 June 2015 are as follows:

30 June 2015	Property Investments \$'000	Property Funds Management \$'000	Combined Group \$'000
Co-investment Income	59,210	–	59,210
Total property funds management income	–	112,905	112,905
Total income	59,210	112,905	172,115
Net operating expenses	(1,026)	(67,624)	(68,650)
Operating earnings before interest, tax, depreciation and amortisation	58,184	45,281	103,465
Non-cash security-based benefits expense ¹	–	–	(2,775)
Depreciation	–	(2,019)	(2,019)
Operating earnings before interest and tax	58,184	43,262	98,671
Interest income	1,924	–	1,924
Interest expense	(1,796)	–	(1,796)
Operating earnings attributable to stapled securityholders	58,312	43,262	98,799
Basic weighted average number of stapled securities ('000) per Note 9			359,584
Operating earnings per stapled security (OEPS)			27.5 cps
Number of securities for distribution per stapled security			406,818
Distribution per stapled security (DPS)			24.2 cps

¹ Non-cash security-based benefits expense is not allocated to a reportable segment.

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

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.

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
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 ¹	–	–	(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
Basic weighted average number of stapled securities ('000) per Note 9			320,615
Operating earnings per stapled security (OEPS)			25.3 cps
Number of securities for distribution per stapled security			347,989
Distribution per stapled security (DPS)			22.3 cps

¹ Non-cash security-based benefits expense is not allocated to a reportable segment.

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

3 Segment information continued

(a) Description of segments continued

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

	2015 \$'000	2014 \$'000
Total income per segment note	172,115	147,847
Add: recovery of property and fund related expenses	22,097	19,523
	194,212	167,370
Add: investment property expenses	-	161
Add: interest income	2,624	4,407
Add: straight-lining of income	-	21
Less: coupon income	-	(135)
Less: equity accounted profit in Property Investments segment	(57,198)	(45,422)
Less: equity accounted profit in Property Funds Management segment	(3,836)	(3,750)
Revenue per statement of comprehensive income	135,802	122,652

The reconciliation of net interest income/(expense) stated above to the statements of comprehensive income is as follows:

	2015 \$'000	2014 \$'000
Operating interest income per segment note	1,924	2,495
Operating interest expense per segment note	(1,796)	(1,303)
Add: interest reclassified to investment income	700	1,912
Net interest income/(expense)	828	3,104
Interest income	2,624	4,407
Finance costs	(1,796)	(1,303)
Net interest income/(expense)	828	3,104

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

	2015 \$'000	2014 \$'000
Operating earnings	98,799	81,163
Net fair value (loss)/gain on financial derivatives ¹	(5,582)	(909)
Net fair value movements on investments and property ¹	37,395	13,230
Amortisation and impairment of intangibles	(9,317)	(8,489)
Transfer from reserves of cumulative foreign exchange losses ¹	(702)	(488)
Income tax benefit/(expense)	(357)	1,007
Other ¹	(2,351)	(3,398)
Statutory profit after tax attributable to stapled securityholders of Charter Hall Group	117,885	82,116

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

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

4 Revenue

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<i>Sales Revenue</i>				
Gross rental income	-	1,066	-	1,066
Management fees, expense recoveries, performance fees and transaction fees	131,168	114,918	-	207
	131,168	115,984	-	1,273
<i>Other revenue</i>				
Interest	2,624	4,407	17,698	22,859
Distributions/dividends ¹	2,010	2,261	2,010	2,262
	4,634	6,668	19,708	25,121
Total revenue	135,802	122,652	19,708	26,394

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 31 and 32 for further details.

5 Expenses

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Profit before income tax include the following specific expenses:				
<i>Depreciation</i>				
Plant and equipment	2,019	1,375	-	-
<i>Amortisation and impairment</i>				
Intangibles – amortisation	8,517	8,489	-	-
Intangibles – impairment	800	-	-	-
	9,317	8,489	-	-
<i>Finance costs</i>				
Interest and finance charges paid/payable	1,796	1,303	2,066	1,793
<i>Employee costs</i>				
Employee benefits expense	71,056	64,645	-	-
Restructuring costs	1,302	1,336	-	-
Non-cash security-based benefits expense	2,775	3,089	-	-
Payroll tax	4,678	3,396	-	-
	79,811	72,466	-	-
<i>Administration and other expenses</i>				
Legal and consulting costs	1,849	1,112	31	42
Rent expense – minimum lease payments on operating leases	2,193	2,031	-	-
Other occupancy costs	318	247	-	-
Communication and IT expenses	4,448	4,187	-	-
Other expenses	5,784	5,982	153	102
	14,592	13,559	184	144

6 Fair value adjustments

	Note	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<i>Included in total income:</i>					
Investment properties	15	-	183	-	183
<i>Included in total expenses:</i>					
Investments in associates at fair value through profit or loss	31	1,901	(1,778)	1,901	(1,773)

7 Income tax expense

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
(a) Income tax expense/(benefit)				
Current tax (benefit)/expense	(338)	606	-	-
Deferred income tax expense/(benefit)	695	(1,613)	-	-
	357	(1,007)	-	-
Deferred income tax expense/(benefit)				
Increase in deferred tax assets	(232)	(2,830)	-	-
Increase in deferred tax liabilities	927	1,217	-	-
	695	(1,613)	-	-
(b) Reconciliation of income tax expense/(benefit) to prima facie tax payable				
Profit before income tax expense	118,242	81,109	97,134	70,521
Prima facie tax expense at the Australian tax rate of 30%	35,473	24,333	29,140	21,156
<i>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:</i>				
Charter Hall Property Trust income	(29,140)	(21,437)	(29,140)	(21,156)
Non-allowable expenses	2,912	2,459	-	-
Share-based payments expense	(3,792)	(1,633)	-	-
Utilisation of losses not previously recognised	-	(2,531)	-	-
Sundry items	147	186	-	-
Tax (refund)/expenses on foreign subsidiaries	(338)	606	-	-
Derecognition of deferred tax asset on unrealised capital losses	-	4,308	-	-
Recognition of deferred tax asset on prior year income tax losses	(3,468)	(5,892)	-	-
Non-taxable dividends, net of equity accounted profit	(1,262)	(1,138)	-	-
Adjustments in respect of prior years	(175)	(262)	-	-
Difference in overseas tax rates	-	(6)	-	-
	357	(1,007)	-	-

(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) Charter Hall Property Trust

Under current Australian income tax legislation, the Trust is not liable for income tax on its taxable income (including any assessable component of capital gains) provided that the unitholders are presently entitled to the income of the Trust.

(e) Capital tax losses – Charter Hall Group

At 30 June 2015, the Group has approximately \$9.0 million (2014: \$0.8 million) of tax effected unrecognised capital tax losses.

8 Distributions paid and payable

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Final ordinary distribution for the six months ended 30 June 2015 of 12.1 cents per stapled security payable on 31 August 2015	49,225	–	49,225	–
Interim ordinary distribution for the six months ended 31 December 2014 of 12.1 cents per stapled security paid on 27 February 2015	42,961	–	42,961	–
Final ordinary distribution for the six months ended 30 June 2014 of 11.3 cents per stapled 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 stapled security paid on 25 February 2014	–	34,003	–	34,003
Total distributions paid and payable	92,186	73,326	92,186	73,326

Franking credits available in the parent entity (Charter Hall Limited) for subsequent financial years based on a tax rate of 30% (2014: 30%) are \$3,336,951 (2014: \$3,336,951).

9 Earnings per stapled security

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2015 Cents	2014 Cents	2015 Cents	2014 Cents
(a) Basic earnings per stapled security				
Basic earnings attributable to the stapled securityholders	32.8	25.6	27.0	22.0
(b) Diluted earnings per stapled security				
Diluted earnings attributable to the stapled securityholders	32.3	24.9	26.6	21.4

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
(c) Reconciliations of earnings used in calculating earnings per stapled security				
Profit attributable to the ordinary stapled securityholders of the Group used in calculating diluted earnings per stapled security	117,885	82,116	97,134	70,563

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2015 Number	2014 Number	2015 Number	2014 Number
(d) Weighted average number of stapled securities used as the denominator				
Weighted average number of ordinary stapled securities used as the denominator in calculating basic earnings per stapled security	359,584,475	320,614,668	359,584,475	320,614,668
Adjustments for calculation of diluted earnings per stapled security:				
Performance rights	4,142,993	6,098,199	4,142,993	6,098,199
Service rights	666,551	263,193	666,551	263,193
Options	418,919	2,532,125	418,919	2,532,125
Weighted average number of ordinary stapled securities and potential ordinary stapled securities used as the denominator in calculating diluted earnings per stapled security	364,812,938	329,508,185	364,812,938	329,508,185

9 Earnings per stapled security continued

(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) Stapled securities issued under the General Employee Share Plan (GESP)

Stapled 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 stapled security is required under the GESP.

