

APPENDIX 4D
Financial Report
for the half year ended 31 December 2019

Name of Entity:

The Charter Hall Group (CHC) - comprising the stapling of ordinary shares in Charter Hall Limited (CHL) (ACN 113 531 150) and units in Charter Hall Property Trust (CHPT) (ARSN: 113 339 147)

The Appendix 4D should be read in conjunction with the financial report of the Charter Hall Group for the half year ended 31 December 2019.

Results for announcement to the market

	Half Year Ended 31 December 2019 \$m	Half Year Ended 31 December 2018 \$m	Variance (%)
Revenue ¹	356.9	156.0	128.8
Profit after tax attributable to stapled securityholders of Charter Hall Group	313.2	133.5	134.6
Operating earnings attributable to stapled securityholders ²	225.8	107.5	110.0

¹ Gross revenue does not include share of net profits of associates and joint ventures of \$140.6 million (2018: \$84.1 million).

² Operating earnings is a financial measure which represents statutory profit after tax adjusted for proportionately consolidated fair value adjustments, gains or losses on sale of investments, amortisation and/or impairment of intangible assets, performance fee expenses, non-operating tax expense and other unrealised or one-off items. Operating earnings is the primary measure of the Group's underlying and recurring earnings. Operating earnings is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution to declare.

A reconciliation of the Group's operating earnings to statutory profit is provided in note 1 of the financial report.

	Half Year Ended 31 December 2019 cps	Half Year Ended 31 December 2018 cps	Variance (%)
Basic statutory earnings per stapled security attributable to stapled securityholders	67.2	28.7	134.1
Diluted statutory earnings per stapled security attributable to stapled securityholders	66.7	28.5	134.0
Operating earnings per stapled security attributable to stapled securityholders	48.5	23.1	110.0

Dividends and distributions	Half Year Ended 31 December 2019	Half Year Ended 31 December 2018
Interim franked dividend and distribution in respect of a:		
CHPT unit	10.5¢	8.3¢
CHL share	7.0¢	8.2¢
Total	17.5¢	16.5¢
Record date for determining entitlements to the dividend/distribution	31 December 2019	
Payment date	28 February 2020	

Results for announcement to the market (continued)

Net Tangible Assets

	As at 31 December 2019	As at 30 June 2019
Net tangible assets (NTA) per stapled security ¹	\$4.37	\$3.90

¹ Under the listing rules NTA must be determined by deducting from total tangible assets all claims on those assets ranking ahead of the ordinary securities (ie: all liabilities, preference shares, outside equity interest etc).

The number of securities on issue at 31 December 2019 is 465.8 million (30 June 2019: 465.8 million).

Control gained or lost over entities during the half year

The following changes in control occurred within the Group during the half year:

- CH Banyan Pty Ltd (wholly owned entity established 4 June 2019)
- CH Beech Pty Ltd (wholly owned entity established 4 June 2019)
- CH Birch Pty Ltd (wholly owned entity established 4 June 2019)
- CH Cedar Pty Ltd (wholly owned entity established 4 June 2019)
- CH Cork Pty Ltd (wholly owned entity established 4 June 2019)
- CH Crestmead Pty Ltd (wholly owned entity established 4 June 2019)
- CH Fern Pty Ltd (wholly owned entity established 4 June 2019)
- CH Fig Pty Ltd (wholly owned entity established 4 June 2019)
- CH Gum Pty Ltd (wholly owned entity established 4 June 2019)
- CH Jarrah Pty Ltd (wholly owned entity established 4 June 2019)
- CH Maple Pty Ltd (wholly owned entity established 4 June 2019)
- CH Neem Pty Ltd (wholly owned entity established 4 June 2019)
- CH Oak Pty Ltd (wholly owned entity established 4 June 2019)
- CH Olive Pty Ltd (wholly owned entity established 4 June 2019)
- CH Palm Pty Ltd (wholly owned entity established 4 June 2019)
- CH Pine Pty Ltd (wholly owned entity established 4 June 2019)
- CH Teak Pty Ltd (wholly owned entity established 4 June 2019)
- CH Wattle Pty Ltd (wholly owned entity established 4 June 2019)
- CH Willow Pty Ltd (wholly owned entity established 4 June 2019)
- Charter Hall Co-Investment Trust 4 (wholly owned entity established on 17 September 2019)
- Charter Hall Co-Investment Trust 5 (wholly owned entity established on 25 September 2019; all units disposed on 3 December 2019)
- DCSF Claremont Trust (part owned entity established 10 October 2019)
- CHAB 247 Adelaide Street Trust (part owned entity established 11 December 2019)
- CH King William Trust (wholly owned entity established 18 December 2019)

Details of Associates and Joint Venture entities

The Group's Associates and Joint Venture entities and its percentage holding are set out below:

Associates

- Charter Hall Australian Investment Trust (10.0%)
- Charter Hall Crestmead Wholesale Trust (0.1%)
- Charter Hall Counter Cyclical Trust (5.0%)
- Charter Hall Direct Plumpton Fund (20.0%)
- Charter Hall Direct Truganina Fund (18.8%)
- Charter Hall Direct Wollert Fund (25.0%)
- Charter Hall Education Trust (10.6%)
- Charter Hall Exchange Wholesale Trust (21.8%)
- Charter Hall Long WALE REIT (12.4%)
- Charter Hall Maxim Property Securities Fund (15.8%)
- Charter Hall Office Trust (15.7%)
- Charter Hall Prime Industrial Fund (4.0%)
- Charter Hall Prime Office Fund (6.9%)
- Charter Hall Retail REIT (15.3%)
- CH Dartmoor Wholesale Fund (20.0%)
- CH 201 Elizabeth Holding Trust (5.9%)

Results for announcement to the market (continued)

- CH 242 Exhibition Street Holding Trust (1.8%)
- Core Logistics Partnership (7.2%)
- Deep Value Partnership (13.5%)
- Long WALE Investment Partnership (0.1%)
- Retail Partnership No. 2 Trust (0.2%)

