

Charter Hall Group

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)



Important notice

This financial report has been prepared and issued by Charter Hall Limited (ACN 113 531 150) and Charter Hall Funds Management Limited (ACN 082 991 786, AFSL 262861) (CHFML) as Responsible Entity of the Charter Hall Property Trust (ARSN 113 339 147) (together, the Charter Hall Group or Group). The information contained in this report has been compiled to comply with legal and regulatory requirements and to assist the recipient in assessing the performance of the Group independently and does not relate to, and is not relevant for, any other purpose.

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

CHFML does not receive fees in respect of the general financial product advice it may provide; however, entities within the Charter Hall Group receive fees for operating the Charter Hall Property Trust in accordance with its constitution. Entities within the Group may also receive fees for managing the assets of, and providing resources to, the Charter Hall Property Trust. All information herein is current as at 30 June 2016 unless otherwise stated. All references to dollars (\$) or A\$ are Australian Dollars unless otherwise stated.

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Corporate Governance Statement

The corporate governance statement can be downloaded from Charter Hall's website at www.charterhall.com.au.

Directors' Report

for the year ended 30 June 2016

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
Total distributions paid and payable	110,548	92,186

Directors' Report (continued)

for the year ended 30 June 2016

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.

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

¹ 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)	409,980	359,584
Basic earnings per stapled security per Note 9 (cents)	52.5	32.8
Operating earnings per stapled security (OEPS) per Note 3 (cents)	30.4	27.5

Directors' Report (continued)

for the year ended 30 June 2016

Review and results of operations (continued)

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

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

² 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.

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

Operating earnings per stapled security (OEPS) has increased 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.

Directors' Report (continued)

for the year ended 30 June 2016

Review and results of operations (continued)

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

	Ownership Stake (%)	Charter Hall Investment (\$m)	FY 16 Charter Hall Investment Income ¹ (\$m)	WALE (years)	Market Cap Rate (%)	Discount Rate (%)	FY16 Average Rental Reviews (%)	FY 16 Charter Hall Investment Yield ² (%)
Office		347.6	21.5	5.8	6.4%	7.6%	3.8%	6.8%
Charter Hall Prime Office Fund (CPOF) ³	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%
Industrial		264.8	15.9	9.4	6.6%	8.0%	3.0%	7.2%
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) ⁴	6.8%	94.8	6.6	8.4	6.7%	8.1%	3.1%	7.8%
Retail		485.0	34.3	11.2	6.4%	8.0%	3.2%	7.9%
Charter Hall Retail REIT (CQR) ⁵	14.3%	226.7	15.8	6.9	6.7%	8.1%	4.1%	8.1%
Long WALE Investment Partnership (LWIP) ⁶	50.0%	165.2	12.1	18.3	6.1%	7.9%	2.0%	8.2%
Retail Partnership No. 6 Trust (RP6) ⁵	20.0%	32.2	1.7	4.2	6.0%	7.8%	3.2%	6.2%
BP Fund 1 (BP1) ⁷	10.0%	23.8	1.3	9.1	5.9%	7.8%	2.8%	6.7%
BP Fund 2 (BP2) ⁷	13.2%	15.0	0.9	12.5	5.9%	7.9%	2.8%	7.2%
TTP Wholesale Fund (TTP) ^{5,7}	10.0%	7.6	0.4	4.4	6.5%	8.5%	3.9%	5.9%
Retail Partnership No. 2 (RP2) ⁵	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%
Property Investment - subtotal		1,097.4	71.7	8.8	6.5%	7.9%	3.4%	7.4%
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 ⁸		10.8	3.6	n/a	n/a	n/a	n/a	n/a
Total		1,136.7	78.5					

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.

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.

Directors' Report (continued)

for the year ended 30 June 2016

Review and results of operations (continued)

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.

Directors' Report (continued)

for the year ended 30 June 2016

Review and results of operations (continued)

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.

Directors' Report (continued)

for the year ended 30 June 2016

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.

Directors' Report (continued)

for the year ended 30 June 2016

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 board of a number of other companies. Anne is an experienced executive and has held senior management roles in both large corporates and professional services firms.

During 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

Directors' Report (continued)

for the year ended 30 June 2016

Information on Directors (continued)

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

Directors' Report (continued)

for the year ended 30 June 2016

Information on Directors (continued)

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.

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

Directors' Report (continued)

for the year ended 30 June 2016

Information on Directors (continued)

Colin McGowan Independent Non-Executive Director Experience and expertise

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

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

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

Other current listed company directorships

Nil

Former listed company directorships in last three years

Nil

Special responsibilities

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.

Directors' Report (continued)

for the year ended 30 June 2016

Information on Directors (continued)

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 ¹	7	7	3	3	*	*	2	2	*	*
P Garling	9	10	2 ⁴	2	4	4	*	*	6	6
D Harrison	9 ²	9	*	*	4	4	*	*	*	*
P Kahan	10	10	3 ⁵	3	3	4	2	2	6	6
C McGowan	10	10	*	*	4	4	*	*	6	6
D Southon ³	5 ²	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

Directors' Report (continued)

for the year ended 30 June 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
Appointment of Managing Director & Group Chief Executive Officer	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.
Joint Manager Director (JMD) separation arrangements	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.
Key management personnel (KMP)	The move to one Managing Director also included the introduction of a sector-based model and changes to our key management personnel (section 1).
Short term incentive	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.
Long term incentive	Added a one year holding lock after the three year performance period for all grants under the LTI Plan from FY 2016 onwards.
Non-Executive Directors (NED)	Introduced minimum shareholding guidelines for Independent Directors (section 5). David Deverall resigned on 26 February 2016.
COMPONENT	KEY REMUNERATION OUTCOMES IN FY 2016
Fixed remuneration	Reported Executives fixed annual remuneration (FAR) increased on average 0.9% in the annual review.
Short term incentive	Based on performance, an above target STI pool (112.7%) was awarded across the Group and to Reported Executives (section 3.4).
Long term incentive	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).
Remuneration mix	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).
Other security plans	Continued the General Employee Securities Plan for eligible employees not participating in the LTI.
Pay equity review	Undertook a gender pay analysis and a subsequent pay equity review across the Group implementing remuneration changes to identified roles.
Non-Executive Directors	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
Long term incentive	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
Long term incentive	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. 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.

Directors' Report (continued)

for the year ended 30 June 2016

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

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.

Directors' report (continued)

for the year ended 30 June 2016

Remuneration overview - 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
Non-Executive Directors		
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
Former Non-Executive Director		
David Deverall	Director	Part Year ¹
Executive Director		
David Harrison	Managing Director & Group Chief Executive Officer	Full Year ²
Former Executive Director		
David Southon	Joint Managing Director	Part Year ³
Other Reported Executives		
Paul Altschwager	Chief Financial Officer	Full Year
Greg Chubb	Head of Retail	Part Year ⁴
Paul Ford	Head of Industrial	Part Year ⁴
Adrian Taylor	Head of Office	Full Year
Former Reported Executives		
Scott Dundas	Fund Manager, Charter Hall Retail REIT (CQR)	Part Year ⁵
Richard Stacker	Head of Investor Relations	Part Year ⁵

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.