10 Cash and cash equivalents

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Cash at bank and on hand	151,593	50,184	37,037	577

These amounts earn floating interest rates of between nil and 2.5% (2014: nil and 3.0%).

11 Trade and other receivables

	Note	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<i>Current</i>					
Trade receivables		14,172	11,694	-	139
Loans to key management personnel		-	1,200	-	-
Loans to joint ventures	29(e)	6,500	21,250	-	21,250
Distributions receivable		17,217	14,399	16,154	13,605
Capital distributions receivable		-	11,910	-	11,910
Other receivables		503	6,207	-	5,570
Prepayments		217	323	-	-
		38,609	66,983	16,154	52,474
<i>Non-current</i>					
Loans to joint ventures	29(e)	-	6,500	-	-
Loan receivable from Charter Hall Limited		-	-	198,427	181,292
		-	6,500	198,427	181,292

(a) Bad and doubtful trade receivables

During the year, the Charter Hall Group and Charter Hall Property Trust Group incurred \$nil expense (2014: \$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 27 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	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Current	13,843	11,032	-	139
1 to 3 months	328	662	-	-
3 to 6 months	1	-	-	-
More than 6 months	-	-	-	-
	14,172	11,694	-	139

As at 30 June 2015, Charter Hall Group had trade receivables of \$329,000 (2014: \$662,000) past due but not impaired. Charter Hall Property Trust had \$nil receivables past due (2014: \$nil).

12 Assets classified as held for sale

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
685 La Trobe St	10,876	11,592	-	-

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	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Opening balance	11,592	55,225	-	55,225
Assets reclassified to held for sale	-	11,592	-	-
Additions	1,284	-	-	-
Refund of pre-paid development costs	(2,000)	-	-	-
Amortisation of lease incentives	-	7	-	7
Disposals	-	(55,232)	-	(55,232)
Closing balance	10,876	11,592	-	-

Refer to Note 39 for details regarding the sale of the development site at 685 La Trobe St, Melbourne subsequent to 30 June 2015.

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

	Note	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Investments in associates	31	65,535	14,234	65,535	14,234

Changes in fair values of investments in associates at fair value through profit or loss are recorded in fair value adjustments in the consolidated 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 27.

14 Investments accounted for using the equity method

	Note	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Investments in associates	31	655,980	583,414	592,722	520,627
Investments in joint venture entities	32	257,885	99,487	227,867	71,242
		913,865	682,901	820,589	591,869

Investments in associates represent units in listed and unlisted Charter Hall managed funds which are accounted for using the equity method. Refer to Note 31 (a) for carrying value of investments in associates. Investments in joint venture entities represent joint venture interests in Australia which are accounted for using the equity method. Refer to Note 32 (a) for carrying value of investments in joint venture entities.

15 Investment properties

During the prior year the Group established a new controlled entity investment fund, BP Fund 2, to facilitate the purchase of a portfolio of investment properties. The Group introduced an equity partner into BP Fund 2 on 18 August 2014, reducing the Group's equity interest in the fund resulting in the fund being deconsolidated and subsequently accounted for as a joint venture. 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	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Opening balance	48,386	–	48,386	–
Additions	–	46,215	–	46,215
Acquisition costs incurred	–	1,966	–	1,966
Revaluation increment	–	183	–	183
Straightlining of rental income	–	22	–	22
Assets deconsolidated	(48,386)	–	(48,386)	–
Closing balance	–	48,386	–	48,386

Key valuation assumptions used in the determination of the investment properties' fair value and the Group's valuation policy are disclosed in Note 28.

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	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'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

16 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, now Charter Hall Direct Office 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 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 \$54.1 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.

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 an intangible asset which is considered to have an indefinite useful life. As a result of investment property sales by PFA, the underlying future cash flows from asset management fees have reduced. This has triggered a corresponding reduction in the recoverable amount of the intangible resulting in an impairment of \$0.8 million to \$4.4 million during the year.

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<i>Indefinite life intangibles</i>				
<i>Charter Hall Retail REIT</i>				
Opening and closing balance	42,288	42,288	-	-
<i>Charter Hall Direct Office Fund¹</i>				
Opening balance	7,423	10,672	-	-
Transfers to finite life management rights ²	-	(3,249)	-	-
Closing balance	7,423	7,423	-	-
<i>PFA Diversified Property Trust</i>				
Opening balance	5,217	5,217	-	-
Impairment	(800)	-	-	-
Closing balance	4,417	5,217	-	-
Total indefinite life intangibles	54,128	54,928	-	-
<i>Finite life intangibles</i>				
<i>Charter Hall Office Trust</i>				
Opening balance	32,649	37,889	-	-
Transfers to indefinite life management rights ²	-	3,249	-	-
Amortisation charge	(8,517)	(8,489)	-	-
Total finite life management rights	24,132	32,649	-	-
Total intangible assets	78,260	87,577	-	-

1 Formerly Charter Hall Direct Property Fund.

2 During the prior 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.

16 Intangible assets continued

All management rights recognised on the consolidated balance sheet were internally valued as at 30 June 2015 in conducting the annual impairment assessment. The valuations support the carrying values and the methodology applied is an assessment of value in use based on discounted cash flows (level 3 of the fair value hierarchy).

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 three year period. Cash flows beyond the three-year period are extrapolated using estimated growth rates appropriate for the business;
- Pre-tax discount rate range of 13% – 15% (2014: 14% – 17%) which is in excess of the Charter Hall Group's weighted average cost of capital;
- Growth after three years of 2 – 3% (2014: 3%) per annum; and
- Terminal value multiple of 7.0 times earnings (2014: 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.

17 Property, plant and equipment

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Opening net book amount	9,374	2,743	-	-
Additions ¹	5,007	9,153	-	-
Disposals	(431)	(1,147)	-	-
Depreciation charge	(2,019)	(1,375)	-	-
Closing net book amount	11,931	9,374	-	-
<i>At balance date</i>				
Cost ²	16,420	12,725	-	-
Accumulated depreciation ²	(4,489)	(3,351)	-	-
Net book amount	11,931	9,374	-	-

1 Additions of \$9.2 million in the prior year 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 19.

2 Assets were written off during the year, which are no longer in service, with a book value of nil reducing the cost and accumulated depreciation by \$0.8 million.

18 Deferred tax assets

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Deferred tax assets comprises temporary differences attributable to:				
Tax losses carried forward	5,836	5,892	-	-
Employee benefits	5,616	5,130	-	-
Other	182	380	-	-
	11,634	11,402	-	-
Deferred tax liabilities comprises temporary differences attributable to:				
Investment in associates	(4,108)	(3,218)	-	-
Other	(219)	(182)	-	-
	(4,327)	(3,400)	-	-
Net deferred tax assets	7,307	8,002	-	-

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:

	NOTE	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Opening balance		8,002	6,389	-	-
Charged to income statement	7	(695)	1,613	-	-
Closing balance		7,307	8,002	-	-
Net deferred tax assets expected to reverse within 12 months		11,069	9,935	-	-
Net deferred tax (liabilities)/assets expected to reverse after more than 12 months		(3,762)	(1,933)	-	-
		7,307	8,002	-	-

19 Trade and other payables

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<i>Current</i>				
Trade payables	497	17	22	-
Accruals	1,461	3,550	348	1,996
Distribution payable	49,225	39,323	49,225	39,323
GST payable	803	1,683	(81)	(20)
Annual leave liability	2,793	2,770	-	-
Employee benefits liability	13,342	11,762	-	-
Other payables	1,431	1,057	(65)	151
Lease incentive liability	661	499	-	-
	70,213	60,661	49,449	41,450
<i>Non-current</i>				
Lease incentive liability	5,007	5,670	-	-

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

20 Provisions

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<i>Current</i>				
Employee benefits – long service leave	1,595	1,579	-	-
<i>Non-current</i>				
Employee benefits – long service leave	1,153	1,054	-	-
Total provisions	2,748	2,633	-	-

21 Interest-bearing liabilities

Charter Hall Property Trust loan

Tranche A

In August 2014, the facility was extended to August 2017, and in October 2014 the facility limit was increased from \$75.0 million to \$100.0 million. At 30 June 2015, borrowings of \$nil (30 June 2014: \$nil) and bank guarantees of \$11.5 million (30 June 2014: \$9.3 million) had been drawn under this facility.