Joint Ventures

- Brisbane Square Wholesale Fund (16.8%)
- BP Fund¹ (12.8%)
- BP Fund 2¹ (17.5%)
- CHAB Office Trust (50.0%)
- Charter Hall PGGM Industrial Partnership (12.0%)
- Charter Hall Prime Retail Fund (29.4%)
- Folkestone ID Land Gisborne JV (50.0%)
- Folkestone ID Land Northside Joint Venture (50.0%)
- Folkestone ID Land Potters Grove Joint Venture (50.0%)
- Folkestone Lyon Hornsby Joint Venture (50.0%)
- Folkestone Lyon South Dural Joint Venture (50.0%)
- Folkestone Toga West Ryde Joint Venture (49.5%)
- Folkestone Wilmac Millers Junction Business 2 Joint Venture (51.0%)
- Green Square Hotel Development Joint Venture (50.0%)
- Green Valley Asset Trust (30.0%)
- ID Hadfield Pty Ltd (49.9%)
- Long WALE Investment Partnership 2 (10.0%)
- TTP Wholesale¹ (10.0%)
- CHAB 247 Adelaide Street Trust (50.0%)

¹Forms the Long WALE Hardware Partnership.

Further information about the Group's Associates and Joint Venture entities is set out in Note 2 and Note 3 of the attached financial report.

Other significant information

For additional information regarding the results of Charter Hall Group for the half year ended 31 December 2019 please refer to the 1H FY20 Results – ASX Media Announcement and the 2020 Half Year Results Presentation lodged with the ASX. Attached with this Appendix 4D is a copy of the financial report for the half year ended 31 December 2019.

Accounting standards used by foreign entities

International Financial Reporting Standards.

Segment results

Refer attached financial report (Note 1: Segment information).

Other Factors

Refer to other significant information (above).

Audit

This report is based on accounts to which one of the following applies: (tick one)

☐	The accounts have been audited. (refer attached financial statements)	☒	The accounts have been subject to review. (refer attached financial statements)
☐	The accounts are in the process of being audited or subject to review.	☐	The accounts have not yet been audited or reviewed.

Charter Hall Group

Interim Financial Report
for the half year ended 31 December 2019

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 interim 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.

This report is not intended to be and does not constitute an offer or a recommendation to acquire any securities in the Charter Hall Group. The receipt of this report by any person and any information contained herein or subsequently communicated to any person in connection with the Charter Hall Group is not to be taken as constituting the giving of investment, legal, or tax advice by the Charter Hall Group, its related bodies corporate, its Directors or employees to any such person. Each recipient should consult their own counsel, accountant, and other advisers, as to legal, tax, business, financial and other considerations in relation to the Charter Hall Group.

Neither the Charter Hall Group, their related bodies corporate, Directors, employees nor any other person who may be taken to have been involved in the preparation of this report represents or warrants that the information contained in this report, provided either orally or in writing to a recipient in the course of its evaluation of the Charter Hall Group or the matters contained in this report, is accurate or complete.

Historical performance is not a reliable indicator of future performance. Due care and attention has 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 31 December 2019 unless otherwise stated. All references to dollars (\$) or A\$ are Australian dollars unless otherwise stated.

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

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DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

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 interim financial report of the Charter Hall Group (Group or CHC) and the consolidated interim financial report of the Charter Hall Property Trust Group (CHPT) for the half year ended 31 December 2019, and the Independent Auditor's Report thereon. The interim 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) and CHPT and its controlled entities. The interim 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 half year and up to the date of this report.

- David Clarke – Chair and Independent Non-Executive Director
- Anne Brennan – Independent Non-Executive Director
- Philip Garling – Independent Non-Executive Director
- David Harrison – Managing Director and Group CEO
- Karen Moses – Independent Non-Executive Director
- Greg Paramor – Independent Non-Executive Director
- David Ross – Independent Non-Executive Director

Distributions/Dividends – Charter Hall Group

Distributions/dividends paid/payable to stapled securityholders during the half year were as follows:

	31 Dec 2019 \$'m
Interim ordinary distribution of 10.5 cents and interim ordinary dividend of 7 cents per stapled security for the six months ended 31 December 2019 payable on 28 February 2020	81.5
Total Distributions/Dividends paid and payable to stapled securityholders	81.5

Operating and financial review

The Group recorded a statutory profit after tax attributable to stapled securityholders for the half year to 31 December 2019 of \$313.2 million compared to a profit of \$133.5 million for the half year ended 31 December 2018.

Operating earnings amounted to \$225.8 million for the half year to 31 December 2019, compared to \$107.5 million for the half year ended 31 December 2018, an increase of 110.0%. Operating earnings is a financial measure which represents statutory profit after tax adjusted for the items in the table below. Operating earnings is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution to declare.

The operating earnings information included in the table below has not been subject to any specific audit procedures but has been extracted from segment information in Note 1 of the accompanying financial report.

	31 Dec 2019 \$'m	31 Dec 2018 \$'m
Operating earnings attributable to stapled securityholders	225.8	107.5
Add: Net fair value movements from investment properties in equity accounted investments ¹	97.4	48.7
Add: Gain/(loss) on disposal of property investments ¹	12.7	(0.4)
Add/(less): Realised and unrealised net gains/(losses) on derivatives ¹	2.6	(6.7)
Less: Performance fees expense ¹	(5.1)	(4.6)
Less: Non-operating business combination acquisition costs	(3.0)	(3.7)
Less: Amortisation of intangibles	(2.4)	(1.7)
Less: Other ¹	(14.8)	(5.6)
Statutory profit after tax attributable to stapled securityholders	313.2	133.5

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

The 31 December 2019 financial results with comparatives are summarised as follows:

