

Annual Report 2016 Charter Hall Group

Charter Hall 

## COLLABORATIVE PERFORMANCE

**\$17.5b**  
FUM  
↑28.7%

**30.4cps**  
OEPS  
↑10.5%

**↑11.2%**  
Distribution  
per security  
of 26.9 cents

**“To be Australia’s best and most highly regarded property investment and funds management business.”**

**DAVID HARRISON**  
MANAGING DIRECTOR & GROUP CEO

# OUR STRATEGY

We use our property expertise to access, deploy, manage and invest equity in our core real estate sectors – office, retail and industrial – to create value and generate superior returns for our customers.

## OUR VISION

To be the smart property choice.

## OUR GOAL

To be Australia's best and most highly regarded property investment and funds management business.

1 YEAR

5 YEAR

## ACCESS

Access to equity from wholesale, retail and listed investors.



**\$1.5b**  
gross equity raised

**\$6.8b**  
gross equity raised

## DEPLOY

Creating value through attractive investment opportunities.



**\$3.7b**  
total transactions

**\$3.0b**  
acquisitions

**\$0.7b**  
divestments

**\$12.6b**  
transactions

**\$9.3b**  
acquisitions

**\$3.3b**  
divestments

## MANAGE

Property funds management, asset management, leasing and development services.



**\$17.5b**  
FUM

**296**  
properties

**2,550**  
tenants

**\$9.0b**  
FUM growth

**98**  
additional properties

## INVEST

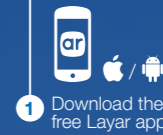
Investing alongside our capital partners.



**\$1.1b**  
property investments  
with cap rate 6.46%  
and discount rate 7.9%

**8.8 yrs**  
weighted average  
lease expiry  
↑ 2.3 yrs

Throughout the report we have rich video content available on your smart phone/tablet



**COVER IMAGE**  
1 Shelley Street,  
Sydney NSW

**INSIDE FRONT  
COVER IMAGE**  
Truganina Logistics  
Park, Vic

## ABOUT US

As a property funds and investment manager we own and manage 296 office, retail and industrial and logistics properties on behalf of our institutional and retail investors.

Our integrated business model, coupled with our highly skilled team across investment management, asset management, property management, and project delivery produces sustainable returns for our investors and positive experiences for our tenant customers, people and the community.

Charter Hall Group is a stapled security comprising a share in Charter Hall Limited (CHL), the operating funds management business, and a unit in Charter Hall Property Trust (CHPT), which predominantly co-invests in the funds and partnerships managed by the Group.

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**GROUP HIGHLIGHTS**

TOTAL SECURITYHOLDER RETURN

**25.5%<sup>1</sup>**

GROSS EQUITY RAISED

**\$1.5b**

STATUTORY PROFIT AFTER TAX

**\$215.2m**

↑\$97.3m

NET TANGIBLE ASSETS PER SECURITY

**\$3.04**

↑10.1%

FUNDS UNDER MANAGEMENT (FUM)

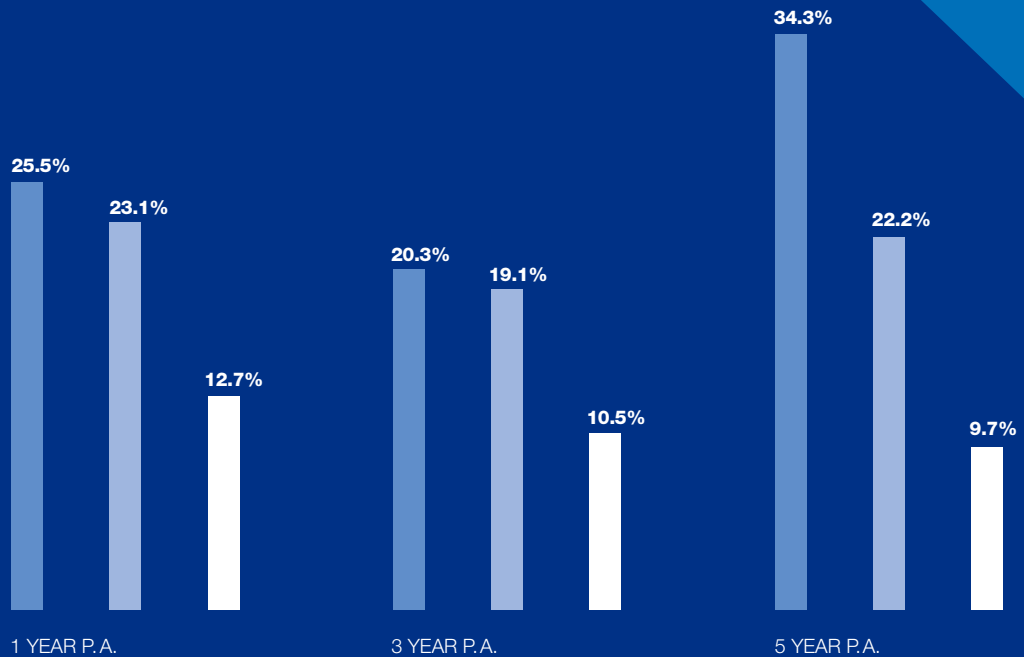
**\$17.5b**

↑28.7%

PROPERTY INVESTMENTS

**\$1.1b**

Net \$56 million invested alongside our capital partners



TOTAL PERFORMANCE OVER 1, 3, 5 YEARS (% P.A.)<sup>1</sup>

- Charter Hall Group securityholders
- S&P/ASX 200 Property Accumulation Index
- Mercer/IPD Wholesale Pooled Property Funds Index

<sup>1</sup> Source: MSCI/IPD, UBS and S&P/ASX. CHC and S&P returns are shown to 12 August 2016. IPD returns are shown to 30 June 2016.

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**SECTOR  
HIGHLIGHTS**

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**OFFICE**  
PAGE 10

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**INDUSTRIAL**  
PAGE 12

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**RETAIL**  
PAGE 14

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FUM

**\$8.1b**

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FUM

**\$4.5b**

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FUM

**\$4.9b**

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PORTFOLIO

**48**

---

PORTFOLIO

**87**

---

PORTFOLIO

**161**



---

OCCUPANCY

**98%**

---

OCCUPANCY

**99.9%**

---

OCCUPANCY

**98.5%**

---

WALE

**6.4yrs**

---

WALE

**9.6yrs**

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WALE

**9.2yrs**

# 2016 HIGHLIGHTS

Welcome to the Charter Hall Group Annual Report 2016. I am pleased to report that we have had another very active year across the Group. Our solid growth was driven by a clear focus on our strategy to access, deploy, manage and invest capital, which has achieved significant funds under management growth of 28.7% to \$17.5 billion.



# CHAIR'S REPORT

TOTAL SECURITYHOLDER RETURN

**25.5%**

GROWTH IN OPERATING EARNINGS

**26.2%**

## Dear securityholders,

Sustained performance is essential for the long-term success of an investment manager. Our strategy to co-invest in the funds we create aligns our interests with those of our capital partners. We are proud to highlight that Charter Hall continues to rank as one of the highest performing A-REITs in the ASX 200 Property Accumulation Index over one, three and five years, with a total securityholder return of 25.5%, 20.3% and 34.3% per annum<sup>1</sup> respectively.

We paid a total distribution per security of 26.9 cents for the year, an increase of 11.2%, delivering a strong return for our investors.

### Growth in FUM delivering strong returns

The 2016 financial year has seen Charter Hall deliver solid growth in our Australian platform, where the Group delivered a 26.2% increase in operating earnings to \$124.7 million, driven by growth in funds under management. Our business is focused on two key earnings streams: the earnings generated from the services provided by our integrated property funds management platform, and property investment income generated by co-investing alongside our capital partners in our property funds and partnerships.

Both earnings streams performed very well, with property investment operating earnings of \$78.5 million, up 26.4%, and property funds management operating earnings increasing 25.7% to \$71.4 million.

Our ability to access multiple equity sources delivered a total of \$1.5 billion in gross equity and \$3.7 billion in transactions. These equity inflows were broadly diversified across the various funds and equity sources, with our wholesale and retail funds management businesses both continuing to grow strongly.

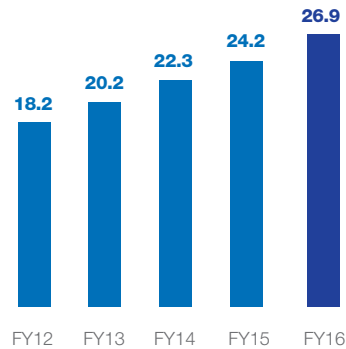
### Maintaining a strong balance sheet

With a strong balance sheet including nil debt, a cash position of \$145 million and look-through gearing of 25.3%<sup>2</sup>, we are well placed to capitalise on current market conditions. Our strong balance sheet provides the business with capacity to co-invest further in current and new funds and partnerships as well as underwrite the launch of new retail funds for the Charter Hall Direct business.

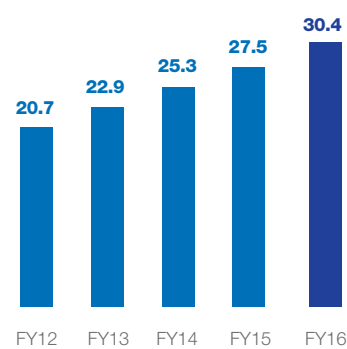
### A new structure to support future growth

In February, after more than 10 years of successful joint leadership, the Board appointed David Harrison as Managing Director and Group CEO (MD/CEO) of Charter Hall Group and David Southon elected to step down as Joint Managing Director (JMD). The decision to move to a single MD/CEO structure was taken by the Board and the JMDs to support the continued growth of the Group.

## DISTRIBUTION PER SECURITY GROWTH



## OPERATING EARNINGS PER SECURITY GROWTH



David Harrison's property expertise, his ability in matching investor appetite with quality investment products, and commitment to driving a customer focused approach to all aspects of the business, means he is well placed to lead Charter Hall through our next phase of growth.

As one of the founders of our business, David Southon has led the Group through exciting and challenging phases over the past 25 years, including Charter Hall's transformation into a listed, fully integrated property investment management group. On behalf of the Board and our people, I thank him for guiding the growth and maturity of the Group, his wisdom, and for the wonderful legacy he leaves us.

### A strong Board of Directors with a diverse skill set

The Charter Hall Board is also focused on succession and renewal.

This year, we have also seen the resignation of independent Non-Executive Director David Deverall, who served nearly four years on the Board and on the Audit, Risk and Compliance Committee as Chair.

Karen Moses has been appointed to the Group as a Non-Executive Director, effective 1 September. Karen's appointment brings a deep skill set to the Board, gained from more than 30 years' corporate experience in the energy industry spanning oil, gas, electricity and coal commodities, both within Australia and overseas.

Further details relating to the Board are included in the Corporate Governance Statement which this year can be found online at [www.charterhall2016-chc-ar.reportonline.com.au](http://www.charterhall2016-chc-ar.reportonline.com.au)

### Committed to creating a diverse and inclusive culture

As a Group, we have continued to build a sustainable culture that truly values diversity, inclusion and flexibility. In the last six months of 2015, we talked to all our employees on the value of diversity of thought and its very direct link to the performance of our business, understanding the role of unconscious bias and how we can limit its impact on all business decision making.

We are also focused on implementing initiatives, such as Group and Divisional diversity targets, to encourage more females into leadership roles. We undertook a pay equity review to address any pay disparities and factors that may be impacting pay equity throughout an employee's career.

Our participation in the Property Male Champions of Change program is key to this work, with initiatives such as growing the talent pool and offering role flexibility being key areas of focus.

We are also proud to be taking a stand and raising the profile of domestic violence as a significant social and business issue through the recent launch of our Domestic Violence Policy. Together with Sutherland Shire Family Services, we created the social and digital media campaign 'Pull Ya Head In' to encourage males to speak up to other males and call them out on unacceptable behaviour toward women.

### Evolving our sustainability approach

Our integrated business model now incorporates a shared value approach, incorporating business, economic, social and environmental outcomes into our operations and developments. The shared value framework focuses on the themes of eco-innovation, place creation and wellbeing and will continue to produce sustainable returns for our investors and positive experiences for our tenants, our people and the community. Creating a sustainable future for our stakeholders and the communities in which we operate is a key part of our goal to be Australia's best and most highly regarded property investment and funds management business.

### Outlook

Looking ahead to FY17, we believe sound property fundamentals and the attractiveness of commercial property will continue to drive growth in a low inflation, low interest rate environment.

Finally, on behalf of the Board and the executive leadership team, I would like to thank all of our customers, investors and securityholders for their continued support. Most importantly, I would like to acknowledge and express appreciation to our people for their ongoing commitment and contribution to the Group's performance.

We look forward to creating further sustainable returns for our investors and positive experiences for our tenant customers, our people and the communities in which we operate.

**David Clarke**  
Chair

1 Source: MSCI/IPD, UBS and S&P/ASX. CHC and S&P returns are shown to 12 August 2016. IPD returns are shown to 30 June 2016.

2 Calculated as Charter Hall's debt (net of cash)/total assets (net of cash) of the Property Investments and Charter Hall's balance sheet

# MD & GROUP CEO LETTER

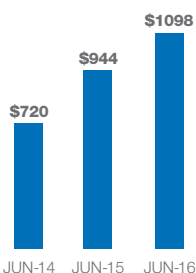
The strength of our results is underpinned by the resilience of our high quality, long WALE<sup>1</sup> Australian property portfolio which has delivered substantial growth for the year.



GROSS  
TRANSACTIONS  
**\$3.7b**

GROSS EQUITY  
RAISED  
**\$1.5b**

GROUP PROPERTY  
INVESTMENTS



## Performance highlights

Charter Hall Group (the Group) has achieved an increase in statutory profit of 81.5% over last year to \$215 million, and operating earnings up 26.2% to \$124.7 million. With distribution per security growing by 11.2% to 26.9 cents per unit, we have delivered a five year CAGR of 13.5%.

Our property investment yield during the past year has been relatively stable at 7.4% and the underlying investment portfolio has performed strongly with a 19.1% total property return.

Our balance sheet and operating cash flow is strong, as capital management remains a focus for the Group. At 30 June 2016, we had \$145 million of cash on hand and significant investment capacity to support the continuing growth of the funds management platform.

## Delivering sustainable returns

Our funds and the Group's co-invested capital consistently outperform their respective benchmarks. Over the past year, the Group achieved a total security holder return of 25.5%<sup>2</sup> and over one, three and five years we have outperformed the A-REIT 200 index.

Since the acquisition of the Macquarie platform in 2010, our business has delivered sector leading EPS and DPS growth through leveraging the scale offered by our business model and, the strong underlying EPU and total return growth of the Property Investments in our funds and partnerships.

## Consistent delivery on strategy

The performance of the funds we manage and new and innovative funds and partnerships continue to drive strong equity flows across our diversified equity sources, with \$1.5 billion gross equity raised over the year.

Accessing equity flows of \$1.5 billion during the year has seen \$3.0 billion of Australian commercial property acquisitions. This brings total transaction activity over five years to \$12.6 billion. Over the same period, we have attracted \$6.8 billion of new equity across multiple sources.

We have continued to actively manage our portfolio through the cycle with divestments over five years of \$3.3 billion. Our active management approach is improving the quality of the portfolio and optimising earnings growth from our assets.

## Growth in property investment earnings

Our property portfolio represents the 'Invest' part of our strategy, where we invest alongside our capital partners, providing significant alignment of interest. Across the portfolio over the longer term, we have typically held around 10–15% of the total equity invested across the funds platform, and this now sits at approximately 10% of total equity invested in the funds platform with modest look-through gearing of 25.3%.

During the period, our property investment portfolio earnings grew by 26.4%. The Group property investments chart shows the growth of our total Property Investment to \$1.1 billion and our co-investment yield, which was relatively stable over the past year at 7.4%.



### High quality diversified property portfolio

The weighted average lease expiry of the Property Investment Portfolio remains stable at 8.8 years, which we have increased by 3.2 years over the past three years in line with our strategy of improving the quality of the portfolio and the term and security of the underlying cash flows.

The lease expiry profile of the portfolio is strong, with no major lease expiry events occurring over the short or medium term. Occupancy is also strong at 98.6%, backed by a large portion of investment grade and government tenants and also diversified across a broad base.

We are an active manager of income producing property assets, as evidenced by another 545 leasing transactions over 700,000 sqm of floor space completed during the year.

### Property investment portfolio value drivers

Our Property Investments increased by \$154 million to \$1.1 billion driven by \$56 million of net investments and \$98 million of net revaluations.

Post 30 June 2016, a further \$51 million has been invested with the acquisition of a new distribution centre, which is leased to Coles for 16 years. This new asset, along with the interest in the new distribution centre being developed for Woolworths in Dandenong on a 20 year lease, is part of the strategy to deploy equity into long weighted average lease expiry assets, which will be used to seed assets in new funds.

### Record funds management portfolio growth

Funds under management have grown significantly by 28.7% to a total of \$17.5 billion and experienced a compound annual growth rate of 15.9% since June 2010. Our property funds management portfolio is well diversified, comprising 296 properties, leased to 2,550 tenants, and delivering \$1.3 billion of gross rental income.

Our unlisted retail business, Charter Hall Direct, grew strongly by 32% to \$2.5 billion in the past year, supported by the Group underwriting new assets for its funds. This has driven strong equity inflows into DOF, DIF3 and the automotive syndicates, allowing the return of equity to the Group and maintaining a capital-light strategy in this high margin business. Following the launch of the second Direct Automotive Trust in the year, we will see the continued growth of this business, with new funds planned for FY17.

Wholesale equity represents 71% of our funds under management through various wholesale pooled and partnership funds.

Our active management approach has resulted in the portfolio's occupancy increasing over the year to 98.6%, with the WALE remaining at 7.9 years.

### Development activity enhances fund performance

The Group continues to progress various developments across its \$17.5 billion managed portfolio, creating investment grade properties and adding significant value through enhancing both income yield and total returns for its funds.

All development activity takes place in our managed funds, which have mandates that permit development, refurbishment and repositioning of assets to enhance value and expand their core investment holdings.

We currently have \$1.4 billion of projects underway including; \$681 million in Office, \$585 million in

industrial and logistics and \$153m in retail, with projects pre-leased to anchor tenants.

The forward pipeline of \$2.1 billion over the next two to three years will generate high quality long-leased commercial property for our funds at yields in excess of current transaction pricing and attractive incremental FUM growth for the Group.

### Strong management structure supporting future growth

During the year, the Group announced it was moving to a more traditional, single Managing Director and Group Chief Executive Officer (MD/CEO) structure, and I was appointed MD/CEO.

As part of the transition, we also announced a sector-based model to ensure that the Group has the right capability to deliver the agility, accountability and innovation required as we continue to deliver on our strategy of accessing, deploying and managing equity invested in high quality real estate.

We also announced the appointment of Sean McMahon as Chief Investment Officer, responsible for strategy, mergers and acquisitions, corporate development and transactions. Sean's appointment to the senior leadership team adds further depth to our already strong management team.

### Outlook and guidance

Looking forward, we remain confident in the underlying strength of our Australian portfolio. We believe sound property fundamentals will continue to drive growth with: a lower for longer interest rate environment with record spreads between discount rates and bond rates, relative attractiveness of commercial property to other asset classes and investment opportunities, and continued equity flows expected for institutional fund managers with strong track records.

As a result, we expect to see continued support of our business model, which benefits from multiple sources of equity flows toward high quality real estate.

We believe FY17 will be another active year for the Group, and absent unexpected events, Charter Hall's guidance for operating earnings per security growth over FY16 is:

- on a pre-tax basis, 8-9% growth;
- on a post-tax basis, approximately 2% growth.

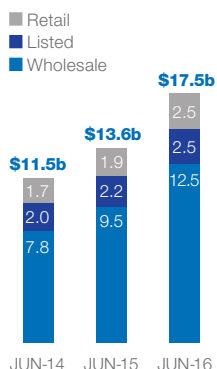
The distribution payout ratio is expected to be between 85% and 95% of operating earnings per security on a post-tax basis.

Finally, I would like to thank our people based around Australia for their continued hard work and dedication towards achieving these results. We look forward to continuing to grow sustainable performance for our capital partners and for the Charter Hall Group securityholders.



**David Harrison**  
Managing Director  
& Group Chief Executive Officer

### FUNDS UNDER MANAGEMENT GROWTH



1 Weighted Average Lease Expiry (WALE) is a measure of the average time period in which all leases in a property will expire.

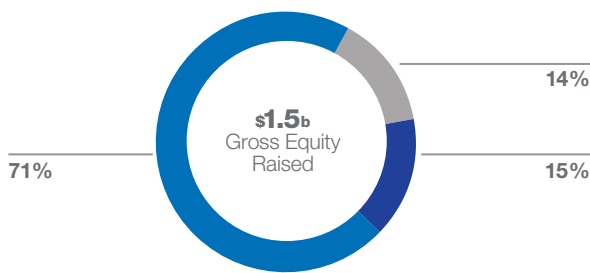
2 Source: MSCI/IPD, UBS and S&P/ASX. CHC and S&P returns are shown to 12 August 2016. IPD returns are shown to 30 June 2016.

# PROPERTY FUNDS MANAGEMENT PERFORMANCE



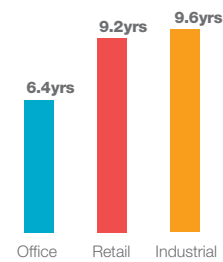
## DIVERSIFICATION BY EQUITY SOURCE

■ Wholesale equity ■ Retail equity ■ Listed fund



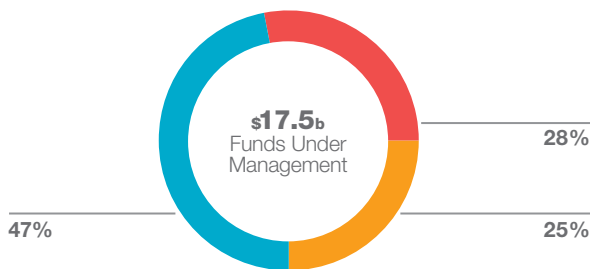
## WALE BY SECTOR

■ Office ■ Retail ■ Industrial

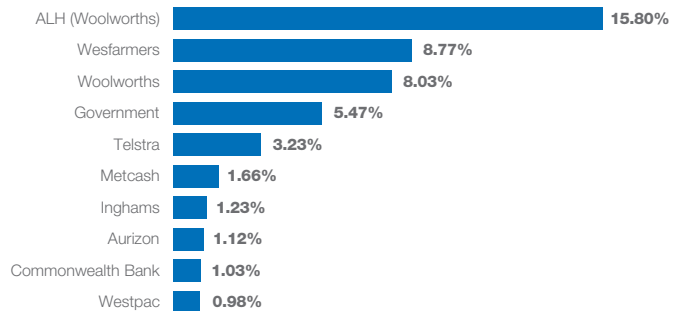


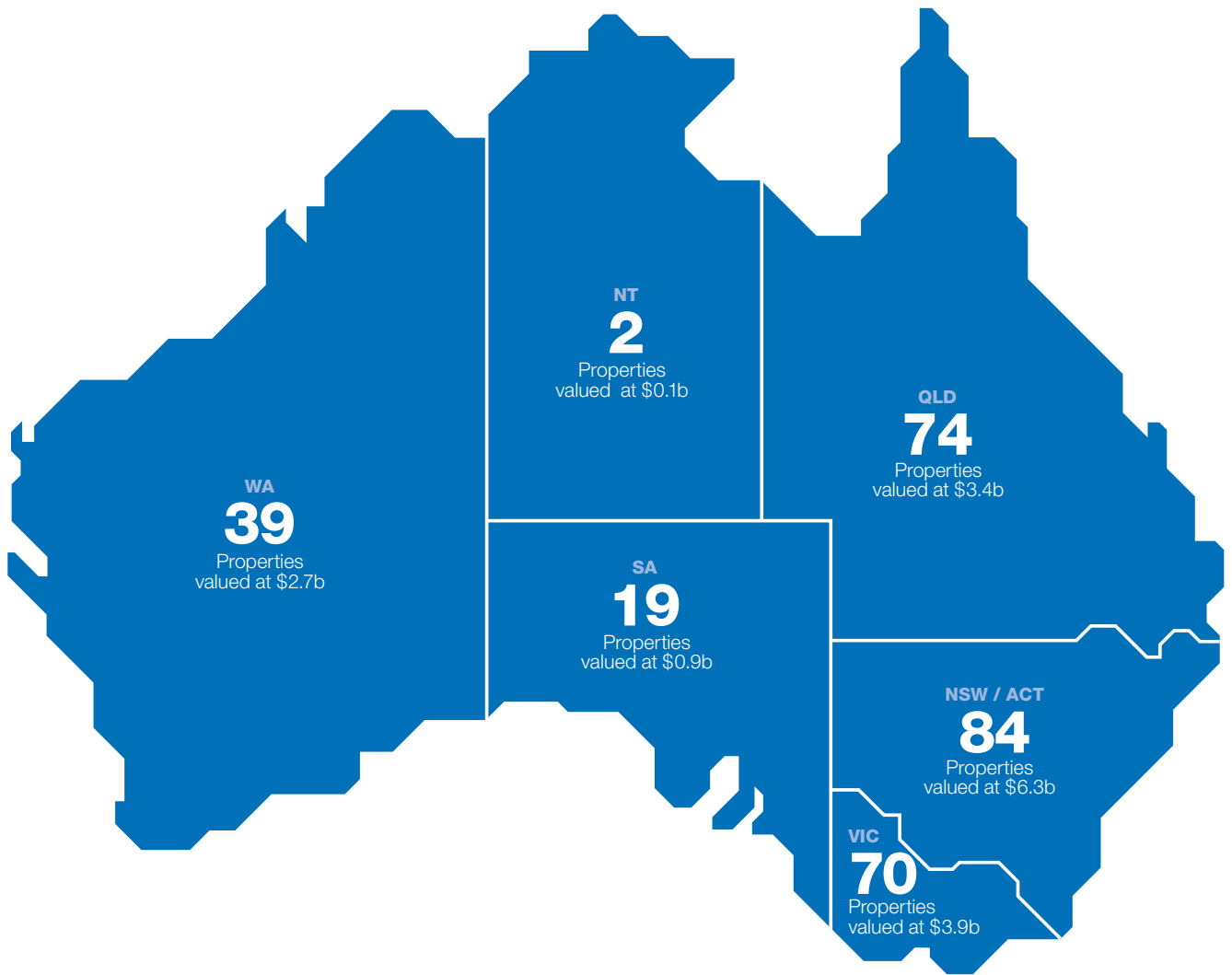
## ASSET TYPE DIVERSIFICATION

■ Office ■ Retail ■ Industrial



## TOP TEN TENANTS





PORTFOLIO OVERVIEW

**NT**

Office	0
Retail	1
Industrial	1

**WA**

Office	8
Retail	20
Industrial	11

**SA**

Office	4
Retail	10
Industrial	5

**NSW / ACT**

Office	15
Retail	50
Industrial	19

**QLD**

Office	9
Retail	45
Industrial	20

**VIC**

Office	11
Retail	29
Industrial	30

**TAS**

Office	1
Retail	6
Industrial	1



# OFFICE



**\$8.1b**  
FUM



**48**  
PROPERTIES



**98.0%**  
OCCUPANCY



**6.4yrs**  
WALE



**6.53%**  
CAP RATE



**\$348m**  
CHC INVESTMENT





**“As one of the largest managers of CBD office properties in Australia, our strategy to actively manage our portfolio is creating enhanced value for investors through the successful re-development of existing assets and strategic acquisition of core office properties and divestment of non-core properties.”**

**ADRIAN TAYLOR** HEAD OF OFFICE



### How would you describe the performance across Charter Hall's office portfolio in FY16?

Our office portfolio has continued its solid performance in FY16, delivering our capital partners across the funds platform strong returns.

We have actively managed our one million square metre portfolio to ensure that it remains well diversified across 48 properties, with occupancy increasing slightly over the year to 98%, well above national averages.

During the year, our total office sector funds under management grew \$1.3 billion to \$8.1 billion, as a result of \$946 million of acquisitions, \$367 million of non-core divestments and 60 basis points of cap rate tightening to an average of 6.53%.

### How do you create value for your customers in the office sector?

We are focused on providing great experiences for our tenant customers. We are becoming an even more customer centric organisation, investing in our people, processes and systems to provide positive experiences for our tenant customers.

During the year, the Charter Hall Prime Office Fund (CPOF) created a new wholesale trust with an investment vehicle sponsored by Morgan Stanley Real Estate Investing (MSREI), together acquiring 100% of One Shelley Street, Sydney for \$525 million.