Tranche B

This \$25.0 million facility expires in August 2015. No debt is currently drawn from this facility.

Borrowing costs

Additional borrowing costs of \$487,000 were incurred during the year in relation to the increase of the facility limit and term extension. As no debt was drawn on the CHPT facility as at 30 June 2015, unamortised borrowing costs of \$453,000 (30 June 2014: \$319,000) 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	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<i>Non-Current</i>				
<i>First ranking security</i>				
Investment in associates	886,124	606,103	886,124	606,103

(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	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Total facilities	125,000	100,000	125,000	100,000
Used at reporting date	(11,515)	(9,330)	(11,515)	(9,330)
Unused at reporting date	113,485	90,670	113,485	90,670

The facility utilised includes bank guarantees of \$11.5 million (30 June 2014: \$9.3 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 total assets with both net of cash and cash equivalents.

The gearing ratio of the Charter Hall Group at 30 June 2015 was nil % (30 June 2014: nil %), and of the Charter Hall Property Trust Group nil % (30 June 2014: nil %). 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.

22 Contributed equity

(a) Security capital

	2015 Securities	2014 Securities	2015 \$'000	2014 \$'000
Charter Hall Limited			253,907	232,101
Charter Hall Property Trust			1,181,772	945,333
Ordinary securities – stapled securities, fully paid	406,817,856	347,989,262	1,435,679	1,177,434

(b) Movements in ordinary stapled security capital

Details	Number of securities ¹	Average issue price	Charter Hall Limited \$'000	Charter Hall Property Trust \$'000	Total \$'000
Opening balance	302,262,312		211,335	799,548	1,010,883
Performance rights and options exercised ²	3,467,703	\$ 2.55	992	7,361	8,353
Issuance under DRP ³	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
Closing balance at 30 June 2014	347,989,262		232,389	947,373	1,179,762
Less: Transaction costs on stapled security issues			(288)	(2,040)	(2,328)
Closing balance per accounts at 30 June 2014	347,989,262		232,101	945,333	1,177,434
Performance rights and options exercised ⁴	5,740,582	\$ 2.27	760	9,168	9,928
Issuance under DRP ⁵	5,677,978	\$ 4.47	2,102	23,289	25,391
Issued under institutional placement	47,071,130	\$ 4.78	19,125	205,875	225,000
Issued under stapled security purchase plan	338,904	\$ 4.78	138	1,483	1,621
Balance at 30 June 2015	406,817,856		254,226	1,185,148	1,439,374
Less: Transaction costs on stapled security issues			(319)	(3,376)	(3,695)
Balance per accounts at 30 June 2015	406,817,856		253,907	1,181,772	1,435,679

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 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.

3 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.

4 Includes 1,060,062 options with a strike price of \$1.94, 1,045,676 with a strike price of \$2.44 and 44,628 with a strike price of \$2.80.

5 Includes 1,497,486 issued in August 2014 with an issue price of \$4.16 and 4,180,492 issued in February 2015 with an issue price of \$4.58.

(c) Ordinary stapled securities

Ordinary stapled 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 stapled securities held.

On a show of hands, every holder of ordinary stapled securities present at a meeting in person or by proxy is entitled to one vote, and upon a poll each stapled 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 stapled securities may elect to have all or part of their distribution satisfied by the issue of new ordinary stapled securities rather than by being paid in cash. Stapled securities are issued under the plan at a discount to the market price. The DRP was in effect for the entire year.

23 Reserves

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Business combination reserve	(52,000)	(52,000)	-	-
Security-based benefits reserve	7,385	8,365	-	-
Foreign currency reserve	(46)	(455)	(46)	296
	(44,661)	(44,090)	(46)	296
Charter Hall Limited	(44,615)	(44,386)	-	-
Charter Hall Property Trust	(46)	296	(46)	296
	(44,661)	(44,090)	(46)	296

Movements:

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<i>Business combination reserve</i>				
Opening and closing balance	(52,000)	(52,000)	-	-
<i>Security-based benefits reserve</i>				
Opening balance	8,365	7,480	-	-
Non-cash security-based benefits expense	2,775	3,089	-	-
Transfer due to deferred compensation payable in performance rights	1,474	1,196	-	-
Transferred to equity on options and performance rights exercised	(5,229)	(3,400)	-	-
Closing balance	7,385	8,365	-	-
<i>Transactions with non-controlling interests</i>				
Opening balance	-	(10,014)	-	(1,199)
Transfer to accumulated losses	-	10,014	-	1,199
Closing balance	-	-	-	-
<i>Foreign currency reserve</i>				
Opening balance	(455)	(1,023)	296	(211)
Exchange differences on translation of foreign operations	(264)	80	(342)	19
Transfer of cumulative FX losses to profit or loss	673	488	-	488
Closing balance	(46)	(455)	(46)	296

(a) 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.

(b) Security based benefits reserve

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

(c) 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 was transferred to accumulated losses in the prior year.

(d) 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.

24 Accumulated losses

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Opening balance	(216,256)	(215,032)	(97,928)	(93,966)
Profit for the year	117,885	82,116	97,134	70,563
Distributions	(92,186)	(73,326)	(92,186)	(73,326)
Transfer from non-controlling interest reserve	-	(10,014)	-	(1,199)
Closing balance	(190,557)	(216,256)	(92,980)	(97,928)
Charter Hall Limited	(97,577)	(118,328)	-	-
Charter Hall Property Trust	(92,980)	(97,928)	(92,980)	(97,928)
Closing balance	(190,557)	(216,256)	(92,980)	(97,928)

25 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	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
(a) Audit services				
PricewaterhouseCoopers – Australian Firm				
Audit and review of financial reports	333,500	367,048	7,000	5,000
Total remuneration for audit services	333,500	367,048	7,000	5,000
(b) Taxation services				
PricewaterhouseCoopers – Australian Firm				
Taxation services	145,780	48,817	-	-
Total remuneration for taxation services	145,780	48,817	-	-

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

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Profit after tax for the year	117,885	82,116	97,134	70,521
<i>Non-cash items:</i>				
Amortisation and impairment of intangibles	9,317	8,489	-	-
Depreciation and amortisation	2,408	1,631	389	256
Non-cash employee benefits expense – security-based benefits	2,775	3,089	-	-
Net loss/(gain) on sale of investments, property and derivatives	(438)	2,528	(426)	1,787
Fair value adjustments	(1,901)	1,596	(1,901)	1,590
Foreign exchange movements	673	14	-	-
<i>Change in assets and liabilities, net of effects from purchase of controlled entity:</i>				
(Increase)/decrease in trade debtors and other receivables	689	3,433	(16,947)	(20,380)
Increase/(decrease) in trade creditors and accruals	3,377	4,590	455	332
Share of profit from investment in associates and joint venture entities	(34,297)	(18,544)	(30,284)	(16,079)
(Increase)/decrease for net deferred income tax	695	(1,609)	-	-
Net cash inflow from operating activities	101,183	87,333	48,420	38,027

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

27 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

Both the Charter Hall Group and Charter Hall Property Trust Group activities expose it 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 cooperation 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 respective fund board or investment committee and the Executive Valuation Committee.