Directors' Report (continued)

for the year ended 30 June 2016

Remuneration Report - audited (continued)

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.

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
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.
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.
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.
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.

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.

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.

Directors' Report (continued)

for the year ended 30 June 2016

Remuneration Report - audited (continued)

3. Executive remuneration framework (continued)

3.1 Executive remuneration strategy (continued)

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

Business strategy

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

- Delivering outperformance for both managed fund/partnership investors and CHC securityholders
- Optimising total return on invested capital
- Growing sustainable earnings and maintaining resilience via long WALE portfolios and strong tenant customers
- Developing a scalable and efficient platform
- Recruiting, retaining and motivating a high performance team
- Maintaining a through-the-cycle OEPS pre-tax growth range of 5-7% per annum

Remuneration strategy

Create sustainable securityholder value by:

- Assessing performance and STI outcomes against financial and non-financial key performance indicators (KPI) linked to strategy
- Deferring a portion of STI into equity for executives
- Aligning LTI performance hurdles with securityholders' expected returns
- Ensuring a significant 'at-risk' component of total remuneration

Attract, retain and motivate talent by:

- Rewarding superior performance
- Offering competitive total remuneration
- Creating retention mechanisms
- Ensuring remuneration strategy is simple, transparent and consistent

Remuneration components

FAR	Remuneration 'at risk' and subject to performance outcomes		
	STI		LTI
	Delivered as cash (67%)	Deferred equity (33%) over two years	
	• OEPS target, and • Measured against KPIs (50% financial and 50% non-financial)		• Equal measures of absolute TSR and relative TSR • Three year performance measures • Additional one year holding lock

Remuneration outcomes

FAR	Remuneration 'at risk' and subject to performance outcomes		
	STI		LTI
• Reported executives increased by 0.9% in FY 2016 (excluding Executive Directors)	• Performance above OEPS target led to an above target STI pool (112.7%) • 50% of deferred STI for FY 2014 and FY 2015 service rights vested		• FY 2013 LTI grant fully vested (1 July 2015) based on performance of relative and absolute TSR • FY 2014 LTI grant will partially vest (1 July 2016) at 50% based on the performance of absolute TSR • JMD Special LTI grant (awarded 4 November 2013) did not meet all performance conditions and 0% will vest

Directors' Report (continued)

for the year ended 30 June 2016

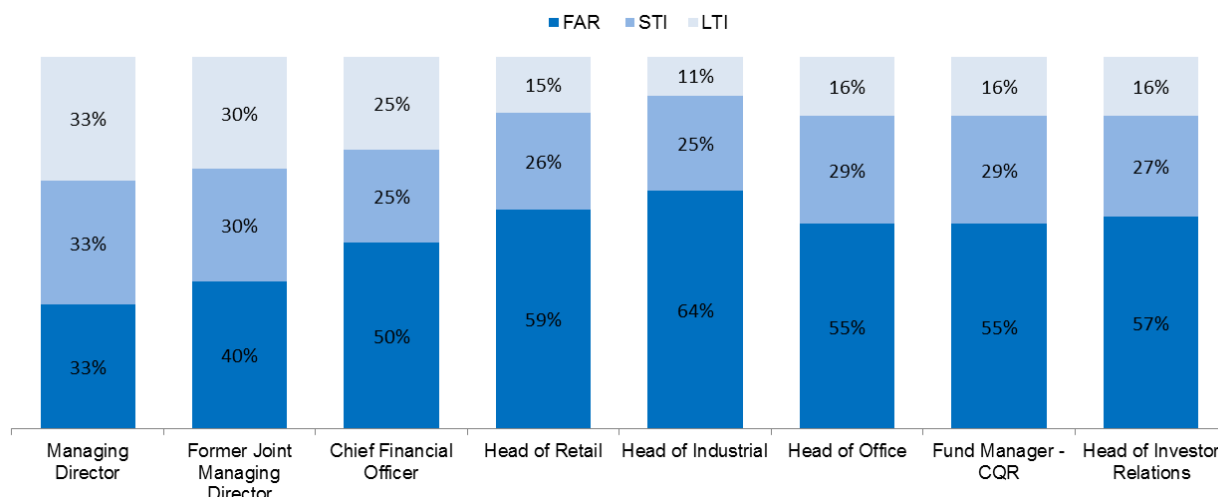
Remuneration Report - audited (continued)

3. Executive remuneration framework (continued)

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

Composition	Fixed remuneration comprises cash base salary, statutory superannuation contributions and other nominated benefits.
Review process	Fixed remuneration is targeted at the median of the market and is reviewed annually, effective 1 July, benchmarked against equivalent roles in the market recognising: • individual performance; and • the competitive market environment for each individual's skills and capabilities.
Benchmarking	The following comparator groups are used when determining the Reported Executives remuneration: • Industry related companies: based on entities in the S&P/ASX 200 Australian Real Estate and Investment Trust (A-REIT) industry group excluding Westfield; and • Market capitalisation group: based on S&P/ASX 200 companies within 50% to 200% of Charter Hall's market capitalisation.
Executive Director outcomes	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.
Other Reported Executives	Other Reported Executives fixed remuneration increased by an average of 0.9% in the annual remuneration review.

Directors' Report (continued)

for the year ended 30 June 2016

Remuneration Report - audited (continued)

3. Executive remuneration framework (continued)

3.4 Short term incentive

Purpose	The STI is an 'at-risk' incentive awarded annually designed to reward executives, subject to performance against agreed financial and non-financial KPIs.
Gateway for STI	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.
Determining and assessing the STI pool	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. In consultation with the Committee, the Board assesses the Group's financial performance and the performance of all Reported Executives against agreed KPIs.
Maximum STI potential	The maximum STI potential for all employees is 150% of the STI target, enabling recognition for outperformance.
Performance targets	The STI measures are set to ensure appropriate focus on achievement of Group, divisional and individual performance targets that are aligned with implementation of Charter Hall's overall strategy. KPIs are 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.
Delivery	For all executives, STI is delivered in the form of cash (67%) and deferred service rights (33%). 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. 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.

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%	Customer measures (20%) – improved customer service and satisfaction and improved customer offerings. People 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%	Customer measures (25%) – including service, satisfaction and offerings. People measures (25%) – including leadership, talent and engagement.