The acquisition of One Shelley Street, which is fully leased to ASX-listed Macquarie Group, secures CPOF a strategic property in Sydney's fastest growing office precinct, improving the WALE and average building age of the CPOF portfolio, while also improving the average rental growth profile for the Fund, with annual 4% increases.

The strategic acquisition of core office property is improving the quality and size of the portfolio, ensuring that we create value for our capital partners.

### How are you managing the delivery of \$1.5 billion of office development projects?

We have built the in-house capability of our development team to deliver major projects by bringing together our full suite of integrated property services to the development process, including development management, investment management, asset management and leasing.

Over the past 18 months, this approach has seen the Group complete major office projects at 570 Bourke Street in Melbourne and the new Bank of Queensland headquarters in Brisbane's near city suburb of Newstead. More recently, we have reached major construction milestones at the new Western Sydney University CBD Campus at Parramatta and 333 George Street in Sydney.

Our highly skilled team are working across a number of exciting opportunities including Raine Square in Perth where we have lodged a Development Application, the new Aurizon headquarters at 900 Ann Street in Brisbane's Fortitude Valley, 130 Lonsdale Street in Melbourne, and the General Post Office in Adelaide.

### Across the office funds, what are some of the performance highlights?

From an operational leasing perspective, we had another active year which saw the team complete 140 leasing transactions across 218,000 square metres of space with average fixed rent reviews of 3.8%.

Our funds have delivered strong returns for investors. DOF, the flagship office fund for the Charter Hall Direct business achieved a total return of 20.1% per annum in the 12 months to June 30, 2016. This compares to the benchmark (MSCI/IPD Australian Unlisted Wholesale Property Fund Index) return of 12.8% over the same period.

DOF's \$850 million portfolio has a 100% occupancy rate, which is substantially above the Property Council of Australia's occupancy benchmark and a 9.2 year weighted average lease expiry, which is the highest in the office sector.

Post balance date, DOF launched a new round of equity raising with the ability to accept a further \$250 million from retail and self managed super fund investors. This follows a successful \$225 million equity raising which closed during the year oversubscribed.

The flagship pooled office fund, CPOF, and \$2.3 billion office partnership, CHOT, delivered annual returns over the five years and four years respectively to 30 June 2016 of 11.2% and 20.0%. To 30 June 2016, each fund achieved a total one year return of 15.9% and 27.2% respectively. CPOF, which raised over \$300 million during the year, ranks number two over five years against the IPD Office Index, and CHOT would rank number one over each of the last four years if it was in the index.

The size and scale of our office portfolio is generating organic development opportunities for our funds and partnerships, delivering our capital partners' access to institutional grade property investment opportunities without competing on market.

### What have been some of the sustainability achievements in the office portfolio?

Our approach to sustainability is based on key commitments to our people, our tenant customers, the community and the environment.

During the year, our CHOT property at 171 Collins Street in Melbourne achieved a 6 Star NABERS Energy rating.

As a result, 171 Collins is one of just two commercial office buildings in Australia to reach the rating milestone, and the first in Victoria. More impressively, 171 Collins achieved this result without purchasing green power.

Our team's active asset management approach ensures that our actions are commercially sound and make a difference to our people, customers, investors and the environment.

# INDUSTRIAL & LOGISTICS



**\$4.5b**  
FUM



**87**  
PROPERTIES



**99.9%**  
OCCUPANCY



**9.6yrs**  
WALE



**6.69%**  
CAP RATE



**\$256m**  
CHC INVESTMENT



TULLAMARINE FREEWAY

MELBOURNE CBD

PORTS

WESTGATE FREEWAY

WESTERN RING ROAD

PRINCES FREEWAY



Laverton cold storage



Drystone Estate,  
Laverton Vic

- RECENTLY COMPLETED
- RECENTLY COMMITTED



**“As one of Australia’s leading managers and developers of industrial and logistics real estate our focus is on owning and managing a geographically diverse portfolio of properties with strong tenant covenants, whilst leveraging relationships with our tenant customers across our business.”**

**PAUL FORD** HEAD OF INDUSTRIAL



**What are some of the performance highlights for the industrial and logistics sector?**

Charter Hall Group’s industrial and logistics sector continues to actively grow its platform, achieving 61% growth over the year to total FUM of \$4.5 billion.

The portfolio remains very well positioned, with occupancy at close to 100%, increasing by 1.3% during the period, and a sector leading weighted average lease expiry profile of 9.6 years.

**How are you enhancing the quality of the portfolio?**

We continue to remain focused on acquiring well-located, high quality industrial and logistics assets, with long leases to strong covenant tenants.

Our specialist team completed 19 acquisitions worth \$1.3 billion, with an average asset size of \$70 million. During the year, this activity increased the total number of industrial assets under management to 87 and gross lettable area is now close to three million square metres.

As part of our strategy to enhance the quality of the portfolio, we also completed the divestment of \$190 million of non-core properties, including a portfolio of leasehold assets. The weighted average cap rate of the portfolio sits at 6.69%, having compressed by 74 basis points over the period.

**How is the industrial and logistics platform delivering value for customers?**

We are using our integrated business model of accessing, deploying, managing and investing to ensure that our industrial and logistics platform produces enhanced returns for our investors and positive experiences for our tenant customers.

We are actively managing our portfolio through the cycle, and we are placing greater emphasis on recycling capital to create value through accretive development opportunities. The scale of our business is allowing us to develop new core product to provide our investors with further access to sector leading institutional grade property investments.

This is driving our development activity, with current developments underway totalling 294,000 sqm, with a completion value of \$585 million. Our forward development pipeline totals 690,000 sqm with a completion value of approximately \$961 million.

**How are you leveraging the scale of your industrial and retail businesses to deliver smart property solutions?**

Our focus is on delivering smart, long-term, value by creating property solutions for our tenant customers right across our business. A total of 32 leasing transactions, covering 402,000 sqm were completed or under heads of agreement at the end of the period, delivering an impressive portfolio WALE of 9.6 years.

The recent Target and Reject Shop pre-lease transactions at our Drystone Estate in Laverton North, Melbourne are prime examples of our retail and industrial teams working together with cross-sector customers. The strong existing relationships and cross sector opportunities are starting to create a real point of difference for our business and customer experience.

The Group is extremely focused on expanding and strengthening our strategic customer relationships across the business, and this will be a theme in the years ahead.

**How have the industrial and logistics funds performed during FY16?**

Our industrial and logistics funds are some of the strongest performing wholesale and unlisted funds in Australia across all sectors according to IPD Mercer over the three years to 30 June 2016.

Over the previous 12 months, Charter Hall Prime Industrial Fund (CPIF) has been actively deploying capital into asset acquisitions and developments, achieving growth of over \$800 million in funds under management to \$1.95 billion and a portfolio WALE over 8.4 years as at 30 June 2016. CPIF continues its strong performance recording a three-year total return of 14.5% to 30 June 2016, thereby retaining its place amongst the top performers compared to the MSCI Australian Wholesale Pooled Property Funds Index.

The Core Logistics Partnership (CLP) continues to grow strongly via acquisitions and developments amounting to a \$700 million increase in assets under management to \$1.6 billion over the past 12 months and a portfolio WALE of 9.9 years as at 30 June 2016. CLP has delivered an impressive total return to its investors of 15.3% over the past three years.

Finally our Direct Industrial Fund series, available to retail investors and self managed super funds, have continued to outperform the Property Council/IPD Australian Unlisted Core Property Fund Index, delivering an average 14% return across all three funds since inception.

We look forward to providing our investors with new opportunities to invest in these sector leading funds in the year ahead.

# RETAIL



**\$4.9b**  
FUM



**161**  
PROPERTIES



**98.5%**  
OCCUPANCY



**9.2yrs**  
WALE



**6.42%**  
CAP RATE



**\$485m**  
CHC INVESTMENT







**“As the leading owner and manager of Australian supermarket anchored shopping centres and with a portfolio of hardware, automotive showroom and hospitality assets, we are providing a secure and growing income stream for our investors.”**

**GREG CHUBB** HEAD OF RETAIL



### **What type of properties does the Charter Hall retail portfolio own and manage?**

The portfolio is well diversified, comprising a total of 161 assets valued at \$4.9 billion, an increase of 23% since June 2015. Over the past 12 months, we completed \$719 million of acquisitions and \$183 million of non-core divestments, enhancing the profile of our retail portfolio.

Our retail property portfolio is made up of 77 non-discretionary supermarket-anchored shopping centres, as well as Bunnings Warehouse properties, ALH Hospitality venues and Automotive Holdings Group automotive showrooms.

Today, our geographically diverse portfolio of supermarket-anchored shopping centres generates more than \$5 billion in annual turnover from over 150 million visitations.

### **What are some of the performance highlights across the retail sector?**

Occupancy remains strong at 98.5%. During the past 12 months, our retail property team completed 10 major lease transactions, 363 specialty leasing deals totalling 57,000 square metres of space with 2.3% growth in income, and we welcomed 167 new tenant customers into our portfolio.

The portfolio WALE is 9.2 years, with the weighted average cap rate compressing over the half by 48 basis points to 6.42%.

The strong occupancy of our assets, large volume of leasing transactions, positive leasing spreads, and high tenant customer retention, points to the quality of our portfolio and the dedication and passion of our highly skilled and specialised team.

### **How is the retail portfolio delivering value for customers?**

We are leveraging our integrated business model of accessing, deploying, managing and investing to ensure that our retail property funds platform produces sustainable returns for our investors and positive experiences for our tenant customers, our shoppers, our people and the broader communities in which we operate.

The Retail team is actively managing the portfolio through the cycle, utilising capital from non-core divestments to invest in new assets and development opportunities. We are actively delivering seven projects, adding an additional \$153 million to existing assets and a forward development pipeline of \$179 million. This includes the \$59 million Secret Harbour redevelopment in WA and the proposed \$48 million major redevelopment of Lake Macquarie Fair and Mount Hutton Plaza in the Hunter region of NSW.

Our strategy enables us to develop new core product to enhance the quality and scale of the portfolio, providing our investors with access to a sector leading institutional grade property portfolio.

### **How is the retail sector providing smart property solutions for retail customers across the Group's property sectors?**

Our focus is on delivering smart long-term property solutions for our customers across the Group's portfolio. This cross-sector, holistic property solutions approach has seen collaboration across our retail, office and industrial businesses to complete major cross-sector leasing deals.

In particular, Woolworths and Coles are both major tenant customers across the Group's retail portfolio and have now expanded to our industrial and logistics sector.

Post balance date, further equity has been deployed with the acquisition of a new distribution centre leased to Coles. Along with the interest in the new Woolworths distribution centre in Dandenong, Victoria, we are focused on long WALE assets to support new managed funds.

Woolworths has also recently signed a lease for 735 square metres of retail space within our office development at 333 George Street, Sydney in NSW.

Tenant customers see us as a total property solution provider, and we work closely with them to understand their property needs across all of our platforms.

### **How is the retail business creating investment opportunities within the retail sector?**

During the year, we announced that Charter Hall and Hostplus were extending their wholesale investment partnership, the Long WALE Investment Partnership 2 (LWIP2), acquiring a portfolio of three established hotels currently operated by the ASX-listed ALH Group.

Post the portfolio acquisition, the Charter Hall managed LWIP series has a total portfolio value of \$810 million and comprises 62 properties predominately located across Australian metropolitan areas. The acquisition of the portfolio will increase the sector weighted average lease expiry from 18.9 years to 19.0 years, with occupancy to remain at 100%. The establishment of LWIP2 provides additional capacity to grow the sector.

Our Direct Property business also launched the second automotive retail property trust by acquiring an \$82 million property portfolio with a 13 year WALE. The properties are leased to leading ASX-listed automotive retailer AHG, providing a high initial and growing investment yield for our retail and self managed super fund investors.

These funds and partnerships are providing our capital partners' access to institutional grade investment opportunities with long leases to quality tenants with leading market positions.

# PEOPLE AND CULTURE



Charter Hall's Head Office,  
No.1 Martin Place,  
Sydney NSW



**“Cultivating passion, purpose and pride in our people is a critical part of our journey as we strive to become the place for people in property.”**

**NATALIE DEVLIN** HEAD OF PEOPLE, BRAND AND COMMUNITY



**What sort of internal workplace environment is Charter Hall creating for its people?**

Flexibility, collaboration and innovation are at the heart of the way we work at Charter Hall. This has been enabled through the thoughtful design of our workplaces that are dynamic and activity based.

To support our active learning and development approach, we have continued to evolve our new ways of working opening up a new space called ‘The Yard’ in our Sydney office. ‘The Yard’ is a place for our people to share ideas and brainstorm solutions, engage and think differently in a space that is very different to any other.

**How are Charter Hall’s people developing and learning their knowledge and skills base?**

We successfully launched a differentiated learning and experience-based talent development platform, RISE in FY15; this year we have focused on embedding RISE across our business.

The RISE platform maps critical experiences and resources to our four strategic pillars of Product, Performance, Partner, and People, enabling individuals to quickly hone the capabilities they require for success now, as well as provide clear development pathways to prepare them for the future.

Our focus during the year has been on building a growth and innovation mindset that continues to drive agility and performance across our business. We have been doing this by cultivating the individual and collective strengths of our people in the following ways:

- Hands-on learning experiences and exposure to the collective smarts of our people.
- An online learning and development platform that is available 24/7. This facilitates “just in time” learning and

empowers individuals to learn what they need, when they need it and in the way that works best for them.

- A tailored 12-month program for our leadership community to raise self awareness and support them in understanding the impact of who they are and how they behave.
- TED Tuesday’s each month in all of our State offices to nourish the mind with global thinking.

**What progress has Charter Hall made in fostering a diverse and inclusive workplace?**

Fostering a diverse and inclusive workforce is a key focus for Charter Hall as we believe that people with different experiences and backgrounds provide unique perspectives on how we can add value to all customers and stakeholders.

Promoting a collaborative culture that values diversity, inclusion and flexibility is a critical part of the growth of our business.

Over the last 12 months we have implemented a number of important initiatives including:

- A program of work across the Group to understand the role unconscious bias plays in our decision making and develop day to day approaches to counteracting bias.
- Board adoption of targets for female participation which will see female participation in the workplace remain stable at 50% and targets female participation on the Board (Non-Executive Directors Only) and participation in senior executive positions increase to 35% by 2020.
- Partnering with the Property Council of Australia as an active member 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.

- Launching a Domestic Violence Policy to raise the profile of domestic violence as a significant social and business issue and foster a culture that is comfortable to call out unacceptable behaviour.
- Supporting working families by increasing paid parental leave to the primary carer from 14 to 16 weeks. We have also extended paid leave to the secondary carer to two weeks, to support employees during this important time.
- A quarterly Conversation Series with talented female leaders such as Anna Bligh, CEO of YWCA NSW and former Premier of Queensland, that is focused on growing our future female talent.
- Ongoing support of the PCA Women in Property Mentoring Program; 95% of our Executive Leadership Group has been involved as mentors and six of our senior female employees have participated as mentees.

**How are you growing the talent pool?**

Our commitment also extends to attracting high performing young talent to grow our talent pipeline and facilitate greater innovation. In February, we welcomed two students from Western Sydney University to the Group as recipients of our inaugural Charter Hall Scholarship Program. The Program extends our relationship with Western Sydney University, which already provides talent to Charter Hall and are our One Parramatta Square Development Partner.



These initiatives and our focus on creating healthy, innovative and collaborative workplace environments are helping us reach our goal to be the place for people in property.

# SUSTAINABILITY

**At Charter Hall, we have integrated sustainability and community into our business to create a shared value framework.**

To become Australia's best and most highly recognised property investment and funds management business, we acknowledge that this requires a cohesive, Group-wide approach to sustainability and corporate responsibility that addresses all aspects of the property value chain.

Charter Hall's Shared Value Framework recognises the UN Sustainable Development Goals and is aligned with the four pillars that underpin our corporate strategy: product, performance, people and partner. Our framework focusses on three key themes that will create Eco-Innovation, Place Creation and Wellbeing, with our people, in our assets and the communities in which we operate.

2016 Commitments	2016 Performance	FY17 Targets	FY20 Targets	Aspirational Targets
 <b>ECO INNOVATION</b>				
<b>Resilience</b>				
<p>Leverage cross-departmental collaboration in design and development to optimise efficiencies over the life of our assets.</p>	<p>100% assets assessed for climate risk.</p> <p>Implemented operational emergency management systems.</p> <p>Community recovery programs during times of climate impacts.</p>	<p>Implementation of climate change framework.</p> <p>Create environmental management framework.</p> <p>Implement emergency management framework.</p> <p>Partner with Australian Red Cross to provide resilience programs and resources.</p>	<p>Climate change adaption plans on all assets.</p> <p>Environmental management plans on all assets to AS 14001.</p> <p>Fully integrated emergency management framework.</p> <p>Community resilience programs.</p>	<p>Resilient communities and future proofed assets.</p>
<b>Environmental Performance</b>				
<p>Develop the tools and processes required to streamline sustainability reporting and facilitate the setting of long term targets and objectives.</p> <p>Develop a strategy for the delivery of solar projects across our portfolio.</p> <p>Review current waste management initiatives across all states and track reduction in waste disposal to landfills.</p> <p>Energy efficiency Initiatives.</p> <p>Develop user-friendly retail fit-out guidelines to facilitate the tenancy delivery experience for our retail tenants.</p>	<p>Tools &amp; processes developed.</p> <p>Environmental targets set.</p> <p>Green leases in new industrial leases.</p> <p>New technologies piloted in indoor environments, rooftop insulation and nanotechnology.</p> <p>Solar feasibility implemented.</p> <p>Waste management strategy commenced across our assets.</p> <p>29 million kWh saved through energy efficiency programs.</p> <p>Improved NABERS energy and water ratings across the office portfolio.</p> <p>Launch of retail development design and tenant fit-out guidelines.</p> <p>Place experience guidelines implemented in retail assets.</p>	<p>Green Star Portfolio ratings for office, retail and industrial portfolios.</p> <p>NABERS ratings in retail centres over 15,000sqm.</p> <p>5 Star Green Star ratings sought on all new large developments.</p> <p>Renewable energy on all new large retail and industrial developments.</p> <p>Development and implementation of Waste Management Strategy.</p> <p>Pilot recycling de-fit projects in retail, office and industrial assets.</p>	<p>Material reduction in energy and water intensity.</p> <p>Material increase in waste diversion.</p> <p>Renewable energy creation in portfolio.</p> <p>Increase in NABERS energy and water ratings.</p> <p>Industrial onsite water harvesting and recycling.</p> <p>Tenant and community environmental programs in place.</p>	<p>Achieving net zero.</p>
 <b>PLACE CREATION</b>				
<b>Fit for the Future</b>				
<p>Ensure we have the right structure, capability and working environment to enable the business to take advantage of change and opportunity.</p>	<p>Innovative space creation for learning and development.</p> <p>TED Tuesdays, bringing global thinking into the business.</p>	<p>Expansion of RISE talent development program.</p> <p>TED Tuesdays aligned with diversity.</p> <p>Engage with our tenants and our supply chain to create innovation in place.</p>	<p>Provision of a menu of benefits and programs for our buildings and our communities.</p> <p>Application of place impact index across portfolio.</p>	<p>Creation of the largest community hub network in Australia.</p>

2016 Commitments	2016 Performance	FY17 Targets	FY20 Targets	Aspirational Targets
<p>Carry out baseline office customer engagement survey in 2015, and conduct surveys annually from 2016 with satisfaction scores included in the KPI/performance review process.</p>	<p>✔ Stakeholder engagement plans piloted in retail and office developments.</p> <p>Customer satisfaction scored on managed office assets.</p>	<p>Develop a place impact index which measures our success in place and collective impact.</p> <p>Pilot community hub concepts in retail properties.</p> <p>Pilot an employment project in a new development.</p>	<p>Community hubs in all large retail assets.</p> <p>Employment projects in all new developments.</p>	
<p><b>Culture of Innovation</b></p> <p>Develop a strategic community approach that further promotes our engagement with local community groups and initiatives.</p> <p>Undertake a customer project to further develop our retail customer engagement strategies.</p> <p>Further develop our tenant relationships, and explore opportunities to more effectively engage with both our tenants and suppliers.</p>	<p>✔ Contributed over 3,500sqm of space, valued at \$500,000 to community groups.</p> <p>Supported Charter Hall charity program and partners.</p> <p>✔ Community investment strategy developed.</p> <p>75 Mobile phones donated to Jeenee mobile's make a difference program.</p> <p>✔ Supplier engagement in retail supply chain.</p>	<p>Stakeholder engagement plans for all new developments.</p> <p><b>Diversity Targets for FY18:</b> 50% Female representation in the workplace 30% Female representation on CHC Board &gt;25% Female representation in senior executive positions.</p> <p><b>Community Investment approach Pledge 1%.</b> <b>Our Fund: Our People: Our Assets</b></p> <p>Partner with Foundation for Young Australians Innovation Nation program.</p> <p>Create innovative spaces in partnership with network of innovative enterprises.</p>	<p>Stakeholder engagement plans for 100% assets and developments.</p> <p><b>Diversity Targets for 2020:</b> 50% Female representation in the workplace &gt;35% Female representation on CHC Board &gt;35% Female representation in senior executive positions.</p> <p>Create a national network of innovation enterprises.</p> <p>National programs with community place creation partners to curate creative and community programs in all large assets.</p>	<p>Leader in innovative place creation in our communities.</p>
<p> <b>WELLBEING</b></p>				
<p><b>Creating Healthy Minds, Spaces and Environments</b></p>				
<p>Engage with our tenants and explore opportunities to positively impact their commercial and personal wellbeing through asset design and building management services.</p>	<p>✔ Menu of benefits include flexible working, extended carers leave, employee assistance, community investment.</p> <p>Comforts at work include spaces for health, prayer, breastfeeding/child-friendly environment.</p> <p>70% Employee participation in wellbeing programs.</p> <p>School holiday programs for employee's children in the Yard.</p> <p>Domestic violence policy.</p> <p>Employees trained in WELL building standard.</p>	<p>Pilot WELL building standard in a Charter Hall tenancy.</p> <p>Pilot new technologies in environmental quality monitors in key office tenancies.</p> <p>Investigate a Human Rights Framework.</p> <p>Partner with community and social enterprises, to promote physical and mental health outcomes.</p>	<p>WELL building accreditation sought for all Charter Hall state offices and in new office developments.</p> <p>Environmental monitors in all office tenancies Integrate sustainable and equitable supply chain into assets and developments.</p> <p>Green, social and Indigenous Enterprises in all aspects of Charter Hall supply chain.</p> <p>Active living and mental health programs / facilities available to all large assets and employees.</p>	<p>Leader in health and wellbeing in our communities</p>
<p><b>Access to Fresh and Healthy Food</b></p>				
<p>Build on the trust and respectable track record we have developed with our unitholders by effectively communicating the responsibility for our investments from an environmental, social and commercial performance perspective.</p>	<p>✔ Social traders connect corporate membership.</p> <p>Social procurement incorporated in retail procurement strategy.</p>	<p>Partner with Nutrition Australia to deliver nutrition and education programs.</p> <p>Procure Social Enterprises that deliver fresh and healthy food products.</p> <p>With our stakeholders develop Healthy Food and Nutrition Strategy for our assets and our communities.</p>	<p>Fresh and healthy food footprint mapped and actions identified for our assets.</p> <p>Our people, our tenants and our communities have access to fresh and healthy food.</p>	<p>Leader in health and wellbeing in our communities.</p>

# EXECUTIVE TEAM



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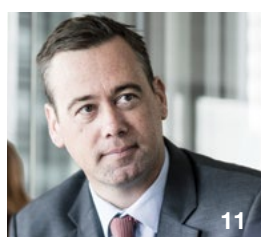
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## 1 David Harrison

### Managing Director and Group CEO

29 years industry experience/ 12 years at Charter Hall Group

David has 29 years of property market experience across office, retail and industrial sectors in multiple geographies globally. David is responsible for all aspects of the Charter Hall business, with specific focus on strategy and continuing the momentum from building a \$17.5 billion Investment Manager recognised as a multi-core sector market leader.

David is an executive member of various fund boards and partnership investment committees and Chair of the Executive Property Valuation Committee and Executive Leadership Group. David has overseen the growth of Charter Hall Group from \$500 million to \$17.5 billion of assets under management in 12 years. David has been principally responsible for transactions exceeding \$25 billion of commercial, retail and industrial property assets over the past 29 years.

David holds a Bachelor of Business (Land Economy) from Western Sydney University, is a Fellow of the Australian Property Institute (FAPI) and holds a Graduate Diploma in Applied Finance from the Securities Institute of Australia.

## 2 Paul Altschwager

### Chief Financial Officer

14 years industry experience/ 4 years at Charter Hall Group

Paul is responsible for the management and direction of Charter Hall's finance and corporate operations across the Group including finance, analysis, treasury, tax, group planning, insurance, information technology, risk and compliance.

Prior to joining Charter Hall, Paul held senior finance roles with the Westfield Group for nine years, including the past six years as Chief Financial Officer for Australia and New Zealand. Paul has over 20 years' experience in corporate finance, mergers and acquisitions, finance, capital management and operational finance in the property, airline, wine and banking sectors.

Paul is a Member of the Institute of Chartered Accountants and a Member of The Finance and Treasury Association.

## 3 Adrian Taylor

### Head of Office

24 years industry experience/ 6 years at Charter Hall Group

Adrian is Head of Office and leads the wholesale office funds strategy and objectives in conjunction with the Charter Hall Fund Managers and Investors. He is also responsible for guiding the asset management, property management, technical services and development teams.

Adrian has extensive capital transaction and capital management experience including debt and equity raisings and deep joint venture experience in Australia and the US. He spent 15 years in listed REIT markets as General Manager, Chief Investment Officer and Chief Executive Officer of the Charter Hall Office REIT prior to its privatisation.

Adrian graduated with a Bachelor of Business from Monash University, is a Certified Practising Accountant, Fellow of the Financial Services Institute of Australasia, and a fellow Of the Royal Institute of Chartered Surveyors.

## 4 Richard Stacker

### Global Head of Investor Relations

25 years industry experience/ 6 years at Charter Hall Group

Richard is the Global Head of Investor Relations responsible for the Investor Relations function and the Direct business where he is an Executive Director on the responsible entity's Board. Richard has over 25 years of experience in real estate funds management, real estate finance, mergers and acquisitions, accounting and risk management. Prior to joining Charter Hall Group, Richard was a Division Director of Macquarie Group Limited and Chief Executive Officer of Macquarie Direct Property Management Limited. Previous to that, Richard was a General Manager with Lend Lease Corporation Limited and a senior manager with PricewaterhouseCoopers.

He has a Bachelor of Business and is a member of the Institute of Chartered Accountants in Australia.

## 5 Scott Dundas

### Charter Hall Retail REIT Fund Manager

40+ years industry experience/ 6 years at Charter Hall Group

After initially managing the REIT's property assets between 1998 and 2000, Scott has been responsible for sourcing and implementing the majority of the REIT's capital transactions in the United States, Europe, New Zealand and Australia, as well as the recycling of capital back into the Australian market. He was named Best CEO 2014 in the Next 100 Property Sector at the East Coles Corporate Performance awards in 2014.

Before joining Charter Hall, Scott worked in a range of senior roles at Macquarie Bank. Prior to that, he was the State Real Estate Manager for Coles Supermarkets and Coles Myer Limited in NSW and has also held senior positions in organisations ranging from commercial real estate agencies to various NSW statutory authorities. He is a Barrister of the Supreme Court of NSW, a Registered Valuer, a Licensed Real Estate Agent, an Associate of the Australian Property Institute (API) and a Fellow of the Royal Institute of Chartered Surveyors (RICS).

**6 Natalie Devlin**  
Head of People, Brand and Community

19 years experience across industries/  
6 years at Charter Hall Group

Natalie is responsible for culture, internal and external brand, organisational capability, sustainability and community investment. She is focused on achieving our aspiration to be 'the place for people in property' by creating an authentic and differentiated employee, customer and community experience for the Group. Natalie's previous roles include Head of People and Development at Valad Property Group, where she established the human resources function during its rapid growth period, and Head of HR, Asia Pacific for a multinational publishing company, where she transformed their operating model.