The following table 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%	
	Carrying amount \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
<i>Charter Hall Group</i>					
<i>2015</i>					
<i>Assets – Charter Hall Group</i>					
Investments in associates at fair value through profit or loss	65,535	(6,554)	(6,554)	6,554	6,554
<i>2014</i>					
<i>Assets – Charter Hall Group</i>					
Investments in associates at fair value through profit or loss	14,234	(1,423)	(1,423)	1,423	1,423
<i>Charter Hall Property Trust Group</i>					
<i>2015</i>					
<i>Assets – Charter Hall Property Trust Group</i>					
Investments in associates at fair value through profit or loss	65,535	(6,554)	(6,554)	6,554	6,554
<i>2014</i>					
<i>Assets – Charter Hall Property Trust Group</i>					
Investments in associates at fair value through profit or loss	14,234	(1,423)	(1,423)	1,423	1,423

Cash flow and fair value interest rate risk

The Charter Hall Group has no long-term interest bearing assets and the income and operating cash receipts are not materially exposed to changes in market interest rates.

Charter Hall Property Trust has a loan receivable from Charter Hall Limited which is an unsecured stapled loan maturing on 30 June 2021 with interest charged on an arm's length basis. Refer to note 29(e) for further details.

The Charter Hall Group's and Charter Hall Property Trust Group's external interest rate risk arises from the \$125 million loan facility. At 30 June 2015 no borrowings were drawn on this facility (2014: \$nil). 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 2015.

(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:					
	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
<i>Charter Hall Group</i>						
<i>2015</i>						
Trade and other payables	-	-	-	-	75,220	75,220
Weighted average interest rate	0.0%					
<i>2014</i>						
Trade and other payables	-	-	-	-	66,331	66,331
Weighted average interest rate	0.0%					
<i>Charter Hall Property Trust Group</i>						
<i>2015</i>						
Trade and other payables	-	-	-	-	49,449	49,449
Weighted average interest rate	0.0%					
<i>2014</i>						
Trade and other payables	-	-	-	-	41,450	41,450
Weighted average interest rate	0.0%					

27 Capital and financial risk management continued

(b) Financial risk management continued

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.

			-1%		+1%	
	Fair value \$'000	Carrying amount \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Charter Hall Group						
2015						
<i>Financial assets</i>						
Cash and cash equivalents	151,593	151,593	(1,516)	(1,516)	1,516	1,516
2014						
<i>Financial assets</i>						
Cash and cash equivalents	50,184	50,184	(502)	(502)	502	502
Charter Hall Property Trust Group						
2015						
<i>Financial assets</i>						
Cash and cash equivalents	37,037	37,037	(370)	(370)	370	370
Loan receivable from Charter Hall Ltd	198,427	198,427	(1,984)	(1,984)	1,984	1,984
Total increase/(decrease)			(2,354)	(2,354)	2,354	2,354
2014						
<i>Financial assets</i>						
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

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.

(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 at 30 June 2015.

(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.

58% of the Charter Hall Group's income is derived from management fees, transaction and other fees from related parties. 40% 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.

80% of the Charter Hall Property Trust Group's income is derived from equity accounted investments in property funds and distributions from investments in property funds held at fair value through profit and loss. 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. 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.

	Carrying amount \$'000	Less than 1 year \$'000	Between 1 and 2 years \$'000	Over 2 years \$'000	Total cash flows \$'000	
<i>Charter Hall Group</i>						
<i>2015</i>						
Trade and other payables	75,220	70,213	663	4,344	75,220	
<i>2014</i>						
Trade and other payables	66,331	60,661	663	5,007	66,331	
<i>Charter Hall Property Trust Group</i>						
<i>2015</i>						
Trade and other payables	49,449	49,449	–	–	49,449	
<i>2014</i>						
Trade and other payables	41,450	41,450	–	–	41,450	
FIXED INTEREST MATURING IN:						
	Floating interest rate \$'000	1 year or less \$'000	Between 1 and 2 years \$'000	Over 2 years \$'000	Non-interest bearing \$'000	Total \$'000
<i>Charter Hall Group</i>						
<i>2015</i>						
Trade and other payables	–	–	–	–	75,220	75,220
Weighted average interest rate	0.0%					
<i>2014</i>						
Trade and other payables	–	–	–	–	66,331	66,331
Weighted average interest rate	0.0%					
FIXED INTEREST MATURING IN:						
	Floating interest rate \$'000	1 year or less \$'000	Between 1 and 2 years \$'000	Over 2 years \$'000	Non-interest bearing \$'000	Total \$'000
<i>Charter Hall Property Trust Group</i>						
<i>2015</i>						
Trade and other payables	–	–	–	–	49,448	49,448
Weighted average interest rate	0.0%					
<i>2014</i>						
Trade and other payables	–	–	–	–	41,450	41,450
Weighted average interest rate	0.0%					

28 Fair value measurement

(a) Recognised fair value measurement

The Charter Hall Group and the Charter Hall Property Trust Group measures and recognises 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 31).
- Investment properties (refer to Note 15).

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

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Charter Hall Group</i>				
<i>2015</i>				
Investments in associates at fair value through profit and loss	–	–	65,535	65,535
Total assets	–	–	65,535	65,535
<i>2014</i>				
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
<i>Charter Hall Property Trust Group</i>				
<i>2015</i>				
Investments in associates at fair value through profit and loss	–	–	65,535	65,535
Total assets	–	–	65,535	65,535
<i>2014</i>				
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

There have been no transfers between Level 1, Level 2 and Level 3 during the period.

(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.

(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 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.

The fair value of investments in associates at fair value through profit or loss is impacted by the price per security of the investment. An increase to the price per security results in an increase to the fair value of the investment.

29 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

Interest in controlled entities are set out in Note 30.

(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

Below are the aggregate amounts paid to key management personnel:

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2015 \$	2014 \$	2015 \$	2014 \$
Salary and fees	4,603,102	5,697,567	-	-
Short-term incentives	1,642,631	3,125,310	-	-
Superannuation	112,698	173,306	-	-
Value of securities vested	8,026,169	4,808,714	-	-
Non-monetary benefits	87,399	68,188	-	-
	14,471,999	13,873,085	-	-

(d) Transactions with related parties

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

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2015 \$	2014 \$	2015 \$	2014 \$
Accounting cost recoveries	7,754,727	7,160,374	-	-
Marketing cost recoveries	1,704,363	1,291,013	-	-
Management and performance fees	49,959,902	46,537,099	-	-
Transaction and development fees	25,455,083	19,622,404	-	-
Commitment fees	-	67,500	-	-
Property management fees and cost recoveries	44,283,173	37,712,834	-	-

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

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2015 \$	2014 \$	2015 \$	2014 \$
Management fee receivables	8,123,840	6,908,532	-	-
Other receivables	5,883,255	4,785,346	-	-

Transactions with associates and joint ventures are disclosed in Notes 31 and 32 respectively.

29 Related parties continued

(e) Loans to/(from) related parties

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2015 \$	2014 \$	2015 \$	2014 \$
<i>Loans to joint ventures and associates</i>				
Opening balances	27,750,000	32,293,898	21,250,000	21,250,000
Loans advanced	-	1,500,000	-	-
Loan repayments received	(21,250,000)	(5,500,000)	(21,250,000)	-
Interest charged	-	2,942,972	-	1,911,723
Interest received/receivable	-	(3,486,870)	-	(1,911,723)
Closing balance	6,500,000	27,750,000	-	21,250,000
<i>Loans to Charter Hall Limited</i>				
Opening balance	-	-	181,292,069	197,240,144
Loans advanced	-	-	373,638,800	215,691,599
Loan repayments received	-	-	(373,454,073)	(252,477,771)
Interest charged	-	-	16,949,968	20,838,097
Closing balance	-	-	198,426,764	181,292,069

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 2015, amounted to a weighted average rate of 10.58% (June 2014: 10.66%).

CHPT issued \$21,250,000 in convertible preference notes to TTP Wholesale Fund (TTP) (formerly Keperra Square Fund (KS)) on 28 June 2013. The notes incurred interest based on a yield formula and were redeemed in 11 December 2014.

(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 \$944,000 (2014: \$854,000). At 30 June 2015, related fees payable amounted to \$282,000 (2014: \$208,000).