Directors' Report (continued)

for the year ended 30 June 2016

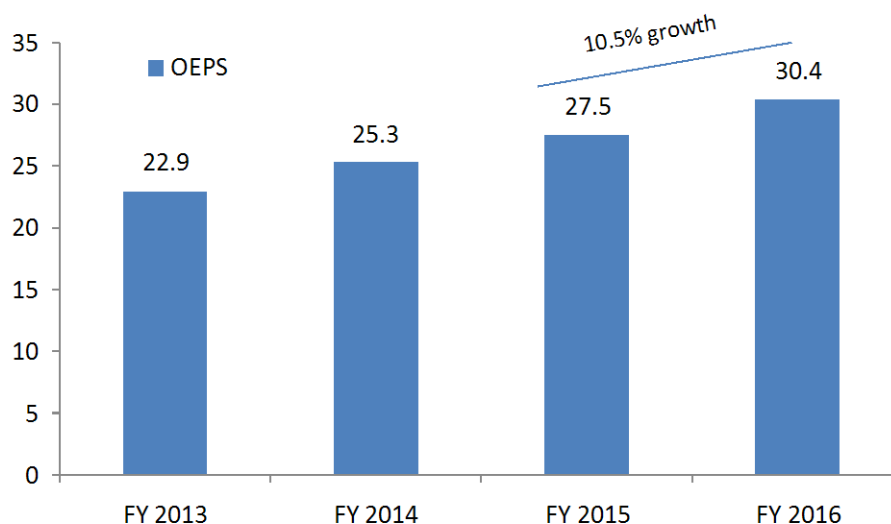
Remuneration Report - audited (continued)

3. Executive remuneration framework (continued)

3.4 Short term incentive (continued)

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 ¹ %
Executive Director						
D Harrison ²	1,677,700	1,118,467	559,233	100%	150%	0%
Former Executive Director						
D Southon	1,098,624	732,416	366,208	76%	130%	0%
Other Reported Executives						
P Altschwager	262,990	175,327	87,663	50%	70%	30%
G Chubb	323,628	215,752	107,876	44%	120%	0%
P Ford ²	185,986	185,986	-	39%	120%	0%
A Taylor	438,300	292,200	146,100	53%	125%	0%
Other Reported Executives						
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.

3.5 Long term incentive

Purpose	The LTI aligns key employee rewards with sustainable growth in securityholder value over time. It also plays an important role in employee retention.
Participants	All Reported Executives, executives, Fund Managers and selected other managers, comprising approximately 7% of employees.

Directors' Report (continued)

for the year ended 30 June 2016

Remuneration Report - audited (continued)

3. Executive remuneration framework (continued)

3.5 Long term incentive (continued)

Type of equity awarded	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.
Valuation	The number of rights granted to an executive is determined based on an independent fair value calculation by Deloitte using the Black-Scholes valuation method.
Performance measures, vesting schedule and holding lock	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: • Absolute TSR (50%) – vesting occurs on a linear basis if the compound total return is between 10% and 13% per annum, with 50% vesting at the lower end of the range and 100% vesting at the higher end of the range. • Relative Return (50%) – vesting occurs on a linear basis if the total compounded return is between the S&P/ASX 200 A-REIT Accumulation Index (XPJAI) and 1.10 times that number. Vesting starts at 50% at the lower end of the range and 100% vesting at the higher end of the range. 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.
Rationale for performance conditions	TSR measures the overall returns that a company has provided for its securityholders, reflecting share price movements and reinvestment of dividends over a specified period. Absolute TSR provides a strong link to Charter Hall's business strategy of co-investing in managed funds with absolute and total return hurdles. Relative TSR is the most widely used LTI hurdle adopted in Australia. 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.
Cessation of employment provisions	For the FY 2016 LTI allocation, the following provisions apply in the case of cessation of a participant's employment: • Misconduct: all unvested performance rights are forfeited unless the Board determines otherwise; • Resignation or where a participant breaches a post-termination restriction in their employment contract: all unvested performance rights are forfeited unless the Board determines otherwise; and • All other leavers, 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.
Change of control provisions	The Board, in its absolute discretion, may determine that all or a specified number of a participant's unvested performance rights vest. In doing so, the Board has regard to whether the performance is in line with the performance conditions over the period from the date of the grant of the performance right to the date of the relevant event.
Treatment of dividends	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.
Hedging and margin lending prohibitions	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.

Directors' Report (continued)

for the year ended 30 June 2016

Remuneration Report - audited (continued)

3. Executive remuneration framework (continued)

3.5 Long term incentive (continued)

Special LTI grant for JMDs 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.

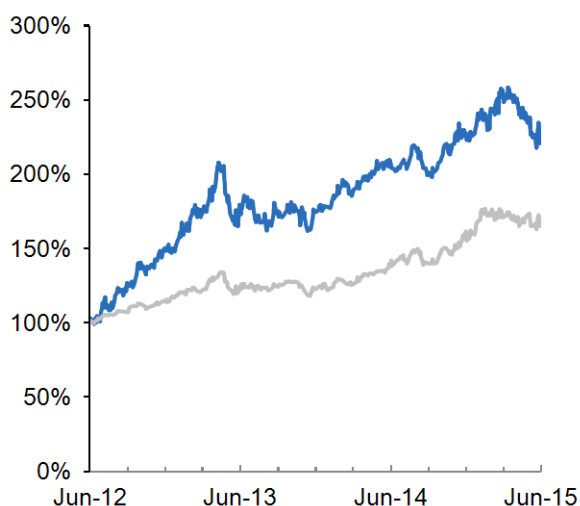
The vesting of these performance rights is subject to both service and performance conditions over the three year period:

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

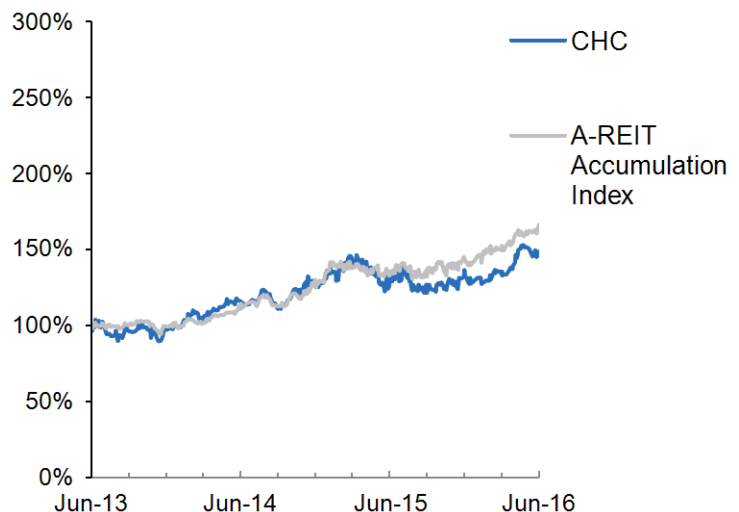
All measures need to be met for any Special LTI to become available. As the relative TSR did not meet the performance measure 100% of the performance rights will be forfeited.

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.

Directors' Report (continued)

for the year ended 30 June 2016

Remuneration Report - audited (continued)

3. Executive remuneration framework (continued)

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

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

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.

Directors' Report (continued)

for the year ended 30 June 2016

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

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 line includes 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.