	Charter Hall Group		Charter Hall Property Trust Group	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Revenue (\$ million) ¹	356.9	156.0	14.4	17.2
Basic weighted average number of stapled securities per Note 6 (million)	465.8	465.8	465.8	465.8
Statutory profit after tax for stapled securityholders (\$ million)	313.2	133.5	145.8	84.6
Statutory earnings per stapled security (EPS) (cents)	67.2	28.7	31.3	18.2
Operating earnings for stapled securityholders (\$ million)	225.8	107.5	n/a	n/a
Operating earnings per stapled security (cents)	48.5	23.1	n/a	n/a
Distribution/dividend per stapled security (cents)	17.5	16.5	10.5	8.3
Property investment segment earnings (\$ million) ²	56.8	52.6	n/a	n/a
Development investment segment earnings (\$ million) ²	14.8	1.4	n/a	n/a
Property funds management segment revenue (\$ million) ²	287.3	126.2	n/a	n/a
Total segment earnings ²	358.9	180.2	n/a	n/a
	31 Dec 2019	30 Jun 2019	31 Dec 2019	30 Jun 2019
Total assets (\$ million)	2,828.8	2,453.6	2,268.5	2,078.3
Total liabilities (\$ million)	638.7	493.7	452.7	359.3
Total net assets (\$ million)	2,190.1	1,959.9	1,815.8	1,719.0
Net assets attributable to non-controlling interest (\$ million) ³	61.6	50.3	61.6	50.3
Net assets attributable to stapled securityholders (\$ million)	2,128.5	1,909.6	1,754.2	1,668.7
Stapled securities on issue (million)	465.8	465.8	465.8	465.8
Net assets per stapled security (\$)	4.57	4.10	3.77	3.58
Net tangible assets (NTA) attributable to stapled securityholders (\$ million) ⁴	2,037.6	1,817.0	1,754.2	1,668.7
NTA per stapled security (\$) ⁴	4.37	3.90	3.77	3.58
Balance sheet gearing ⁵	9.4%	5.7%	n/a	n/a
Funds under management (FUM) (\$ million)	38,905.6	30,425.6	n/a	n/a

¹ Gross revenue does not include the Group's share of net profits of associates and joint ventures of \$140.6 million (31 December 2018: \$84.1 million).

² Segment earnings and revenue is used by the Board in assessing the performance and allocating of resources to its operating segments.

³ Represents the 63.4% (30 June 2019: 58.1%) non-controlling interest share of the Charter Hall Direct Diversified Consumer Staples Fund (DCSF).

⁴ NTA attributable to stapled securityholders and NTA per stapled security (\$) are calculated using assets less liabilities, net of intangible assets and related deferred tax and non-controlling interests in DCSF.

⁵ Gearing is calculated as interest-bearing debt drawn (excluding hedged foreign exchange movements subsequent to the related debt drawing date and DCSF) net of cash, divided by total assets net of cash, derivative assets and DCSF.

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Operating and financial review continued

Property investment

Property investment provides the Group with yields from its co-investments in Group funds. During the half year property investment contributed \$56.8 million in segment earnings to the Group.

The Group's property investments are classified into the following real estate sectors:

- Office;
- Industrial;
- Retail;
- Diversified; and
- Social infrastructure.

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

			31 Dec 2019	Weighted average lease expiry (years)	Weighted average market cap rate (%)	Weighted average discount rate (%)	Weighted average rental reviews (%)	31 Dec 2019 Charter Hall investment yield ² (%)
	Ownership stake (%)	Charter Hall investment (\$m)	Charter Hall investment income ¹ (\$m)					
Office		805.6	19.8	6.7	5.0	6.5	3.8	5.5
Charter Hall Prime Office Fund (CPOF)	6.9	318.9	7.1	7.0	5.0	6.5	3.8	4.7
Charter Hall Office Trust (CHOT)	15.7	298.0	7.9	6.7	4.9	6.4	3.8	6.0
Brisbane Square Wholesale Fund (BSWF)	16.8	110.2	3.5	7.3	5.5	6.7	3.8	6.8
Charter Hall DVP Fund (DVP)	13.5	37.7	0.5	3.1	4.9	6.6	3.9	4.1
Charter Hall Australian Investment Trust (CHAIT)	10.0	18.4	0.4	4.0	6.5	7.1	3.7	5.9
Counter Cyclical Trust (CCT)	5.0	12.0	0.3	6.7	5.8	6.6	3.6	5.3
201 Elizabeth Street	5.9	10.4	0.1	1.9	5.0	6.8	4.0	3.5
Industrial		219.1	6.4	10.5	5.3	6.6	3.1	5.5
Charter Hall Prime Industrial Fund (CPIF)	4.0	131.8	3.3	10.7	5.2	6.7	3.1	5.2
Core Logistics Partnership Trust (CLP)	7.2	87.3	3.1	10.4	5.3	6.6	3.0	5.9
Retail		342.7	12.9	6.3	6.1	7.1	4.2	7.4
Charter Hall Retail REIT (ASX: CQR) ³	15.3	285.9	10.9	6.9	6.1	7.1	4.2	7.6
Charter Hall Prime Retail Fund (CPRF)	29.4	56.8	2.0	4.6	6.0	7.2	4.2	7.1
Diversified & Long WALE		625.8	14.9	13.2	5.2	5.6	2.8	6.3
Charter Hall Long WALE REIT (ASX: CLW)	12.4	262.3	7.3	14.5	5.5	6.8	2.7	6.6
Long WALE Hardware Partnership (LWHP)	13.5	110.1	2.6	8.1	5.2	6.7	2.8	5.3
Charter Hall BP Partnership (BPP)	20.0	87.6	0.2	19.9	5.5	n/a	2.2	8.8
Charter Hall Exchanges Trust (CHET)	21.8	73.1	1.4	20.6	4.4	6.1	2.7	6.3
Discretionary Consumer Staples Fund (DCSF) ⁵	36.6	35.5	1.4	7.2	5.9	7.1	3.4	9.2
Long WALE Investment Partnerships (LWIPs) ⁴	10.1	11.5	0.4	15.5	5.8	n/a	2.2	6.7
Other investments		45.7	1.6	n/a	n/a	n/a	n/a	n/a
Social infrastructure		98.7	2.8	11.7	6.1	n/a	2.4	5.8
Charter Hall Social Infrastructure REIT (ASX: CQE)	10.6	98.7	2.8	11.7	6.1	n/a	2.4	5.8
Property investment – subtotal		2,091.9	56.8					
Total		2,091.9	56.8	8.9	5.3	6.7	3.5	6.1