**7 Greg Chubb**  
Head of Retail

26 years industry experience/  
2 years at Charter Hall Group

Greg joined Charter Hall in 2014 as Head of Retail and is responsible for leading the Charter Hall Retail strategy associated with the Group's \$4.9 billion non-discretionary retail portfolio of shopping centres, hardware, hospitality and automotive assets. He was appointed to the Charter Hall Retail REIT (CQR) board as an Executive Director in February 2016.

Greg leads the team of 170 retail specialists responsible for the Group's funds, property, asset and development management activities Australia-wide.

Prior to joining Charter Hall, Greg was Property Director at Coles Supermarkets Australia and Managing Director/Head of Retail for Sandalwood/Jones Lang LaSalle in Greater China, and has also held executive leadership roles at Mirvac and Lend Lease.

Greg holds a Bachelor of Business Degree (Land Economy) from

Western Sydney University and is a Fellow of the Australian Property Institute (API) and a Registered Valuer.

**8 Paul Ford**  
Head of Industrial

20 years industry experience/  
10 years at Charter Hall

Paul is Charter Hall's Head of Industrial. Paul is responsible for working alongside fund managers to ensure that the strategies and objectives of the Group's industrial funds management functions are driving the overall growth and development of the industrial and logistics sector within Charter Hall. He is also responsible for guiding the asset management, property management, technical services and development teams.

Prior to joining Charter Hall, Paul worked with a number of commercial real estate agencies in both valuation and transaction roles, focusing on the national industrial market, and was a portfolio manager responsible for a circa \$2 billion national portfolio of industrial properties with another property REIT. Paul graduated with a Bachelor of Business (Property) from University of South Australia and has a Graduate Diploma Applied Finance from Financial Services Institute of Australasia.

**9 Avi Anger**  
Head of Transactions

17 years industry experience/  
14 years at Charter Hall Group

Avi joined Charter Hall in 2002 and has worked across a number of areas of the business including development and investment management. As Head of Transactions, he is responsible for all property transactions of the Group and its managed funds. Avi has headed up the transactions division since March 2009 and has played a key role in the growth of the Group's funds under management from \$3 billion to \$17.5 billion today. Prior to joining Charter Hall, Avi worked at Terrace Tower Group and at Ernst & Young in the Corporate Advisory division.

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

**10 Tracey Jordan**  
Group General Counsel and Company Secretary

27 years industry experience/  
4 years at Charter Hall Group

Tracey joined Charter Hall in 2012, and is the Head of the Legal, Cossec and Compliance for the Group, with

extensive experience in real estate and funds management, corporate structuring, compliance and corporate governance. Prior to joining Charter Hall, Tracey was National Manager of Unlisted Property Funds and Senior Legal Counsel at Stockland. Tracey was also a Senior Associate for King & Wood Mallesons in its Canberra office in the Property and Projects division from 1999 to 2005.

Tracey holds a BA/LLB (Syd) and is admitted as a solicitor of the Supreme Court of NSW, the High Court of Australia and the Supreme Court of ACT.

**11 Nick Kelly**  
Head of Direct Property

20 years industry experience/  
10 years at Charter Hall Group

Nick is responsible for Charter Hall Group's Direct Property business, having worked alongside the investment management team in growing the funds management business since joining Charter Hall in 2006. Prior to Charter Hall, Nick worked at Mercer Investment Consulting, leading the firm's property research advisory service, where he held the position of Principal and Head of Property Research.

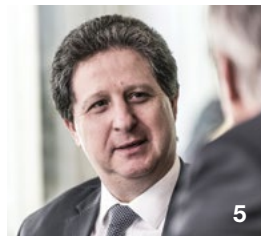
At Mercer, Nick was responsible for reviewing and rating the entire property fund industry including core, value-added and opportunistic unlisted funds, in addition to full coverage of active Australian and global REIT securities managers and markets. Prior to Mercer, Nick worked at a Melbourne-based commercial/industrial real estate firm in sales, leasing and valuations. Nick holds a Business Degree (Land Economy), a Graduate Diploma in Applied Finance and Investment and a Masters Degree in Finance.

**12 Aidan Coleman**  
Chief Technology Officer

21 years industry experience/  
3 years at Charter Hall Group

Aidan is responsible for providing leadership and direction for all strategic IT activities associated with supporting IT's contribution to the organisation's key business initiatives. Aidan has over 20 years' technology experience across a range of industries and geographies including property, funds management, retail, media, consumer goods, consulting, financial services and telco. Prior to joining Charter Hall, Aidan worked at Stockland, NewsCorp, Diageo and Accenture.

# BOARD OF DIRECTORS



## 1 David Clarke

### Chair

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. David 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.

## 2 Anne Brennan

### Non Executive Director

Anne joined the Board of Charter Hall Group on 6 October 2010 and is on the boards 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 her executive career, Anne 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. Anne 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.



### **3 Philip Garling**

#### **Non Executive Director**

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.

### **4 Colin McGowan**

#### **Non Executive Director**

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

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

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

### **5 Peter Kahan**

#### **Non Executive Non Independent Director**

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.

### **6 David Harrison**

#### **Executive Director**

Refer to page 20.

# FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2016

Comprising the stapling of ordinary shares in Charter Hall Limited (ACN 113 531 150) and units in the Charter Hall Property Trust (ARSN 113 339 147)

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## Corporate Governance Statement

The corporate governance statement can be downloaded from Charter Hall's website at [www.charterhall.com.au](http://www.charterhall.com.au).

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 (CHPT) for the year ended 30 June 2016, 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
- Anne Brennan – Non-Executive Independent Director
- David Deverall – Non-Executive Independent Director (resigned 26 February 2016)
- Philip Garling – Non-Executive Independent Director
- David Harrison – Managing Director and Group CEO
- Peter Kahan – Non-Executive Director
- Colin McGowan – Non-Executive Independent Director
- David Southon – Joint Managing Director (resigned 1 February 2016)

## 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:

	2016 \$'000	2015 \$'000
Final ordinary distribution for the six months ended 30 June 2016 of 13.6 cents per stapled security payable on 25 August 2016	56,129	–
Interim ordinary distribution for the six months ended 31 December 2015 of 13.3 cents per stapled security paid on 26 February 2016	54,419	–
Final ordinary distribution for the six months ended 30 June 2015 of 12.1 cents per stapled security paid 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
<b>Total distributions paid and payable</b>	<b>110,548</b>	<b>92,186</b>

## 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 distribution paid on 26 February 2016, however was suspended for the distribution to be paid on 25 August 2016.

## Review and results of operations

The Group recorded a statutory profit after tax attributable to stapled securityholders for the financial year of \$215.2 million compared to a profit of \$117.9 million in 2015.

Operating earnings amounted to \$124.7 million for the financial year compared to \$98.8 million in 2015, an increase of 26.2% 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

	2016 \$'000	2015 \$'000
<b>Operating earnings attributable to stapled securityholders</b>	<b>124,735</b>	98,799
Realised and unrealised losses on derivatives <sup>1</sup>	<b>(10,339)</b>	(5,584)
Net fair value movements on investments and property <sup>1</sup>	<b>107,757</b>	37,448
Amortisation and impairment of intangibles	<b>(8,517)</b>	(9,317)
Transfer from reserves of cumulative foreign exchange gains/(losses) <sup>1</sup>	<b>29</b>	(702)
Income tax expense	<b>(1,714)</b>	(357)
Gain on disposal of property investments and inventory <sup>1</sup>	<b>6,114</b>	(876)
Other <sup>1</sup>	<b>(2,825)</b>	(1,526)
<b>Statutory profit after tax attributable to stapled securityholders</b>	<b>215,240</b>	<b>117,885</b>

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

	2016	2015
Basic weighted average number of stapled securities per Note 9 ('000s)	<b>409,980</b>	359,584
Basic earnings per stapled security per Note 9 (cents)	<b>52.5</b>	32.8
Operating earnings per stapled security (OEPS) per Note 3 (cents)	<b>30.4</b>	27.5

The 30 June 2016 financial results with comparatives are summarised as follows:

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2016	2015	2016	2015
Revenue (\$ million) <sup>1</sup>	<b>165.3</b>	135.8	<b>37.2</b>	19.7
Statutory profit after tax for stapled securityholders (\$ million)	<b>215.2</b>	117.9	<b>197.3</b>	97.1
Statutory earnings per stapled security (EPS) (cents)	<b>52.5</b>	32.8	<b>48.1</b>	27.0
Operating earnings for stapled securityholders (\$ million) <sup>2</sup>	<b>124.7</b>	98.8	n/a	n/a
Operating earnings per stapled security (cents) <sup>2</sup>	<b>30.4</b>	27.5	n/a	n/a
Distributions to stapled securityholders (\$ million)	<b>110.5</b>	92.2	<b>110.5</b>	92.2
Distribution per stapled security (cents)	<b>26.9</b>	24.2	<b>26.9</b>	24.2
Total assets (\$ million)	<b>1,421.1</b>	1,278.5	<b>1,251.6</b>	1,138.2
Total liabilities (\$ million)	<b>95.1</b>	78.0	<b>56.5</b>	49.5
Net assets attributable to stapled securityholders (\$ million)	<b>1,326.0</b>	1,200.5	<b>1,195.1</b>	1,088.7
Stapled securities on issue (million)	<b>412.7</b>	406.8	<b>412.7</b>	406.8
Net assets per stapled security (\$)	<b>3.21</b>	2.95	<b>2.90</b>	2.68
Net tangible assets (NTA) attributable to stapled securityholders (\$ million)	<b>1,256.3</b>	1,122.2	<b>1,195.1</b>	1,088.7
NTA per stapled security (\$)	<b>3.04</b>	2.76	<b>2.90</b>	2.68
Balance sheet gearing <sup>3</sup>	<b>0.00%</b>	0.00%	<b>0.00%</b>	0.00%
Funds under management (\$ billion)	<b>17.5</b>	13.6	n/a	n/a

<sup>1</sup> Gross revenue does not include share of net profits of associates and joint ventures of \$168.3 million (30 June 2015: \$88.4 million).

<sup>2</sup> Excludes fair value adjustments, gains or losses on the sale of investments, amortisation and/or impairment of intangible assets and other unrealised or one-off items.

<sup>3</sup> Gearing is calculated by using debt net of cash divided by total assets net of cash.

Operating earnings per stapled security (OEPS) has increased 10.5% from 27.5 cents for the year ended 30 June 2015 to 30.4 cents for the year ended 30 June 2016.

Annual distribution per stapled security (DPS) has increased 11.2% from 24.2 cents for the year ended 30 June 2015 to 26.9 cents for the year ended 30 June 2016.

Net Tangible Assets per stapled security (NTA) at 30 June 2016 is \$3.04, an increase of 10.1% over \$2.76 at 30 June 2015.

Funds Under Management (FUM) increased from \$13.6 billion at 30 June 2015 to \$17.5 billion at 30 June 2016 due to the establishment of new funds Charter Hall Direct Automotive Trust and Charter Hall Direct Automotive Trust 2, significant valuation uplifts, property acquisitions and developments in Charter Hall Office Trust, Charter Hall Prime Office Fund (formerly Charter Hall Core Plus Office Fund), Charter Hall Prime Industrial Fund (formerly Charter Hall Core Plus Industrial Fund), Core Logistics Partnership, Charter Hall Direct Office Fund and Charter Hall Retail REIT.

The Group generated \$124.7 million of operating earnings compared to \$98.8 million for the prior corresponding year. Operating earnings is split between property investments of \$78.5 million (30 June 2015: \$62.1 million), property funds management of \$71.4 million (30 June 2015: \$56.8 million) less unallocated corporate expenses of \$25.2 million (30 June 2015: \$20.1 million). The Group amended its segments to split expenses between property investments, property funds management and unallocated corporate expenses. Unallocated corporate expenses includes the costs to manage the listed stapled entity of CHC and non sector costs of managing the group wide platform including the Board, CEO, CFO, heads of group wide functions (People and IT), group finance, CHC investor relations, group marketing, corporate share of security-based benefits expense and all restructuring costs.

## Property Investments

The Group's Property Investments are classified into the following real estate sectors:

- Office;
- Industrial; and
- Retail.

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

	Ownership Stake	Charter Hall Investment	FY16 Charter Hall Investment Income <sup>1</sup>	WALE	Market Cap Rate	Discount Rate	FY16 Average Rental Reviews	FY16 Charter Hall Investment Yield <sup>2</sup>
	(%)	(\$m)	(\$m)	(years)	(%)	(%)	(%)	(%)
<b>Office</b>		<b>347.6</b>	<b>21.5</b>	<b>5.8</b>	<b>6.4%</b>	<b>7.6%</b>	<b>3.8%</b>	<b>6.8%</b>
Charter Hall Prime Office Fund (CPOF) <sup>3</sup>	10.7%	183.3	10.3	6.5	6.4%	7.6%	3.8%	6.1%
Charter Hall Office Trust (CHOT)	14.3%	164.1	11.2	5.1	6.3%	7.6%	3.9%	7.4%
PFA Diversified Property Trust (PFA)	0.1%	0.2	–	7.4	7.9%	8.5%	3.0%	8.9%
<b>Industrial</b>		<b>264.8</b>	<b>15.9</b>	<b>9.4</b>	<b>6.6%</b>	<b>8.0%</b>	<b>3.0%</b>	<b>7.2%</b>
Core Logistics Partnership (CLP)	16.1%	170.0	9.3	9.9	6.6%	8.0%	3.0%	7.1%
Charter Hall Prime Industrial Fund (CPIF) <sup>4</sup>	6.8%	94.8	6.6	8.4	6.7%	8.1%	3.1%	7.8%
<b>Retail</b>		<b>485.0</b>	<b>34.3</b>	<b>11.2</b>	<b>6.4%</b>	<b>8.0%</b>	<b>3.2%</b>	<b>7.9%</b>
Charter Hall Retail REIT (CQR) <sup>5</sup>	14.3%	226.7	15.8	6.9	6.7%	8.1%	4.1%	8.1%
Long WALE Investment Partnership (LWIP) <sup>6</sup>	50.0%	165.2	12.1	18.3	6.1%	7.9%	2.0%	8.2%
Retail Partnership No. 6 Trust (RP6) <sup>5</sup>	20.0%	32.2	1.7	4.2	6.0%	7.8%	3.2%	6.2%
BP Fund 1 (BP1) <sup>7</sup>	10.0%	23.8	1.3	9.1	5.9%	7.8%	2.8%	6.7%
BP Fund 2 (BP2) <sup>7</sup>	13.2%	15.0	0.9	12.5	5.9%	7.9%	2.8%	7.2%
TTP Wholesale Fund (TTP) <sup>5,7</sup>	10.0%	7.6	0.4	4.4	6.5%	8.5%	3.9%	5.9%
Retail Partnership No. 2 (RP2) <sup>5</sup>	5.0%	6.1	1.7	5.4	6.0%	8.0%	4.5%	8.0%
Long WALE Investment Partnership 2 (LWIP2)	10.0%	8.4	0.4	19.4	6.3%	8.0%	2.5%	7.2%
<b>Property Investment – subtotal</b>		<b>1,097.4</b>	<b>71.7</b>	<b>8.8</b>	<b>6.5%</b>	<b>7.9%</b>	<b>3.4%</b>	<b>7.4%</b>
Commercial and Industrial Property Pty Limited (CIP)	50.0%	28.5	3.2	n/a	n/a	n/a	n/a	n/a
Investments disposed/other <sup>8</sup>		10.8	3.6	n/a	n/a	n/a	n/a	n/a
<b>Total</b>		<b>1,136.7</b>	<b>78.5</b>					

1 Charter Hall Group property investment operating income per Segment Note 3(b) of the financial report.

2 Yield = Operating earnings divided by investment value at start of the year adjusted for investments/divestments during the year. Excludes MTM movements in NTA during the year.

3 Formerly Charter Hall Core Plus Office Fund.

4 Formerly Charter Hall Core Plus Industrial Fund.

5 Average rent reviews is contracted weighted average rent increases of specialty tenants.

6 The LWIP rental increase is CPI, uncapped.

7 These funds comprise the Long WALE Hardware Partnership (LWHP).

8 Comprises Charter Hall Direct Office Fund (DOF), Charter Hall Direct Industrial Fund No. 3 (DIF3), Charter Hall Opportunity Fund 5, Charter Hall Opportunity Fund 4, Charter Hall Direct Automotive Trust, Charter Hall Direct Automotive Trust 2 and CHPT Dandenong Trust.

## Review and results of operations continued

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

### (a) Office

#### *Charter Hall Prime Office Fund (CPOF) (formerly Charter Hall Core Plus Office Fund)*

CPOF is a wholesale office pooled fund which owns interests in 20 high grade assets valued at \$3.0 billion. Properties are located across the major Australian capital city office markets.

During the year CPOF acquired over \$400 million of assets including exchanging contracts to purchase a 50% stake in 1 Shelley Street, Sydney a prominently positioned prime-grade office building located directly adjacent to the south side of Barangaroo.

#### *Charter Hall Office Trust (CHOT)*

CHOT is a wholesale office partnership which owns interests in 12 high grade office assets valued at \$2.3 billion. Properties are located in major business districts in Australia. During the year CHOT divested three non-core assets totalling \$126 million.

### (b) Industrial

#### *Core Logistics Partnership (CLP)*

CLP is a wholesale industrial partnership which owns 27 assets valued at \$1.6 billion. During the year CLP acquired over \$400 million of industrial assets including ParkWest Industrial Estate No.2 for \$189 million and a 50% interest in Stockyards Industrial Estate, Hazelmere for \$120 million.

#### *Charter Hall Prime Industrial Fund (CPIF) (formerly Charter Hall Core Plus Industrial Fund)*

CPIF is a wholesale industrial pooled fund which owns 44 assets valued at \$2.0 billion. During the year CPIF acquired over \$700 million of assets including a 50% interest in Stockyards Industrial Estate, Hazelmere for \$120 million; ParkWest Industrial Park for \$96 million and Fitzgerald Road Distribution Centre for \$98 million.

### (c) Retail

#### *Charter Hall Retail REIT (CQR)*

CQR is a listed trust which invests in neighbourhood and sub-regional shopping centres anchored by Coles and Woolworths supermarkets. CQR's portfolio comprises 74 properties valued at \$2.6 billion. During the year CQR acquired \$246 million in assets including Goulburn Plaza, NSW, Katherine Central, NT and a 47.5% interest in Bateau Bay Square, NSW.

#### *Long WALE Investment Partnership (LWIP)*

LWIP is a wholesale partnership which owns 54 hospitality assets valued at \$700 million. Properties are leased to ALH under triple net leases.

#### *Retail Partnership No.6 Trust (RP6)*

RP6 is a wholesale retail fund focusing on neighbourhood and sub regional shopping centres. RP6 owns two assets valued at \$247 million.

#### *Long WALE Hardware Partnership (LWHP)*

The combined BP1, BP2 and TTP Funds are collectively referred to as the Long WALE Hardware Partnership (LWHP), which owns assets valued at \$700 million.

#### *BP Fund 1 (BP1)*

BP1 is a wholesale fund which owns 10 freestanding warehouse properties valued at \$409 million.

#### *BP Fund 2 (BP2)*

BP2 is a wholesale fund which owns five freestanding warehouse properties valued at \$168 million.

#### *TTP Wholesale Fund (TTP)*

TTP is a wholesale fund which owns the Keperra Square shopping centre in Brisbane valued at \$77 million.

#### *Charter Hall Retail Partnership No.2 (RP2)*

RP2 is a wholesale retail fund which owns the Bateau Bay Square shopping centre valued at \$200 million on the Central Coast of New South Wales.

#### *Long WALE Investment Partnership 2 (LWIP2)*

LWIP2 is a wholesale partnership which owns eight hospitality assets valued at \$137 million. During the year LWIP2 acquired five assets valued at over \$100 million.

### (d) Wholesale mandates

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 wholesale mandates is \$1.6 billion.

### (e) Direct investor funds

The Group manages equity raised from retail investors via advisers, high net worth individuals and through direct distribution channels. The total FUM of these retail funds and single asset syndicates is \$2.5 billion.

### (f) Commercial and Industrial Property Pty Limited (CIP)

The Group has a 50% interest in Commercial and Industrial Property Pty Limited (CIP), an industrial development business. CIP contributed \$3.2 million to the Group's earnings for the year.

## Property Funds Management

The Property Funds Management business provides investment management, asset management, property management, development management and leasing and transaction services to the Group's \$17.5 billion managed portfolio. The use of an integrated property services model, which earns fees from providing these services to the managed portfolio, enhances the Group's returns from capital invested. The Group also provides services to segregated mandates looking to capitalise on its property and funds management expertise. The property funds management business contributed \$71.4 million in operating earnings to the Group.

During the year, total funds under management increased by a net \$3.9 billion to \$17.5 billion. The movement was a result of additional capital expenditure and valuation uplifts, along with the Group's managed funds acquiring approximately \$3.0 billion and divesting approximately \$0.7 billion of property.

### Significant changes in the state of affairs

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

- In July 2015, the Group purchased \$29.4 million of units in RP2, increasing the Group's ownership interest from 20% to 47.5%. In November 2015, a CQR/RP2 scrip swap reduced the Group's ownership to 5% in exchange for \$45.3 million of CQR units.
- In September 2015, the Group purchased an additional \$20.0 million of Charter Hall Retail REIT (CQR) units on market and invested a further \$5.6 million via the DRP. The CQR/RP2 scrip swap resulted in the Group investing a further \$45.3 million into CQR. The Group's ownership of CQR at 30 June 2016 was 14.3%.
- The Group invested \$66.0 million into Core Logistics Partnership (CLP), increasing the Group's ownership to 16.1%.
- The Group invested \$16.0 million into Charter Hall Prime Industrial Fund (CPIF).
- The Group sold its investment in Charter Hall Direct Office Fund (DOF) for \$41.4 million.
- The Group received a capital distribution of \$32.2 million from Charter Hall Office Trust (CHOT) during the year.
- The Group invested \$4.6 million in CH DC fund for a 26% interest for the Group.
- The Group sold its remaining investment in Charter Hall Direct Industrial Fund No. 3 (DIF3) for \$26.0 million.

### Matters subsequent to the end of the period

The following events have occurred subsequent to 30 June 2016:

- On 27 July 2016 the Group announced the appointment of Ms Karen Moses as an Independent Director of the Charter Hall Group, effective 1 September 2016.
- On 1 August 2016, the Group paid \$51.3 million for a 50% stake in a distribution centre in Victoria.

Except for the matters discussed above, no other matter or circumstance has arisen since 30 June 2016 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 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 property 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 property investment portfolio and relevant economic drivers to actively manage performance at an asset level in each fund.

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 property 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 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. David 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

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

### Anne Brennan

#### *Independent Non Executive Director*

##### *Experience and expertise*

Anne joined the Board of Charter Hall Group on 6 October 2010 and is on the boards 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 her executive career, Anne 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. Anne 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*

Chair of Remuneration and Human Resources Committee

Member of Audit, Risk and Compliance Committee

##### *Interests in securities*

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



**David Deverall***Independent Non-Executive Director (until 26 February 2016)**Experience and expertise*

David joined the Board of the Charter Hall Group on 7 May 2012 until 26 February 2016. David was 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.

Following appointment as CEO of NSW Treasury Corporation in January 2016, David resigned from the Board on 26 February 2016.

*Other current listed company directorships*

Nil

*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

**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)

*Special responsibilities*

Chair of the Audit, Risk and Compliance Committee (from 26 February 2016)

Member of the Remuneration and Human Resources Committee

Member of the Investment Committee

*Interests in securities*

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

**David Harrison***Managing Director and Group CEO**Experience and expertise*

David joined Charter Hall in 2004 and has over 28 years of property market experience across office, retail and industrial sectors. Appointed as Charter Hall Group's Managing Director and Group CEO from 1 February 2016, he is responsible for all aspects of the Charter Hall business, including being responsible for the formulation and implementation of the Group's strategy in consultation with the CHC Executive Leadership Group and Board.

In the last eight years, David has overseen the growth of the Charter Hall Group from \$500 million to \$17.5 billion of funds under management.

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

David holds a Bachelor of Business Degree (Land Economy) from 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*

Nil

*Special responsibilities*

Member of the Investment Committee

*Interests in securities*

1,441,773 stapled securities in Charter Hall Group via indirect interests. 1,031,043 performance rights and 134,592 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.

**Information on Directors** continued**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*

Vicinity Limited and Vicinity Centres RE Limited

*Former listed company directorships in last three years*

Novion Limited

*Special responsibilities*

Member of Audit, Risk and Compliance Committee (temporary member from 12 February 2016, following resignation of David Deverall)

Member of the Remuneration and Human Resources Committee

Member of the Investment Committee

Member of the Nominations Committee

*Interests in securities*

Nil

**Colin McGowan***Independent Non-Executive Director**Experience and expertise*

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

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

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

*Other current listed company directorships*

Nil

*Former listed company directorships in last three years*

Nil

*Special responsibilities*

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 (until 1 February 2016)**Experience and expertise*

David was a co-founder of the Charter Hall Group and with David Harrison, was one of its Joint Managing Directors until 1 February 2016. David has over 28 years of property industry experience. David was 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. David resigned as Joint Managing Director and from the Board on 1 February 2016.

*Other current listed company directorships*

Nil

*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.

**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 number of meetings of the Group's Board of Directors and of each Committee of the Board held during the year ended 30 June 2016, and the number of meetings attended by each Director were:

	FULL MEETINGS OF THE BOARD OF DIRECTORS		AUDIT, RISK AND COMPLIANCE COMMITTEE		INVESTMENT COMMITTEE		NOMINATION COMMITTEE		REMUNERATION AND HR COMMITTEE	
	A	B	A	B	A	B	A	B	A	B
A Brennan	10	10	7	7	*	*	*	*	6	6
D Clarke	9	10	7	7	4	4	2	2	*	*
D Deverall <sup>1</sup>	7	7	3	3	*	*	2	2	*	*
P Garling	9	10	2 <sup>4</sup>	2	4	4	*	*	6	6
D Harrison	9 <sup>2</sup>	9	*	*	4	4	*	*	*	*
P Kahan	10	10	3 <sup>5</sup>	3	3	4	2	2	6	6
C McGowan	10	10	*	*	4	4	*	*	6	6
D Southon <sup>3</sup>	5 <sup>2</sup>	5	*	*	3	3	*	*	*	*

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.

1 David Deverall resigned on 26 February 2016

2 Meeting on 1 February 2016 was Non-Executive Directors only

3 David Southon resigned 1 February 2016

4 Philip Garling appointed 26 February 2016

5 Peter Kahan appointed 12 February 2016

## Remuneration Report Summary

Charter Hall Limited is pleased to present its remuneration report (Report) for the year ended 30 June 2016. The table below outlines the key framework changes made in 2016, outcomes achieved in 2016 and changes to be made in 2017.

COMPONENT	KEY FRAMEWORK CHANGES IN FY 2016
<b>Appointment of Managing Director &amp; Group Chief Executive Officer</b>	Appointed David Harrison as the Managing Director & Group Chief Executive Officer (Managing Director) effective 1 February 2016.  Mr Harrison's terms of employment remain unchanged, with the exception that from 1 February 2016 total target remuneration was increased to \$3.9 million per annum (section 3). An additional grant of long term incentive (LTI) will be granted at the same time as Mr Harrison's FY 2017 LTI grant, reflecting the pro-rata change in his total remuneration during FY 2016.
<b>Joint Manager Director (JMD) separation arrangements</b>	As part of the move to a single Managing Director, David Southon stepped down as JMD. Under his existing employment contract, Mr Southon is entitled to a 12 month notice period and will continue to be paid his fixed remuneration on a monthly basis to 31 January 2017. Mr Southon remains eligible for a short term incentive (STI) award during his notice period, however will not be awarded any future LTI (section 4.1).  Mr Southon is also entitled to a redundancy payment benefit, the equivalent of 12 months fixed remuneration, as per his contract, which will be paid at the end of this 12 month notice period.
<b>Key management personnel (KMP)</b>	The move to one Managing Director also included the introduction of a sector-based model and changes to our key management personnel (section 1).
<b>Short term incentive</b>	Simplified the deferral of STI into service rights for the Executive Leadership Group (ELG). The changes now have one third of awarded STI deferred into service rights on a straight line basis. Previously one third plus any award above 100% of target was deferred into service rights.
<b>Long term incentive</b>	Added a one year holding lock after the three year performance period for all grants under the LTI Plan from FY 2016 onwards.
<b>Non-Executive Directors (NED)</b>	Introduced minimum shareholding guidelines for Independent Directors (section 5).  David Deverall resigned on 26 February 2016.