Directors' Report (continued)

for the year ended 30 June 2016

Remuneration Report - audited (continued)

4. Executive remuneration in detail (continued)

4.2 Key terms of employment

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

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

		Minimum notice period ¹	
Name	Position	Employee	Charter Hall
Executive Director			
D Harrison	Managing Director and Group CEO	6 months	12 months
Former Executive Director			
D Southon	Joint Managing Director	6 months	12 months
Other Reported Executives			
P Altschwager	Chief Financial Officer	3 months	6 months
G Chubb	Head of Retail	3 months	3 months
P Ford ²	Head of Industrial	1 month	1 month
A Taylor ³	Head of Office	3 months	3 months
Former Reported			
Scott Dundas	Fund Manager – Charter Hall Retail REIT	3 months	6 months
Richard Stacker ⁴	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).

Directors' Report (continued)

for the year ended 30 June 2016

Remuneration Report - audited (continued)

5. Non-Executive Director remuneration

Policy	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.
Benchmarking	Fees are set by reference to the following considerations: • Industry practice and best principles of corporate governance; • Responsibilities and risks attaching to the role of NEDs; • The time commitment expected of NEDs on Group matters; and • Reference to fees paid to NEDs of other comparable companies. 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.
Fee Framework	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. Under the current framework, NEDs, other than the Chair, receive inclusive of superannuation: • Board base fee; and • Committee fees; The Chair receives an all-inclusive fee. NEDs are also entitled to be reimbursed for all business related expenses, including travel on Charter Hall business, incurred in the discharge of their duties in accordance with Charter Hall's Constitution. In accordance with principles of good corporate governance, NEDs do not receive any benefits upon retirement under any retirement benefits schemes (other than statutory superannuation) and NEDs are not eligible to participate in any of Charter Hall's employee incentive schemes.
Remuneration Outcomes	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.
Policy Changes	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
	\$	\$
Board		
Chair	300,000	265,000
Non Chair	120,000	110,000
Audit Risk and Compliance Committee		
Chair	30,000	30,000
Non Chair	15,000	15,000
Remuneration and Human Resources Committee		
Chair	25,000	25,000
Non Chair	13,879	13,879
Nomination Committee		
Chair	2,060	2,060
Non Chair	2,060	2,060
Valuation Committee¹	-	9,064

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

Directors' Report (continued)

for the year ended 30 June 2016

Remuneration Report - audited (continued)

5. Non-Executive Director remuneration (continued)

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

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 ¹	Rights and options exercised	Stapled securities sold	Closing balance at 30 June 2016
Directors of Charter Hall Limited					
<i>Ordinary stapled securities</i>					
D Clarke	43,138	-	-	-	43,138
A Brennan	30,000	-	-	-	30,000
D Deverall ²	36,858	564	-	(37,422)	-
P Garling	9,435	-	-	-	9,435
P Kahan ³	-	-	-	-	-
C McGowan	10,000	-	-	-	10,000
Executive Director					
D Harrison	1,441,773	-	424,424	(424,424)	1,441,773
Former Executive Director					
D Southon ⁴	1,880,612	-	417,033	(2,297,645)	-
Other Reported Executives					
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)	61,605
Other Reported Executives					
S Dundas ⁴	-	-	59,460	(59,460)	-
R Stacker ⁴	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.

Directors' Report (continued)

for the year ended 30 June 2016

Remuneration Report - audited (continued)

6. Appendix – further detail (continued)

6.2 Performance Rights and Options Plan details

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

Performance rights			
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
Total performance rights issued	3,301,256		

Service rights			
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
Total service rights issued	699,995		

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:

Performance rights					
Grant date ¹	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%

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%

¹ 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.

Directors' Report (continued)

for the year ended 30 June 2016

Remuneration Report - audited (continued)

6. Appendix – further detail (continued)

6.2 Performance Rights and Options Plan details (continued)

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

	LTI performance rights			Total	Sign on (service rights)		STI deferred (service rights)		
	2014	2015	2016		2015	Total	2015	2016	Total
Executive Director									
D Harrison	531,707	248,371	250,965	1,031,043	-	-	47,752	86,840	134,592
Former Executive Director									
D Southon	301,220	210,730	214,492	726,442	-	-	40,930	73,515	114,445
Other Reported Executives									
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
Former Reported Executives									
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

Directors' Report (continued)

for the year ended 30 June 2016

Remuneration Report - audited (continued)

6. Appendix – further detail (continued)

6.2 Performance Rights and Options Plan details (continued)

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 ¹
Executive Director									
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	-
Former Executive Director									
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	-

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.

Directors' Report (continued)

for the year ended 30 June 2016

Remuneration Report - audited (continued)

6. Appendix – further detail (continued)

6.2 Performance Rights and Options Plan details (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 ¹
Key Management Personnel									
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

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.

Directors' Report (continued)

for the year ended 30 June 2016

Remuneration Report - audited (continued)

6. Appendix – further detail (continued)

6.2 Performance Rights and Options Plan details (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 ¹
Key Management Personnel continued									
A Taylor	LTI Performance Rights	84,325	-	23-Nov-12	\$1.91	84,325	-	1-Jul-15	-
	LTI Performance Rights	47,561	-	20-Nov-13	\$1.42	-	-	1-Jul-16	-
	LTI Performance Rights	-	48,315	19-Dec-14	\$2.09	-	-	1-Jul-17	\$33,659
	LTI Performance Rights	-	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	-	19-Dec-14	\$4.23	-	-	31-Aug-16	-
	STI Deferred Rights	-	17,523	30-Nov-15	\$4.38	-	-	31-Aug-16	-
	STI Deferred Rights	-	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	-	20-Nov-13	\$1.42	-	-	1-Jul-16	-
	LTI Performance Rights	36,324	-	19-Dec-14	\$2.09	-	-	1-Jul-17	\$25,306
	LTI Performance Rights	-	36,917	30-Nov-15	\$1.41	-	-	31-Aug-18	\$35,632
	STI Deferred Rights ²	10,186	-	20-Nov-13	\$3.59	10,186	-	31-Aug-15	-
	STI Deferred Rights ²	12,960	-	19-Dec-14	\$4.04	12,960	-	31-Aug-15	-
	STI Deferred Rights ²	12,960	-	19-Dec-14	\$3.76	-	-	31-Aug-16	-
	STI Deferred Rights ²	-	13,170	30-Nov-15	\$4.38	-	-	31-Aug-16	-
	STI Deferred Rights ²	-	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.

Directors' Report (continued)

for the year ended 30 June 2016

Remuneration Report - audited (continued)

6. Appendix – further detail (continued)

6.2 Performance Rights and Options Plan details (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	-	Vesting Date	Maximum value to be realised in future years ¹
Key Management Personnel 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	-

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.

Directors' Report (continued)

for the year ended 30 June 2016

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
	\$	\$	\$	\$
PricewaterhouseCoopers Australian firm				
Taxation services	228,744	145,780	-	-

Directors' Report (continued)

for the year ended 30 June 2016

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 40.