30 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	2015 %	2014 %
Controlled entities of Charter Hall Limited					
Charter Hall Holdings Pty Limited	Australia	Property management	Ordinary	100	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 ¹	Australia	Trustee company	Ordinary	-	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 Development Services Pty Ltd	Australia	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

Name of entity	Country of incorporation	Principal Activity	Class of securities	2015 %	2014 %
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	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 ¹	Australia	Trustee company	Ordinary	–	100
Stelridge Pty Limited ¹	Australia	Trustee company	Ordinary	–	100
Visokoi Pty Limited	Australia	Trustee company	Ordinary	100	100
Controlled entities of Charter Hall Property Trust					
BP Fund 2 ²	Australia	Property investment	Ordinary	–	100
Charter Hall Direct Retail Fund	Australia	Property investment	Ordinary	100	100
Charter Hall Co-Investment Trust ³	Australia	Property investment	Ordinary	100	100
Charter Hall Special Situations Office Fund ⁴	Australia	Property investment	Ordinary	–	100
CHC CDC Holding Trust	Australia	Property investment	Ordinary	100	100
CHC CDC Trust ⁵	Australia	Property investment	Ordinary	–	100
CHPT RP2 Trust	Australia	Property investment	Ordinary	100	100

1 Terminated during the year.

2 The Group reduced its interest to 14.6% interest in BP Fund 2 and it has been deconsolidated and accounted for as a joint venture. Refer to Note 32.

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), TTP Wholesale Fund (TTP) (formerly Keperra Square Fund (KS)), Charter Hall Direct Office Fund (CHDOF), Charter Hall Direct Industrial Fund 3 (DIF3) and Retail Partnership No.6 Trust (RP6).

4 Terminated during the year.

5 Divested during the year.

Name of entity	Country of incorporation	Principal Activity	Class of securities	2015 %	2014 %
Controlled entities of Charter Hall Direct Retail Fund					
Core Plus Retail Fund New Zealand	Australia	Property investment	Ordinary	100	100
Mentone Property Trust	Australia	Property investment	Ordinary	100	100
Menai Retail Property Trust ¹	Australia	Property investment	Ordinary	100	100
CPRF MSN Property Trust	Australia	Property investment	Ordinary	100	100

1 Formerly Charter Hall MMN Property Trust.

30 Controlled entities continued

(b) Details of controlled entities of the Charter Hall Property Trust Group

Name of entity	Country of incorporation	Principal Activity	Class of securities	2015 %	2014 %
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	84	84
Charter Hall Co-Investment Trust ²	Australia	Property investment	Ordinary	100	100
Charter Hall Special Situations Office Fund ³	Australia	Property investment	Ordinary	–	100
CHC CDC Holding Trust	Australia	Property investment	Ordinary	100	100
CHC CDC Trust ⁴	Australia	Property investment	Ordinary	–	100
CHPT RP2 Trust	Australia	Property investment	Ordinary	100	100

1 The Group reduced its interest to 14.6% interest in BP Fund 2 and it has been deconsolidated and accounted for as a joint venture. Refer to Note 32.

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), TTP Wholesale Fund (TTP) (formerly Keperra Square Fund (KS)), Charter Hall Direct Office Fund (CHDOF), Charter Hall Direct Industrial Fund 3 (DIF3) and Retail Partnership No.6 Trust (RP6).

3 Terminated during the year.

4 Divested during the year.

31 Investments in associates

(a) Carrying amounts

Information relating to associates is set out below. All associates are incorporated and operate in Australia.

		OWNERSHIP INTEREST			
Charter Hall Group Name of entity	Principal Activity	2015 %	2014 %	2015 \$'000	2014 \$'000
Accounted for at fair value through profit or loss:					
<i>Unlisted</i>					
Charter Hall Direct Office Fund ¹	Property investment	9.3	4.2	38,766	11,026
Charter Hall Diversified Property Fund	Property investment	19.6	19.6	1,317	1,763
Charter Hall Umbrella Fund	Property investment	24.2	24.2	638	699
Charter Hall Direct Industrial Fund ²	Property investment	–	0.3	–	339
Charter Hall Direct Industrial Fund	Property investment	–	0.2	–	248
PFA Diversified Property Trust	Property investment	0.1	0.1	183	159
Charter Hall Direct Industrial Fund ³	Property investment	24.3	–	24,631	–
				65,535	14,234
Equity accounted					
<i>Unlisted</i>					
Charter Hall Office Trust ²	Property investment	14.3	14.3	163,959	172,938
Charter Hall Core Plus Office Fund	Property investment	12.8	9.9	168,603	116,871
Core Logistics Partnership	Property investment	14.8	19.1	95,712	84,777
Charter Hall Core Plus Industrial Fund	Property investment	7.2	11.7	74,939	72,241
Charter Hall Opportunity Fund ⁵	Property development	15.0	15.0	5,787	7,326
Charter Hall Opportunity Fund ⁴	Property development	3.0	3.0	12	35
<i>Listed</i>					
Charter Hall Retail REIT ³	Property investment	10.7	10.2	146,968	129,226
				655,980	583,414
Total investments in associates				721,515	597,648

1 Formerly Charter Hall Direct Property Fund.

2 The entity has a 31 December balance date.

3 Fair value at the ASX quoted price as at 30 June 2015 was \$170,865,000 (30 June 2014: \$146,309,000).

OWNERSHIP INTEREST					
Charter Hall Property Trust Group Name of entity	Principal Activity	2015 %	2014 %	2015 \$'000	2014 \$'000
Accounted for at fair value through profit or loss:					
<i>Unlisted</i>					
Charter Hall Direct Office Fund ¹	Property investment	9.3	4.2	38,766	11,026
Charter Hall Diversified Property Fund	Property investment	19.6	19.6	1,317	1,763
Charter Hall Umbrella Fund	Property investment	24.2	24.2	638	699
Charter Hall Direct Industrial Fund ²	Property investment	–	0.3	–	339
Charter Hall Direct Industrial Fund	Property investment	–	0.2	–	248
PFA Diversified Property Trust	Property investment	0.1	0.1	183	159
Charter Hall Direct Industrial Fund ³	Property investment	24.3	–	24,631	–
				65,535	14,234
Equity accounted					
<i>Unlisted</i>					
Charter Hall Office Trust ²	Property investment	14.3	14.3	163,959	172,938
Charter Hall Core Plus Office Fund	Property investment	11.9	9.0	157,628	106,239
Core Logistics Partnership	Property investment	14.8	19.1	95,712	84,777
Charter Hall Core Plus Industrial Fund	Property investment	2.7	4.4	28,455	27,447
<i>Listed</i>					
Charter Hall Retail REIT ³	Property investment	10.7	10.2	146,968	129,226
				592,722	520,627
Total investments in associates				658,257	534,861

1 Formerly Charter Hall Direct Property Fund.

2 The entity has a 31 December balance date.

3 Fair value at the ASX quoted price as at 30 June 2015 was \$170,865,000 (30 June 2014: \$146,309,000).

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 associates accounted for at fair value through profit or loss

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Opening balance	14,234	49,229	14,234	49,229
Investment	50,200	448	50,200	448
Net gain on investment in associates at fair value	1,901	(1,778)	1,901	(1,778)
Disposal of units	(800)	(33,665)	(800)	(33,665)
Closing balance	65,535	14,234	65,535	14,234

(c) Summarised movements in carrying amounts of equity accounted associates

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Opening balance	583,414	459,908	520,627	401,966
Investment	60,264	121,940	60,264	121,941
Share of profit after income tax	69,709	47,849	63,471	42,107
Distributions received/receivable	(40,560)	(38,361)	(36,293)	(35,169)
Share of movement in reserves	(344)	489	(344)	507
Returns of capital	(16,503)	(8,411)	(15,003)	–
Disposal of units	–	–	–	(10,725)
Closing balance	655,980	583,414	592,722	520,627

31 Investments in associates continued

(d) 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.

	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
2015					
Summarised balance sheet:					
Current assets	32,533	17,992	21,309	32,918	35,727
Non-current assets	2,160,757	2,085,740	1,972,764	871,828	1,082,703
Current liabilities	42,153	289,930	55,863	23,679	26,720
Non-current liabilities	1,005,162	464,055	612,131	235,722	40,813
Net assets	1,145,975	1,349,747	1,326,079	645,345	1,050,897
Summarised statement of comprehensive income:					
Revenue	68,321	201,505	148,934	53,965	81,379
Profit for the year from continuing operations	29,547	171,989	118,950	98,488	93,484
Loss from discontinued operations	–	(9,426)	–	–	–
Other comprehensive income	(1,600)	–	–	–	–
Total comprehensive income	27,947	162,563	118,950	98,488	93,484
2014					
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

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.