## Remuneration Report Summary continued

COMPONENT	KEY REMUNERATION OUTCOMES IN FY 2016
<b>Fixed remuneration</b>	Reported Executives fixed annual remuneration (FAR) increased on average 0.9% in the annual review.
<b>Short term incentive</b>	Based on performance, an above target STI pool (112.7%) was awarded across the Group and to Reported Executives (section 3.4).
<b>Long term incentive</b>	As a result of the total securityholder return (TSR) performance over the past three years, both on a relative and absolute basis, the LTI Plan Securities, granted on 23 November 2012 (FY 2013 grant), fully vested (section 3.5).
<b>Remuneration mix</b>	Reviewed and adjusted the remuneration mix for some Reported Executives with the objective of increasing the 'at risk' components to better enable Charter Hall to reward executives when challenging performance measures are met (section 3.2).
<b>Other security plans</b>	Continued the General Employee Securities Plan for eligible employees not participating in the LTI.
<b>Pay equity review</b>	Undertook a gender pay analysis and a subsequent pay equity review across the Group implementing remuneration changes to identified roles.
<b>Non-Executive Directors</b>	NED fees increased effective 1 July 2015 as approved at the 2014 Annual General Meeting (AGM) (section 5).
COMPONENT	FUTURE FRAMEWORK CHANGES FOR FY 2017
<b>Long term incentive</b>	Introducing minor changes to the existing TSR performance measures for the FY 2017 grant. Including revising the range for the absolute performance measure, refining the comparator group and performance measures for relative TSR.
COMPONENT	FUTURE REMUNERATION OUTCOMES
<b>Long term incentive</b>	<p>As a result of the TSR performance over the three years to 30 June 2016, the performance rights granted on 20 November 2013 (FY 2014 grant), will vest 50% based on an absolute basis with the remaining 50% being forfeited on a relative basis.</p> <p>The Special LTI grant for JMDs granted in November 2013 on signing of renegotiated contracts (section 3.5) met most but not all of the performance measures and as a result 100% of the Special LTI will be forfeited.</p>

## Remuneration Report

### Actual remuneration received in FY 2016 – unaudited

The actual remuneration presented in the following table provides the remuneration Reported Executives received during the financial year ended 30 June 2016. This voluntary disclosure is provided to increase transparency and includes:

- Fixed pay and other benefits for 2016;
- 2015 cash STI paid during 2016; and
- The value of any LTI and STI award that vested during 2016.

The actual remuneration presented is distinct from the audited disclosed remuneration (as required by *Section 308(C)* of the *Corporations Act 2001* (Cth) (Act)) in the Financial Report on page 44, which is calculated in accordance with statutory obligations and accounting standards. The numbers in the audited disclosed remuneration include accounting values for current and prior years' LTI grants which have not been (have not or may not be) received, as they are dependent on performance hurdles and service conditions being met.

Name	Salary and other benefits <sup>1</sup> \$	Short term incentive <sup>2</sup> \$	Value of securities vested <sup>3</sup> \$	Total \$	% of remuneration consisting of rights %
<b>Executive Director</b>					
D Harrison	1,191,843	570,467	1,853,795	3,616,105	51.3
<b>Former Executive Director</b>					
D Southon <sup>4</sup>	1,126,877	482,933	1,821,517	3,431,327	53.1
<b>Other Reported Executives</b>					
P Altschwager	752,676	242,000	952,012	1,946,688	48.9
G Chubb <sup>5</sup>	613,337	115,982	290,134	1,019,453	28.5
P Ford <sup>5</sup>	420,615	167,713	173,665	761,993	22.8
A Taylor	677,362	206,400	489,283	1,373,045	35.6
<b>Former Reported Executives</b>					
Scott Dundas	501,276	155,200	351,140	1,007,616	34.8
Richard Stacker <sup>6</sup>	603,402	166,667	770,956	1,541,025	50.0
<b>Totals</b>	<b>5,887,388</b>	<b>2,107,362</b>	<b>6,702,502</b>	<b>14,697,252</b>	<b>45.6</b>

1 Other benefits include superannuation and non monetary benefits including car parking and salary continuance.

2 Values relate to STI paid in FY 2016 as cash for FY 2015 performance.

3 Values relate to value at vesting date for the FY 2013 LTI allocation (grant date of 23 November 2013), the second tranche of 2013 deferred STI and the first tranche of 2014 deferred STI, each of which vested on 1 July 2015. The value of securities vested for the FY 2013 LTI allocation reflects the significant outperformance of Charter Hall's securities over the three year vesting period, as noted in section 3.5.

4 D Southon ceased being a KMP on 1 February 2016. As he continued to be employed, his remuneration is shown for the full period.

5 G Chubb and P Ford commenced as KMP on 1 February 2016. Their remuneration is shown in full for FY 2016, including the period prior to them becoming a KMP.

6 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; the final tranche vested on 31 December 2015 to the value of \$400,176.

## Remuneration Report – Audited

### 1. Key management personnel – audited

This report outlines the remuneration policies and practices that apply to Charter Hall's KMP for the year ended 30 June 2016. The KMP include the Non-Executive Directors, Executive Directors and other Reported Executives who are responsible for the Group's strategy.

Name	Role	Term as KMP
<b>Non-Executive Directors</b>		
David Clarke	Chair	Full Year
Anne Brennan	Director	Full Year
Philip Garling	Director	Full Year
Peter Kahan	Director	Full Year
Colin McGowan	Director	Full Year
<b>Former Non-Executive Director</b>		
David Deverall	Director	Part Year <sup>1</sup>
<b>Executive Director</b>		
David Harrison	Managing Director & Group Chief Executive Officer	Full Year <sup>2</sup>
<b>Former Executive Director</b>		
David Southon	Joint Managing Director	Part Year <sup>3</sup>
<b>Other Reported Executives</b>		
Paul Altschwager	Chief Financial Officer	Full Year
Greg Chubb	Head of Retail	Part Year <sup>4</sup>
Paul Ford	Head of Industrial	Part Year <sup>4</sup>
Adrian Taylor	Head of Office	Full Year
<b>Former Reported Executives</b>		
Scott Dundas	Fund Manager, Charter Hall Retail REIT (CQR)	Part Year <sup>5</sup>
Richard Stacker	Head of Investor Relations	Part Year <sup>5</sup>

1 Resigned as Board Member on 26 February 2016.

2 Promoted to Managing Director & Group CEO on 1 February 2016; previously Joint Managing Director.

3 Ceased being Joint Managing Director on 1 February 2016; remains employed with the Group until 31 January 2017.

4 As a result of the restructure to one Managing Director and a sector-based operating model, these roles became KMP from 1 February 2016.

5 Ceased being KMP on 1 February 2016; remain employed with the Group.

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

## 2. Remuneration governance

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

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### Members of the Committee

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

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

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### Role of the Committee

Charter Hall's Board and the Committee are responsible for setting and overseeing remuneration policy for the Group.

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 Managing Director;
- 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.

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### Attendance

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

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### Remuneration & risk management

Risk is managed at various points in the executive remuneration framework through:

- Part 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 with an additional one year holding lock (from FY 2016);
- Clawback on unvested deferred STI and unvested LTI for material misstatement and financial misrepresentation;
- Minimum shareholding for Independent Directors; and
- Board discretion on performance.

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### 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.

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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](http://www.charterhall.com.au).

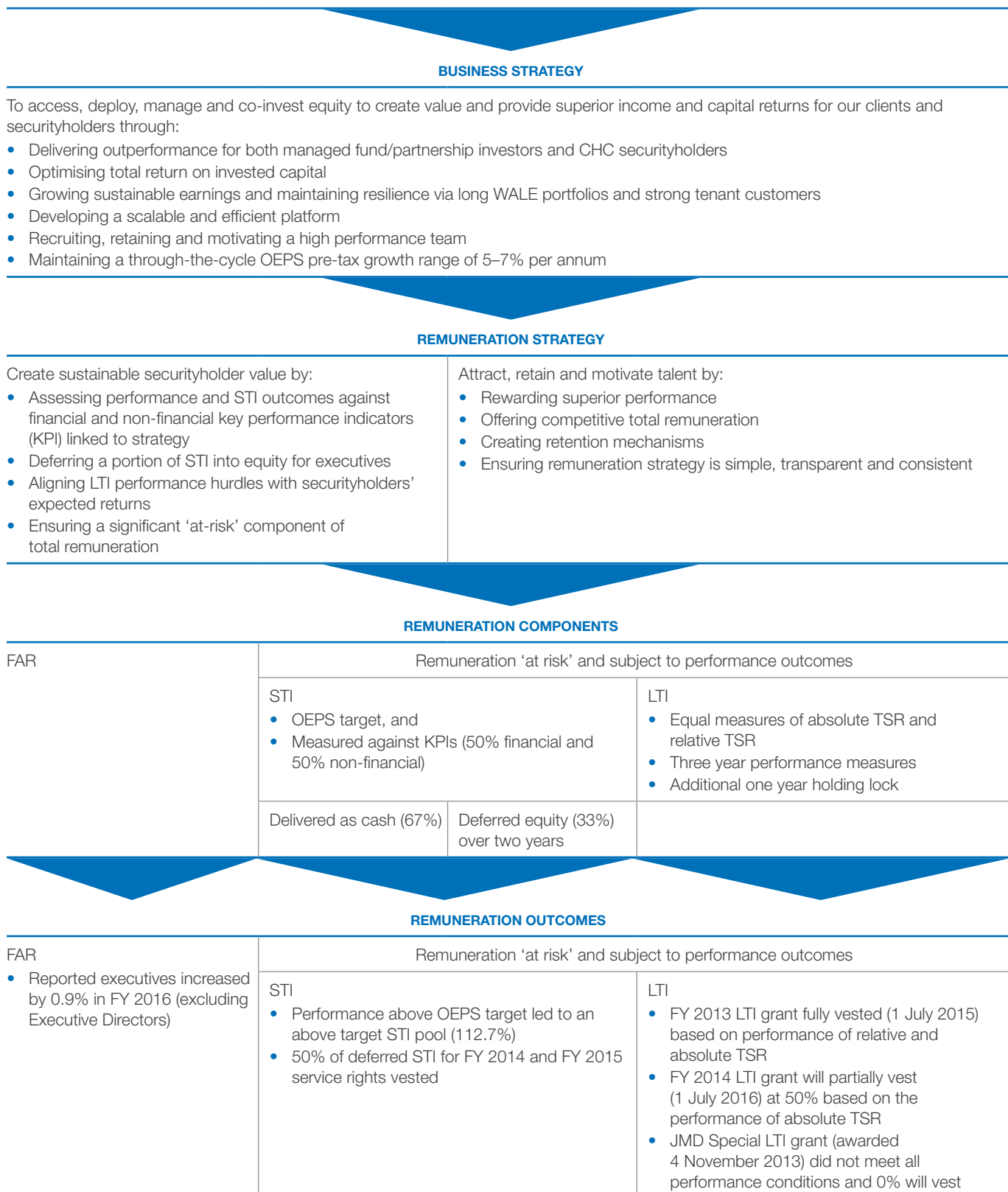
## Remuneration Report – Audited continued

### 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:

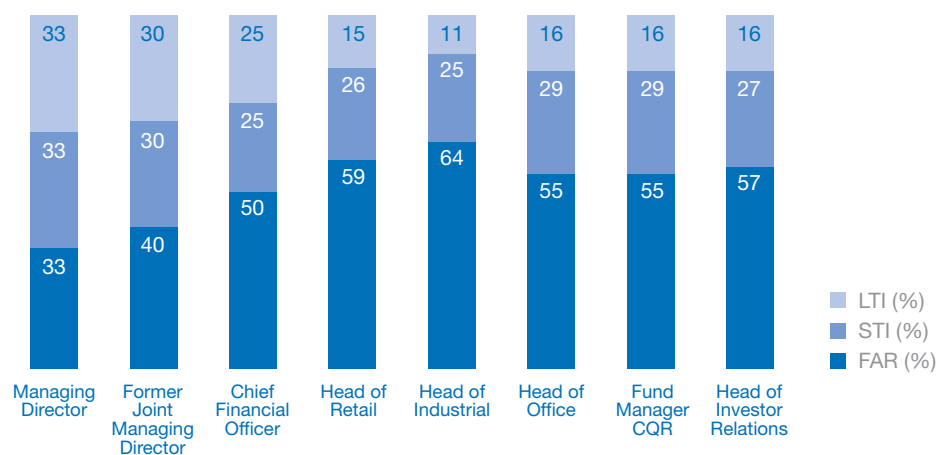




### 3.2 Remuneration mix

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 'at risk' STI and LTI components reward executives when challenging performance measures are met or exceeded.

The figures below represents the 'on target' remuneration mix for current and former Reported Executives and the percentage of fixed versus 'at-risk' components.



### 3.3 Fixed Remuneration

<b>Composition</b>	Fixed remuneration comprises cash base salary, statutory superannuation contributions and other nominated benefits.
<b>Review process</b>	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"> <li>• individual performance; and</li> <li>• the competitive market environment for each individual's skills and capabilities.</li> </ul>
<b>Benchmarking</b>	The following comparator groups are used when determining the Reported Executives remuneration: <ul style="list-style-type: none"> <li>• Industry related companies: based on entities in the S&amp;P/ASX 200 Australian Real Estate and Investment Trust (A-REIT) industry group excluding Westfield; and</li> <li>• Market capitalisation group: based on S&amp;P/ASX 200 companies within 50% to 200% of Charter Hall's market capitalisation.</li> </ul>
<b>Executive Director outcomes</b>	Fixed remuneration for the former JMDs did not increase in the annual remuneration review. In the move to a single Managing Director, Mr Harrison's fixed remuneration increased by 16.9% reflecting his change in role.
<b>Other Reported Executives</b>	Other Reported Executives fixed remuneration increased by an average of 0.9% in the annual remuneration review.

## Remuneration Report – Audited continued

### 3. Executive remuneration framework continued

#### 3.4 Short term incentive

<b>Purpose</b>	The STI is an 'at-risk' incentive awarded annually designed to reward executives, subject to performance against agreed financial and non-financial KPIs.
<b>Gateway for STI</b>	A Group financial gateway of 90–95% of budgeted OEPS must be met before any STI entitlement is available, with the Board retaining overall discretion on performance achievement.
<b>Determining and assessing the STI pool</b>	<p>The size of the pool is determined by the Board, upon advice from the 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.</p> <p>In consultation with the Committee, the Board assesses the Group's financial performance and the performance of all Reported Executives against agreed KPIs.</p>
<b>Maximum STI potential</b>	The maximum STI potential for all employees is 150% of the STI target, enabling recognition for outperformance.
<b>Performance targets</b>	<p>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.</p> <p>KPIs are typically split between 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.</p>
<b>Delivery</b>	<p>For all executives, STI is delivered in the form of cash (67%) and deferred service rights (33%).</p> <p>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 service rights will be forfeited or remain 'on foot', subject to the Board's discretion to determine 'good leaver' status.</p> <p>The Head of Industrial was a new role created during the year with the changes to contract and remuneration (including deferred STI) effective 1 July 2016. The CQR Fund Manager (former Reported Executive) was issued with securities in CQR, rather than CHC.</p>

#### MANAGING DIRECTOR'S KPIs

Measure	KPI	Status
Financial 50%	Including Group OEPS; growth in funds under management; return on equity; net equity flows and property funds management margin.	Exceeded
Non-financial 50%	<b>Customer</b> measures (20%) – improved customer service and satisfaction and improved customer offerings.	Exceeded
	<b>People</b> measures (30%) – including talent optimisation, leadership, employee engagement initiatives.	Exceeded

Mr Southon's KPIs were the same as the Managing Director's allowing a unified approach to leading the business and to support a smooth transition to a single Managing Director for the Group.

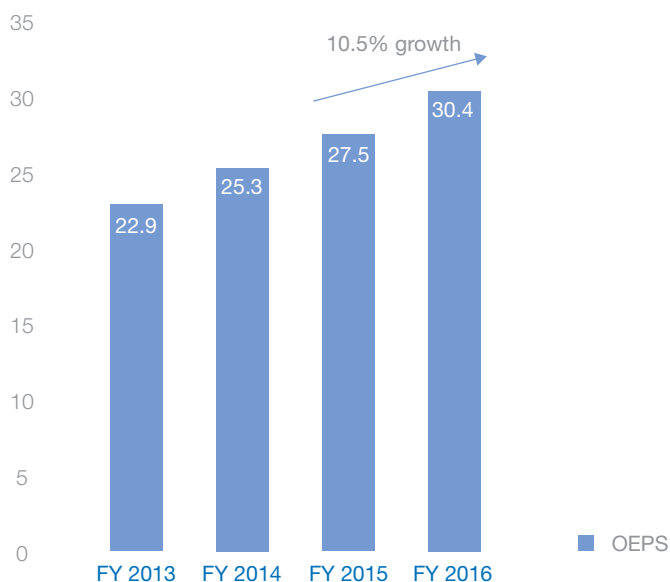
#### OTHER REPORTED EXECUTIVES KPIs

KPIs for other Reported Executives are broadly similar to that of the Managing Director and are focused on individual areas of accountability.

Measure	KPI
Group financial 30%	Including Groups OEPS.
Divisional financial 20%	Including investment earnings; growth in funds under management; operating earnings before interest, tax, depreciation and amortisation; funds management margin or divisional budget financial initiatives.
Non-financials 50%	<b>Customer</b> measures (25%) – including service, satisfaction and offerings.
	<b>People</b> measures (25%) – including leadership, talent and engagement.

## GROUP FY 2016 PERFORMANCE OUTCOMES

In FY 2016, Charter Hall's OEPS was 30.4 cents, which was 10.5% above the FY 2015 OEPS. The table below shows Charter Hall's OEPS (cps) over a four year period:



### FY 2016 STI Outcomes

In FY 2016, 112.7% of the target STI pool was awarded, recognising the outperformance of the Group's OEPS against budget and, as determined by the Board.

The below table shows the short term incentive outcomes for Reported Executives for 2016.

Name	STI earned \$	Paid in cash \$	Deferred into Service Rights \$	Target STI of fixed pay %	STI earned compared to target %	% of target STI opportunity forfeited <sup>1</sup> %
<b>Executive Director</b>						
D Harrison <sup>2</sup>	1,677,700	1,118,467	559,233	100	150	0
<b>Former Executive Director</b>						
D Southon	1,098,624	732,416	366,208	76	130	0
<b>Other Reported Executives</b>						
P Altschwager	262,990	175,327	87,663	50	70	30
G Chubb	323,628	215,752	107,876	44	120	0
P Ford <sup>2</sup>	185,986	185,986	–	39	120	0
A Taylor	438,300	292,200	146,100	53	125	0
<b>Other Reported Executives</b>						
S Dundas	263,640	175,760	87,880	53	100	0
R Stacker	326,842	217,895	108,947	47	115	0

1 The STI was not earned; the Act requires this disclosure as forfeiture.

2 STI earned reflects changes to remuneration in FY 2016.

## Remuneration Report – Audited continued

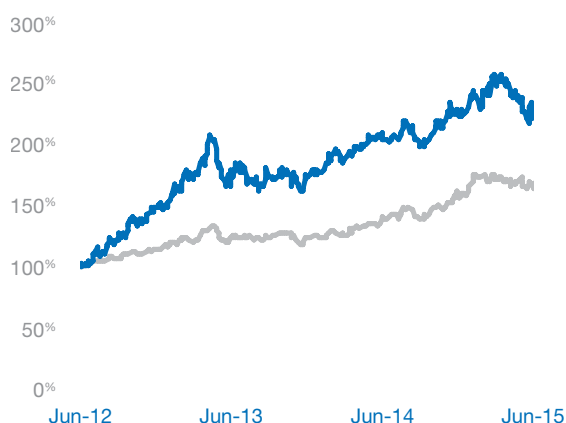
### 3. Executive remuneration framework continued

#### 3.5 Long term incentive

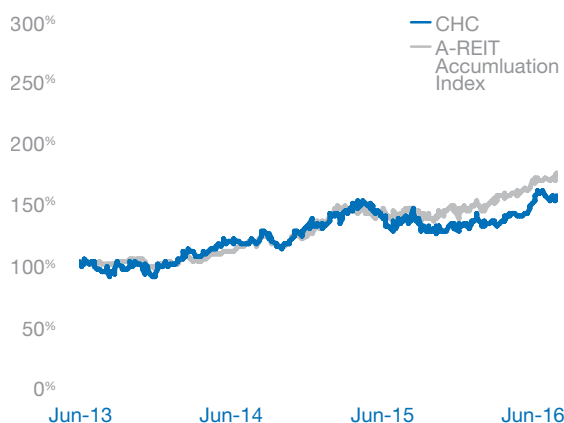
<b>Purpose</b>	The LTI aligns key employee rewards with sustainable growth in securityholder value over time. It also plays an important role in employee retention.
<b>Participants</b>	All Reported Executives, executives, Fund Managers and selected other managers, comprising approximately 7% of employees.
<b>Type of equity awarded</b>	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 FY 2012, all grants under the PROP for LTI comprised performance rights only. 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. For FY 2016 see specific grant allocation section 6.
<b>Valuation</b>	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.
<b>Performance measures, vesting schedule and holding lock</b>	<p>For the FY 2016 LTI allocation, the two performance hurdles that apply to the performance rights for vesting over a three year period commencing 1 July 2015 were:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Relative Return (50%) – vesting occurs on a linear basis if the total compounded return is between the S&amp;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.</li> </ul> <p>Any performance rights that fail to meet these performance hurdles by 30 June 2018 will lapse. Performance rights which vest will be subject to a further one year holding lock.</p>
<b>Rationale for performance conditions</b>	<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. It 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>
<b>Cessation of employment provisions</b>	<p>For the FY 2016 LTI allocation, the following provisions apply in the case of cessation of a participant's employment:</p> <ul style="list-style-type: none"> <li>• Misconduct: all unvested performance rights are forfeited unless the Board determines otherwise;</li> <li>• 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</li> <li>• All other leavers, including good 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.</li> </ul>
<b>Change of control provisions</b>	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.
<b>Treatment of dividends</b>	Participants who hold performance rights are not entitled to receive any distributions or dividends declared by the Group until the performance rights are exercised and held as stapled securities.
<b>Hedging and margin lending prohibitions</b>	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.
<b>Special LTI grant for JMDs</b>	<p>Following securityholder approval, as part of their contract renewal effective 4 November 2013, the former JMDs received a special 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"> <li>• Absolute TSR Performance – measured over a performance period from 1 July 2013 to 30 June 2016;</li> <li>• Relative TSR Performance – measured over a performance period from 1 July 2013 to 30 June 2016; and</li> <li>• Annual Milestones – set annually and measured over a performance period from 4 October 2013 to 4 October 2016.</li> </ul> <p>All measures need to be met for any Special LTI to become available. As the relative TSR did not meet the performance measure 100% of the performance rights will be forfeited.</p>

The following graphs demonstrate how the Group's TSR (including stapled security price movements and distributions) has performed relative to the ASX A-REIT Accumulation Index for the three years to 30 June 2015 (FY 2013 LTI period) and three years to 30 June 2016 (FY14 LTI period).

FY 2013 LTI award



FY 2014 LTI award



## Outcomes

- The FY 2013 LTI had a vesting date of 1 July 2015. The performance hurdles were exceeded and hence 100% of the rights vested.
  - 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 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.
- The FY 2014 LTI has a vesting date of 1 July 2016. As a result of the TSR performance over the three years to 30 June 2016, 50% will vest based on absolute performance and 50% will be forfeited based on relative performance.

### 3.6 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 TSR.

Key performance metrics	2013	2014	2015	2016
Statutory earnings per stapled security (cps)	18.3	25.6	32.8	<b>52.5</b>
Statutory net profit after tax (\$000s)	54,842	82,116	117,885	<b>215,240</b>
OEPS (cps)	22.9	25.3	27.5	<b>30.4</b>
Growth/(decline) in OEPS %	10.8	10.4	8.7	<b>10.5</b>
Operating profit (\$000s)	68,750	81,163	98,799	<b>124,735</b>
Total distribution per stapled security (cps)	20.2	22.3	24.2	<b>26.9</b>
Stapled security price at 30 June (\$)	3.87	4.26	4.52	<b>5.06</b>
S&P/ASX 200 A-REIT Accumulation Index (XPJAI) (%)	24.3	11.1	20.3	<b>23.2</b>
Total securityholder return/(Loss) – Jul – Jun %	80.6	16.3	11.8	<b>18.3</b>

Reported Executives total remuneration summary	2013	2014	2015	2016 <sup>1</sup>
Fixed payments (\$)	5,978,392	6,122,898	4,776,471	<b>6,774,805</b>
STI accounting expense (\$)	2,659,913	3,381,549	3,037,030	<b>5,070,682</b>
LTI accounting expense (\$) <sup>2</sup>	2,369,843	2,169,193	1,746,018	<b>1,761,639</b>
Earned remuneration (\$) <sup>3</sup>	11,008,148	11,673,640	9,559,519	<b>13,607,126</b>
On target total remuneration (\$)	11,216,962	11,984,905	9,257,989	<b>12,198,875</b>
Earned remuneration relative to target remuneration – over/(under) (%)	(2%)	(3%)	4%	<b>12%</b>

1 Includes remuneration for Mr Southon's 2017 notice period and excludes his redundancy payments.

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

3 Earned remuneration for the Reported Executives is the sum of their fixed payments, the STI accounting expense and the LTI accounting expense.

## Remuneration Report – Audited continued

### 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 FY 2015 and FY 2016.

Name	SHORT TERM BENEFITS				POST-EMPLOYMENT BENEFITS	SECURITY-BASED PAYMENT		OTHER LONG TERM BENEFITS	TERMINATION BENEFITS	Total	% of total remuneration consisting of rights %
	Salary \$	Cash short term incentive \$	Annual leave <sup>1</sup> \$	Non-monetary benefits <sup>2</sup> \$	Superannuation \$	Security-based short term incentive \$	Securities, options and performance rights	Long service leave <sup>1</sup> \$	Termination benefits \$		
<b>Executive Director</b>											
D Harrison											
<b>2016</b>	<b>1,171,259</b>	<b>1,118,467</b>	<b>87,976</b>	<b>1,276</b>	<b>19,308</b>	<b>559,233</b>	<b>506,418</b>	<b>57,643</b>	<b>-</b>	<b>3,521,580</b>	<b>30</b>
2015	1,093,617	570,467	(48,783)	42,088	18,783	370,803	614,260	24,927	-	2,686,162	37
<b>Former Executive Director</b>											
D Southon											
<b>2016</b>											
<b>Actuals<sup>3</sup></b>	<b>1,093,092</b>	<b>732,416</b>	<b>(22,462)</b>	<b>14,477</b>	<b>19,308</b>	<b>366,208</b>	<b>375,226</b>	<b>19,468</b>	<b>-</b>	<b>2,597,733</b>	<b>29</b>
<b>2017 Notice Period<sup>3</sup></b>	<b>637,458</b>	<b>328,648</b>	<b>52,413</b>	<b>2,481</b>	<b>11,442</b>	<b>164,324</b>	<b>142,677</b>	<b>11,356</b>	<b>-</b>	<b>1,350,799</b>	<b>23</b>
<b>Separation<sup>3</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>211,157</b>	<b>-</b>	<b>1,112,400</b>	<b>1,323,557</b>	<b>16</b>
2015	1,093,617	482,933	16,971	35,464	18,783	313,907	499,678	24,574	-	2,485,927	33
<b>Other Reported Executives</b>											
P Altschwager											
<b>2016</b>	<b>732,092</b>	<b>175,327</b>	<b>24,407</b>	<b>1,276</b>	<b>19,308</b>	<b>87,663</b>	<b>164,294</b>	<b>14,635</b>	<b>-</b>	<b>1,219,002</b>	<b>21</b>
2015	707,217	242,000	5,902	1,276	18,783	157,300	241,912	-	-	1,374,390	29
G Chubb <sup>4</sup>											
<b>2016</b>	<b>592,692</b>	<b>215,752</b>	<b>10,165</b>	<b>1,337</b>	<b>19,308</b>	<b>107,876</b>	<b>311,720</b>	<b>10,857</b>	<b>-</b>	<b>1,269,707</b>	<b>33</b>
P Ford <sup>4</sup>											
<b>2016</b>	<b>391,559</b>	<b>185,986</b>	<b>(8,588)</b>	<b>9,748</b>	<b>19,308</b>	<b>-</b>	<b>24,703</b>	<b>14,853</b>	<b>-</b>	<b>637,569</b>	<b>4</b>
A Taylor											
<b>2016</b>	<b>645,692</b>	<b>292,200</b>	<b>(2,672)</b>	<b>12,362</b>	<b>19,308</b>	<b>146,100</b>	<b>78,165</b>	<b>11,638</b>	<b>-</b>	<b>1,202,793</b>	<b>19</b>
2015	646,217	206,400	(4,197)	3,893	18,783	149,640	109,815	20,061	-	1,150,612	23
<b>Former Reported Executives<sup>5</sup></b>											
S Dundas											
<b>2016</b>	<b>480,692</b>	<b>175,760</b>	<b>(14,094)</b>	<b>1,276</b>	<b>19,308</b>	<b>87,880</b>	<b>59,306</b>	<b>8,750</b>	<b>-</b>	<b>818,878</b>	<b>18</b>
2015	481,217	155,200	451	1,276	18,783	100,880	80,589	13,129	-	851,525	21
R Stackler											
<b>2016</b>	<b>580,692</b>	<b>217,895</b>	<b>24,306</b>	<b>3,402</b>	<b>19,308</b>	<b>108,947</b>	<b>99,130</b>	<b>(64,615)</b>	<b>-</b>	<b>989,065</b>	<b>21</b>
2015	581,217	166,667	(6,973)	3,402	18,783	120,833	199,764	(72,790)	-	1,010,903	32
<b>Total 2016</b>	<b>6,325,228</b>	<b>3,442,451</b>	<b>151,451</b>	<b>47,635</b>	<b>165,906</b>	<b>1,628,231</b>	<b>1,972,796</b>	<b>84,585</b>	<b>1,112,400</b>	<b>14,930,683</b>	<b>24</b>
<b>Total 2015</b>	<b>4,603,102</b>	<b>1,823,667</b>	<b>(36,629)</b>	<b>87,399</b>	<b>112,698</b>	<b>1,213,363</b>	<b>1,746,018</b>	<b>9,901</b>	<b>-</b>	<b>9,559,519</b>	<b>31</b>

1 Shows the movement in leave accruals for the year.

2 Non-monetary benefits include car parking benefits and salary continuance.

3 In accordance with Mr Southon's employment agreement and the announcement to the market on 1 February 2016, Mr Southon is entitled during his 12 month notice period to the following; he will continue to be eligible for STI; no future LTI grants will be awarded; previous service rights awarded under his STI and performance rights under his LTI will remain on foot and vest at the originally intended vesting date to the extent that the performance conditions (where applicable) are satisfied; and a 12 month redundancy payment based on fixed remuneration will be paid at the end of his notice period.