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

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

PricewaterhouseCoopers, ABN 52 780 433 757

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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
Income					
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	-	-	-
Total income		343,598	226,508	200,111	100,328
Expenses					
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)
Total expenses		(126,644)	(108,266)	(2,842)	(3,194)
Profit before tax		216,954	118,242	197,269	97,134
Income tax expense	7	(1,714)	(357)	-	-
Profit for the year		215,240	117,885	197,269	97,134
Profit for the year as attributable to:					
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
Profit for the year		215,240	117,885	197,269	97,134
Other comprehensive income					
<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)	-
Other comprehensive income for the year, net of tax		46	409	46	(342)
Total comprehensive income for the year		215,286	118,294	197,315	96,792
Total comprehensive income for the year is attributable to:					
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
Total comprehensive income for the year		215,286	118,294	197,315	96,792
Basic and diluted earnings per stapled security					
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
Assets					
<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	-	-
Total current assets		194,045	201,078	70,005	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
Total non-current assets		1,227,053	1,077,351	1,181,570	1,085,004
Total assets		1,421,098	1,278,429	1,251,575	1,138,195
Liabilities					
<i>Current liabilities</i>					
Trade and other payables	18	86,894	70,213	56,488	49,449
Provisions	19	1,680	1,595	-	-
Total current liabilities		88,574	71,808	56,488	49,449
<i>Non-current liabilities</i>					
Trade and other payables	18	5,193	5,007	-	-
Provisions	19	1,334	1,153	-	-
Total non-current liabilities		6,527	6,160	-	-
Total liabilities		95,101	77,968	56,488	49,449
Net assets		1,325,997	1,200,461	1,195,087	1,088,746
Equity					
<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
Total equity		1,325,997	1,200,461	1,195,087	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
Total comprehensive income		-	409	117,885	118,294
<i>Transactions with equity holders in their capacity as equity holders:</i>					
Contributions of equity, net of issue costs	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
Balance at 30 June 2015		1,435,679	(44,661)	(190,557)	1,200,461
Profit for the year		-	-	215,240	215,240
Other comprehensive income		-	46	-	46
Total comprehensive income		-	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)	26,075	-	-	26,075
Buyback and issuance of securities for exercised performance rights		(4,359)	(4,721)	-	(9,080)
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
		21,716	(918)	(110,548)	(89,750)
Balance at 30 June 2016		1,457,395	(45,533)	(85,865)	1,325,997

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)
Total comprehensive income/(loss)		-	(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
Balance at 30 June 2015		1,181,772	(46)	(92,980)	1,088,746
Profit for the year		-	-	197,269	197,269
Other comprehensive income		-	46	-	46
Total comprehensive income		-	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)
Balance at 30 June 2016		1,201,346	-	(6,259)	1,195,087

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

		Charter Hall Group		Charter Hall Property Trust Group	
	Note	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Cash flows from operating activities					
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
Net cash inflow from operating activities	25	130,326	101,183	78,926	48,420
Cash flows from investing activities					
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	-	-
Net cash inflow/(outflow) from investing activities		(49,942)	(170,095)	11,428	(165,591)
Cash flow from financing activities					
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)
Net cash inflow/(outflow) from financing activities		(86,648)	170,242	(84,070)	153,631
Net (decrease)/increase in cash and cash equivalents		(6,264)	101,330	6,284	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	-	-
Cash and cash equivalents at the end of the year	10	145,358	151,593	43,321	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.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2016

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

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.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2016

1 Summary of significant accounting policies (continued)

(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.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2016

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.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2016

1 Summary of significant accounting policies (continued)

(g) Income tax (continued)

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.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2016

1 Summary of significant accounting policies (continued)

(k) Investments and other financial assets (continued)

(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.

(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)).

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2016

1 Summary of significant accounting policies (continued)

(m) Plant and equipment (continued)

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.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2016

1 Summary of significant accounting policies (continued)

(s) Goods and Services Tax (GST) (continued)

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.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2016

1 Summary of significant accounting policies (continued)

(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:

(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.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2016

1 Summary of significant accounting policies (continued)

(y) Parent entity financial information (continued)

(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.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2016

1 Summary of significant accounting policies (continued)

(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.

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2016

3 Segment information (continued)

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.

(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:

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

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.

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2016

3 Segment information (continued)

30 June 2015	Property Investments \$'000	Property Funds Management \$'000	Unallocated Corporate ¹ \$'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)
EBITDA	101,873	45,833	(19,652)	128,054
Property Investment EBITDA as a % of total EBITDA	79.6%			
Inter-segment fees and expenses ²	(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)
Operating earnings	62,148	56,808	(20,157)	98,799
Basic weighted average number of stapled securities				359,584
Operating earnings per stapled security (cents)				27.5 cps
Other Segment Items				
Realised gains/(losses) on disposal of investments ³	5,810			
Property Investment EBITDA as a % of total EBITDA, including realised gains/(losses)⁴	80.4%			

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

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

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2016

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	2015
	\$'000	\$'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)
	172,300	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
	172,300	90,268

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

	2016	2015
	\$'000	\$'000
Management revenue	119,546	98,286
Inter-segment revenue	15,641	12,489
Less: recoveries eliminated against expenses	(2,171)	(1,707)
Property funds management revenue	133,016	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
Revenue per statement of comprehensive income	165,287	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	2015	2016	2015
	\$'000	\$'000	\$'000	\$'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 ¹	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
Total revenue	165,287	135,802	37,212	19,708

¹ Represents the distribution of income from investments in associates accounted for at fair value by the Group and Trust Group. Revenue excludes share of net profits of equity accounted associates and joint ventures. Refer to Notes 30 and 31 for further details.

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2016

5 Expenses

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

6 Fair value adjustments

		Charter Hall Group		Charter Hall Property Trust Group	
	Note	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	4,016	1,901	4,016	1,901

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2016

7 Income tax expense

	Charter Hall Group		Charter Hall Property Trust Group	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
(a) Income tax expense				
Current tax benefit	(73)	(338)	-	-
Deferred income tax expense	1,787	695	-	-
	1,714	357	-	-
Deferred income tax expense				
Increase in deferred tax assets	(135)	(232)	-	-
Increase in deferred tax liabilities	1,922	927	-	-
	1,787	695	-	-
(b) Reconciliation of income tax expense/(benefit) to prima facie tax payable				
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.