1 Charter Hall Group property investment segment earnings per segment information in Note 1(b) of the financial report.

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

3 Average rent reviews are contracted weighted average rent increases of specialty tenants.

4 Includes the Group's investment the LWIP and LWIP2. Their rental increase is CPI, uncapped.

5 DCSF adjusted for non-controlling interest share of 63.4%.

Development investment

Development investment provides the Group with development profits and interest income from its development assets held directly on balance sheet and through co-investments in development ventures. During the half year development investment contributed \$14.8 million in segment earnings to the Group.

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 \$38.9 billion funds management 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. During the half year the property funds management business contributed \$287.3 million in segment revenue to the Group.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the period.

Principal activities

During the period, 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 half year.

Matters subsequent to the end of the period

No matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect:

- (a) The Group's operations in future financial periods; or
- (b) The results of those operations in future financial periods; or
- (c) The Group's state of affairs in future financial periods.

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 8.

Rounding of amounts

The Company and the Trust is of a kind referred to in ASIC Corporations Instrument (Rounding in Financial/Directors' Reports) 2016/191, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that instrument to the nearest hundred thousand dollars, or in certain cases, to the nearest dollar.

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 19 February 2020. The Directors have the power to amend and re-issue the Financial Statements.



David Clarke
Chair

Sydney
19 February 2020



Auditor's Independence Declaration

As lead auditor for the review of Charter Hall Limited and Charter Hall Property Trust for the half-year ended 31 December 2019, 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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, appearing to read 'E A Barron'.

E A Barron
Partner
PricewaterhouseCoopers

Sydney
19 February 2020

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

		Charter Hall Group		Charter Hall Property Trust Group	
		31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	Note	\$'m	\$'m	\$'m	\$'m
Income					
Revenue	4	356.9	156.0	14.4	17.2
Share of net profit from equity accounted investments method		140.6	84.1	128.3	77.3
Net gain on sale of investments		13.1	—	13.1	0.3
Other net fair value adjustments		5.4	—	3.7	—
Total income		516.0	240.1	159.5	94.8
Expenses					
Employee costs		(74.9)	(58.0)	—	—
Cost of sale of inventory		(32.1)	—	—	—
Administration and other expenses		(14.3)	(15.7)	(3.1)	(2.6)
Finance costs		(7.0)	(5.0)	(7.0)	(5.2)
Depreciation and amortisation		(6.2)	(4.1)	—	—
Fair value losses from derivative financial instruments		—	(1.6)	—	(1.6)
Other net fair value adjustments		—	(0.7)	—	(0.7)
Total expenses		(134.5)	(85.1)	(10.1)	(10.1)
Profit before tax		381.5	155.0	149.4	84.7
Income tax expense		(64.7)	(21.4)	—	—
Profit for the half year		316.8	133.6	149.4	84.7
Profit for the half year attributable to:					
Equity holders of Charter Hall Limited		167.4	48.9	—	—
Equity holders of Charter Hall Property Trust (non-controlling interest)		145.8	84.6	145.8	84.6
Profit attributable to stapled securityholders of Charter Hall Group		313.2	133.5	145.8	84.6
Net profit attributable to Charter Hall Direct Diversified Consumer Staples Fund (non-controlling interest)		3.6	0.1	3.6	0.1
Profit for the half year		316.8	133.6	149.4	84.7

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME CONTINUED

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

		Charter Hall Group		Charter Hall Property Trust Group	
		31 Dec	31 Dec	31 Dec	31 Dec
		2019	2018	2019	2018
	Note	\$'m	\$'m	\$'m	\$'m
Profit for the half year		316.8	133.6	149.4	84.7
Other comprehensive income					
<i>Items that may be reclassified to profit or loss</i>					
Exchange differences on translation of foreign operations		–	0.2	0.1	0.2
Changes in the fair value of cash flow hedges		(0.1)	2.3	(0.1)	2.3
Equity accounted fair value movements		0.2	0.6	0.2	0.4
Other comprehensive income for the half year		0.1	3.1	0.2	2.9
Total comprehensive income for the half year		316.9	136.7	149.6	87.6
Total comprehensive income for the half year is attributable to:					
Equity holders of Charter Hall Limited		167.3	49.1	–	–
Equity holders of Charter Hall Property Trust (non-controlling interest)		145.9	87.5	145.9	87.5
Total comprehensive income attributable to stapled securityholders of Charter Hall Group		313.2	136.6	145.9	87.5
Total comprehensive income attributable to Charter Hall Direct Diversified Consumer Staples Fund (non-controlling interest)		3.7	0.1	3.7	0.1
Total comprehensive income for the half year		316.9	136.7	149.6	87.6
Basic earnings per security (cents) attributable to:					
Equity holders of Charter Hall Limited		35.9	10.5	n/a	n/a
Equity holders of Charter Hall Property Trust (non-controlling interest)		31.3	18.2	31.3	18.2
Basic earnings per stapled security (cents) attributable to stapled securityholders of Charter Hall Group	6(a)	67.2	28.7	n/a	n/a
Diluted earnings per security (cents) attributable to:					
Equity holders of Charter Hall Limited		35.6	10.4	n/a	n/a
Equity holders of Charter Hall Property Trust (non-controlling interest)		31.1	18.1	31.1	18.1
Diluted earnings per stapled security (cents) attributable to stapled securityholders of Charter Hall Group	6(b)	66.7	28.5	n/a	n/a