The presentation of Mr Southon's remuneration has been split into three components. Actual 2016 represents his remuneration for 12 months to 30 June 2016, including 5 months of his notice period to 30 June 2016. The 2017 notice period represents the remuneration he could receive during FY 2017 as he continues as an employee during his notice period until 31 January 2017. For FY 2017 the STI opportunity is shown at target amount and may be earned in the event of performance criteria being met. The separation line reflects the redundancy payment he will receive on termination of his employment. The separation benefits include the remaining security-based expense for unvested incentives as at 31 January 2017 which remain on foot and may vest at the same time as all other participants. None of these benefits are termination benefits for the purposes of the Corporations Act termination benefits cap.

4 Employees commenced as KMP effective 1 February 2016. Remuneration shown is for the period for the full year.

5 Employees ceased as KMP effective 1 February 2016 but remained employed by the Group. Remuneration shown is for full year.

#### 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 Executive Directors and Reported Executives are summarised below:

Name	Position	MINIMUM NOTICE PERIOD <sup>1</sup>	
		Employee	Charter Hall
<b>Executive Director</b>			
D Harrison	Managing Director and Group CEO	6 months	12 months
<b>Former Executive Director</b>			
D Southon	Joint Managing Director	6 months	12 months
<b>Other Reported Executives</b>			
P Altschwager	Chief Financial Officer	3 months	6 months
G Chubb	Head of Retail	3 months	3 months
P Ford <sup>2</sup>	Head of Industrial	1 month	1 month
A Taylor <sup>3</sup>	Head of Office	3 months	3 months
<b>Former Reported Executives</b>			
Scott Dundas	Fund Manager – Charter Hall Retail REIT	3 months	6 months
Richard Stacker <sup>4</sup>	Head of Investor Relations	3 months	3 months

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

2 Existing contract prior to becoming a KMP.

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

4 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.

Charter Hall's redundancy policy applies to all employees, including Reported Executives and the former Joint Managing Directors, 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. The employment contract for the Managing Director and Group CEO does not include redundancy provision.

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 unvested incentives is dealt with in accordance with the terms of the grant (refer to STI and LTI commentary in the section 3).

## Remuneration Report – Audited continued

### 5. Non-Executive Director remuneration

<b>Policy</b>	The Committee makes recommendations to the Board on the total level of remuneration of the Chair and other Non-Executive Directors, including any additional fees payable to directors for membership of Board committees.
<b>Benchmarking</b>	<p>Fees are set by reference to the following considerations:</p> <ul style="list-style-type: none"> <li>• Industry practice and best principles of corporate governance;</li> <li>• Responsibilities and risks attaching to the role of NEDs;</li> <li>• The time commitment expected of NEDs on Group matters; and</li> <li>• Reference to fees paid to NEDs of other comparable companies.</li> </ul> <p>NED fees are periodically reviewed to ensure they remain in line with general industry practice and reflect proper compensation for duties undertaken. External independent advice is sought in these circumstances.</p>
<b>Fee Framework</b>	<p>NED fees, including committee fees, are set by the Board within the aggregate amount of \$1.3 million per annum as approved by securityholders at the AGM in November 2014.</p> <p>Under the current framework, NEDs, other than the Chair, receive inclusive of superannuation:</p> <ul style="list-style-type: none"> <li>• Board base fee; and</li> <li>• Committee fees;</li> </ul> <p>The Chair receives an all-inclusive fee.</p> <p>NEDs are also entitled to be reimbursed for all business related expenses, including travel on Charter Hall business, incurred in the discharge of their duties in accordance with Charter Hall's Constitution.</p> <p>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.</p>
<b>Remuneration Outcomes</b>	The Chair's fee structure was increased to \$300,000 per annum and the base fees for NEDs was increased to \$120,000 per annum both effective 1 July 2015 as approved at the 2014 AGM.
<b>Policy Changes</b>	Minimum shareholding requirements were implemented in FY 2016 requiring Independent Directors to hold CHC securities to the value of \$50,000 (being approximately a year's base fee, net of tax) to be purchased over a three year period. The valuation is based on the value of the securities at the time of purchase.

Summary of Fee Framework	2016 \$	2015 \$
<b>Board</b>		
Chair	300,000	265,000
Non Chair	120,000	110,000
<b>Audit Risk and Compliance Committee</b>		
Chair	30,000	30,000
Non Chair	15,000	15,000
<b>Remuneration and Human Resources Committee</b>		
Chair	25,000	25,000
Non Chair	13,879	13,879
<b>Nomination Committee</b>		
Chair	2,060	2,060
Non Chair	2,060	2,060
<b>Valuation Committee<sup>1</sup></b>	–	9,064

1 Valuation Committee was disbanded in December 2014, replaced by the Executive Property Valuations Committee.

Non-Executive Director remuneration 2015 and 2016:	2016 Fees \$	2015 Fees \$
<b>Non-Executive Directors</b>		
D Clarke <sup>1</sup>	300,000	213,636
K Roxburgh <sup>2</sup>	–	97,167
A Brennan	165,305	151,000
D Deverall <sup>3</sup>	109,583	143,060
P Garling	144,117	133,943
P Kahan	141,016	126,939
C McGowan	133,879	138,943
<b>TOTAL</b>	<b>993,900</b>	<b>1,004,688</b>

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

2 Resigned as Chair and NED November 2014.

3 Resigned as NED on 26 February 2016.



## 6. Appendix – further detail

### 6.1 Securityholdings

Table 6.1 Key management personnel securityholdings

Name	Opening balance at 30 June 2015	Stapled securities acquired <sup>1</sup>	Rights and options exercised	Stapled securities sold	Closing balance at 30 June 2016
<b>Directors of Charter Hall Limited</b>					
<i>Ordinary stapled securities</i>					
D Clarke	43,138	–	–	–	<b>43,138</b>
A Brennan	30,000	–	–	–	<b>30,000</b>
D Deverall <sup>2</sup>	36,858	564	–	(37,422)	–
P Garling	9,435	–	–	–	<b>9,435</b>
P Kahan <sup>3</sup>	–	–	–	–	–
C McGowan	10,000	–	–	–	<b>10,000</b>
<b>Executive Director</b>					
D Harrison	1,441,773	–	424,424	(424,424)	<b>1,441,773</b>
<b>Former Executive Director</b>					
D Southon <sup>4</sup>	1,880,612	–	417,033	(2,297,645)	–
<b>Other Reported Executives</b>					
P Altschwager	–	–	220,081	(220,081)	–
G Chubb	–	–	65,790	(65,790)	–
P Ford	–	–	40,541	(40,541)	–
A Taylor	61,605	–	113,260	(113,260)	<b>61,605</b>
<b>Former Reported Executives</b>					
S Dundas <sup>4</sup>	–	–	59,460	(59,460)	–
R Stacker <sup>4</sup>	180,000	–	176,556	(356,556)	–

1 Includes securities acquired under the distribution reinvestment plan.

2 Resigned as Board Member on 26 February 2016. Deemed disposal of all stapled securityholdings as no longer a director of the Group.

3 A representative of our major securityholder, Gandel Group.

4 Ceased being KMP on 1 February 2016. Stapled securities sold includes deemed disposal of all stapled securityholdings as no longer a KMP of the Group.

### 6.2 Performance Rights and Options Plan details

Table 6.2.1 Performance rights and service rights issued and outstanding under the PROP

<b>Performance rights</b>			
Year of Issue	Securities	Exercise Price	Vesting Conditions
2014	1,291,027	Nil	Absolute and relative performance criteria
2015	979,091	Nil	Absolute and relative performance criteria
2016	1,031,138	Nil	Absolute and relative performance criteria
<b>Total performance rights issued</b>	<b>3,301,256</b>		
<b>Service rights</b>			
Year of Issue	Securities	Exercise Price	Vesting Conditions
2015	131,580	Nil	Service conditions
2015	178,515	Nil	Service conditions – Deferred STI
2016	10,321	Nil	Service conditions
2016	379,579	Nil	Service conditions – Deferred STI
<b>Total service rights issued</b>	<b>699,995</b>		

## Remuneration Report – Audited continued

### 6. Appendix – further detail continued

#### Valuation model inputs

The Black-Scholes method is used for allocation purposes while the Monte Carlo method is used for 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 FY 2013, the allocation methodology was revised with LTI awards now valued using the Black-Scholes methodology. The accounting value determined using a Monte Carlo simulation valuation is in accordance with AASB 2.

The model inputs for the PROP performance rights plan issued during FY 2012 to FY 2015 to assess the fair value are as follows:

<b>Performance rights</b>					
Grant date <sup>1</sup>	23/11/2012	20/11/2013	20/11/2013	19/12/2014	30/11/2015
Stapled security price at grant date	\$3.11	\$3.68	\$3.68	\$4.68	\$4.47
Opening TSR measurement price	\$2.15	\$2.34	\$3.89	\$4.23	\$4.64
Fair value of right	\$1.91	\$1.42	\$1.11	\$2.09	\$1.41
Expected price volatility	26.0%	30.4%	30.4%	30.4%	24.0%
Risk-free interest rate	3.0%	2.9%	3.0%	3.0%	2.1%

<b>Service rights</b>					
Grant date	20/11/2013	20/11/2013	19/12/2014	19/12/2014	30/11/2015
Stapled security price at grant date	\$3.68	\$3.68	\$4.68	\$4.68	\$4.47
Fair value of right	\$3.45	\$3.42	\$4.28	\$4.36	\$4.37
Expected price volatility	27.4%	27.4%	26.5%	24.6%	25.4%
Risk-free interest rate	2.6%	2.6%	2.5%	2.5%	2.0%

<sup>1</sup> The grant date reflects the date the rights were allocated whilst participants are eligible and performance period commences from the 1 July of the relevant financial year.

Table 6.2.2 Number of performance and service rights issued and outstanding to Reported Executives as at 30 June 2016

	<b>LTI PERFORMANCE RIGHTS</b>				<b>SIGN ON (SERVICE RIGHTS)</b>		<b>STI DEFERRED (SERVICE RIGHTS)</b>		
	2014	2015	2016	Total	2015	Total	2015	2016	Total
<b>Executive Director</b>									
D Harrison	531,707	248,371	250,965	1,031,043	–	–	47,752	86,840	134,592
<b>Former Executive Director</b>									
D Southon	301,220	210,730	214,492	726,442	–	–	40,930	73,515	114,445
<b>Other Reported Executives</b>									
P Altschwager	106,708	101,967	95,356	304,031	–	–	14,933	36,839	51,772
G Chubb	–	42,135	39,490	81,625	131,580	131,580	–	13,582	13,582
P Ford	15,244	15,450	15,005	45,699	–	–	–	–	–
A Taylor	47,561	48,315	49,099	144,975	–	–	15,763	35,045	50,808
<b>Former Reported Executives</b>									
S Dundas	36,891	36,324	36,917	110,132	–	–	12,960	26,340	39,300
R Stacker	36,891	42,135	42,747	121,773	–	–	16,415	28,299	44,714

Table 6.2.3 Reported Executives rights – details by plan

	Type of Equity	Rights previously granted	Rights granted during the year	Rights held at 30 June 2016	Grant Date	Fair value per right at grant date	No. vested & exercised during the year	No. forfeited during the year	Vesting Date	Maximum value to be realised in future years <sup>1</sup>
<b>Executive Director</b>										
D Harrison	LTI Performance Rights	346,847	–	–	23-Nov-12	\$1.91	346,847	–	1-Jul-15	–
	LTI Performance Rights	231,707	–	231,707	20-Nov-13	\$1.42	–	–	1-Jul-16	–
	LTI Performance Rights	300,000	–	300,000	20-Nov-13	\$1.11	–	–	4-Oct-16	–
	LTI Performance Rights	248,371	–	248,371	19-Dec-14	\$2.09	–	–	1-Jul-17	\$173,032
	LTI Performance Rights	–	250,965	250,965	30-Nov-15	\$1.41	–	–	31-Aug-18	\$242,228
	STI Deferred Rights	29,825	–	–	20-Nov-13	\$3.42	29,825	–	31-Aug-15	–
	STI Deferred Rights	47,752	–	–	19-Dec-14	\$4.49	47,752	–	31-Aug-15	–
	STI Deferred Rights	47,752	–	47,752	19-Dec-14	\$4.23	–	–	31-Aug-16	–
	STI Deferred Rights	–	43,420	43,420	30-Nov-15	\$4.38	–	–	31-Aug-16	–
	STI Deferred Rights	–	43,420	43,420	30-Nov-15	\$4.16	–	–	31-Aug-17	–
<b>Former Executive Director</b>										
D Southon	LTI Performance Rights	346,847	–	–	23-Nov-12	\$1.91	346,847	–	1-Jul-15	–
	LTI Performance Rights	201,220	–	201,220	20-Nov-13	\$1.42	–	–	1-Jul-16	–
	LTI Performance Rights	100,000	–	100,000	20-Nov-13	\$1.11	–	–	4-Oct-16	–
	LTI Performance Rights	210,730	–	210,730	19-Dec-14	\$2.09	–	–	1-Jul-17	\$146,809
	LTI Performance Rights	–	214,492	214,492	30-Nov-15	\$1.41	–	–	31-Aug-18	\$207,025
	STI Deferred Rights	29,255	–	–	20-Nov-13	\$3.42	29,255	–	31-Aug-15	–
	STI Deferred Rights	40,931	–	–	19-Dec-14	\$4.49	40,931	–	31-Aug-15	–
	STI Deferred Rights	40,930	–	40,930	19-Dec-14	\$4.23	–	–	31-Aug-16	–
	STI Deferred Rights	–	36,758	36,758	30-Nov-15	\$4.38	–	–	31-Aug-16	–
	STI Deferred Rights	–	36,757	36,757	30-Nov-15	\$4.16	–	–	31-Aug-17	–

<sup>1</sup> The maximum value of the grants yet to vest is the fair value amount at the grant date 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.

**Remuneration Report – Audited** continued

**6. Appendix – further detail** continued

*Valuation model inputs continued*

Table 6.2.3 Reported Executives rights – details by plan continued

Type of Equity	Rights previously granted	Rights granted during the year	Rights held at 30 June 2016	Grant Date	Fair value per right at grant date	No. vested & exercised during the year	No. forfeited during the year	Vesting Date	Maximum value to be realised in future years <sup>1</sup>	
<b>Key Management Personnel</b>										
P Altschwager	LTI Performance Rights	189,190	–	–	23-Nov-12	\$1.91	189,190	–	1-Jul-15	–
	LTI Performance Rights	106,708	–	106,708	20-Nov-13	\$1.42	–	–	1-Jul-16	–
	LTI Performance Rights	101,967	–	101,967	19-Dec-14	\$2.09	–	–	1-Jul-17	\$71,037
	LTI Performance Rights	–	95,356	95,356	30-Nov-15	\$1.41	–	–	31-Aug-18	\$92,036
	STI Deferred Rights	15,958	–	–	20-Nov-13	\$3.42	15,958	–	31-Aug-15	–
	STI Deferred Rights	14,933	–	–	19-Dec-14	\$4.49	14,933	–	31-Aug-15	–
	STI Deferred Rights	14,933	–	14,933	19-Dec-14	\$4.23	–	–	31-Aug-16	–
	STI Deferred Rights	–	18,420	18,420	30-Nov-15	\$4.38	–	–	31-Aug-16	–
	STI Deferred Rights	–	18,419	18,419	30-Nov-15	\$4.16	–	–	31-Aug-17	–
G Chubb	LTI Performance Rights	42,135	–	42,135	19-Dec-14	\$2.09	–	–	1-Jul-17	\$29,354
	LTI Performance Rights	–	39,490	39,490	30-Nov-15	\$1.41	–	–	31-Aug-18	\$38,115
	LTI Service Rights	65,790	–	–	19-Dec-14	\$4.54	65,790	–	30-Jun-15	–
	LTI Service Rights	65,790	–	65,790	19-Dec-14	\$4.27	–	–	30-Jun-16	–
	LTI Service Rights	65,790	–	65,790	19-Dec-14	\$4.03	–	–	30-Jun-17	49,578
	STI Deferred Rights	–	6,791	6,791	30-Nov-15	\$4.38	–	–	31-Aug-16	–
	STI Deferred Rights	–	6,791	6,791	30-Nov-15	\$4.16	–	–	31-Aug-17	–
P Ford	LTI Performance Rights	40,541	–	–	23-Nov-12	\$1.91	40,541	–	1-Jul-15	–
	LTI Performance Rights	15,244	–	15,244	20-Nov-13	\$1.42	–	–	1-Jul-16	–
	LTI Performance Rights	15,450	–	15,450	19-Dec-14	\$2.09	–	–	1-Jul-17	\$10,764
	LTI Performance Rights	–	15,005	15,005	30-Nov-15	\$1.41	–	–	31-Aug-18	\$14,483

<sup>1</sup> The maximum value of the grants yet to vest is the fair value amount at the grant date 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.

	Type of Equity	Rights previously granted	Rights granted during the year	Rights held at 30 June 2016	Grant Date	Fair value per right at grant date	No. vested & exercised during the year	No. forfeited during the year	Vesting Date	Maximum value to be realised in future years <sup>1</sup>
<b>Key Management Personnel</b> continued										
A Taylor	LTI Performance Rights	84,325	–	–	23-Nov-12	\$1.91	84,325	–	1-Jul-15	–
	LTI Performance Rights	47,561	–	47,561	20-Nov-13	\$1.42	–	–	1-Jul-16	–
	LTI Performance Rights	–	48,315	48,315	19-Dec-14	\$2.09	–	–	1-Jul-17	\$33,659
	LTI Performance Rights	–	49,099	49,099	30-Nov-15	\$1.41	–	–	31-Aug-18	\$47,390
	STI Deferred Rights	13,172	–	–	20-Nov-13	\$3.42	13,172	–	31-Aug-15	–
	STI Deferred Rights	15,763	–	–	19-Dec-14	\$4.49	15,763	–	31-Aug-15	–
	STI Deferred Rights	15,763	–	15,763	19-Dec-14	\$4.23	–	–	31-Aug-16	–
	STI Deferred Rights	–	17,523	17,523	30-Nov-15	\$4.38	–	–	31-Aug-16	–
	STI Deferred Rights	–	17,522	17,522	30-Nov-15	\$4.16	–	–	31-Aug-17	–
S Dundas	LTI Performance Rights	59,460	–	–	23-Nov-12	\$1.91	59,460	–	1-Jul-15	–
	LTI Performance Rights	36,891	–	36,891	20-Nov-13	\$1.42	–	–	1-Jul-16	–
	LTI Performance Rights	36,324	–	36,324	19-Dec-14	\$2.09	–	–	1-Jul-17	\$25,306
	LTI Performance Rights	–	36,917	36,917	30-Nov-15	\$1.41	–	–	31-Aug-18	\$35,632
	STI Deferred Rights <sup>2</sup>	10,186	–	–	20-Nov-13	\$3.59	10,186	–	31-Aug-15	–
	STI Deferred Rights <sup>2</sup>	12,960	–	–	19-Dec-14	\$4.04	12,960	–	31-Aug-15	–
	STI Deferred Rights <sup>2</sup>	12,960	–	12,960	19-Dec-14	\$3.76	–	–	31-Aug-16	–
	STI Deferred Rights <sup>2</sup>	–	13,170	13,170	30-Nov-15	\$4.38	–	–	31-Aug-16	–
	STI Deferred Rights <sup>2</sup>	–	13,170	13,170	30-Nov-15	\$4.16	–	–	31-Aug-17	–

1 The maximum value of the grants yet to vest is the fair value amount at the grant date 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 CQR for these Deferred STI rights.

## Remuneration Report – Audited continued

### 6. Appendix – further detail continued

#### Valuation model inputs continued

Table 6.2.3 Reported Executives rights – details by plan continued

Type of Equity	Rights previously granted	Rights granted during the year	Rights held at 30 June 2016	Grant Date	Fair value per right at grant date	No. vested & exercised during the year	Number forfeited during the year	Vesting Date	Maximum value to be realised in future years <sup>1</sup>	
<b>Key Management Personnel</b> continued										
R Stacker	LTI Performance Rights	59,460	–	–	23-Nov-12	\$1.91	59,460	–	1-Jul-15	–
	LTI Performance Rights	36,891	–	36,891	20-Nov-13	\$1.42	–	–	1-Jul-16	–
	LTI Performance Rights	42,135	–	42,135	19-Dec-14	\$2.09	–	–	1-Jul-17	\$29,354
	LTI Performance Rights	–	42,747	42,747	30-Nov-15	\$1.41	–	–	31-Aug-18	\$41,259
	LTI Service Rights	90,000	–	–	23-Nov-12	\$2.56	90,000	–	31-Dec-15	–
	STI Deferred Rights	10,681	–	–	20-Nov-13	\$3.42	10,681	–	31-Aug-15	–
	STI Deferred Rights	16,415	–	–	19-Dec-14	\$4.49	16,415	–	31-Aug-15	–
	STI Deferred Rights	16,415	–	16,415	19-Dec-14	\$4.23	–	–	31-Aug-16	–
	STI Deferred Rights	–	14,150	14,150	30-Nov-15	\$4.38	–	–	31-Aug-16	–
	STI Deferred Rights	–	14,149	14,149	30-Nov-15	\$4.16	–	–	31-Aug-17	–

<sup>1</sup> The maximum value of the grants yet to vest is the fair value amount at the grant date 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.

## Indemnification and insurance of directors, officers and auditor

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

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

## Non-audit services

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

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

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

- All non audit services have been reviewed by the Audit, Risk and Compliance Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

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

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2016 \$	2015 \$	2016 \$	2015 \$
<b>PricewaterhouseCoopers Australian firm</b>				
Taxation services	<b>228,744</b>	145,780	–	–

## 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. Charter Hall emissions reports are independently audited and in October 2016 the Group will report to the Clean Energy Regulator emissions for the measurement period 1 July 2015 to 30 June 2016. 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.

Charter Hall also voluntarily reports annually to international organisations, such as the United Nations Principles for Responsible Investment (UNPRI) and the Carbon Disclosure Project (CDP). Charter Hall has recently submitted its 2016 UNPRI and CDP reports, which addresses Charter Hall Sustainability practices and emissions from 1 July 2014 to 30 June 2015.

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 54.

## Rounding of amounts

The Company is of a kind referred to in ASIC Corporations Instrument (Rounding in Financial/Directors' Reports) 2016/91, 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*.

## Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The financial statements were authorised for issue by the Directors on 22 August 2016. The Directors have the power to amend and re-issue the Financial Statements.



**David Clarke**  
Chairman

Sydney  
22 August 2016

# AUDITOR'S INDEPENDENCE DECLARATION



## 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 2016, 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.

A handwritten signature in black ink that reads 'Wayne Andrews'.