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2016

8 Distributions paid and payable

	Charter Hall Group		Charter Hall Property Trust Group	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Ordinary stapled securities				
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
Total distributions paid and payable	110,548	92,186	110,548	92,186

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
(a) Basic earnings per stapled security				
Basic earnings attributable to the stapled securityholders	52.5	32.8	48.1	27.0
(b) Diluted earnings per stapled security				
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
(c) Reconciliations of earnings used in calculating earnings per stapled security				
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

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2016

9 Earnings per stapled security (continued)

	Charter Hall Group		Charter Hall Property Trust Group	
	2016 Number	2015 Number	2016 Number	2015 Number
(d) Weighted average number of stapled securities used as the denominator				
Weighted average number of ordinary stapled securities used as the denominator in calculating basic earnings per stapled security	409,979,949	359,584,475	409,979,949	359,584,475
Adjustments for calculation of diluted earnings per stapled security:				
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	414,038,311	364,812,938	414,038,311	364,812,938

(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

		Charter Hall Group		Charter Hall Property Trust Group	
	Note	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Current					
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	-	-
		48,687	38,609	26,684	16,154
Non-current					
Loan receivable from Charter Hall Limited		-	-	139,860	198,427
		-	-	139,860	198,427

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2016

11 Trade and other receivables (continued)

(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	-	-	-
	14,008	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

		Charter Hall Group		Charter Hall Property Trust Group	
	Note	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

		Charter Hall Group		Charter Hall Property Trust Group	
	Note	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
		1,136,727	913,865	1,041,502	820,589

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2016

14 Investments accounted for using the equity method (continued)

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

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2016

15 Intangibles assets (continued)

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

17 Deferred tax assets

	Charter Hall Group		Charter Hall Property Trust Group	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Deferred tax assets comprises temporary differences attributable to:				
Tax losses carried forward	1,494	5,836	-	-
Employee benefits	8,968	5,616	-	-
Other	1,307	182	-	-
	11,769	11,634	-	-
Deferred tax liabilities comprises temporary differences attributable to:				
Investment in associates	(5,387)	(4,108)	-	-
Other	(862)	(219)	-	-
	(6,249)	(4,327)	-	-
Net deferred tax assets	5,520	7,307	-	-

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

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2016

17 Deferred tax assets (continued)

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)	-	-
Closing balance		5,520	7,307	-	-
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)	-	-
		5,520	7,307	-	-

18 Trade and other payables

	Charter Hall Group		Charter Hall Property Trust Group	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Current				
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	-	-
	86,894	70,213	56,488	49,449
Non-current				
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
Current				
Employee benefits - long service leave	1,680	1,595	-	-
Non-current				
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.

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2016

20 Interest-bearing liabilities (continued)

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
Non-Current				
<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)
Unused at reporting date	73,951	113,485	73,951	113,485

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.

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2016

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
Ordinary securities - stapled securities, fully paid	412,717,802	406,817,856	1,457,395	1,435,679

(b) Movements in ordinary stapled security capital

Details	Number of securities ¹	Average issue price	Charter Hall Limited \$'000	Charter Hall Property Trust \$'000	Total \$'000
Opening balance at 1 July 2014	347,989,262		232,101	945,333	1,177,434
Performance rights and options exercised ²	5,740,582	\$ 2.27	760	9,168	9,928
Issuance under DRP ³	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)
Closing balance per accounts at 30 June 2015	406,817,856		253,907	1,181,772	1,435,679
Buyback and issuance of securities for exercised performance and service rights ⁴	-	\$ 2.26	(408)	(3,951)	(4,359)
Issuance under DRP ⁵	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)
Balance per accounts at 30 June 2016	412,717,802		256,049	1,201,346	1,457,395

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.

(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.

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2016

22 Reserves

	Charter Hall Group		Charter Hall Property Trust Group	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Business combination reserve	(52,000)	(52,000)	-	-
Security-based benefits reserve	6,467	7,385	-	-
Other reserves	-	(46)	-	(46)
	(45,533)	(44,661)	-	(46)
Charter Hall Limited	(45,533)	(44,615)	-	-
Charter Hall Property Trust	-	(46)	-	(46)
	(45,533)	(44,661)	-	(46)

Movements:

	Charter Hall Group		Charter Hall Property Trust Group	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'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)	-	-
Closing balance	6,467	7,385	-	-
<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)	-
Closing balance	-	(46)	-	(46)

(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.

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2016

23 Accumulated losses

	Charter Hall Group		Charter Hall Property Trust Group	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'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)
Closing balance	(85,865)	(190,557)	(6,259)	(92,980)
Charter Hall Limited	(79,606)	(97,577)	-	-
Charter Hall Property Trust	(6,259)	(92,980)	(6,259)	(92,980)
Closing balance	(85,865)	(190,557)	(6,259)	(92,980)

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

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

	Charter Hall Group		Charter Hall Property Trust Group	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'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	-	-
Net cash inflow from operating activities	130,326	101,183	78,926	48,420

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

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2016

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
Charter Hall Group					
2016					
<i>Assets - Charter Hall Group</i>					
Investments in associates at fair value through profit or loss	208	(21)	(21)	21	21
2015					
<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
Charter Hall Property Trust Group					
2016					
<i>Assets - Charter Hall Property Trust Group</i>					
Investments in associates at fair value through profit or loss	208	(21)	(21)	21	21
2015					
<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

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2016

26 Capital and financial risk management (continued)

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.

Fixed interest maturing in:						
	Floating interest rate \$'000	1 year or less \$'000	Over 1 to 2 years \$'000	Over 5 years \$'000	Non- interest bearing \$'000	Total \$'000
Charter Hall Group						
2016						
Trade and other payables	-	-	-	-	92,087	92,087
Weighted average interest rate	0.0%					
2015						
Trade and other payables	-	-	-	-	75,220	75,220
Weighted average interest rate	0.0%					
Charter Hall Property Trust Group						
2016						
Trade and other payables	-	-	-	-	56,488	56,488
Weighted average interest rate	0.0%					
2015						
Trade and other payables	-	-	-	-	49,449	49,449
Weighted average interest rate	0.0%					

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.

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2016

26 Capital and financial risk management (continued)

			-1%		+1%	
	Fair value \$'000	Carrying amount \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Charter Hall Group						
2016						
<i>Financial assets</i>						
Cash and cash equivalents	145,358	145,358	(1,454)	(1,454)	1,454	1,454
2015						
<i>Financial assets</i>						
Cash and cash equivalents	151,593	151,593	(1,516)	(1,516)	1,516	1,516
Charter Hall Property Trust Group						
2016						
<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
Total increase/(decrease)			(1,832)	(1,832)	1,832	1,832
2015						
<i>Financial assets</i>						
Cash and cash equivalents	37,037	37,037	(370)	(370)	370	370
Loan receivable from Charter Hall Ltd	198,427	198,427	(1,984)	(1,984)	1,984	1,984
Total increase/(decrease)			(2,354)	(2,354)	2,354	2,354

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.

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2016

26 Capital and financial risk management (continued)

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
Charter Hall Group					
2016					
Trade and other payables	92,087	86,894	790	4,403	92,087
2015					
Trade and other payables	75,220	70,213	663	4,344	75,220
Charter Hall Property Trust Group					
2016					
Trade and other payables	56,488	56,488	-	-	56,488
2015					
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
Charter Hall Group				
2016				
Investments in associates at fair value through profit and loss	-	-	208	208
Total assets	-	-	208	208
2015				
Investments in associates at fair value through profit and loss	-	-	65,535	65,535
Total assets	-	-	65,535	65,535
Charter Hall Property Trust Group				
2016				
Investments in associates at fair value through profit and loss	-	-	208	208
Total assets	-	-	208	208
2015				
Investments in associates at fair value through profit and loss	-	-	65,535	65,535
Total assets	-	-	65,535	65,535

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

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2016

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 Chubb¹

P Ford¹

A Taylor

Former key management personnel

D Southon²

S Dundas³

R Stacker³

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	-	-	-
	15,924,583	10,564,207	-	-

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2016

28 Related parties (continued)

(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)
Closing balance	9,085,658	6,500,000	2,585,658	-
<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
Closing balance	-	-	139,860,499	198,426,764

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).