(e) Reconciliation of net assets of associates to carrying amounts of equity accounted investments

Charter Hall Group	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
2015					
Net assets of associate	1,145,975	1,349,747	1,326,079	645,345	1,050,897
Group's share in %	14.3	10.7	12.8	14.8	7.2
Group's share in \$	163,874	144,423	169,738	95,511	75,665
Other movements not accounted for under the equity method ¹	85	2,545	(1,135)	201	(726)
Carrying amount	163,959	146,968	168,603	95,712	74,939
Movements in carrying amounts:					
Opening balance	172,938	129,226	116,871	84,777	72,241
Investment	–	10,495	47,684	2,085	–
Share of profit after income tax	16,252	18,316	11,765	15,026	8,384
Other comprehensive income	(184)	(160)	–	–	–
Distributions received/receivable	(10,044)	(10,909)	(7,717)	(6,176)	(5,686)
Return on capital	(15,003)	–	–	–	–
Closing balance	163,959	146,968	168,603	95,712	74,939
2014					
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/(loss) 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

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.

31 Investments in associates continued

(e) Reconciliation of net assets of associates to carrying amounts of equity accounted investments continued

Charter Hall Property Trust Group	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
2015					
Net assets of associate	1,145,975	1,349,747	1,326,079	645,345	1,050,897
Group's share in %	14.3	10.7	11.9	14.8	2.7
Group's share in \$	163,874	144,423	157,803	95,511	28,374
Other movements not accounted for under the equity method ¹	85	2,545	(175)	201	81
Carrying amount	163,959	146,968	157,628	95,712	28,455
Movements in carrying amounts:					
Opening balance	172,938	129,226	106,239	84,777	27,447
Investment	–	10,495	47,684	2,085	–
Share of profit after income tax	16,252	18,317	10,723	15,026	3,154
Other comprehensive income	(184)	(160)	–	–	–
Distributions received/receivable	(10,044)	(10,909)	(7,018)	(6,176)	(2,146)
Return on capital	(15,003)	–	–	–	–
Closing balance	163,959	146,969	157,628	95,712	28,455
2014					
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	129,226	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

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.

(f) 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	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Aggregate amount of the Group's share of:				
Profit/(loss) from continuing operations	(34)	131	–	–
Other comprehensive income	–	(20)	–	–
Total comprehensive income	(34)	111	–	–
Movements in aggregate carrying amount:				
Opening balance	7,361	15,691	–	–
Share of profit after income tax	(34)	131	–	–
Distributions received/receivable	(28)	(30)	–	–
Return of capital	(1,500)	(8,411)	–	–
Share of movement in reserves	–	(20)	–	–
Closing balance	5,799	7,361	–	–

(g) Commitments and contingent liabilities of associates

Charter Hall Retail REIT (CQR) has entered into contracts for the acquisition, construction and development of properties in Australia. The commitments of CQR total \$8.0 million (2014: \$29.2 million). These commitments have not been recognised as liabilities in the consolidated financial statements of CQR.

Charter Hall Core Plus Industrial Fund's capital expenditure contracted for at the reporting date but not recognised as liabilities was \$154.7 million (2014: \$2.5 million).

Core Logistics Partnership's capital expenditure contracted for at the reporting date but not recognised as liabilities was \$30.5 million (2014: \$68.4 million).

BP Fund's capital commitment contracted for at the reporting date but not recognised as liabilities was \$88.0 million. These commitments include the development of Bunnings Kingsgrove, NSW for \$32.8 million, Masters Penrith, NSW for \$25.7 million and the settlement of Masters Dandenong, VIC for \$29.5 million. The Trust has a bank guarantee in place for \$28.2 million as a collateral for Trust's obligation under the development agreement for construction and development of Masters Penrith.

BP Fund 2's capital commitment contracted for at the reporting date but not recognised as liability was \$32.3 million relating to the settlement of Masters Northmead, NSW.

Long WALE Investment Partnership 2's capital commitment contracted for at the reporting date but not recognised as liability was \$23.3 million relating to the settlement of Millers Inn, Altona, VIC.

Charter Hall Core Plus Office Fund's capital expenditure contracted for at the reporting date but not recognised as liabilities was \$170.4 million (2014: \$157.5 million) relating to investment properties. These commitments include capital expenditure commitments of \$53.0 million relating to the development of the 333 George Street, Sydney, NSW property, \$88.3 million relating to the development of the University of Western Sydney, Parramatta, NSW property, and \$8.4 million relating to the development of the 100 Skyring Terrace, Newstead, QLD property.

Charter Hall Office Trust's capital expenditure contracted for at the reporting date but not recognised as liabilities was \$47.6 million (2014: \$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 \$5.6 million (2014: \$11.3 million) relating to investment properties for certain expenditure and fitout contributions.

32 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.

		OWNERSHIP INTEREST			
Charter Hall Group Name of entity	Principal Activity	2015 %	2014 %	2015 \$'000	2014 \$'000
<i>Unlisted</i>					
Long WALE Investment Partnership	Property investment	50.0	–	147,290	–
Commercial and Industrial Property Pty Ltd	Property development	50.0	50.0	30,018	28,245
Retail Partnership No. 2 Trust ¹	Property investment	20.0	20.0	19,591	20,749
Retail Partnership No. 6 Trust	Property investment	20.0	–	19,259	–
BP Fund ²	Property investment	10.6	16.8	19,273	17,190
BP Fund 2 ^{2,3}	Property investment	14.6	–	12,188	–
TTP Wholesale Fund (TTP) ^{2,4}	Property investment	10.0	10.0	7,127	906
Long WALE Investment Partnership 2	Property investment	10.0	–	3,139	–
Charter Hall Direct CDC Trust	Property investment	–	24.0	–	21,025
Retail Partnership No. 4 Trust	Property investment	–	50.0	–	11,372
				257,885	99,487

1 The entity has a 31 December balance date.

2 These funds comprise the Long WALE Hardware Partnership.

3 100% owned subsidiary at 30 June 2014.

4 Formerly Keperra Square Fund (KS).

32 Investments in joint ventures continued

(a) Carrying amounts continued

Charter Hall Property Trust Group Name of entity	Principal Activity	OWNERSHIP INTEREST			
		2015 %	2014 %	2015 \$'000	2014 \$'000
<i>Unlisted</i>					
Long WALE Investment Partnership	Property investment	50.0	–	147,290	–
Retail Partnership No. 2 Trust ¹	Property investment	20.0	20.0	19,591	20,749
Retail Partnership No. 6 Trust	Property investment	20.0	–	19,259	–
BP Fund ²	Property investment	10.6	16.8	19,273	17,190
BP Fund 2 ^{2,3}	Property investment	14.6	–	12,188	–
TTP Wholesale Fund (TTP) ^{2,4}	Property investment	10.0	10.0	7,127	906
Long WALE Investment Partnership 2	Property investment	10.0	–	3,139	–
Charter Hall Direct CDC Trust	Property investment	–	24.0	–	21,025
Retail Partnership No. 4 Trust	Property investment	–	50.0	–	11,372
				227,867	71,242

1 The entity has a 31 December balance date.

2 These funds comprise the Long WALE Hardware Partnership.

3 100% owned subsidiary at 30 June 2014.

4 Formerly Keperra Square Fund (KS).

(b) Summarised financial information and movements in carrying amounts

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Aggregate amount of the Group's share of:				
Profit/(loss) from continuing operations	18,658	12,994	14,822	9,244
Other comprehensive income	–	–	–	–
Total comprehensive income	18,658	12,994	14,822	9,244
Movements in aggregate carrying amount:				
Opening balance	99,487	60,239	71,242	33,118
Investment	190,255	32,032	190,255	32,032
Share of profit after income tax	18,658	12,994	14,822	9,244
Distributions received/receivable	(16,567)	(5,778)	(14,504)	(3,152)
Return on capital	(13,000)	–	(13,000)	–
Disposal of units	(20,948)	–	(20,948)	–
Closing balance	257,885	99,487	227,867	71,242

(c) Summarised financial information for material joint venture

The tables below provide summarised financial information for the joint venture that is 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 joint venture, not the Group's proportionate share.