Wayne Andrews  
Partner  
PricewaterhouseCoopers

Sydney  
22 August 2016



# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	Note	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Income</b>					
Revenue	4	165,287	135,802	37,212	19,708
Share of net profit of investments accounted for using the equity method	30,31	168,284	88,367	157,905	78,293
Net gain on sale of investments and inventory		5,976	438	978	426
Net gain on investment in associates at fair value	6	4,016	1,901	4,016	1,901
Foreign exchange gains		35	–	–	–
<b>Total income</b>		<b>343,598</b>	<b>226,508</b>	<b>200,111</b>	<b>100,328</b>
<b>Expenses</b>					
Depreciation	5	(2,604)	(2,019)	–	–
Finance costs	5	(1,742)	(1,796)	(1,562)	(2,066)
Foreign exchange losses		–	(731)	–	–
Amortisation and impairment of intangibles	5,15	(8,517)	(9,317)	–	–
Asset management fees		–	–	(1,193)	(944)
Employee costs	5	(95,512)	(79,811)	–	–
Administration and other expenses	5	(18,269)	(14,592)	(87)	(184)
<b>Total expenses</b>		<b>(126,644)</b>	<b>(108,266)</b>	<b>(2,842)</b>	<b>(3,194)</b>
<b>Profit before tax</b>		<b>216,954</b>	<b>118,242</b>	<b>197,269</b>	<b>97,134</b>
Income tax expense	7	(1,714)	(357)	–	–
<b>Profit for the year</b>		<b>215,240</b>	<b>117,885</b>	<b>197,269</b>	<b>97,134</b>
<b>Profit for the year as attributable to:</b>					
Equity holders of Charter Hall Limited		17,971	20,751	–	–
Equity holders of Charter Hall Property Trust (non-controlling interest)		197,269	97,134	197,269	97,134
<b>Profit for the year</b>		<b>215,240</b>	<b>117,885</b>	<b>197,269</b>	<b>97,134</b>
<b>Other comprehensive income</b>					
<i>Items that may be reclassified to profit or loss</i>					
Exchange differences on translation of foreign operations	22	227	(264)	227	(342)
Transfer of cumulative foreign exchange losses	22	–	673	–	–
Equity accounted fair value movements in cash flow hedges	22	(181)	–	(181)	–
<b>Other comprehensive income for the year, net of tax</b>		<b>46</b>	<b>409</b>	<b>46</b>	<b>(342)</b>
<b>Total comprehensive income for the year</b>		<b>215,286</b>	<b>118,294</b>	<b>197,315</b>	<b>96,792</b>
<b>Total comprehensive income for the year is attributable to:</b>					
Equity holders of Charter Hall Limited		17,971	21,502	–	–
Equity holders of Charter Hall Property Trust (non-controlling interest)		197,315	96,792	197,315	96,792
<b>Total comprehensive income for the year</b>		<b>215,286</b>	<b>118,294</b>	<b>197,315</b>	<b>96,792</b>
<b>Basic and diluted earnings per stapled security</b>					
Basic earnings per stapled security (cents) attributable to stapled securityholders	9(a)	52.5	32.8	48.1	27.0
Diluted earnings per stapled security (cents) attributable to stapled securityholders	9(b)	52.0	32.3	47.6	26.6

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

# CONSOLIDATED BALANCE SHEETS

AS AT 30 JUNE 2016

	Note	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Assets</b>					
<i>Current assets</i>					
Cash and cash equivalents	10	145,358	151,593	43,321	37,037
Trade and other receivables	11	48,687	38,609	26,684	16,154
Assets classified as held for sale	12	–	10,876	–	–
<b>Total current assets</b>		<b>194,045</b>	201,078	<b>70,005</b>	53,191
<i>Non-current assets</i>					
Trade and other receivables	11	–	–	139,860	198,427
Investments in associates at fair value through profit or loss	13	208	65,535	208	65,535
Investments accounted for using the equity method	14	1,136,727	913,865	1,041,502	820,589
Intangible assets	15	69,743	78,260	–	–
Property, plant and equipment	16	14,855	11,931	–	–
Deferred tax assets	17	5,520	7,307	–	–
Other assets		–	453	–	453
<b>Total non-current assets</b>		<b>1,227,053</b>	1,077,351	<b>1,181,570</b>	1,085,004
<b>Total assets</b>		<b>1,421,098</b>	1,278,429	<b>1,251,575</b>	1,138,195
<b>Liabilities</b>					
<i>Current liabilities</i>					
Trade and other payables	18	86,894	70,213	56,488	49,449
Provisions	19	1,680	1,595	–	–
<b>Total current liabilities</b>		<b>88,574</b>	71,808	<b>56,488</b>	49,449
<i>Non-current liabilities</i>					
Trade and other payables	18	5,193	5,007	–	–
Provisions	19	1,334	1,153	–	–
<b>Total non-current liabilities</b>		<b>6,527</b>	6,160	–	–
<b>Total liabilities</b>		<b>95,101</b>	77,968	<b>56,488</b>	49,449
<b>Net assets</b>		<b>1,325,997</b>	1,200,461	<b>1,195,087</b>	1,088,746
<b>Equity</b>					
<i>Equity holders of Charter Hall Limited</i>					
Contributed equity	21(a)	256,049	253,907	–	–
Reserves	22	(45,533)	(44,615)	–	–
Accumulated losses	23	(79,606)	(97,577)	–	–
Parent entity interest		130,910	111,715	–	–
<i>Equity holders of Charter Hall Property Trust</i>					
Contributed equity	21(a)	1,201,346	1,181,772	1,201,346	1,181,772
Reserves	22	–	(46)	–	(46)
Accumulated losses	23	(6,259)	(92,980)	(6,259)	(92,980)
Equity holders of Charter Hall Property Trust (non-controlling interest)		1,195,087	1,088,746	1,195,087	1,088,746
<b>Total equity</b>		<b>1,325,997</b>	1,200,461	<b>1,195,087</b>	1,088,746

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 2016

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 2014		1,177,434	(44,090)	(216,256)	917,088
Profit for the year		–	–	117,885	117,885
Other comprehensive income		–	409	–	409
<b>Total comprehensive income</b>		–	409	117,885	118,294
<i>Transactions with equity holders in their capacity as equity holders:</i>					
Contributions of equity, net of issue costs	21(b)	248,317	–	–	248,317
Performance rights and options exercised		9,928	(5,229)	–	4,699
Transfer due to deferred compensation payable in service rights		–	1,474	–	1,474
Distribution provided for or paid	8	–	–	(92,186)	(92,186)
Security-based benefit expense	35(b)	–	2,775	–	2,775
		258,245	(980)	(92,186)	165,079
<b>Balance at 30 June 2015</b>		<b>1,435,679</b>	<b>(44,661)</b>	<b>(190,557)</b>	<b>1,200,461</b>
Profit for the year		–	–	215,240	215,240
Other comprehensive income		–	46	–	46
<b>Total comprehensive income</b>		–	46	215,240	215,286
<i>Transactions with equity holders in their capacity as equity holders:</i>					
Contributions of equity, net of issue costs	21(b)	<b>26,075</b>	–	–	<b>26,075</b>
Buyback and issuance of securities for exercised performance rights		<b>(4,359)</b>	<b>(4,721)</b>	–	<b>(9,080)</b>
Transfer due to deferred compensation payable in service rights		–	1,722	–	1,722
Distribution provided for or paid	8	–	–	(110,548)	(110,548)
Security-based benefit expense	35(b)	–	2,081	–	2,081
		<b>21,716</b>	<b>(918)</b>	<b>(110,548)</b>	<b>(89,750)</b>
<b>Balance at 30 June 2016</b>		<b>1,457,395</b>	<b>(45,533)</b>	<b>(85,865)</b>	<b>1,325,997</b>

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 2016

ATTRIBUTABLE TO THE OWNERS OF THE CHARTER HALL PROPERTY TRUST GROUP					
	Note	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2014		945,333	296	(97,928)	847,701
Profit for the year		–	–	97,134	97,134
Other comprehensive income		–	(342)	–	(342)
<b>Total comprehensive income/(loss)</b>		–	(342)	97,134	96,792
<i>Transactions with equity holders in their capacity as equity holders:</i>					
Contributions of equity, net of issue costs	21	227,271	–	–	227,271
Performance rights and options exercised		9,168	–	–	9,168
Distribution provided for or paid	8	–	–	(92,186)	(92,186)
		236,439	–	(92,186)	144,253
<b>Balance at 30 June 2015</b>		<b>1,181,772</b>	<b>(46)</b>	<b>(92,980)</b>	<b>1,088,746</b>
Profit for the year		–	–	197,269	197,269
Other comprehensive income		–	46	–	46
<b>Total comprehensive income</b>		–	46	197,269	197,315
<i>Transactions with equity holders in their capacity as equity holders:</i>					
Contributions of equity, net of issue costs	21(b)	23,525	–	–	23,525
Buyback and issuance of securities for exercised performance rights		(3,951)	–	–	(3,951)
Distribution provided for or paid	8	–	–	(110,548)	(110,548)
		19,574	–	(110,548)	(90,974)
<b>Balance at 30 June 2016</b>		<b>1,201,346</b>	–	<b>(6,259)</b>	<b>1,195,087</b>

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 2016

	Note	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Cash flows from operating activities</b>					
Receipts from customers (inclusive of GST)		174,609	145,259	19,778	2
Payments to suppliers and employees (inclusive of GST)		(116,320)	(101,616)	(3,141)	(1,123)
Interest received		2,609	3,115	237	1,198
Interest paid		(1,121)	(1,654)	(976)	(1,676)
Distributions and dividends from investments		70,549	56,079	63,028	50,019
<b>Net cash inflow from operating activities</b>	25	<b>130,326</b>	101,183	<b>78,926</b>	48,420
<b>Cash flows from investing activities</b>					
Payments for PP&E, net of lease incentive received		(4,917)	(5,190)	-	-
Proceeds on disposal of investments and inventory		15,874	19,595	-	19,595
Refund for inventory		-	1,162	-	-
Investments in associates and joint ventures		(160,988)	(293,650)	(160,238)	(291,318)
Proceeds on disposal and return of capital from investments in associates and joint ventures		102,674	85,538	102,696	81,632
Loans to associates, joint ventures and related parties		(11,730)	-	(215,625)	(374,110)
Repayments from joint ventures and related parties		9,145	21,250	284,595	398,610
Repayments from key management personnel		-	1,200	-	-
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(49,942)</b>	(170,095)	<b>11,428</b>	(165,591)
<b>Cash flow from financing activities</b>					
Proceeds from issues of stapled securities and other equity securities		16,996	253,049	19,574	236,438
Proceeds from borrowings		-	102,100	-	102,100
Repayment of borrowings		-	(102,623)	-	(102,623)
Distributions paid to stapled securityholders		(103,644)	(82,284)	(103,644)	(82,284)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>(86,648)</b>	170,242	<b>(84,070)</b>	153,631
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(6,264)</b>	101,330	<b>6,284</b>	36,460
Cash and cash equivalents at the beginning of the year		151,593	50,184	37,037	577
Effects of exchange rate changes on cash and cash equivalents		29	79	-	-
<b>Cash and cash equivalents at the end of the year</b>	10	<b>145,358</b>	151,593	<b>43,321</b>	37,037

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 2016

## 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 2016 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 ASIC Corporations (Stapled Group Reports) Instrument 2015/838, this financial report is a combined financial report that presents the consolidated financial statements and accompanying notes of both 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:

- 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

### New and amended standards adopted

No new accounting standards or amendments have come into effect for the year ended 30 June 2016 that affect the Group's operations or reporting requirements.

### (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 2016 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 have been incorporated in the consolidated 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 aligned where necessary to ensure consistency with the policies adopted by the Group.

### *(iv) Changes in ownership interests*

When the Group ceases to equity account for an investment because of a loss of joint control or significant influence, 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 or an associate is reduced but joint control or significant influence 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*.

### **(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) Management fees and expense recoveries*

Management fees and expense recoveries 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.

#### *(ii) Performance and transaction fees*

Performance fees are only recognised when the amount can be reliably measured and it is probable the performance fee criteria will be met. 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.

## **1 Summary of significant accounting policies** continued

### **(e) Revenue recognition** continued

#### *(iii) 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.

#### *(iv) Distributions*

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

#### *(v) Other investment related revenue*

Other investment related revenue represents amounts received in relation to investment commitments and rebates relating to the Trust's investments and is recognised where the right to receive payment is established.

### **(f) Business combinations**

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

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

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

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

### **(g) Income tax**

The 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(w).

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 way 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 from the financial assets 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(w) and Note 27.

#### **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.

## 1 Summary of significant accounting policies continued

### (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.

### (n) 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.

### (o) 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.

### (p) 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.

### (q) 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.

### (r) 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.

### (s) 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.

### (t) 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.

### *(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 35. 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.

### **(u) 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.

### **(v) 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.

### **(w) 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.

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.

### **(x) 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 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 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.

### **(y) 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 36, has been prepared on the same basis as the Group's financial statements except as set out below:

## **1 Summary of significant accounting policies** continued

### **(y) Parent entity financial information** continued

#### *(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.

### **(z) 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 year ended 30 June 2016 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.

#### *(iv) AASB 16 Leases (applicable 1 January 2019 – early adoption allowed if AASB 15 is adopted at the same time)*

The standard will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset. The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) will change. The accounting by lessors will not significantly change. Management is currently assessing the impact and the implication of the new standard to its operational and financial results.

### **(aa) Rounding of amounts**

Under the option provided by ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 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 consolidated financial statements have been rounded to the nearest 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) Performance fee recognition**

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) Valuation 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 15 for further details.

## **3 Segment information**

### **(a) Description of segments**

#### *Charter Hall Property Trust Group*

The Board allocates resources and assesses the performance of operating segments for the entire Charter Hall Group. Results are not separately identified and reported according to the legal structure of the Charter Hall Group and therefore segment information for CHPT is not prepared and provided to the chief operating decision maker.

#### *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.

Operating earnings is a financial measure which represents statutory profit adjusted for proportionally consolidated fair value adjustments, gains or losses on sale of investments, amortisation and/or impairment of intangible assets and other unrealised or one-off items. Operating earnings is the primary measure of the Group's underlying and recurring earnings from its operations. Operating earnings is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution to declare.

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.

#### *Comparative information*

During the year the financial information provided to the chief operating decision maker was changed to be provided on a proportionately consolidated basis, and to reclassify CIP earnings from the property funds management segment to the property investments segment and to separately disclose corporate costs previously included in the property funds management segment as unallocated corporate costs. Comparative information has been restated accordingly.

The result of the reclassification of CIP is an increase in the property investments operating earnings disclosed in the 30 June 2015 financial report from \$58,312,000 to restated property investments operating earnings of \$62,148,000. The impact of the reclassification of CIP and separating out unallocated corporate costs from the property funds management operating earnings for 30 June 2015 is an increase in the amount disclosed in the 30 June 2015 financial report from \$43,262,000 to the restated property funds management operating earnings of \$56,808,000.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

### 3 Segment information continued

#### (b) Proportionally consolidated operating segments

The operating segments provided to the Board for the reportable segments for the year ended 30 June 2016 are as follows:

30 June 2016	Property Investments \$'000	Property Funds Management \$'000	Unallocated Corporate <sup>1</sup> \$'000	Total \$'000
Property rental income	146,743	–	–	<b>146,743</b>
Property expenses	(28,846)	–	–	<b>(28,846)</b>
Management revenue	–	119,546	–	<b>119,546</b>
Net property development EBITDA	6,229	–	–	<b>6,229</b>
Net operating expenses	(1,134)	(61,854)	(24,495)	<b>(87,483)</b>
<b>EBITDA</b>	<b>122,992</b>	<b>57,692</b>	<b>(24,495)</b>	<b>156,189</b>
<b>Property Investment EBITDA as a % of total EBITDA</b>	<b>78.7%</b>			
Inter-segment fees and expenses <sup>2</sup>	(11,352)	15,641	–	<b>4,289</b>
Depreciation and amortisation expense	(585)	(1,953)	(651)	<b>(3,189)</b>
Net interest expense	(31,180)	–	–	<b>(31,180)</b>
Income tax expense	(1,374)	–	–	<b>(1,374)</b>
<b>Operating earnings</b>	<b>78,501</b>	<b>71,380</b>	<b>(25,146)</b>	<b>124,735</b>
Basic weighted average number of stapled securities				<b>409,980</b>
<b>Operating earnings per stapled security (cents)</b>				<b>30.4 cps</b>
<b>Other Segment Items</b>				
Realised gains/(losses) on disposal of investments <sup>3</sup>	22,356			
<b>Property Investment EBITDA as a % of total EBITDA, including realised gains/(losses)<sup>4</sup></b>	<b>81.4%</b>			

1 Unallocated corporate expenses includes the costs to manage the listed stapled entity of CHC and non sector costs of managing the group wide platform including the Board, CEO, CFO, heads of group wide functions (People and IT), group finance, CHC investor relations, group marketing, corporate share of security-based benefits expense and all restructuring costs.

2 Inter-segment fees and expenses are made up of fees and expenses paid by the funds to the Group whether treated as expenses or capitalised by the fund.

3 Realised gains/(losses) are calculated on property disposals based on sales price less historical acquisition costs plus capital expenditure on a look through basis, excluding fair value movements required under IFRS.

4 This ratio is calculated by dividing the Property Investment EBITDA plus the realised gains/(losses) on disposal of investments by the total EBITDA plus realised gains/(losses) on disposal of investments.

30 June 2015	Property Investments \$'000	Property Funds Management \$'000	Unallocated Corporate <sup>1</sup> \$'000	Total \$'000
Property rental income	117,354	–	–	117,354
Property expenses	(21,020)	–	–	(21,020)
Management revenue	–	98,286	–	98,286
Net property development EBITDA	6,565	–	–	6,565
Net operating expenses	(1,026)	(52,453)	(19,652)	(73,131)
<b>EBITDA</b>	<b>101,873</b>	<b>45,833</b>	<b>(19,652)</b>	<b>128,054</b>
<b>Property Investment EBITDA as a % of total EBITDA</b>	<b>79.6%</b>			
Inter-segment fees and expenses <sup>2</sup>	(8,262)	12,489	–	4,227
Depreciation and amortisation expense	(3,304)	(1,514)	(505)	(5,323)
Net interest expense	(26,484)	–	–	(26,484)
Income tax expense	(1,675)	–	–	(1,675)
<b>Operating earnings</b>	<b>62,148</b>	<b>56,808</b>	<b>(20,157)</b>	<b>98,799</b>
Basic weighted average number of stapled securities				359,584
<b>Operating earnings per stapled security (cents)</b>				<b>27.5 cps</b>
<b>Other Segment Items</b>				
Realised gains/(losses) on disposal of investments <sup>3</sup>	5,810			
<b>Property Investment EBITDA as a % of total EBITDA, including realised gains/(losses)<sup>4</sup></b>	<b>80.4%</b>			

1 Unallocated corporate expenses includes the costs to manage the listed stapled entity of CHC and non sector costs of managing the group wide platform including the Board, CEO, CFO, heads of group wide functions (People and IT), group finance, CHC investor relations, group marketing, corporate share of security-based benefits expense and all restructuring costs.

2 Inter-segment fees and expenses are made up of fees and expenses paid by the funds to the Group whether treated as expenses or capitalised by the fund.

3 Realised gains/(losses) are calculated on property disposals based on sales price less historical acquisition costs plus capital expenditure on a look through basis, excluding fair value movements required under IFRS.

4 This ratio is calculated by dividing the Property Investment EBITDA plus the realised gains/(losses) on disposal of investments by the total EBITDA plus realised gains/(losses) on disposal of investments.

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

**(c) The reconciliation of operating earnings to statutory profit after tax attributable to stapled securityholders is shown below:**

	2016 \$'000	2015 \$'000
<b>Operating earnings attributable to stapled securityholders</b>	<b>124,735</b>	98,799
Realised and unrealised losses on derivatives <sup>1</sup>	<b>(10,339)</b>	(5,584)
Net fair value movements on investments and property <sup>1</sup>	<b>107,757</b>	37,448
Amortisation and impairment of intangibles	<b>(8,517)</b>	(9,317)
Transfer from reserves of cumulative foreign exchange gains/(losses) <sup>1</sup>	<b>29</b>	(702)
Income tax expense	<b>(1,714)</b>	(357)
Gain on disposal of property investments and inventory <sup>1</sup>	<b>6,114</b>	(876)
Other <sup>1</sup>	<b>(2,825)</b>	(1,526)
<b>Statutory profit after tax attributable to stapled securityholders</b>	<b>215,240</b>	117,885

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

### 3 Segment information continued

**(d) Reconciliation of operating earnings from the property investments segment to the share of net profit of investments accounted for using the equity method and the net gain on investment in associates at fair value in the statement of comprehensive income**

	2016 \$'000	2015 \$'000
Operating earnings – property investments	78,501	62,148
Add: non-operating equity accounted profit	93,378	28,031
Less: fair value distributions in operating income	(3,610)	(2,010)
Add: net gain on investment in associates at fair value	4,016	1,901
Less: other operating expenses	1,133	1,026
Less: net operating interest income	(1,118)	(828)
	<b>172,300</b>	90,268
Share of net profit of investments accounted for using the equity method	168,284	88,367
Net gain on investment in associates at fair value	4,016	1,901
	<b>172,300</b>	90,268

**(e) Reconciliation of property funds management income stated above to revenue per the statement of comprehensive income**

	2016 \$'000	2015 \$'000
Management revenue	119,546	98,286
Inter-segment revenue	15,641	12,489
Less: recoveries eliminated against expenses	(2,171)	(1,707)
<b>Property funds management revenue</b>	<b>133,016</b>	109,068
Add: recovery of property and fund related expenses	26,052	22,100
Add: Interest income	2,609	2,624
Add: Distributions received for investments accounted for at fair value	3,610	2,010
<b>Revenue per statement of comprehensive income</b>	<b>165,287</b>	135,802

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.

### 4 Revenue

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<i>Sales Revenue</i>				
Management fees, expense recoveries, performance fees and transaction fees	159,068	131,168	–	–
<i>Other revenue</i>				
Interest	2,609	2,624	13,291	17,698
Distributions/dividends <sup>1</sup>	3,610	2,010	3,610	2,010
Other investment related revenue	–	–	20,311	–
Total other revenue	6,219	4,634	37,212	19,708
<b>Total revenue</b>	<b>165,287</b>	135,802	<b>37,212</b>	19,708

<sup>1</sup> 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 30 and 31 for further details.



## 5 Expenses

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Profit before income tax include the following specific expenses:</b>				
<i>Depreciation</i>				
Plant and equipment	<b>2,604</b>	2,019	-	-
<i>Amortisation and impairment</i>				
Intangibles – amortisation	<b>8,517</b>	8,517	-	-
Intangibles – impairment	-	800	-	-
Total amortisation and impairment	<b>8,517</b>	9,317	-	-
<i>Finance costs</i>				
Interest and finance charges paid/payable	<b>1,742</b>	1,796	<b>1,562</b>	2,066
<i>Employee costs</i>				
Employee benefits expense	<b>83,878</b>	71,056	-	-
Restructuring costs	<b>5,057</b>	1,302	-	-
Security-based benefits expense	<b>2,081</b>	2,775	-	-
Payroll tax	<b>4,496</b>	4,678	-	-
Total employee costs	<b>95,512</b>	79,811	-	-
<i>Administration and other expenses</i>				
Legal and consulting costs	<b>3,673</b>	1,849	-	31
Rent expense and occupancy costs	<b>2,848</b>	2,511	-	-
Communication and IT expenses	<b>4,914</b>	4,448	-	-
Other expenses	<b>6,834</b>	5,784	<b>87</b>	153
Total administration and other expenses	<b>18,269</b>	14,592	<b>87</b>	184

## 6 Fair value adjustments

	Note	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<i>Included in total income:</i>					
Investments in associates at fair value through profit or loss	30	<b>4,016</b>	1,901	<b>4,016</b>	1,901

## 7 Income tax expense

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>(a) Income tax expense</b>				
Current tax benefit	(73)	(338)	-	-
Deferred income tax expense	1,787	695	-	-
	1,714	357	-	-
<b>Deferred income tax expense</b>				
Increase in deferred tax assets	(135)	(232)	-	-
Increase in deferred tax liabilities	1,922	927	-	-
	1,787	695	-	-
<b>(b) Reconciliation of income tax expense/(benefit) to prima facie tax payable</b>				
Profit before income tax expense	216,954	118,242	197,269	97,134
Prima facie tax expense at the Australian tax rate of 30%	65,086	35,473	59,181	29,140
<i>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:</i>				
Charter Hall Property Trust income	(59,181)	(29,140)	(59,181)	(29,140)
Non-allowable expenses	2,503	2,912	-	-
Share-based payments expense	(3,857)	(3,792)	-	-
Sundry items	155	147	-	-
Net tax refund on foreign subsidiaries	(73)	(338)	-	-
Capital gain sheltered by unrecognised capital losses	(1,718)	-	-	-
Recognition of deferred tax asset on prior year income tax losses	-	(3,468)	-	-
Non-taxable dividends, net of equity accounted profit	(1,117)	(1,262)	-	-
Adjustments in respect of prior years	(84)	(175)	-	-
	1,714	357	-	-

### (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 2016, the Group has approximately \$8.7 million (2015: \$9.0 million) of tax effected unrecognised capital tax losses.

## 8 Distributions paid and payable

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Ordinary stapled securities</b>				
Final ordinary distribution for the six months ended 30 June 2016 of 13.6 cents per stapled security payable on 25 August 2016	56,129	–	56,129	–
Interim ordinary distribution for the six months ended 31 December 2015 of 13.3 cents per stapled security paid on 26 February 2016	54,419	–	54,419	–
Final ordinary distribution for the six months ended 30 June 2015 of 12.1 cents per stapled security paid 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
<b>Total distributions paid and payable</b>	<b>110,548</b>	<b>92,186</b>	<b>110,548</b>	<b>92,186</b>

Franking credits available in the parent entity (Charter Hall Limited) for subsequent financial years based on a tax rate of 30% (2015: 30%) are \$3,336,951 (2015: \$3,336,951).

## 9 Earnings per stapled security

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2016 Cents	2015 Cents	2016 Cents	2015 Cents
<b>(a) Basic earnings per stapled security</b>				
Basic earnings attributable to the stapled securityholders	52.5	32.8	48.1	27.0
<b>(b) Diluted earnings per stapled security</b>				
Diluted earnings attributable to the stapled securityholders	52.0	32.3	47.6	26.6

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>(c) Reconciliations of earnings used in calculating earnings per stapled security</b>				
Profit attributable to the ordinary stapled securityholders of the Group used in calculating basic and diluted earnings per stapled security	215,240	117,885	197,269	97,134

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2016 Number	2015 Number	2016 Number	2015 Number
<b>(d) Weighted average number of stapled securities used as the denominator</b>				
Weighted average number of ordinary stapled securities used as the denominator in calculating basic earnings per stapled security	409,979,949	359,584,475	409,979,949	359,584,475
<i>Adjustments for calculation of diluted earnings per stapled security:</i>				
Performance rights	3,324,586	4,142,993	3,324,586	4,142,993
Service rights	733,776	666,551	733,776	666,551
Options	–	418,919	–	418,919
Weighted average number of ordinary stapled securities and potential ordinary stapled securities used as the denominator in calculating diluted earnings per stapled security	<b>414,038,311</b>	<b>364,812,938</b>	<b>414,038,311</b>	<b>364,812,938</b>

## 9 Earnings per stapled security continued

### (e) Information concerning the classification of securities

#### *Performance rights, service rights issued under the Charter Hall Performance Rights and Options Plan*

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

#### *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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Cash at bank and on hand	145,358	151,593	43,321	37,037

These amounts earn fixed and floating interest rates of between nil and 2.5% (2015: nil and 2.5%).

## 11 Trade and other receivables

	Note	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Current</b>					
Trade receivables		14,008	14,172	2,330	–
Loans to joint ventures	28(e)	6,500	6,500	–	–
Loans to associates	28(e)	2,586	–	2,586	–
Distributions receivable		24,379	17,217	21,768	16,154
Other receivables		985	503	–	–
Prepayments		229	217	–	–
		<b>48,687</b>	<b>38,609</b>	<b>26,684</b>	<b>16,154</b>
<b>Non-current</b>					
Loan receivable from Charter Hall Limited		–	–	139,860	198,427
		<b>–</b>	<b>–</b>	<b>139,860</b>	<b>198,427</b>

### (a) Bad and doubtful trade receivables

During the year, the Charter Hall Group and Charter Hall Property Trust Group incurred \$nil expense (2015: \$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 26 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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Current	13,604	13,843	-	-
1 to 3 months	344	328	-	-
3 to 6 months	3	1	-	-
More than 6 months	57	-	-	-
	<b>14,008</b>	14,172	-	-

As at 30 June 2016, Charter Hall Group had trade receivables of \$404,000 (2015: \$329,000) past due but not impaired. Charter Hall Property Trust had \$nil receivables past due (2015: \$nil).

## 12 Assets classified as held for sale

At 30 June 2015 there was a single asset classified as held for sale of \$10.9 million for 685 La Trobe St, Melbourne. This asset was subsequently sold on 27 July 2015 for \$15.9 million. The gain on the sale of inventory of \$5.0 million was recognised during the year.

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

	Note	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Investments in associates	30	208	65,535	208	65,535

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 26.

## 14 Investments accounted for using the equity method

	Note	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Investments in associates	30	851,371	655,980	784,609	592,722
Investments in joint venture entities	31	285,356	257,885	256,893	227,867
		<b>1,136,727</b>	913,865	<b>1,041,502</b>	820,589

Investments in associates represent units in listed and unlisted Charter Hall managed funds which are accounted for using the equity method. Refer to Note 30(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 31(a) for carrying value of investments in joint venture entities.

## 15 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 (now Charter Hall Office Trust), Macquarie CountryWide Trust (now Charter Hall Retail REIT) and Macquarie 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. On 1 May 2012, Charter Hall Office REIT (CQO) was privatised and CQO changed from a listed REIT to a wholesale unit trust (CHOT) with liquidity reviews every five years. It is expected that the net fee revenue that the Group will earn from managing CHOT is 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 after five years as a result of the liquidity review).

On 15 August 2012, a subsidiary of the Group paid 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.

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Indefinite life intangibles</b>				
<b>Charter Hall Retail REIT</b>				
Opening and closing balance	42,288	42,288	-	-
<b>Charter Hall Direct Office Fund</b>				
Opening and closing balance	7,423	7,423	-	-
<b>PFA Diversified Property Trust</b>				
Opening balance	4,417	5,217	-	-
Impairment	-	(800)	-	-
Closing balance	4,417	4,417	-	-
Total indefinite life intangibles	54,128	54,128	-	-
<b>Finite life intangibles</b>				
<b>Charter Hall Office Trust</b>				
Opening balance	24,132	32,649	-	-
Amortisation charge	(8,517)	(8,517)	-	-
Closing balance	15,615	24,132	-	-
<b>At balance date</b>				
Cost	50,283	50,283	-	-
Accumulated amortisation	(34,668)	(26,151)	-	-
Total finite life intangibles	15,615	24,132	-	-
<b>Total intangible assets</b>	<b>69,743</b>	<b>78,260</b>	<b>-</b>	<b>-</b>

All indefinite life intangible assets recognised on the consolidated balance sheet were internally valued as at 30 June 2016 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 intangible 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 14% – 16% (2015: 13% – 15%) which is in excess of the Group's weighted average cost of capital;
- Growth after three years of 3% (2015: 2 – 3%) per annum; and
- Terminal value multiple of 7.0 – 8.0 times earnings (2015: 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.