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

CONSOLIDATED BALANCE SHEETS

AS AT 30 JUNE 2019

		Charter Hall Group		Charter Hall Property Trust Group	
		31 Dec	30 Jun	31 Dec	30 Jun
	Note	2019	2019	2019	2019
		\$'m	\$'m	\$'m	\$'m
Assets					
<i>Current assets</i>					
Cash and cash equivalents		57.3	113.9	26.0	50.0
Receivables and other assets	7	299.4	177.4	38.6	72.6
Derivative financial instruments		3.4	–	3.4	–
Total current assets		360.1	291.3	68.0	122.6
<i>Non-current assets</i>					
Receivables and other assets	7	7.2	11.0	11.5	42.1
Derivative financial instruments		37.7	40.3	37.7	40.3
Investments in associates at fair value through profit or loss	2,3	26.0	73.6	26.0	73.6
Inventories		31.9	15.5	–	–
Investments accounted for using the equity method	2,3	2,049.0	1,754.3	1,966.4	1,681.2
Investment properties	8	158.9	118.5	158.9	118.5
Intangible assets	9	123.4	125.8	–	–
Property, plant and equipment		23.4	21.8	–	–
Right-of-use assets	17(c)	9.7	–	–	–
Deferred tax assets		1.5	1.5	–	–
Total non-current assets		2,468.7	2,162.3	2,200.5	1,955.7
Total assets		2,828.8	2,453.6	2,268.5	2,078.3
Liabilities					
<i>Current liabilities</i>					
Trade and other liabilities		128.8	136.7	56.0	55.7
Current tax liabilities		12.6	2.1	–	–
Borrowings	10	6.7	7.5	–	–
Lease liabilities	17(c)	4.1	–	–	–
Total current liabilities		152.2	146.3	56.0	55.7
<i>Non-current liabilities</i>					
Trade and other liabilities		3.7	5.9	–	–
Derivative financial instruments		4.5	6.1	4.5	6.1
Borrowings	10	392.2	297.5	392.2	297.5
Lease liabilities	17(c)	12.6	–	–	–
Deferred tax liabilities		73.5	37.9	–	–
Total non-current liabilities		486.5	347.4	396.7	303.6
Total liabilities		638.7	493.7	452.7	359.3
Net assets		2,190.1	1,959.9	1,815.8	1,719.0
Equity					
<i>Equity holders of Charter Hall Limited</i>					
Contributed equity	11(a)	289.0	286.7	–	–
Reserves		(37.8)	(34.8)	–	–
Accumulated profit/(losses)		123.1	(11.0)	–	–
Parent entity interest		374.3	240.9	–	–
<i>Equity holders of Charter Hall Property Trust</i>					
Contributed equity	11(a)	1,436.8	1,448.5	1,436.8	1,448.5
Reserves		3.5	3.2	3.5	3.2
Accumulated profit		313.9	217.0	313.9	217.0
Equity holders of Charter Hall Property Trust (non-controlling interest)		1,754.2	1,668.7	1,754.2	1,668.7
Non-controlling interest in Charter Hall Direct Diversified Consumer Staples Fund	12	61.6	50.3	61.6	50.3
Total equity		2,190.1	1,959.9	1,815.8	1,719.0

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 HALF YEAR ENDED 31 DECEMBER 2019

	Attributable to the owners of Charter Hall Limited					Charter Hall Group	
	Note	Contributed equity \$'m	Reserves \$'m	Accumulated profit/(losses) \$'m	Total \$'m	Non-controlling interest \$'m	Total equity \$'m
Balance at 1 July 2018		285.7	(45.1)	(33.6)	207.0	1,651.2	1,858.2
Profit for the half year		—	—	48.9	48.9	84.7	133.6
Other comprehensive income		—	0.2	—	0.2	2.9	3.1
Total comprehensive income		—	0.2	48.9	49.1	87.6	136.7
<i>Transactions with equity holders in their capacity as equity holders:</i>							
Contributions of equity, net of issue costs		—	—	—	—	9.8	9.8
Buyback and issuance of securities for exercised performance rights		(0.7)	(2.5)	—	(3.2)	(4.9)	(8.1)
Tax recognised direct to equity		1.6	(0.7)	—	0.9	—	0.9
Transfer due to deferred compensation payable in service rights		—	2.0	—	2.0	—	2.0
Security-based benefit expense		—	2.5	—	2.5	—	2.5
Distribution provided for or paid	5	—	—	(38.2)	(38.2)	(40.3)	(78.5)
		0.9	1.3	(38.2)	(36.0)	(35.4)	(71.4)
Balance at 31 December 2018		286.6	(43.6)	(22.9)	220.1	1,703.4	1,923.5
Balance at 1 July 2019		286.7	(34.8)	(11.0)	240.9	1,719.0	1,959.9
Change in accounting policy (see Note 17(c))		—	—	(0.7)	(0.7)	—	(0.7)
Adjusted balance at 1 July 2019		286.7	(34.8)	(11.7)	240.2	1,719.0	1,959.2
Profit for the half year		—	—	167.4	167.4	149.4	316.8
Other comprehensive income/(loss)		—	(0.1)	—	(0.1)	0.2	0.1
Total comprehensive income/(loss)		—	(0.1)	167.4	167.3	149.6	316.9
<i>Transactions with equity holders in their capacity as equity holders:</i>							
Contributions of equity, net of issue costs	11	—	—	—	—	7.9	7.9
Buyback and issuance of securities for exercised performance rights		(1.7)	(6.7)	—	(8.4)	(11.7)	(20.1)
Tax recognised direct to equity		4.0	(2.9)	—	1.1	—	1.1
Transfer due to deferred compensation payable in service rights		—	2.1	—	2.1	—	2.1
Security-based benefit expense		—	4.6	—	4.6	—	4.6
Dividend/distribution provided for or paid	5	—	—	(32.6)	(32.6)	(50.9)	(83.5)
Transactions with non-controlling interests		—	—	—	—	1.9	1.9
		2.3	(2.9)	(32.6)	(33.2)	(52.8)	(86.0)
Balance at 31 December 2019		289.0	(37.8)	123.1	374.3	1,815.8	2,190.1