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2016

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 %
Controlled entities of Charter Hall Limited					
Charter Hall Holdings Pty Limited	Australia	Property management	Ordinary	100	100
CH La Trobe Trust	Australia	Property investment	Ordinary	100	100
Controlled entities of Charter Hall Holdings Pty Ltd					
Bieson Pty Limited	Australia	Trustee company	Ordinary	100	100
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 ¹	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 ¹	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 ²	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.

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2016

29 Controlled entities (continued)

Name of entity	Country of incorporation	Principal Activity	Class of securities	2016 %	2015 %
Controlled entities of Charter Hall Property Trust					
Charter Hall Direct Retail Fund ³	Australia	Property investment	Ordinary	-	100
Charter Hall Co-Investment Trust ¹	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 ²	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 %
Controlled entities of Charter Hall Direct Retail Fund					
Core Plus Retail Fund New Zealand ¹	Australia	Property investment	Ordinary	-	100
Mentone Property Trust ¹	Australia	Property investment	Ordinary	-	100
Menai Retail Property Trust ¹	Australia	Property investment	Ordinary	-	100
CPRF MSN Property Trust ¹	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 %
Controlled entities of Charter Hall Property Trust					
Charter Hall Direct Retail Fund ³	Australia	Property investment	Ordinary	-	84
Charter Hall Co-Investment Trust ¹	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 ²	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 (continued)

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.

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

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2016

30 Investments in associates (continued)

		OWNERSHIP INTEREST			
Charter Hall Property Trust Group Name of entity	Principal Activity	2016 %	2015 %	2016 \$'000	2015 \$'000
Accounted for at fair value through profit or loss:					
<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	0.1	0.1	208	183
				208	65,535
Equity accounted					
<i>Unlisted</i>					
Charter Hall Prime Office Fund ¹	Property investment	10.0	11.9	171,359	157,628
Core Logistics Partnership	Property investment	16.1	14.8	170,040	95,712
Charter Hall Office Trust ²	Property investment	14.3	14.3	164,107	163,959
Charter Hall Prime Industrial Fund ³	Property investment	3.3	2.7	46,336	28,455
Retail Partnership No. 2 Trust ⁴	Property investment	5.0	-	6,051	-
<i>Listed</i>					
Charter Hall Retail REIT ⁵	Property investment	14.3	10.7	226,716	146,968
				784,609	592,722
Total investments in associates				784,817	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	65,535	14,234	65,535	14,234
Investment	-	50,200	-	50,200
Net gain on investment in associates at fair value	4,016	1,901	4,016	1,901
Disposal of units	(70,321)	(800)	(70,321)	(800)
Gain on disposal	978	-	978	-
Closing balance	208	65,535	208	65,535

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2016

30 Investments in associates (continued)

(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	655,980	583,414	592,722	520,627
Investment	153,530	60,264	152,890	60,264
Share of profit after income tax	123,029	69,709	115,799	63,471
Distributions received/receivable	(53,163)	(40,560)	(48,797)	(36,293)
Share of movement in reserves	47	(344)	47	(344)
Return of capital	(32,176)	(16,503)	(32,176)	(15,003)
Transfer from investment in joint ventures ¹	4,124	-	4,124	-
Closing balance	851,371	655,980	784,609	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.

(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
2016					
Summarised balance sheet:					
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
Net assets	1,145,675	1,532,278	1,739,208	1,052,951	1,406,024
Summarised statement of comprehensive income:					
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	-	-	-	-
Total comprehensive income	289,968	180,628	219,488	112,874	135,217
2015					
Summarised balance sheet:					
Current assets	32,533	17,992	21,309	32,918	35,727
Non-current assets	2,160,757	2,085,740	1,972,764	871,828	1,082,703
Current liabilities	42,153	289,930	55,863	23,679	26,720
Non-current liabilities	1,005,162	464,055	612,131	235,722	40,813
Net assets	1,145,975	1,349,747	1,326,079	645,345	1,050,897
Summarised statement of comprehensive income:					
Revenue	68,321	201,505	148,934	53,965	81,379
Profit for the year from continuing operations	29,547	171,989	118,950	98,488	93,484
Loss from discontinued operations	-	(9,426)	-	-	-
Other comprehensive income	(1,600)	-	-	-	-
Total comprehensive income	27,947	162,563	118,950	98,488	93,484

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2016

30 Investments in associates (continued)

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

Charter Hall Group	Charter Hall Office Trust	Charter Hall Retail REIT	Charter Hall Prime Office Fund	Core Logistics Partnership	Charter Hall Prime Industrial Fund
2016	\$'000	\$'000	\$'000	\$'000	\$'000
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 ¹	275	7,600	(2,794)	515	(809)
Carrying amount	164,107	226,716	183,301	170,040	94,801
Movements in carrying amounts:					
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)	-	-	-	-
Closing balance	164,107	226,716	183,301	170,040	94,801
2015					
Net assets of associate	1,145,975	1,349,747	1,326,079	645,345	1,050,897
Group's share in %	14.3	10.7	12.8	14.8	7.2
Group's share in \$	163,874	144,423	169,738	95,511	75,665
Other movements not accounted for under the equity method ¹	85	2,545	(1,135)	201	(726)
Carrying amount	163,959	146,968	168,603	95,712	74,939
Movements in carrying amounts:					
Opening balance	172,938	129,226	116,871	84,777	72,241
Investment	-	10,495	47,684	2,085	-
Share of profit/(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)	-	-	-	-
Closing balance	163,959	146,968	168,603	95,712	74,939

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.

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2016

30 Investments in associates (continued)

Charter Hall Property Trust	Charter Hall Office Trust	Charter Hall Retail REIT	Charter Hall Prime Office Fund	Core Logistics Partnership	Charter Hall Prime Industrial Fund
2016	\$'000	\$'000	\$'000	\$'000	\$'000
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 ¹	275	7,600	(2,562)	515	(63)
Carrying amount	164,107	226,716	171,359	170,040	46,336
Movements in carrying amounts:					
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)	-	-	-	-
Closing balance	164,107	226,716	171,359	170,040	46,336
2015					
Net assets of associate	1,145,975	1,349,747	1,326,079	645,345	1,050,897
Group's share in %	14.3	10.7	11.9	14.8	2.7
Group's share in \$	163,874	144,423	157,803	95,511	28,374
Other movements not accounted for under the equity method ¹	85	2,545	(175)	201	81
Carrying amount	163,959	146,968	157,628	95,712	28,455
Movements in carrying amounts:					
Opening balance	172,938	129,226	106,239	84,777	27,447
Investment	-	10,495	47,684	2,085	-
Share of profit after income tax	16,252	18,316	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)	-	-	-	-
Closing balance	163,959	146,968	157,628	95,712	28,455

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.