## 16 Property, plant and equipment

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Opening net book amount	11,931	9,374	-	-
Additions	6,289	5,007	-	-
Disposals	(761)	(431)	-	-
Depreciation charge	(2,604)	(2,019)	-	-
<b>Closing net book amount</b>	<b>14,855</b>	<b>11,931</b>	<b>-</b>	<b>-</b>
<b>At balance date</b>				
Cost	21,890	16,420	-	-
Accumulated depreciation	(7,035)	(4,489)	-	-
<b>Net book amount</b>	<b>14,855</b>	<b>11,931</b>	<b>-</b>	<b>-</b>

## 17 Deferred tax assets

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Deferred tax assets comprises temporary differences attributable to:</b>				
Tax losses carried forward	1,494	5,836	-	-
Employee benefits	8,968	5,616	-	-
Other	1,307	182	-	-
	<b>11,769</b>	<b>11,634</b>	<b>-</b>	<b>-</b>
<b>Deferred tax liabilities comprises temporary differences attributable to:</b>				
Investment in associates	(5,387)	(4,108)	-	-
Other	(862)	(219)	-	-
	<b>(6,249)</b>	<b>(4,327)</b>	<b>-</b>	<b>-</b>
<b>Net deferred tax assets</b>	<b>5,520</b>	<b>7,307</b>	<b>-</b>	<b>-</b>

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	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Opening balance		7,307	8,002	-	-
Charged to income statement	7	(1,787)	(695)	-	-
<b>Closing balance</b>		<b>5,520</b>	<b>7,307</b>	<b>-</b>	<b>-</b>
Net deferred tax assets expected to reverse within 12 months		10,206	11,069	-	-
Net deferred tax (liabilities)/assets expected to reverse after more than 12 months		(4,686)	(3,762)	-	-
		<b>5,520</b>	<b>7,307</b>	<b>-</b>	<b>-</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

### 18 Trade and other payables

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Current</b>				
Trade payables	421	497	-	22
Accruals	5,970	1,461	359	348
Distribution payable	56,129	49,225	56,129	49,225
GST payable	2,149	803	(66)	(81)
Annual leave liability	3,110	2,793	-	-
Employee benefits liability	17,404	13,342	-	-
Other payables	630	1,431	66	(65)
Lease incentive liability	1,081	661	-	-
	<b>86,894</b>	<b>70,213</b>	<b>56,488</b>	<b>49,449</b>
<b>Non-current</b>				
Lease incentive liability	5,193	5,007	-	-

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

### 19 Provisions

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Current</b>				
Employee benefits – long service leave	1,680	1,595	-	-
<b>Non-current</b>				
Employee benefits – long service leave	1,334	1,153	-	-

### 20 Interest-bearing liabilities

#### Charter Hall Property Trust loan

The \$100 million facility expiration date was extended to August 2018. A tranche of \$25 million expired in August 2015 and was not renewed. At 30 June 2016, borrowings of \$nil (30 June 2015: \$nil) and bank guarantees of \$26.0 million (30 June 2015: \$11.5 million) had been drawn under this facility.

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

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Non-current</b>				
<i>First ranking security</i>				
Investment in associates	1,041,710	886,124	1,041,710	886,124



### (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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Total facilities	100,000	125,000	100,000	125,000
Used at reporting date	(26,049)	(11,515)	(26,049)	(11,515)
<b>Unused at reporting date</b>	<b>73,951</b>	<b>113,485</b>	<b>73,951</b>	<b>113,485</b>

The facility utilised includes bank guarantees of \$26.0 million (30 June 2015: \$11.5 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 2016 was nil % (30 June 2015: nil %) and Charter Hall Property Trust Group nil % (30 June 2015: 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.

## 21 Contributed equity

### (a) Security capital

	2016 Securities	2015 Securities	2016 \$'000	2015 \$'000
Charter Hall Limited			256,049	253,907
Charter Hall Property Trust			1,201,346	1,181,772
<b>Ordinary securities – stapled securities, fully paid</b>	<b>412,717,802</b>	<b>406,817,856</b>	<b>1,457,395</b>	<b>1,435,679</b>

### (b) Movements in ordinary stapled security capital

Details	Number of securities <sup>1</sup>	Average issue price	Charter Hall Limited \$'000	Charter Hall Property Trust \$'000	Total \$'000
Opening balance at 1 July 2014	347,989,262		232,101	945,333	1,177,434
Performance rights and options exercised <sup>2</sup>	5,740,582	\$ 2.27	760	9,168	9,928
Issuance under DRP <sup>3</sup>	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
Closing 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)
<b>Closing balance per accounts at 30 June 2015</b>	<b>406,817,856</b>		<b>253,907</b>	<b>1,181,772</b>	<b>1,435,679</b>
Buyback and issuance of securities for exercised performance and service rights <sup>4</sup>	–	\$ 2.26	(408)	(3,951)	(4,359)
Issuance under DRP <sup>5</sup>	5,899,946	\$ 4.45	2,563	23,669	26,232
Balance at 30 June 2016	412,717,802		256,062	1,201,490	1,457,552
Less: Transaction costs on stapled security issues			(13)	(144)	(157)
<b>Balance per accounts at 30 June 2016</b>	<b>412,717,802</b>		<b>256,049</b>	<b>1,201,346</b>	<b>1,457,395</b>

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 5,740,582 securities issued in settlement of the exercise of 3,242,634 performance rights with a value of \$0.94, 347,582 service rights with an average value of \$3.38, and 2,150,366 options with an average strike price of \$2.20.

3 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.

4 1,926,951 securities bought back at an average value of \$4.37, offset by the exercise of 1,581,344 performance rights with a value of \$1.91 and 474,902 service rights with an average value of \$3.41.

5 2,345,435 issued in September 2015 with an issue price of \$4.60 and 3,554,511 issued in February 2016 with an issue price of \$4.34.

## 21 Contributed equity continued

### (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 operation for the distribution paid on 26 February 2016, however was suspended for the distribution to be paid on 25 August 2016.

## 22 Reserves

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Business combination reserve	(52,000)	(52,000)	-	-
Security-based benefits reserve	6,467	7,385	-	-
Other reserves	-	(46)	-	(46)
	<b>(45,533)</b>	<b>(44,661)</b>	<b>-</b>	<b>(46)</b>
Charter Hall Limited	<b>(45,533)</b>	<b>(44,615)</b>	<b>-</b>	<b>-</b>
Charter Hall Property Trust	-	(46)	-	(46)
	<b>(45,533)</b>	<b>(44,661)</b>	<b>-</b>	<b>(46)</b>

### Movements:

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<i>Business combination reserve</i>				
Opening and closing balance	(52,000)	(52,000)	-	-
<i>Security-based benefits reserve</i>				
Opening balance	7,385	8,365	-	-
Security-based benefits expense	2,081	2,775	-	-
Transfer due to deferred compensation payable in performance rights	1,722	1,474	-	-
Transferred to equity on options and performance rights exercised	(4,721)	(5,229)	-	-
<b>Closing balance</b>	<b>6,467</b>	<b>7,385</b>	<b>-</b>	<b>-</b>
<i>Other reserves</i>				
Opening balance	(46)	(455)	(46)	296
Exchange differences on translation of foreign operations	227	(264)	227	(342)
Transfer of cumulative FX losses to profit or loss	-	673	-	-
Equity accounted fair value movements in cash flow hedges	(181)	-	(181)	-
<b>Closing balance</b>	<b>-</b>	<b>(46)</b>	<b>-</b>	<b>(46)</b>

#### (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) Other reserves

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.

Equity accounted fair value movements in cash flow hedges is the equity accounted portion of the gains or losses on hedging instruments in cash flow hedges that are determined to be an effective hedge relationship.

### 23 Accumulated losses

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Opening balance	(190,557)	(216,256)	(92,980)	(97,928)
Profit for the year	215,240	117,885	197,269	97,134
Distributions	(110,548)	(92,186)	(110,548)	(92,186)
<b>Closing balance</b>	<b>(85,865)</b>	<b>(190,557)</b>	<b>(6,259)</b>	<b>(92,980)</b>
Charter Hall Limited	(79,606)	(97,577)	-	-
Charter Hall Property Trust	(6,259)	(92,980)	(6,259)	(92,980)
<b>Closing balance</b>	<b>(85,865)</b>	<b>(190,557)</b>	<b>(6,259)</b>	<b>(92,980)</b>

### 24 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	
	2016 \$	2015 \$	2016 \$	2015 \$
<b>(a) Audit services</b>				
PricewaterhouseCoopers – Australian Firm				
Audit and review of financial reports	312,000	333,500	7,000	7,000
<b>Total remuneration for audit services</b>	<b>312,000</b>	<b>333,500</b>	<b>7,000</b>	<b>7,000</b>
<b>(b) Taxation services</b>				
PricewaterhouseCoopers – Australian Firm				
Taxation services	228,744	145,780	-	-
<b>Total remuneration for taxation services</b>	<b>228,744</b>	<b>145,780</b>	<b>-</b>	<b>-</b>

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

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Profit after tax for the year	215,240	117,885	197,269	97,134
<i>Non-cash items:</i>				
Amortisation and impairment of intangibles	8,517	9,317	-	-
Depreciation and amortisation	3,019	2,408	416	389
Non-cash security-based benefits expense	2,081	2,775	-	-
Net loss/(gain) on sale of investments, property and derivatives	(5,976)	(438)	(978)	(426)
Fair value adjustments	(4,016)	(1,901)	(4,016)	(1,901)
Foreign exchange movements	(29)	673	-	-
<i>Change in assets and liabilities, net of effects from purchase of controlled entity:</i>				
(Increase)/decrease in trade debtors and other receivables	999	689	(15,216)	(16,947)
Increase/(decrease) in trade creditors and accruals	10,048	3,377	69	455
Share of profit from investment in associates and joint venture entities	(101,344)	(34,297)	(98,618)	(30,284)
(Increase)/decrease for net deferred income tax	1,787	695	-	-
<b>Net cash inflow from operating activities</b>	<b>130,326</b>	<b>101,183</b>	<b>78,926</b>	<b>48,420</b>

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

## 26 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 Managing Director/Group CEO 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
<b>Charter Hall Group</b>					
<b>2016</b>					
<i>Assets – Charter Hall Group</i>					
Investments in associates at fair value through profit or loss	208	(21)	(21)	21	21
<b>2015</b>					
<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
<b>Charter Hall Property Trust Group</b>					
<b>2016</b>					
<i>Assets – Charter Hall Property Trust Group</i>					
Investments in associates at fair value through profit or loss	208	(21)	(21)	21	21
<b>2015</b>					
<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

#### *Cash flow and fair value interest rate risk*

The Charter Hall Group has no long-term interest bearing assets.

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 28(e) for further details.

The Charter Hall Group's and Charter Hall Property Trust Group's external interest rate risk arises from the \$100 million loan facility. At 30 June 2016 no borrowings were drawn on this facility (2015: \$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 2016.

#### *(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 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.

<b>FIXED INTEREST MATURING IN:</b>						
	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
<b>Charter Hall Group</b>						
<b>2016</b>						
Trade and other payables	–	–	–	–	92,087	92,087
Weighted average interest rate	<b>0.0%</b>					
<b>2015</b>						
Trade and other payables	–	–	–	–	75,220	75,220
Weighted average interest rate	0.0%					
<b>Charter Hall Property Trust Group</b>						
<b>2016</b>						
Trade and other payables	–	–	–	–	56,488	56,488
Weighted average interest rate	<b>0.0%</b>					
<b>2015</b>						
Trade and other payables	–	–	–	–	49,449	49,449
Weighted average interest rate	0.0%					

## 26 Capital and financial risk management continued

### (b) Financial risk management continued

#### (ii) Interest rate risk exposure 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.

	Fair value \$'000	Carrying amount \$'000	-1%		+1%	
			Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
<b>Charter Hall Group</b>						
<b>2016</b>						
<i>Financial assets</i>						
Cash and cash equivalents	145,358	145,358	(1,454)	(1,454)	1,454	1,454
<b>2015</b>						
<i>Financial assets</i>						
Cash and cash equivalents	151,593	151,593	(1,516)	(1,516)	1,516	1,516
<b>Charter Hall Property Trust Group</b>						
<b>2016</b>						
<i>Financial assets</i>						
Cash and cash equivalents	43,321	43,321	(433)	(433)	433	433
Loan receivable from Charter Hall Ltd	139,860	139,860	(1,399)	(1,399)	1,399	1,399
<b>Total increase/(decrease)</b>			<b>(1,832)</b>	<b>(1,832)</b>	<b>1,832</b>	<b>1,832</b>
<b>2015</b>						
<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
<b>Total increase/(decrease)</b>			<b>(2,354)</b>	<b>(2,354)</b>	<b>2,354</b>	<b>2,354</b>

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 2016.

### (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.

46% of the Charter Hall Group's income is derived from management fees, transaction and other fees from related parties. 50% of the Charter Hall Group's income is derived from equity accounted investments in property funds and distributions from investments in property funds held at fair value through the profit and loss. The balance relates to interest income and gains on sales of investments and inventory.

79% 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
<b>Charter Hall Group</b>					
<b>2016</b>					
Trade and other payables	92,087	86,894	790	4,403	92,087
<b>2015</b>					
Trade and other payables	75,220	70,213	663	4,344	75,220
<b>Charter Hall Property Trust Group</b>					
<b>2016</b>					
Trade and other payables	56,488	56,488	–	–	56,488
<b>2015</b>					
Trade and other payables	49,449	49,449	–	–	49,449

## 27 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 30).

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
<b>Charter Hall Group</b>				
<b>2016</b>				
Investments in associates at fair value through profit and loss	–	–	208	208
<b>Total assets</b>	–	–	208	208
<b>2015</b>				
Investments in associates at fair value through profit and loss	–	–	65,535	65,535
<b>Total assets</b>	–	–	65,535	65,535
<b>Charter Hall Property Trust Group</b>				
<b>2016</b>				
Investments in associates at fair value through profit and loss	–	–	208	208
<b>Total assets</b>	–	–	208	208
<b>2015</b>				
Investments in associates at fair value through profit and loss	–	–	65,535	65,535
<b>Total assets</b>	–	–	65,535	65,535

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

## 27 Fair value measurement continued

### (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.

## 28 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 29.

### (c) Key management personnel

The following persons were considered key management personnel (excluding Non-Executive Directors) during the year:

#### *Executive director*

D Harrison

#### *Other key management personnel*

P Altschwager

G Chubb<sup>1</sup>

P Ford<sup>1</sup>

A Taylor

#### *Former key management personnel*

D Southon<sup>2</sup>

S Dundas<sup>3</sup>

R Stacker<sup>3</sup>

1 Due to the restructure to one Managing Director and the creation of sector-based responsibilities these roles were deemed to be key management personnel, effective 1 February 2016.

2 Ceased being Joint Managing Director on 1 February 2016.

3 Ceased being key management personnel on 1 February 2016, whilst remaining employed with the Group.

Below are the aggregate amounts paid or payable to key management personnel (including Non-Executive Directors):

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2016 \$	2015 \$	2016 \$	2015 \$
Salary and fees	6,561,264	4,576,374	-	-
Non-Executive Director remuneration	993,900	1,004,688	-	-
Short-term incentives	5,070,682	3,037,030	-	-
Superannuation	165,906	112,698	-	-
Value of securities vested	1,972,796	1,746,018	-	-
Non-monetary benefits	47,635	87,399	-	-
Termination benefits	1,112,400	-	-	-
	<b>15,924,583</b>	<b>10,564,207</b>	<b>-</b>	<b>-</b>



**(d) Transactions with related parties**

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

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2016 \$	2015 \$	2016 \$	2015 \$
Accounting cost recoveries	8,921,528	7,754,727	-	-
Marketing cost recoveries	2,155,300	1,704,363	-	-
Management and performance fees	65,451,392	49,959,902	-	-
Transaction and development fees	21,880,504	25,455,083	-	-
Property management fees and cost recoveries	46,400,884	44,283,173	-	-
Investment related revenue	-	-	20,310,647	-

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	
	2016 \$	2015 \$	2016 \$	2015 \$
Management fee receivables	7,555,165	8,123,840	-	-
Other receivables	6,387,767	5,883,255	-	-

Transactions with associates and joint ventures are disclosed in Notes 30 and 31 respectively.

**(e) Loans to/(from) related parties**

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2016 \$	2015 \$	2016 \$	2015 \$
<i>Loans to joint ventures, associates and related parties</i>				
Opening balances	6,500,000	27,750,000	-	21,250,000
Loans advanced	11,730,320	-	11,730,320	-
Loan repayments received	(9,144,662)	(21,250,000)	(9,144,662)	(21,250,000)
<b>Closing balance</b>	<b>9,085,658</b>	<b>6,500,000</b>	<b>2,585,658</b>	<b>-</b>
<i>Loans to Charter Hall Limited</i>				
Opening balance	-	-	198,426,764	181,292,069
Loans advanced	-	-	203,960,533	373,638,800
Loan repayments received	-	-	(275,450,051)	(373,454,073)
Interest charged	-	-	12,923,253	16,949,968
<b>Closing balance</b>	<b>-</b>	<b>-</b>	<b>139,860,499</b>	<b>198,426,764</b>

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 2016, amounted to a weighted average rate of 9.97% (June 2015: 10.58%).

**(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 \$1,193,000 (2015: \$944,000). At 30 June 2016, related fees payable amounted to \$311,000 (2015: \$282,000).

## 29 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	2016 %	2015 %
<b>Controlled entities of Charter Hall Limited</b>					
Charter Hall Holdings Pty Limited	Australia	Property management	Ordinary	100	100
CH La Trobe Trust	Australia	Property investment	Ordinary	100	100
<b>Controlled entities of Charter Hall Holdings Pty Ltd</b>					
Bieson Pty Limited	Australia	Trustee company	Ordinary	100	100
CH Nominees Pty Limited	Australia	Trustee company	Ordinary	100	100
Charter Hall Asset Services Pty Limited	Australia	Property management	Ordinary	100	100
Charter Hall Asset Services Europe Sp z.o.o <sup>1</sup>	Poland	Property management	Ordinary	–	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
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 Wholesale 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 <sup>1</sup>	Australia	Property management	Ordinary	–	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 and NT) Pty Limited <sup>2</sup>	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
Visokoi Pty Limited	Australia	Trustee company	Ordinary	100	100
Votraint No.1622 Pty Limited	Australia	Trustee company	Ordinary	100	–
Charter Hall WALE Limited	Australia	Responsible entity	Ordinary	100	–

1 Terminated during the year.

2 Formerly Charter Hall Real Estate Management Services (QLD) Pty Limited.

Name of entity	Country of incorporation	Principal Activity	Class of securities	2016 %	2015 %
<b>Controlled entities of Charter Hall Property Trust</b>					
Charter Hall Direct Retail Fund <sup>3</sup>	Australia	Property investment	Ordinary	–	100
Charter Hall Co-Investment Trust <sup>1</sup>	Australia	Property investment	Ordinary	100	100
CHC CDC Holding Trust	Australia	Property investment	Ordinary	100	100
CHPT RP2 Trust	Australia	Property investment	Ordinary	100	100
CHPT Dandenong Trust <sup>2</sup>	Australia	Property investment	Ordinary	100	–

1 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 1 (BP1), BP Fund 2 (BP2), Core Logistics Partnership (CLP), TTP Wholesale Fund (TTP) and Retail Partnership No.6 Trust (RP6).

2 CHPT Dandenong Trust holds an investment in CH DC Fund.

3 Terminated during the year.

Name of entity	Country of incorporation	Principal Activity	Class of securities	2016 %	2015 %
<b>Controlled entities of Charter Hall Direct Retail Fund</b>					
Core Plus Retail Fund New Zealand <sup>1</sup>	Australia	Property investment	Ordinary	–	100
Mentone Property Trust <sup>1</sup>	Australia	Property investment	Ordinary	–	100
Menai Retail Property Trust <sup>1</sup>	Australia	Property investment	Ordinary	–	100
CPRF MSN Property Trust <sup>1</sup>	Australia	Property investment	Ordinary	–	100

1 Terminated during the year.

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

Name of entity	Country of incorporation	Principal Activity	Class of securities	2016 %	2015 %
<b>Controlled entities of Charter Hall Property Trust</b>					
Charter Hall Direct Retail Fund <sup>3</sup>	Australia	Property investment	Ordinary	–	84
Charter Hall Co-Investment Trust <sup>1</sup>	Australia	Property investment	Ordinary	100	100
CHC CDC Holding Trust	Australia	Property investment	Ordinary	100	100
CHPT RP2 Trust	Australia	Property investment	Ordinary	100	100
CHPT Dandenong Trust <sup>2</sup>	Australia	Property investment	Ordinary	100	–

1 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 1 (BP1), BP Fund 2 (BP2), Core Logistics Partnership (CLP), TTP Wholesale Fund (TTP) and Retail Partnership No.6 Trust (RP6).

2 CHPT Dandenong Trust holds an investment in CH DC Fund.

3 Terminated during the year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

### 30 Investments in associates

#### (a) Carrying amounts

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

Charter Hall Group Name of entity	Principal Activity	OWNERSHIP INTEREST			
		2016 %	2015 %	2016 \$'000	2015 \$'000
<b>Accounted for at fair value through profit or loss:</b>					
<i>Unlisted</i>					
Charter Hall Direct Office Fund	Property investment	–	9.3	–	38,766
Charter Hall Direct Industrial Fund 3	Property investment	–	24.3	–	24,631
Charter Hall Diversified Property Fund	Property investment	–	19.6	–	1,317
Charter Hall Umbrella Fund	Property investment	–	24.2	–	638
PFA Diversified Property Trust	Property investment	<b>0.1</b>	0.1	<b>208</b>	183
				<b>208</b>	65,535
<b>Equity accounted</b>					
<i>Unlisted</i>					
Charter Hall Prime Office Fund <sup>1</sup>	Property investment	<b>10.7</b>	12.8	<b>183,301</b>	168,603
Core Logistics Partnership	Property investment	<b>16.1</b>	14.8	<b>170,040</b>	95,712
Charter Hall Office Trust <sup>2</sup>	Property investment	<b>14.3</b>	14.3	<b>164,107</b>	163,959
Charter Hall Prime Industrial Fund <sup>3</sup>	Property investment	<b>6.8</b>	7.2	<b>94,801</b>	74,939
Charter Hall Opportunity Fund 5	Property development	<b>16.7</b>	15.0	<b>6,337</b>	5,787
Retail Partnership No. 2 Trust <sup>4</sup>	Property investment	<b>5.0</b>	–	<b>6,051</b>	–
Charter Hall Opportunity Fund 4	Property development	<b>3.0</b>	3.0	<b>18</b>	12
<i>Listed</i>					
Charter Hall Retail REIT <sup>5</sup>	Property investment	<b>14.3</b>	10.7	<b>226,716</b>	146,968
				<b>851,371</b>	655,980
<b>Total investments in associates</b>				<b>851,579</b>	721,515

1 Formerly Charter Hall Core Plus Office Fund.

2 The entity has a 31 December balance date.

3 Formerly Charter Hall Core Plus Industrial Fund.

4 Reclassified from joint venture to associate on reduction of ownership to 5% and a change in voting arrangements.

5 Fair value at the ASX quoted price as at 30 June 2016 was \$274,475,290 (30 June 2015: \$170,865,000).

		OWNERSHIP INTEREST			
Charter Hall Property Trust Group Name of entity	Principal Activity	2016 %	2015 %	2016 \$'000	2015 \$'000
<b>Accounted for at fair value through profit or loss:</b>					
<i>Unlisted</i>					
Charter Hall Direct Office Fund	Property investment	–	9.3	–	38,766
Charter Hall Direct Industrial Fund 3	Property investment	–	24.3	–	24,631
Charter Hall Diversified Property Fund	Property investment	–	19.6	–	1,317
Charter Hall Umbrella Fund	Property investment	–	24.2	–	638
PFA Diversified Property Trust	Property investment	<b>0.1</b>	0.1	<b>208</b>	183
				<b>208</b>	65,535
<b>Equity accounted</b>					
<i>Unlisted</i>					
Charter Hall Prime Office Fund <sup>1</sup>	Property investment	<b>10.0</b>	11.9	<b>171,359</b>	157,628
Core Logistics Partnership	Property investment	<b>16.1</b>	14.8	<b>170,040</b>	95,712
Charter Hall Office Trust <sup>2</sup>	Property investment	<b>14.3</b>	14.3	<b>164,107</b>	163,959
Charter Hall Prime Industrial Fund <sup>3</sup>	Property investment	<b>3.3</b>	2.7	<b>46,336</b>	28,455
Retail Partnership No. 2 Trust <sup>4</sup>	Property investment	<b>5.0</b>	–	<b>6,051</b>	–
<i>Listed</i>					
Charter Hall Retail REIT <sup>5</sup>	Property investment	<b>14.3</b>	10.7	<b>226,716</b>	146,968
				<b>784,609</b>	592,722
<b>Total investments in associates</b>				<b>784,817</b>	658,257

1 Formerly Charter Hall Core Plus Office Fund.

2 The entity has a 31 December balance date.

3 Formerly Charter Hall Core Plus Industrial Fund.

4 Reclassified from joint venture to associate on reduction of ownership to 5% and a change in voting arrangements.

5 Fair value at the ASX quoted price as at 30 June 2016 was \$274,475,290 (30 June 2015: \$170,865,000).

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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Opening balance	<b>65,535</b>	14,234	<b>65,535</b>	14,234
Investment	–	50,200	–	50,200
Net gain on investment in associates at fair value	<b>4,016</b>	1,901	<b>4,016</b>	1,901
Disposal of units	<b>(70,321)</b>	(800)	<b>(70,321)</b>	(800)
Gain on disposal	<b>978</b>	–	<b>978</b>	–
<b>Closing balance</b>	<b>208</b>	65,535	<b>208</b>	65,535

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

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Opening balance	<b>655,980</b>	583,414	<b>592,722</b>	520,627
Investment	<b>153,530</b>	60,264	<b>152,890</b>	60,264
Share of profit after income tax	<b>123,029</b>	69,709	<b>115,799</b>	63,471
Distributions received/receivable	<b>(53,163)</b>	(40,560)	<b>(48,797)</b>	(36,293)
Share of movement in reserves	<b>47</b>	(344)	<b>47</b>	(344)
Return of capital	<b>(32,176)</b>	(16,503)	<b>(32,176)</b>	(15,003)
Transfer from investment in joint ventures <sup>1</sup>	<b>4,124</b>	–	<b>4,124</b>	–
<b>Closing balance</b>	<b>851,371</b>	655,980	<b>784,609</b>	592,722

1 Retail Partnership No.2 Trust was reclassified from joint venture to associate on reduction of ownership to 5% and a change in voting arrangements.

**30 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 Prime Office Fund \$'000	Core Logistics Partnership \$'000	Charter Hall Prime Industrial Fund \$'000
<b>2016</b>					
<b>Summarised balance sheet:</b>					
Current assets	235,495	54,689	43,384	58,678	271,693
Non-current assets	2,120,610	2,394,257	2,388,833	1,463,573	1,728,126
Current liabilities	53,726	92,594	66,926	39,100	138,125
Non-current liabilities	1,156,704	824,074	626,083	430,200	455,670
<b>Net assets</b>	<b>1,145,675</b>	<b>1,532,278</b>	<b>1,739,208</b>	<b>1,052,951</b>	<b>1,406,024</b>
<b>Summarised statement of comprehensive income:</b>					
Revenue	213,540	211,855	159,920	93,206	121,194
Profit for the year from continuing operations	288,375	180,628	219,488	112,874	135,217
Loss from discontinued operations	-	-	-	-	-
Other comprehensive income	1,593	-	-	-	-
<b>Total comprehensive income</b>	<b>289,968</b>	<b>180,628</b>	<b>219,488</b>	<b>112,874</b>	<b>135,217</b>
<b>2015</b>					
<b>Summarised balance sheet:</b>					
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
<b>Net assets</b>	<b>1,145,975</b>	<b>1,349,747</b>	<b>1,326,079</b>	<b>645,345</b>	<b>1,050,897</b>
<b>Summarised statement of comprehensive income:</b>					
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)	-	-	-	-
<b>Total comprehensive income</b>	<b>27,947</b>	<b>162,563</b>	<b>118,950</b>	<b>98,488</b>	<b>93,484</b>

(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 Prime Office Fund \$'000	Core Logistics Partnership \$'000	Charter Hall Prime Industrial Fund \$'000
<b>2016</b>					
Net assets of associate	1,145,675	1,532,278	1,739,208	1,052,951	1,406,024
Group's share in %	14.3	14.3	10.7	16.1	6.8
Group's share in \$	163,832	219,116	186,095	169,525	95,610
Other movements not accounted for under the equity method <sup>1</sup>	275	7,600	(2,794)	515	(809)
<b>Carrying amount</b>	<b>164,107</b>	<b>226,716</b>	<b>183,301</b>	<b>170,040</b>	<b>94,801</b>
<b>Movements in carrying amounts:</b>					
Opening balance	163,959	146,968	168,603	95,712	74,939
Investment	–	70,890	–	66,000	16,000
Share of profit after income tax	41,217	25,242	25,023	17,769	10,438
Other comprehensive income	228	(181)	–	–	–
Distributions received/receivable	(9,121)	(16,203)	(10,325)	(9,441)	(6,576)
Return on capital	(32,176)	–	–	–	–
<b>Closing balance</b>	<b>164,107</b>	<b>226,716</b>	<b>183,301</b>	<b>170,040</b>	<b>94,801</b>
<b>2015</b>					
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 <sup>1</sup>	85	2,545	(1,135)	201	(726)
<b>Carrying amount</b>	<b>163,959</b>	<b>146,968</b>	<b>168,603</b>	<b>95,712</b>	<b>74,939</b>
<b>Movements in carrying amounts:</b>					
Opening balance	172,938	129,226	116,871	84,777	72,241
Investment	–	10,495	47,684	2,085	–
Share of profit/(loss) 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)	–	–	–	–
<b>Closing balance</b>	<b>163,959</b>	<b>146,968</b>	<b>168,603</b>	<b>95,712</b>	<b>74,939</b>

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.