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 HALF YEAR ENDED 31 DECEMBER 2019

	Note	Attributable to the owners of the Charter Hall Property Trust Group			Non- controlling interest \$'m	Total equity \$'m
		Contributed equity \$'m	Reserves \$'m	Accumulated profit/(losses) \$'m		
Balance at 1 July 2018		1,453.5	0.9	161.2	35.6	1,651.2
Profit for the half year		–	–	84.6	0.1	84.7
Other comprehensive income		–	2.9	–	–	2.9
Total comprehensive income		–	2.9	84.6	0.1	87.6
<i>Transactions with equity holders in their capacity as equity holders:</i>						
Contributions of equity, net of issue costs		–	–	–	9.8	9.8
Buyback and issuance of securities for exercised performance rights		(4.9)	–	–	–	(4.9)
Distribution provided for or paid	5	–	–	(38.7)	(1.6)	(40.3)
		(4.9)	–	(38.7)	8.2	(35.4)
Balance at 31 December 2018		1,448.6	3.8	207.1	43.9	1,703.4
Balance at 1 July 2019		1,448.5	3.2	217.0	50.3	1,719.0
Profit for the half year		–	–	145.8	3.6	149.4
Other comprehensive income		–	0.1	–	0.1	0.2
Total comprehensive income		–	0.1	145.8	3.7	149.6
<i>Transactions with equity holders in their capacity as equity holders:</i>						
Contributions of equity, net of issue costs	11	–	–	–	7.9	7.9
Buyback and issuance of securities for exercised performance rights		(11.7)	–	–	–	(11.7)
Dividend/distribution provided for or paid	5	–	–	(48.9)	(2.0)	(50.9)
Transactions with non-controlling interests		–	0.2	–	1.7	1.9
		(11.7)	0.2	(48.9)	7.6	(52.8)
Balance at 31 December 2019		1,436.8	3.5	313.9	61.6	1,815.8

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

CONSOLIDATED CASH FLOW STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Charter Hall Group		Charter Hall Property Trust Group	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	\$'m	\$'m	\$'m	\$'m
Note				
Cash flows from operating activities				
Receipts from customers (inclusive of GST)	210.5	142.2	4.7	4.4
Payments to suppliers and employees (inclusive of GST)	(156.5)	(100.1)	(2.1)	(1.1)
Tax paid	(14.2)	(32.0)	–	–
Interest received	1.4	2.9	1.1	1.3
Interest paid	(1.7)	(1.0)	(1.7)	(1.0)
Distributions and dividends from investments	58.5	59.1	49.9	44.2
Net cash inflow from operating activities	98.0	71.1	51.9	47.8
Cash flows from investing activities				
Payments for property, plant and equipment (net of lease incentive received)	(4.1)	(1.8)	–	–
Payments for investment properties	(36.8)	(58.8)	(36.8)	(58.8)
Payment for acquisition of subsidiary (net of cash acquired)	–	(192.1)	–	–
Investments in associates and joint ventures	(400.8)	(98.7)	(390.5)	(76.6)
Proceeds on disposal and return of capital from investments in associates and joint ventures	251.8	115.9	246.5	98.6
Loans to associates, joint ventures and related parties	(0.6)	–	(266.1)	(355.7)
Repayments of loans from associates, joint ventures and related parties	44.7	27.4	343.6	123.4
Net cash outflow from investing activities	(145.8)	(208.1)	(103.3)	(269.1)
Proceeds from buy back of stapled securities	(20.1)	(8.3)	(17.4)	(7.2)
Borrowing costs paid	(5.3)	(4.1)	(5.3)	(4.1)
Proceeds from borrowings (net of borrowing costs)	245.8	262.0	244.4	262.0
Repayment of borrowings	(154.2)	(26.9)	(150.6)	(2.9)
Proceeds on disposal of partial interest in a subsidiary that does not involve loss of control	9.5	11.3	9.5	11.3
Distributions to non-controlling interests	(1.9)	(1.5)	(1.9)	(1.5)
Dividends/distributions paid to stapled securityholders	(80.1)	(75.4)	(49.8)	(49.8)
Net cash inflow/(outflow) from financing activities	(6.3)	157.1	28.9	207.8
Net increase/(decrease) in cash and cash equivalents	(54.1)	20.1	(22.5)	(13.5)
Cash and cash equivalents at the beginning of the period	115.0	94.9	19.3	32.8
Cash and cash equivalents at the end of the period	60.9	115.0	(3.2)	19.3

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

The interim financial report does not include all notes normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the Charter Hall Group during the half year ended 31 December 2019, in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted in the preparation of the interim financial report are consistent with those of the previous financial year unless stated otherwise.

The notes to these interim financial statements include additional information to assist the reader in understanding the operations, performance and financial position of the Charter Hall Group and the Charter Hall Property Trust Group.

Critical accounting estimates and judgements

The preparation of the interim financial statements in conformity with applicable Australian Accounting Standards requires the use of certain critical accounting estimates and judgements in the process of applying accounting policies.

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 estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are described in their respective notes:

- Note 2 Investments in associates
- Note 3 Investments in joint ventures
- Note 4 Revenue
- Note 9 Intangible assets
- Note 17 Deferred tax
- Note 17 Controlled entities

1 Segment information

(a) Description of segments

Charter Hall Group

The operating segments disclosed are based on the reports reviewed by the Board 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 after tax adjusted for the items in Note 1(c). Operating earnings is the primary measure of the Group's underlying and recurring earnings. Operating earnings is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution to declare.

Segment earnings reviewed by the Board ceased to allocate net operating expenses to segments. This has been reflected in the tables contained in this note, including restating the comparatives. This change did not impact the total segment income reported in the prior period. In assessing the financial performance of the business, net operating expenses are primarily related to the Property Funds Management segment.

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

Property investments

This segment comprises investments in property funds.