Long WALE Investment Partnership

	2015 \$'000	2014 \$'000
Summarised balance sheet:		
Current assets	4,590	–
Non-current assets	639,750	–
Current liabilities	7,896	–
Non-current liabilities	341,857	–
Net assets	294,587	–
Summarised statement of comprehensive income:		
Revenue	32,835	–
Profit for the year from continuing operations	10,399	–
Total comprehensive income	10,399	–

(d) Reconciliation of net assets of joint ventures to carrying amounts of equity accounted joint venture

Long WALE Investment Partnership

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Net assets of associate	294,587	–	294,587	–
Group's share in %	50%	–	50%	–
Group's share in \$	147,294	–	147,294	–
Other movements not accounted for under the equity method	(5)	–	(5)	–
Carrying amount	147,289	–	147,289	–
Movements in carrying amounts:				
Opening balance	–	–	–	–
Investment	151,000	–	151,000	–
Share of profit after income tax	8,728	–	8,728	–
Other comprehensive income	(3,529)	–	(3,529)	–
Distributions received/receivable	(8,909)	–	(8,909)	–
Closing balance	147,289	–	147,289	–

(e) 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.

33 Interests in unconsolidated structured entities

The Charter Hall Group consider their 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	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<i>Current assets</i>				
Trade receivables	1,107	3,729	-	-
Distributions receivable	17,217	26,309	25,515	25,515
Loans to joint ventures	6,500	21,250	-	21,250
Total current assets	24,824	51,288	25,515	46,765
<i>Non-current assets</i>				
Loans to joint ventures	-	6,500	-	-
Investments in associates at fair value through profit or loss	65,535	14,234	65,535	14,234
Investments accounted for using the equity method	913,865	682,901	820,589	591,869
Total non-current assets	979,400	703,635	886,124	606,103
Total carrying amount of interests in unconsolidated structured entities	1,004,224	754,923	911,639	652,868
Total funds under management in unconsolidated structured entities	11,329,636	9,754,731	11,246,636	9,662,731

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 29 for further information.

No financial support has been provided to the funds beyond the loans disclosed in the above table.

34 Commitments

(a) Lease commitments – Group as lessee

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Due within one year	3,288	3,061	-	-
Due between one and five years	11,045	10,397	-	-
Over five years	10,581	11,615	-	-
	24,914	25,073	-	-

Commitments are payable in relation to non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities.

(b) Capital commitments

Charter Hall Group

The Group had no contracted capital commitments as at 30 June 2015 (30 June 2014: \$nil).

Charter Hall Property Trust Group

The Group had no contracted capital commitments as at 30 June 2015 (30 June 2014: \$nil).

35 Contingent liabilities

The Group did not have any contingent liabilities as at 30 June 2015 (30 June 2014: \$nil) other than the bank guarantees of \$11.5 million provided for under the bank facility (refer to Note 21(a)).

36 Security-based benefits expense

(a) 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 are 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	2015 Number	Total Number
Performance rights							
Rights issued 13/11/09	1,562,250	–	–	–	–	–	1,562,250
Rights issued 18/6/10	644,625	–	–	–	–	–	644,625
Rights issued 6/9/10	–	863,345	–	–	–	–	863,345
Rights issued 11/11/10	–	465,388	–	–	–	–	465,388
Rights issued 17/1/12	–	–	3,905,231	–	–	–	3,905,231
Rights issued 23/11/12	–	–	–	1,796,076	–	–	1,796,076
Rights issued 22/11/13	–	–	–	–	1,422,660	–	1,422,660
Rights issued 19/12/14	–	–	–	–	–	1,051,804	1,051,804
Performance rights issued	2,206,875	1,328,733	3,905,231	1,796,076	1,422,660	1,051,804	11,711,379
Number rights forfeited/lapsed							
Prior years	(660,611)	(346,168)	(662,597)	(106,757)	(60,214)	–	(1,836,347)
Current year	–	–	–	(107,975)	(56,175)	(10,618)	(174,768)
Number rights vested							
Prior years	(1,546,264)	(982,565)	–	–	–	–	(2,528,829)
Current year	–	–	(3,242,634)	–	–	–	(3,242,634)
Closing balance	–	–	–	1,581,344	1,306,271	1,041,186	3,928,801
Service rights							
Rights issued 6/9/10	–	316,377	–	–	–	–	316,377
Rights issued 22/5/12	–	–	431,516	–	–	–	431,516
Rights issued 23/11/12	–	–	–	270,000	–	–	270,000
Rights issued 22/11/13	–	–	–	–	403,582	–	403,582
Rights issued 19/12/14	–	–	–	–	–	554,401	554,401
Service rights issued	–	316,377	431,516	270,000	403,582	554,401	1,975,876
Number rights forfeited/lapsed							
Prior years	–	(164,540)	–	–	–	–	(164,540)
Current year	–	–	–	–	(4,699)	–	(4,699)
Number rights vested							
Prior years	–	(151,837)	(431,516)	(90,000)	(20,000)	–	(693,353)
Current year	–	–	–	(90,000)	(191,792)	(65,790)	(347,582)
Closing balance	–	–	–	90,000	187,091	488,611	765,702
Options							
Options issued 4/11/09 at \$1.94	4,088,078	–	–	–	–	–	4,088,078
Options issued 13/11/09 at \$1.94	1,497,036	–	–	–	–	–	1,497,036
Options issued 18/6/10 at \$2.80	1,611,656	–	–	–	–	–	1,611,656
Options issued 6/9/10 at \$2.44	–	2,035,649	–	–	–	–	2,035,649
Options issued 11/11/10 at \$2.44	–	1,163,464	–	–	–	–	1,163,464
Options issued 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							
Prior years	(2,009,985)	(865,394)	–	–	–	–	(2,875,379)
Current year	–	–	–	–	–	–	–
Number options vested and exercised							
Prior years	(4,082,095)	(1,411,440)	–	–	–	–	(5,493,535)
Current year	(1,104,690)	(1,045,676)	–	–	–	–	(2,150,366)
Closing balance	–	–	–	–	–	–	–

36 Security-based benefits expense continued

(b) PROP expense continued

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	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Performance rights and option plan	2,775	3,089	-	-

(c) 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 FY12 through FY15 to assess the fair value are as follows:

Performance rights

Grant date	17/01/2012	23/11/2012	20/11/2013	20/11/2013	19/12/2014
Stapled security price at grant date	\$ 2.10	\$ 3.11	\$ 3.68	\$ 3.68	\$ 4.68
Fair value of right	\$ 0.94	\$ 1.91	\$ 1.42	\$ 1.11	\$ 2.09
Expected price volatility	39.0%	26.0%	30.4%	30.4%	30.4%
Risk-free interest rate	3.9%	3.0%	2.9%	3.0%	2.5%

Service rights

Grant date	23/11/2012	20/11/2013	20/11/2013	19/12/2014	19/12/2014
Stapled security price at grant date	\$ 3.11	\$ 3.68	\$ 3.68	\$ 4.68	\$ 4.68
Fair value of right	\$ 2.73	\$ 3.45	\$ 3.42	\$ 4.28	\$ 4.36
Expected price volatility	25.0%	27.4%	27.4%	26.5%	24.6%
Risk-free interest rate	2.9%	2.6%	2.6%	2.5%	2.5%

(d) Charter Hall General Employee Security Plan (GESP)

During the year eligible employees received up to \$1,000 (2014: \$1,000) in stapled 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 \$271,000 (2014: \$256,000) was recognised in relation to this plan during the year.