### 30 Investments in associates continued

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

Charter Hall Property Trust	Charter Hall Office Trust \$'000	Charter Hall Retail REIT \$'000	Charter Hall Prime Office Fund \$'000	Core Logistics Partnership \$'000	Charter Hall Prime Industrial Fund \$'000
<b>2016</b>					
Net assets of associate	1,145,675	1,532,278	1,739,208	1,052,951	1,406,024
Group's share in %	14.3	14.3	10.0	16.1	3.3
Group's share in \$	163,832	219,116	173,921	169,525	46,399
Other movements not accounted for under the equity method <sup>1</sup>	275	7,600	(2,562)	515	(63)
<b>Carrying amount</b>	<b>164,107</b>	<b>226,716</b>	<b>171,359</b>	<b>170,040</b>	<b>46,336</b>
<b>Movements in carrying amounts:</b>					
Opening balance	163,959	146,968	157,628	95,712	28,455
Investment	–	70,890	–	66,000	16,000
Share of profit after income tax	41,217	25,242	23,377	17,769	4,770
Other comprehensive income	228	(181)	–	–	–
Distributions received/receivable	(9,121)	(16,203)	(9,646)	(9,441)	(2,889)
Return on capital	(32,176)	–	–	–	–
<b>Closing balance</b>	<b>164,107</b>	<b>226,716</b>	<b>171,359</b>	<b>170,040</b>	<b>46,336</b>
<b>2015</b>					
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 <sup>1</sup>	85	2,545	(175)	201	81
<b>Carrying amount</b>	<b>163,959</b>	<b>146,968</b>	<b>157,628</b>	<b>95,712</b>	<b>28,455</b>
<b>Movements in carrying amounts:</b>					
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	18,316	10,723	15,026	3,154
Other comprehensive income	(184)	(160)	–	–	–
Distributions received/receivable	(10,044)	(10,909)	(7,018)	(6,176)	(2,146)
Disposal	(15,003)	–	–	–	–
<b>Closing balance</b>	<b>163,959</b>	<b>146,968</b>	<b>157,628</b>	<b>95,712</b>	<b>28,455</b>

<sup>1</sup> 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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Aggregate amount of the Group's share of:</b>				
Profit/(loss) from continuing operations	3,340	(34)	3,424	–
Total comprehensive income	3,340	(34)	3,424	–
<b>Movements in aggregate carrying amount:</b>				
Opening balance	5,799	7,361	–	–
Investment	640	–	–	–
Share of profit after income tax	3,340	(34)	3,424	–
Distributions received/receivable	(1,497)	(28)	(1,497)	–
Return of capital	–	(1,500)	–	–
Transfer from investments in joint ventures	4,124	–	4,124	–
<b>Closing balance</b>	<b>12,406</b>	<b>5,799</b>	<b>6,051</b>	<b>–</b>



### (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 \$28.0 million (2015: \$8.0 million). These commitments have not been recognised as liabilities in the consolidated financial statements of CQR.

Charter Hall Prime Industrial Fund's capital expenditure contracted for at the reporting date but not recognised as liabilities was \$198.0 million (2015: \$154.7 million).

Core Logistics Partnership's capital expenditure contracted for at the reporting date but not recognised as liabilities was \$92.4 million (2015: \$30.5 million).

Charter Hall Prime Office Fund's capital expenditure contracted for at the reporting date but not recognised as liabilities was \$83.8 million (2015: \$73.3 million) relating to investment properties, including capital expenditure commitments of \$25.2 million (2015: \$53.0 million) relating to the development of the 333 George Street, Sydney, NSW property. In addition, Charter Hall Prime Office Fund's share of significant capital expenditure contracted for at the reporting date but not recognised as liabilities through joint venture entities was \$360.2 million (2015: \$97.1 million) relating to investment properties. These commitments include capital expenditure commitments of \$38.8 million (2015: \$88.3 million) relating to the development of the University of Western Sydney, Parramatta, NSW property, \$69.9 million relating to the development of the 900 Ann St, Fortitude Valley, QLD property and the remaining amount payable of \$251.3 million due at the time of settlement of the 1 Shelley Street, Sydney, NSW property.

Charter Hall Office Trust's capital expenditure contracted for at the reporting date but not recognised as liabilities was \$16.3 million (2015: \$47.6 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 \$21.1 million (2015: \$5.6 million) relating to investment properties for certain expenditure and fitout contributions.

## 31 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	2016 %	2015 %	2016 \$'000	2015 \$'000
<i>Unlisted</i>					
Long WALE Investment Partnership	Property investment	50.0	50.0	165,246	147,290
Retail Partnership No. 6 Trust	Property investment	20.0	20.0	32,249	19,259
Commercial and Industrial Property Pty Ltd	Property development	50.0	50.0	28,463	30,018
BP Fund 1 <sup>1</sup>	Property investment	10.0	10.6	23,767	19,273
BP Fund 2 <sup>1</sup>	Property investment	13.2	14.6	14,992	12,188
Long WALE Investment Partnership 2	Property investment	10.0	10.0	8,433	3,139
TTP Wholesale Fund (TTP) <sup>1</sup>	Property investment	10.0	10.0	7,603	7,127
CH DC Fund	Property development	26.0	–	4,603	–
Retail Partnership No. 2 Trust <sup>2</sup>	Property investment	–	20.0	–	19,591
				<b>285,356</b>	<b>257,885</b>

1 These funds comprise the Long WALE Hardware Partnership.

2 Reclassified from joint venture to associate on reduction of ownership to 5% and a change in voting arrangements.

		OWNERSHIP INTEREST			
Charter Hall Property Trust Group Name of entity	Principal Activity	2016 %	2015 %	2016 \$'000	2015 \$'000
<i>Unlisted</i>					
Long WALE Investment Partnership	Property investment	50.0	50.0	165,246	147,290
Retail Partnership No. 6 Trust	Property investment	20.0	20.0	32,249	19,259
BP Fund 1 <sup>1</sup>	Property investment	10.0	10.6	23,767	19,273
BP Fund 2 <sup>1</sup>	Property investment	13.2	14.6	14,992	12,188
Long WALE Investment Partnership 2	Property investment	10.0	10.0	8,433	3,139
TTP Wholesale Fund (TTP) <sup>1</sup>	Property investment	10.0	10.0	7,603	7,127
CH DC Fund	Property development	26.0	–	4,603	–
Retail Partnership No. 2 Trust <sup>2</sup>	Property investment	–	20.0	–	19,591
				<b>256,893</b>	<b>227,867</b>

1 These funds comprise the Long WALE Hardware Partnership.

2 Reclassified from joint venture to associate on reduction of ownership to 5% and a change in voting arrangements.

**31 Investments in joint ventures** continued

**(b) Summarised financial information and movements in carrying amounts**

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Movements in aggregate carrying amount:</b>				
Opening balance	257,885	99,487	227,867	71,242
Investment	52,334	190,255	22,945	190,255
Share of profit after income tax	45,255	18,658	42,106	14,822
Distributions received/receivable	(20,940)	(16,567)	(16,236)	(14,504)
Return on capital	(198)	(13,000)	(198)	(13,000)
Disposal of units	(44,856)	(20,948)	(15,467)	(20,948)
Transfer to investments in associates	(4,124)	–	(4,124)	–
<b>Closing balance</b>	<b>285,356</b>	<b>257,885</b>	<b>256,893</b>	<b>227,867</b>

**(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*

	2016 \$'000	2015 \$'000
<b>Summarised balance sheet:</b>		
Current assets	4,219	4,590
Non-current assets	678,700	639,750
Current liabilities	10,412	7,896
Non-current liabilities	342,032	341,857
<b>Net assets</b>	<b>330,475</b>	<b>294,587</b>
<b>Summarised statement of comprehensive income:</b>		
Revenue	47,711	32,835
Profit for the year from continuing operations	60,320	10,399
<b>Total comprehensive income</b>	<b>60,320</b>	<b>10,399</b>

**(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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Net assets of associate	330,475	294,587	330,475	294,587
Group's share in %	50%	50%	50%	50%
Group's share in \$	165,238	147,294	165,238	147,294
Other movements not accounted for under the equity method	8	(4)	8	(4)
<b>Carrying amount</b>	<b>165,246</b>	<b>147,290</b>	<b>165,246</b>	<b>147,290</b>
<b>Movements in carrying amounts:</b>				
Opening balance	147,290	–	147,290	–
Investment	–	151,000	–	151,000
Share of profit after income tax	30,161	5,199	30,161	5,199
Distributions received/receivable	(12,205)	(8,909)	(12,205)	(8,909)
<b>Closing balance</b>	<b>165,246</b>	<b>147,290</b>	<b>165,246</b>	<b>147,290</b>
<b>Additional financial information</b>				
Cash and cash equivalents	1,856	3,165	1,856	3,165
Current financial liabilities	10,412	6,618	10,412	6,618
Non-current financial liabilities	342,032	349,753	342,032	349,753
Amortisation	510	420	510	420
Interest income	83	574	83	574
Interest expense	15,951	12,018	15,951	12,018

**(e) Commitments and contingent liabilities of joint ventures**

CH DC Fund has capital commitments of \$200.1 million (2015: \$nil) to fund the development of the Woolworths Distribution Facility expected to reach practical completion in March 2018.

BP Fund 1's capital commitment contracted for at the reporting date but not recognised as liabilities was \$39.6 million (2015: \$88.0 million). These commitments include the development of Bunnings Kingsgrove, NSW for \$32.8 million and exchange of Land for \$6.8 million for future development of Bunnings at Settlement Road, Keperra, QLD.

### 32 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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<i>Current assets</i>				
Trade receivables	508	1,107	-	-
Distributions receivable	24,379	17,217	21,768	25,515
Loans to joint ventures	6,500	6,500	-	-
<b>Total current assets</b>	<b>31,387</b>	<b>24,824</b>	<b>21,768</b>	<b>25,515</b>
<i>Non-current assets</i>				
Investments in associates at fair value through profit or loss	208	65,535	208	65,535
Investments accounted for using the equity method	1,136,727	913,865	1,041,502	820,589
<b>Total non-current assets</b>	<b>1,136,935</b>	<b>979,400</b>	<b>1,041,710</b>	<b>886,124</b>
<b>Total carrying amount of interests in unconsolidated structured entities</b>	<b>1,168,322</b>	<b>1,004,224</b>	<b>1,063,478</b>	<b>911,639</b>
<b>Total funds under management in unconsolidated structured entities</b>	<b>14,462,645</b>	<b>11,329,636</b>	<b>14,294,852</b>	<b>11,246,636</b>

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 28 for further information.

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

### 33 Commitments

#### (a) Lease commitments – Group as lessee

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Due within one year	3,943	3,288	-	-
Due between one and five years	14,186	11,045	-	-
Over five years	10,353	10,581	-	-
	<b>28,482</b>	<b>24,914</b>	<b>-</b>	<b>-</b>

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

#### *Capital commitments*

##### *Charter Hall Group*

The Group had no contracted capital commitments as at 30 June 2016 (30 June 2015: \$nil).

##### *Charter Hall Property Trust Group*

The Group had no contracted capital commitments as at 30 June 2016 (30 June 2015: \$nil).

### 34 Contingent liabilities

The Group did not have any contingent liabilities as at 30 June 2016 (30 June 2015: \$nil) other than the bank guarantees of \$26.0 million provided for under the bank facility (refer to Note 20(a)).

### 35 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	2013 Number	2014 Number	2015 Number	2016 Number	Total Number
<b>Performance rights</b>					
Rights issued 23/11/12	1,796,076	–	–	–	<b>1,796,076</b>
Rights issued 22/11/13	–	1,422,660	–	–	<b>1,422,660</b>
Rights issued 19/12/14	–	–	1,051,804	–	<b>1,051,804</b>
Rights issued 30/11/15	–	–	–	<b>1,085,276</b>	<b>1,085,276</b>
<b>Performance rights issued</b>	<b>1,796,076</b>	<b>1,422,660</b>	<b>1,051,804</b>	<b>1,085,276</b>	<b>5,355,816</b>
Number rights forfeited/lapsed					
Prior years	(214,732)	(116,389)	(10,618)	–	<b>(341,739)</b>
Current year	–	(15,244)	(62,095)	<b>(54,138)</b>	<b>(131,477)</b>
Number rights vested					
Prior years	–	–	–	–	–
Current year	(1,581,344)	–	–	–	<b>(1,581,344)</b>
<b>Closing balance</b>	<b>–</b>	<b>1,291,027</b>	<b>979,091</b>	<b>1,031,138</b>	<b>3,301,256</b>
<b>Service rights</b>					
Rights issued 23/11/12	270,000	–	–	–	<b>270,000</b>
Rights issued 22/11/13	–	403,582	–	–	<b>403,582</b>
Rights issued 19/12/14	–	–	554,401	–	<b>554,401</b>
Rights issued 30/11/15	–	–	–	<b>409,195</b>	<b>409,195</b>
<b>Service rights issued</b>	<b>270,000</b>	<b>403,582</b>	<b>554,401</b>	<b>409,195</b>	<b>1,637,178</b>
Number rights forfeited/lapsed					
Prior years	–	(4,699)	–	–	<b>(4,699)</b>
Current year	–	–	–	–	–
Number rights vested					
Prior years	(180,000)	(211,792)	(65,790)	–	<b>(457,582)</b>
Current year	(90,000)	(187,091)	(178,516)	<b>(19,295)</b>	<b>(474,902)</b>
<b>Closing balance</b>	<b>–</b>	<b>–</b>	<b>310,095</b>	<b>389,900</b>	<b>699,995</b>

#### (b) PROP expense

Total expenses related to the PROP recognised during the year as part of employee benefit expense were as follows:

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Performance rights and option plan	<b>2,081</b>	2,775	–	–

Total PROP expenses recognised during the year include \$0.7 million of operating expenses and \$1.4 million of non-operating expenses.

### 35 Security-based benefits expense continued

#### (c) Option inputs

The Black-Scholes or Monte Carlo method, as applicable, is utilised for valuation and accounting purposes. The model inputs for the Performance Rights and Options Plan issued during FY 2012 through FY 2016 to assess the fair value are as follows:

##### Performance rights

Grant date	23/11/2012	20/11/2013	20/11/2013	19/12/2014	30/11/2015
Stapled security price at grant date	\$3.11	\$3.68	\$3.68	\$4.68	\$4.47
Opening TSR measurement price	\$2.15	\$2.34	\$3.89	\$4.23	\$4.64
Fair value of right	\$1.91	\$1.42	\$1.11	\$2.09	\$1.41
Expected price volatility	26.0%	30.4%	30.4%	30.4%	24.0%
Risk-free interest rate	3.0%	2.9%	3.0%	2.5%	2.1%

##### Service rights

Grant date	20/11/2013	20/11/2013	19/12/2014	19/12/2014	30/11/2015
Stapled security price at grant date	\$3.68	\$3.68	\$4.68	\$4.68	\$4.47
Fair value of right	\$3.45	\$3.42	\$4.28	\$4.36	\$4.37
Expected price volatility	27.4%	27.4%	26.5%	24.6%	25.4%
Risk-free interest rate	2.6%	2.6%	2.5%	2.5%	2.0%

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

During the year eligible employees received up to \$1,000 (2015: \$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 \$325,000 (2015: \$271,000) was recognised in relation to this plan during the year.

### 36 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 GROUP		CHARTER HALL PROPERTY TRUST GROUP	
Balance Sheet	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Current assets	31,410	24,864	56,276	41,496
Total assets	248,535	303,217	1,081,245	1,103,198
Current liabilities	20	212	56,557	49,076
Total liabilities	139,881	198,638	56,557	49,076
<i>Shareholders' equity</i>				
Issued capital	256,049	253,907	1,201,359	1,181,772
Accumulated losses	(147,395)	(149,329)	(176,670)	(127,649)
<b>Net equity</b>	<b>108,654</b>	<b>104,579</b>	<b>1,024,689</b>	<b>1,054,123</b>
<b>Profit/(loss) for the year</b>	<b>1,934</b>	<b>(4,454)</b>	<b>58,721</b>	<b>59,395</b>
<b>Total comprehensive profit/(loss) for the year</b>	<b>1,934</b>	<b>(4,454)</b>	<b>58,721</b>	<b>59,395</b>

#### (b) Contingent liabilities of the parent entity

Charter Hall Limited and Charter Hall Property Trust had no contingent liabilities as at 30 June 2016 (30 June 2015: \$nil) other than the bank guarantees of \$26.0 million provided for under the bank facility held by Charter Hall Property Trust (refer to Note 20(a)).

#### (c) Contractual commitments

As at 30 June 2016, Charter Hall Limited and Charter Hall Property Trust had no contractual commitments (2015: \$nil).

### 37 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.

	2016 \$'000	2015 \$'000
<b>Statement of comprehensive income</b>		
Revenue	145,055	136,352
Depreciation	(2,604)	(2,019)
Finance costs	(12,937)	(16,970)
Foreign exchange (loss)/gain	153	814
Share of net gain of associates accounted for using the equity method	3,066	3,802
Gain/loss on sale of investments, property and other assets	-	12
Amortisation and impairment of intangibles	(8,517)	(8,517)
Other expenses	(106,217)	(94,461)
<b>Profit/(loss) before income tax</b>	<b>17,999</b>	<b>19,013</b>
Income tax benefit	545	2,055
<b>Profit/(loss) for the year</b>	<b>18,544</b>	<b>21,068</b>
<b>Summary of movements in consolidated accumulated losses</b>		
Accumulated losses at the beginning of the financial year	(103,188)	(124,256)
Profit for the year	18,544	21,068
<b>Accumulated losses at the end of the financial year</b>	<b>(84,644)</b>	<b>(103,188)</b>

### 37 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.

	2016 \$'000	2015 \$'000
<b>Assets</b>		
<i>Current assets</i>		
Cash and cash equivalents	92,912	111,703
Trade and other receivables	35,989	33,239
<b>Total current assets</b>	<b>128,901</b>	<b>144,942</b>
<i>Non-current assets</i>		
Trade and other receivables	829	2,019
Investments accounted for using the equity method	34,819	35,816
Investment in associates at fair value through profit or loss	15,074	7,750
Investments in controlled entities	49,662	44,462
Property, plant and equipment	14,855	11,931
Intangible assets	69,743	78,260
Deferred tax assets	10,865	11,588
<b>Total non-current assets</b>	<b>195,847</b>	<b>191,826</b>
<b>Total assets</b>	<b>324,748</b>	<b>336,768</b>
<b>Liabilities</b>		
<i>Current liabilities</i>		
Trade and other payables	25,000	13,998
Provisions	1,680	1,595
<b>Total current liabilities</b>	<b>26,680</b>	<b>15,593</b>
<i>Non-current liabilities</i>		
Trade and other payables	5,193	11,750
Loans from Charter Hall Property Trust	158,398	202,075
Provisions	1,334	1,153
<b>Total non-current liabilities</b>	<b>164,925</b>	<b>214,978</b>
<b>Total liabilities</b>	<b>191,605</b>	<b>230,571</b>
<b>Net assets</b>	<b>133,143</b>	<b>106,197</b>
<b>Equity</b>		
Contributed equity	263,320	254,001
Reserves	(45,533)	(44,615)
Accumulated losses	(84,644)	(103,189)
<b>Total equity</b>	<b>133,143</b>	<b>106,197</b>

### 38 Events occurring after the reporting date

The following events have occurred subsequent to 30 June 2016:

- On 27 July 2016 the Group announced the appointment of Ms Karen Moses as an Independent Director of the Charter Hall Group, effective 1 September 2016.
- On 1 August 2016, the Group paid \$51.3 million for a 50% stake in a distribution centre in Victoria.

Except for the matters discussed above, no other matter or circumstance has arisen since 30 June 2016 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 2016

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 55 to 102 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 2016 and of their performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that both Charter Hall Limited and the Charter Hall Property Trust will be able to pay their debts as and when they become due and payable; and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in Note 37 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 37.

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 Managing Director/Group CEO 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  
22 August 2016



## 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 2016, 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 2016, 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

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**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](http://www.pwc.com.au)

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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.

### *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 2016 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 35 to 52 of the directors' report for the year ended 30 June 2016. 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 2016 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers



Wayne Andrews  
Partner

Sydney  
22 August 2016

# SECURITYHOLDER ANALYSIS

## A. Distribution of equity stapled securityholders as at 9 September 2016

Number of securities held by securityholders	No. of holders	Stapled securities held	% of issued stapled securities
1 to 1,000	1,108	378,747	0.09
1,001 to 5,000	1,117	3,117,924	0.76
5,001 to 10,000	421	3,086,252	0.75
10,001 to 50,000	308	5,948,350	1.44
50,001 to 100,000	40	2,840,341	0.69
100,001 and over	56	397,346,188	96.27
<b>Total</b>	<b>3,050</b>	<b>412,717,802</b>	<b>100.00</b>

The total number of stapled securityholders with less than a marketable parcel of 92 securities is 339 and they hold 3,812 securities.

## B. Top 20 registered equity securityholders as at 9 September 2016

Number of securities held by securityholders	Stapled securities held	% of issued stapled securities
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	92,380,401	22.38
J P MORGAN NOMINEES AUSTRALIA LIMITED	86,896,545	21.05
CITICORP NOMINEES PTY LIMITED	37,925,033	9.19
NATIONAL NOMINEES LIMITED	36,009,370	8.72
BNP PARIBAS NOMS PTY LTD	18,155,820	4.40
BESGAN NO. 2 PTY LTD	16,871,335	4.09
BESGAN NO. 4 PTY LTD	16,871,335	4.09
BESGAN NO. 1 PTY LTD	16,871,335	4.09
BESGAN NO. 3 PTY LTD	16,871,335	4.09
CHAPELGREEN PTY LTD	11,679,560	2.83
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3	9,240,313	2.24
AMP LIFE LIMITED	5,487,775	1.33
BNP PARIBAS NOMINEES PTY LTD	4,482,553	1.09
CITICORP NOMINEES PTY LIMITED	4,046,089	0.98
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	2,607,948	0.63
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	2,582,779	0.63
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	2,330,517	0.56
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,322,580	0.56
PORTMIST PTY LIMITED	1,441,773	0.35
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD	919,672	0.22
MR DAVID JOHN SOUTHON	880,612	0.21
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	876,000	0.21
BOND STREET CUSTODIANS LIMITED	820,674	0.20
<b>Total stapled securities held by top 20</b>	<b>388,571,354</b>	<b>94.15</b>
<b>Total stapled securities on issue</b>	<b>412,717,802</b>	<b>100.00</b>

## C. Substantial securityholder notices as at 9 September 2016

Ordinary securities	Date of change	Stapled securities held	% securities held
The Gandel Group	14/05/2014	69,236,904	19.90
FIL Limited	23/06/2016	36,777,962	8.91
Commonwealth Bank of Australia	1/09/2016	26,614,591	6.44
The Vanguard Group, Inc.	9/03/2016	24,937,975	6.04

## 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.

# INVESTOR INFORMATION

## How do I invest in Charter Hall?

Charter Hall Group securities are listed on the Australian Securities Exchange (ASX:CHC).

Securityholders will need to use the services of a stockbroker or an online broking facility to invest in Charter Hall.

## Where can I find more information about Charter Hall?

Charter Hall's website, [www.charterhall.com.au](http://www.charterhall.com.au) contains extensive information on our Board and management team, corporate governance, sustainability, our property portfolio and all investor communications including distribution and tax information, reports and presentations. The website also provides information on the broader Charter Hall Group including other managed funds available for investment. You can also register your details on our website to receive ASX announcements by an email alert as they are being released. To register your details, please visit our website at [www.charterhall.com.au](http://www.charterhall.com.au) and subscribe to updates.

## Can I receive my Annual Report electronically?

Charter Hall provides its annual report in both PDF and online formats (HTML). You can elect via the Investor Login facility on our website to receive notification that this report is available online. Alternatively, you can elect to receive the report in hard copy.

## How do I receive payment of my distribution?

Charter Hall Group pays its distribution via direct credit. This enables you to receive automatic payment of your distributions quickly and securely. You can nominate any Australian or New Zealand bank, building society, credit union or cash management account for direct payment by downloading a direct credit form using the Investor Login facility and sending it to Link Market Services. On the day of payment, you will be sent a statement via post or email confirming that the payment has been made and setting out details of the payment. The Group no longer pays distributions by cheque.

## Can I reinvest my distribution?

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

## Do I need to supply my Tax File Number?

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

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

At the end of each financial year, we issue securityholders with an Annual Taxation Statement. This statement includes information required to complete your tax return. The distributions paid in February and August are required to be included in your tax return for the financial year the income was earned, that is, the distribution income paid in August 2016 should be included in your 2016 financial year tax return.

## How do I make a complaint?

Securityholders wishing to lodge a complaint should do so in writing and forward it to the Compliance Manager, Charter Hall Group at the address shown in the Directory. In the event that a complaint cannot be resolved within a reasonable timeframe (usually 45 days) or you are not satisfied with our response, you can seek assistance from the Financial Ombudsman Service (FOS), an independent dispute resolution scheme available to those investors who have first raised their complaint with us and who remain dissatisfied. FOS's contact details are below:

Financial Ombudsman Service  
GPO Box 3  
Melbourne VIC 3001

**Tel:** 1300 780 808

**Fax:** + 61 3 9613 6399

**Email:** [info@fos.org.au](mailto:info@fos.org.au)

**Website:** [www.fos.org.au](http://www.fos.org.au)

## 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

## Directors

David Clarke, Anne Brennan, Philip Garling,  
David Harrison, Peter Kahan and Colin McGowan

## 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 2016 unless otherwise stated. All references to dollars (\$) or A\$ are Australian Dollars unless otherwise stated.

Information regarding US Investors/US Persons:

Each person that holds Charter Hall Group securities that is in the United States (US) or is a US Person is required to be a Qualified Institutional Buyer/Qualified Purchaser (QIB/QP) at the time of the acquisition of any Charter Hall Group securities, and is required to make the representations in the confirmation letter or subscription agreement as of the time it acquired the applicable securities.

The securities can only be resold or transferred in a regular brokered transaction on the ASX in accordance with Rule 903 or 904 of Regulation S, where neither it nor any person acting on its behalf knows or has reason to know, that the sale has been prearranged with, or that the purchaser is, in the United States or a US Person (e.g. no prearranged trades ('special crossing') with US Persons or other off-market transactions). To the maximum extent permitted by law, the Charter Hall Group reserves the right to (i) request any person that they deem to be in the United States or a US Person, who was not at the time of acquisition of the securities a QIB/QP, to sell its securities, (ii) refuse to record any subsequent sale or transfer of securities to a person in the United States or a US Person, and (iii) take such other action as they deem necessary or appropriate to enable the Charter Hall Group to maintain the exception from registration under Section 3(c)(7) of the Investment Company Act.

If you are not the beneficial owner of securities in the Charter Hall Group, you must pass this information to the beneficial owner of the securities.

Complaints handling

A formal complaints handling procedure is in place for the Group. CHFML is a member of the Financial Ombudsman Service (FOS). Complaints should in the first instance be directed to CHFML.

If you have any enquiries or complaints, please contact the Compliance Manager on +61 2 8651 9000.

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