Development investments

This segment comprises investments in developments.

Property funds management

This segment comprises investment management services and property management services.

Charter Hall Property Trust Group

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

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

1 Segment information continued

(b) Operating segments

The operating segments reported to the Board for the half year ended 31 December 2019 are as follows:

	31 Dec 2019 \$'m	Restated 31 Dec 2018 \$'m
Property investment segment earnings	56.8	52.6
Development investment segment earnings	14.8	1.4
<i>Property funds management</i>		
Investment management revenue	258.6	104.8
Property services revenue	28.7	21.4
Total Property funds management segment revenue	287.3	126.2
Total segment income	358.9	180.2
Net operating expenses	(43.3)	(33.4)
Corporate expenses	(15.8)	(12.6)
EBITDA	299.8	134.2
Depreciation	(3.8)	(2.4)
Net interest expense	(5.5)	(2.9)
Operating earnings before tax	290.5	128.9
Income tax expense	(64.7)	(21.4)
Operating earnings attributable to stapled securityholders	225.8	107.5
Basic weighted average number of securities ('m)	465.8	465.8
Operating earnings per stapled security (cents)	48.5	23.1

Refer to Note 6 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:

	31 Dec 2019 \$'m	31 Dec 2018 \$'m
Operating earnings attributable to stapled securityholders	225.8	107.5
Add: Net fair value movements from investment properties in equity accounted investments ¹	97.4	48.7
Add: Gain/(loss) on disposal of property investments ¹	12.7	(0.4)
Add/(less): Realised and unrealised net gains/(losses) on derivatives ¹	2.6	(6.7)
Less: Performance fees expense ¹	(5.1)	(4.6)
Less: Non-operating business combination acquisition costs	(3.0)	(3.7)
Less: Amortisation of intangibles	(2.4)	(1.7)
Less: Other ¹	(14.8)	(5.6)
Statutory profit after tax attributable to stapled securityholders	313.2	133.5

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

(d) Reconciliation of earnings from the property and development investment segments to the share of net profit of equity accounted investments

	31 Dec 2019 \$'m	31 Dec 2018 \$'m
Segment earnings – property investments	56.8	52.6
Segment earnings – development investments	14.8	1.4
Segment earnings – investments	71.6	54.0
Add: Non-operating equity accounted profit	77.1	33.1
Less: Development profit	(5.8)	–
Less: Net rental income	(1.2)	(1.6)
Less: Interest income on development investments	(0.7)	(0.3)
Less: Distributions in operating income	(0.4)	(1.1)
Share of net profit of investments accounted for using the equity method	140.6	84.1

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

	31 Dec 2019 \$'m	31 Dec 2018 \$'m
Investment management revenue	258.6	104.8
Property services revenue	28.7	21.4
Segment revenue – property funds management	287.3	126.2
Add: recovery of property and fund-related expenses	26.3	22.5
Add: proceeds from sale of inventory	35.2	–
Add: rental income	4.7	3.9
Add: interest income	2.1	2.3
Add: development fees treated as development investment segment earnings	1.2	–
Add: distributions received for investments accounted for at fair value	0.1	1.1
Revenue per statement of comprehensive income	356.9	156.0

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 focused on the consolidated balance sheet.

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

2 Investments in associates

(a) Carrying amounts

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

Unless otherwise noted all associates have a 30 June year end.

Charter Hall Group Name of entity	Principal activity	Ownership interest		Carrying amount	
		31 Dec 2019	30 Jun 2019	31 Dec 2019	30 Jun 2019
		%	%	\$'m	\$'m
Accounted for at fair value through profit or loss:¹					
<i>Unlisted</i>					
Charter Hall Maxim Property Securities Fund	Property investment	15.8	19.0	25.6	25.4
Other associates				0.4	0.6
				26.0	26.0
Equity accounted					
<i>Unlisted</i>					
Charter Hall Prime Office Fund	Property investment	6.9	7.1	318.9	291.1
Charter Hall Office Trust ²	Property investment	15.7	15.7	298.0	263.7
Charter Hall Prime Industrial Fund	Property investment	4.0	4.0	131.8	126.9
Core Logistics Partnership	Property investment	7.2	9.2	87.3	105.9
CH Dartmoor Wholesale Fund (BP Partnership)	Property investment	20.0	–	87.6	–
Charter Hall Exchange Wholesale Trust	Property investment	21.8	–	73.1	–
Deep Value Partnership	Property investment	13.5	11.1	37.7	4.6
Other associates				37.6	28.3
<i>Listed</i>					
Charter Hall Retail REIT ³	Property investment	15.3	16.2	285.9	299.6
Charter Hall Long WALE REIT ⁴	Property investment	12.4	15.2	262.3	200.8
Charter Hall Social Infrastructure REIT ⁵	Property investment	10.6	13.1	98.7	117.6
				1,718.9	1,438.5
Total investments in associates				1,744.9	1,464.5

1 These investments comprise units in certain unlisted Charter Hall managed funds which have been designated at fair value through profit or loss. Changes in their fair values are recorded in fair value adjustments in the consolidated statement of comprehensive income.