37 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	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Balance Sheet				
Current assets	24,864	14,073	41,496	16,176
Total assets	303,217	270,919	1,103,198	869,413
Current liabilities	212	30	49,076	41,245
Total liabilities	198,638	183,652	49,076	41,245
<i>Shareholders' equity</i>				
Issued capital	253,907	232,101	1,181,772	945,333
Accumulated losses	(149,329)	(144,875)	(127,649)	(117,165)
Net equity	104,579	87,267	1,054,123	828,168
Profit/(loss) for the year	(4,454)	(8,527)	59,395	42,695
Total comprehensive profit/(loss) for the year	(4,454)	(8,527)	59,395	42,695

(b) Basis of preparation

At 30 June 2015, Charter Hall Property Trust had a deficiency of current assets over current liabilities of \$7.6 million (2014: \$25.1 million). Funds are readily accessible from the available loan facility and operating cash flows to meet current liabilities and management do not foresee any issues in meeting the current liabilities over the course of the next 12 months, and therefore, these financial statements have been prepared on a going concern basis.

(c) Contingent liabilities of the parent entity

Charter Hall Limited and Charter Hall Property Trust had no contingent liabilities as at 30 June 2015 (30 June 2014: \$nil) other than the bank guarantees of \$11.5 million provided for under the bank facility (refer to Note 21(a)).

(d) Contractual commitments

As at 30 June 2015, Charter Hall Limited and Charter Hall Property Trust had no contractual commitments (2014: \$nil).

38 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 as follows 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.

	2015 \$'000	2014 \$'000
Statement of comprehensive income		
Revenue	136,352	122,190
Depreciation	(2,019)	(1,375)
Finance costs	(16,970)	(20,857)
Foreign exchange (loss)/gain	814	(79)
Share of net gain of associates accounted for using the equity method	3,802	3,882
Gain/loss on sale of investments, property and other assets	12	(967)
Fair value adjustments	-	(205)
Amortisation and impairment of intangibles	(8,517)	(8,489)
Other expenses	(94,461)	(85,090)
Profit/(loss) before income tax	19,013	9,010
Income tax benefit	2,055	6,081
Profit/(loss) for the year	21,068	15,091
Other comprehensive income for the year:		
Exchange differences on translation of foreign operations	-	(20)
Total comprehensive profit/(loss) for the year	21,068	15,071
Summary of movements in consolidated accumulated losses		
Accumulated losses at the beginning of the financial year	(124,256)	(139,347)
Profit for the year	21,068	15,091
Accumulated losses at the end of the financial year	(103,188)	(124,256)

38 Deed of cross guarantee continued

(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.

	2015 \$'000	2014 \$'000
Assets		
<i>Current assets</i>		
Cash and cash equivalents	111,703	40,291
Trade and other receivables	33,239	23,248
Total current assets	144,942	63,539
<i>Non-current assets</i>		
Trade and other receivables	2,019	9,639
Investments accounted for using the equity method	35,816	35,605
Investment in associates at fair value through profit or loss	7,750	7,750
Investments in controlled entities	44,462	44,462
Property, plant and equipment	11,931	9,374
Intangible assets	78,260	87,577
Deferred tax assets	11,588	11,379
Total non-current assets	191,826	205,786
Total assets	336,768	269,325
Liabilities		
<i>Current liabilities</i>		
Trade and other payables	13,998	15,519
Provisions	1,595	1,579
Total current liabilities	15,593	17,098
<i>Non-current liabilities</i>		
Trade and other payables	11,750	5,670
Loans from Charter Hall Property Trust	202,075	181,292
Provisions	1,153	1,054
Total non-current liabilities	214,978	188,016
Total Liabilities	230,571	205,114
Net Assets	106,197	64,211
Equity		
Contributed equity	254,001	232,101
Reserves	(44,615)	(43,634)
Accumulated losses	(103,189)	(124,256)
Total equity	106,197	64,211

39 Events occurring after the reporting date

The following events have occurred subsequent to 30 June 2015:

- On 27 July 2015, the Group completed the sale of its 50% interest in the development site at 685 La Trobe Street, Melbourne for \$15.8 million (50% share). The carrying value of 685 La Trobe Street was \$10.9 million at 30 June 2015.
- On 13 July 2015, for consideration of \$29.4 million, the Group acquired an additional 27.5% ownership interest in Retail Partnership No. 2. The Group's total interest is now 47.5%.
- At an Extraordinary General Meeting held on 7 August 2015, a resolution was passed to ratify the issue of 47,071,130 fully paid ordinary stapled securities by Charter Hall Group at \$4.78 per stapled security on 27 May 2015.

Except for the matters discussed above, no other matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect:

- The Group's operations in future financial years; or
- The results of those operations in future financial years; or
- The Group's state of affairs in future financial years.

Directors' Declaration to Securityholders

for the year ended 30 June 2015

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 44 to 94 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 positions as at 30 June 2015 and of their performance for the financial year ended on that date;
- (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 38 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 38.

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.



David Clarke
Chairman

Sydney
26 August 2015

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 Group, which comprises the consolidated balance sheet as at 30 June 2015, 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 Group, which comprises the consolidated balance sheet as at 30 June 2015, 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 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 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.

PricewaterhouseCoopers, ABN 52 780 433 757

Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171

T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

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 Group and Charter Hall Property Trust Group 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 2015 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 23 to 42 of the directors' report for the year ended 30 June 2015. 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 2015 complies with section 300A of the *Corporations Act 2001*.


PricewaterhouseCoopers


Wayne Andrews
Partner

Sydney
26 August 2015

Securityholder Analysis

A. Distribution of equity stapled securityholders as at 10 September 2015

Number of securities held by securityholders	No. of holders	Stapled securities held	% of issued stapled securities
1 to 1,000	867	271,135	0.07
1,001 to 5,000	955	2,740,000	0.67
5,001 to 10,000	395	2,881,640	0.71
10,001 to 50,000	315	6,231,912	1.53
50,001 to 100,000	44	3,190,846	0.78
100,001 and over	59	391,502,323	96.24
Total	2,635	406,817,856	100.00

The total number of stapled securityholders with less than a marketable parcel of 111 securities is 279 and they hold 4,676 securities.

B. Top 20 registered equity securityholders as at 10 September 2015

Number of securities held by securityholders	Stapled securities held	% of issued stapled securities
J P MORGAN NOMINEES AUSTRALIA LIMITED	90,492,669	22.24
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	86,675,418	21.31
NATIONAL NOMINEES LIMITED	41,214,501	10.13
CITICORP NOMINEES PTY LIMITED	31,583,966	7.76
BNP PARIBAS NOMS PTY LTD	20,999,290	5.16
BESGAN NO. 2 PTY LTD	16,695,766	4.10
BESGAN NO. 4 PTY LTD	16,695,766	4.10
BESGAN NO. 1 PTY LTD	16,695,766	4.10
BESGAN NO. 3 PTY LTD	16,695,766	4.10
CHAPELGREEN PTY LTD	11,558,018	2.84
AMP LIFE LIMITED	9,812,853	2.41
CITICORP NOMINEES PTY LIMITED	5,551,840	1.36
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	2,628,774	0.65
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD	2,380,670	0.59
BNP PARIBAS NOMINEES PTY LTD	2,255,903	0.55
MR DAVID JOHN SOUTHON	1,880,612	0.46
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	1,868,747	0.46
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,820,611	0.45
PORTMIST PTY LIMITED	1,441,773	0.35
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	1,371,000	0.34
BRISLOT NOMINEES PTY LTD	1,312,857	0.32
BOND STREET CUSTODIANS LIMITED	963,316	0.24
QUESTOR FINANCIAL SERVICES LIMITED	670,532	0.16
Total stapled securities held by top 20	383,266,414	94.21
Total stapled securities on issue	406,817,856	100.00

C. Substantial securityholder notices as at 10 September 2015

Ordinary securities	Date of change	Stapled securities held	% securities held
The Gandel Group	14/05/2014	69,236,901	19.90
FIL Limited	15/04/2015	35,923,453	10.00
Commonwealth Bank of Australia	27/05/2015	30,269,576	7.44
AMP Limited	27/05/2015	28,731,185	7.07
Westpac Banking Corporation	27/02/2015	21,666,908	6.03
The Vanguard Group, Inc.	27/05/2015	20,473,138	5.04
National Australia Bank Limited	07/08/2015	20,445,845	5.03

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

reits@charterhall.com.au

www.charterhall.com.au

Corporate Directory

Directors

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 2015 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.