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2016

30 Investments in associates (continued)

(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
Aggregate amount of the Group's share of:				
Profit/(loss) from continuing operations	3,340	(34)	3,424	-
Total comprehensive income	3,340	(34)	3,424	-
Movements in aggregate carrying amount:				
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	-
Closing balance	12,406	5,799	6,051	-

(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.

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2016

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 ¹	Property investment	10.0	10.6	23,767	19,273
BP Fund 2 ¹	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) ¹	Property investment	10.0	10.0	7,603	7,127
CH DC Fund	Property development	26.0	-	4,603	-
Retail Partnership No. 2 Trust ²	Property investment	-	20.0	-	19,591
				285,356	257,885

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 ¹	Property investment	10.0	10.6	23,767	19,273
BP Fund 2 ¹	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) ¹	Property investment	10.0	10.0	7,603	7,127
CH DC Fund	Property development	26.0	-	4,603	-
Retail Partnership No. 2 Trust ²	Property investment	-	20.0	-	19,591
				256,893	227,867

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.

(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
Movements in aggregate carrying amount:				
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)	-
Closing balance	285,356	257,885	256,893	227,867

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2016

31 Investments in joint ventures (continued)

(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
Summarised balance sheet:		
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
Net assets	330,475	294,587
Summarised statement of comprehensive income:		
Revenue	47,711	32,835
Profit for the year from continuing operations	60,320	10,399
Total comprehensive income	60,320	10,399

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

Long WALE Investment Partnership

	Charter Hall Group		Charter Hall Property Trust Group	
	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)
Carrying amount	165,246	147,290	165,246	147,290
Movements in carrying amounts:				
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)
Closing balance	165,246	147,290	165,246	147,290
Additional financial information				
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.

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2016

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	2015	2016	2015
	\$'000	\$'000	\$'000	\$'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	-	-
Total current assets	31,387	24,824	21,768	25,515
<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
Total non-current assets	1,136,935	979,400	1,041,710	886,124
Total carrying amount of interests in unconsolidated structured entities	1,168,322	1,004,224	1,063,478	911,639
Total funds under management in unconsolidated structured entities	14,462,645	11,329,636	14,294,852	11,246,636

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	2015	2016	2015
	\$'000	\$'000	\$'000	\$'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	-	-
	28,482	24,914	-	-

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).

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2016

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

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2016

35 Security-based benefits expense (continued)

(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	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Performance rights and option plan	2,081	2,775	-	-

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

(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 Limited		Charter Hall Property Trust	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Balance Sheet				
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
Shareholders' equity				
Issued capital	256,049	253,907	1,201,359	1,181,772
Accumulated losses	(147,395)	(149,329)	(176,670)	(127,649)
Net equity	108,654	104,579	1,024,689	1,054,123
Profit/(loss) for the year	1,934	(4,454)	58,721	59,395
Total comprehensive profit/(loss) for the year	1,934	(4,454)	58,721	59,395

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2016

36 Parent entity financial information (continued)

(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
Statement of comprehensive income		
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)
Profit/(loss) before income tax	17,999	19,013
Income tax benefit	545	2,055
Profit/(loss) for the year	18,544	21,068
Summary of movements in consolidated accumulated losses		
Accumulated losses at the beginning of the financial year	(103,188)	(124,256)
Profit for the year	18,544	21,068
Accumulated losses at the end of the financial year	(84,644)	(103,188)

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2016

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
Assets		
<i>Current assets</i>		
Cash and cash equivalents	92,912	111,703
Trade and other receivables	35,989	33,239
Total current assets	128,901	144,942
<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
Total non-current assets	195,847	191,826
Total assets	324,748	336,768
Liabilities		
<i>Current liabilities</i>		
Trade and other payables	25,000	13,998
Provisions	1,680	1,595
Total current liabilities	26,680	15,593
<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
Total non-current liabilities	164,925	214,978
Total Liabilities	191,605	230,571
Net assets	133,143	106,197
Equity		
Contributed equity	263,320	254,001
Reserves	(45,533)	(44,615)
Accumulated losses	(84,644)	(103,189)
Total equity	133,143	106,197

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 41 to 92 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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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:

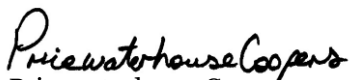
- (a) the financial reports of Charter Hall Group and Charter Hall Property Trust Group are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of Charter Hall Group's and Charter Hall Property Trust Group's financial positions as at 30 June 2016 and of their 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 18 to 37 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 12 August 2016

Number of securities held by securityholders	No. of holders	Stapled securities held	% of issued stapled securities
1 to 1,000	1,117	380,889	0.09
1,001 to 5,000	1,121	3,131,957	0.76
5,001 to 10,000	432	3,168,814	0.77
10,001 to 50,000	309	5,973,189	1.45
50,001 to 100,000	38	2,745,547	0.67
100,001 and over	53	397,317,406	96.26
Total	3,070	412,717,802	100.00

The total number of stapled securityholders with less than a marketable parcel of 92 securities is 338 and they hold 3,588 securities.

B. Top 20 registered equity securityholders as at 12 August 2016

Number of securities held by securityholders	Stapled securities held	% of issued stapled securities
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	93,907,839	22.75
J P MORGAN NOMINEES AUSTRALIA LIMITED	86,556,594	20.97
NATIONAL NOMINEES LIMITED	36,391,693	8.82
CITICORP NOMINEES PTY LIMITED	35,735,248	8.66
BNP PARIBAS NOMS PTY LTD	17,866,440	4.33
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	9,078,375	2.20
AMP LIFE LIMITED	6,320,878	1.53
BNP PARIBAS NOMINEES PTY LTD	4,368,327	1.06
CITICORP NOMINEES PTY LIMITED	4,097,815	0.99
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	2,754,931	0.67
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	2,719,331	0.66
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	2,450,897	0.59
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,322,580	0.56
PORTMIST PTY LIMITED	1,441,773	0.35
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	1,230,000	0.30
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD	919,672	0.22
MR DAVID JOHN SOUTHON	880,612	0.21
BOND STREET CUSTODIANS LIMITED	814,417	0.20
Total stapled securities held by top 20	389,022,322	94.26
Total stapled securities on issue	412,717,802	100.00

C. Substantial securityholder notices as at 12 August 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	27/05/2015	30,269,576	7.44
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.

Contact Details

Registry

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

Link Market Services Limited
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Sydney South NSW 1235

Tel: 1300 303 063 (within Australia)
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Fax: +61 2 9287 0303

charterhall.reits@linkmarketservices.com.au
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Investor relations

All other enquiries related to Charter Hall Group can be directed to Investor Relations:

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Sydney NSW 2001

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Fax: +61 2 9221 4655

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Corporate Directory

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

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Auditor

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