2 The entity has a 31 December balance date.

3 Fair value at the ASX closing price as at 31 December 2019 was \$290.1 million (30 June 2019: \$311.7 million).

4 Fair value at the ASX closing price as at 31 December 2019 was \$328.3 million (30 June 2019: \$245.9 million).

5 Fair value at the ASX closing price as at 31 December 2019 was \$103.5 million (30 June 2019: \$143.7 million).

Name of entity	Principal activity	Ownership interest		Carrying amount	
		31 Dec 2019	30 Jun 2019	31 Dec 2019	30 Jun 2019
		%	%	\$'m	\$'m
Accounted for at fair value through profit or loss:¹					
<i>Unlisted</i>					
Charter Hall Maxim Property Securities Fund	Property investment	15.8	19.0	25.6	25.4
Other associates				0.4	0.6
				26.0	26.0
Equity accounted					
<i>Unlisted</i>					
Charter Hall Prime Office Fund	Property investment	6.5	6.7	302.9	275.6
Charter Hall Office Trust ²	Property investment	15.7	15.7	298.0	263.7
Core Logistics Partnership	Property investment	7.2	9.2	87.3	105.9
CH Dartmoor Wholesale Fund (BP Partnership)	Property investment	20.0	–	87.6	–
Charter Hall Exchange Wholesale Trust	Property investment	21.8	–	73.1	–
Charter Hall Prime Industrial Fund	Property investment	1.9	1.9	63.4	61.1
Deep Value Partnership	Property investment	13.5	11.1	37.7	4.6
Other associates				36.3	22.6
<i>Listed</i>					
Charter Hall Retail REIT ³	Property investment	15.3	16.2	285.9	299.6
Charter Hall Long WALE REIT ⁴	Property investment	12.4	15.2	262.3	200.8
Charter Hall Social Infrastructure REIT ⁵	Property investment	10.6	13.1	123.6	142.6
				1,658.1	1,376.5
Total investments in associates				1,684.1	1,402.5

1 These investments comprise units in certain unlisted Charter Hall managed funds which have been designated at fair value through profit or loss. Changes in their fair values are recorded in fair value adjustments in the consolidated statement of comprehensive income.

2 The entity has a 31 December balance date.

3 Fair value at the ASX closing price as at 31 December 2019 was \$290.1 million (30 June 2019: \$311.7 million).

4 Fair value at the ASX closing price as at 31 December 2019 was \$328.3 million (30 June 2019: \$245.9 million).

5 Fair value at the ASX closing price as at 31 December 2019 was \$103.5 million (30 June 2019: \$143.7 million).

(b) Critical judgements

Investments in associates are accounted for at either fair value through profit or loss or by using the equity method. The Group 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. When a recoverable amount is estimated through a value in use calculation, critical judgements and estimates are made regarding future cash flows and an appropriate discount rate. When a fair value is estimated through an earnings valuation, critical judgements and estimates are made in relation to the earnings measure and appropriate multiple.

(c) Commitments and contingent liabilities of associates

Below are commitments and contingent liabilities of associates material to the Group's balance sheet.

Charter Hall Prime Office Fund's (CPOF) capital expenditure contracted for at the reporting date but not recognised as liabilities was \$430.2 million (30 June 2019: \$471.4 million) relating to investment properties. The Group's ownership in this associate is 6.9% (30 June 2019: 7.1%).

Charter Hall Office Trust's (CHOT) capital expenditure contracted for at the reporting date but not recognised as liabilities was \$260.7 million (30 June 2019: no material commitments or contingent liabilities) relating to investment properties. The Group's ownership in this associate is 15.7% (30 June 2019: 15.7%).

Charter Hall Long Wale REIT's (CLW) capital expenditure contracted for at the reporting date but not recognised as liabilities was \$187.42 million (30 June 2019: no material commitments or contingent liabilities) relating to investment properties. The Group's ownership in this associate is 12.4% (30 June 2019: 15.2%).

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

3 Investments in joint ventures

(a) Carrying amounts

All joint ventures are incorporated and operate in Australia.

Unless otherwise noted all joint ventures have a 30 June year end.

Charter Hall Group Name of entity	Principal activity	Ownership interest		Carrying amount	
		31 Dec 2019	30 Jun 2019	31 Dec 2019	30 Jun 2019
		%	%	\$'m	\$'m
Accounted for at fair value through profit or loss:					
<i>Unlisted</i>					
CHAB Office Trust	Property investment	50.0	50.0	–	47.6
				–	47.6
Equity accounted					
<i>Unlisted</i>					
Brisbane Square Wholesale Fund	Property investment	16.8	16.8	110.2	104.8
Long WALE Hardware Partnership ¹	Property investment	13.5	13.5	110.1	96.5
Charter Hall Prime Retail Fund	Property investment	29.4	29.4	56.8	56.6
Retail Partnership No. 6 Trust	Property investment	–	20.0	–	35.9
Other joint ventures				53.0	22.0
				330.1	315.8
Total investments in joint ventures				330.1	363.4

1 Ownership interest is calculated as the weighted average holding of BP Fund 1, BP Fund 2 and TTP Wholesale Fund.

Charter Hall Property Trust Group Name of entity	Principal activity	Ownership interest		Carrying amount	
		31 Dec 2019	30 Jun 2019	31 Dec 2019	30 Jun 2019
		%	%	\$'m	\$'m
Accounted for at fair value through profit or loss:					
<i>Unlisted</i>					
CHAB Office Trust	Property investment	50.0	50.0	–	47.6
				–	47.6
Equity accounted					
<i>Unlisted</i>					
Brisbane Square Wholesale Fund	Property investment	16.8	16.8	110.2	104.8
Long WALE Hardware Partnership ¹	Property investment	13.5	13.5	110.1	96.5
Charter Hall Prime Retail Fund	Property investment	29.4	29.4	56.8	56.6
Retail Partnership No. 6 Trust	Property investment	–	20.0	–	35.9
Other joint ventures				31.2	10.9
				308.3	304.7
Total investments in joint ventures				308.3	352.3

1 Ownership interest is calculated as the weighted average holding of BP Fund 1, BP Fund 2 and TTP Wholesale Fund.

(b) Critical judgements

Investments in joint ventures are accounted for at either fair value through profit or loss or by using the equity method. The Group designates investments in joint ventures 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. When a recoverable amount is estimated through a value in use calculation, critical judgements and estimates are made regarding future cash flows and an appropriate discount rate. When a fair value is estimated through an earnings valuation, critical judgements and estimates are made in relation to the earnings measure and appropriate multiple.

(c) Commitments and contingent liabilities of joint ventures

There were no commitments or contingent liabilities of joint ventures material to the Group's balance sheet as at 31 December 2019 (30 June 2019: no material commitments or contingent liabilities).

4 Revenue

	Charter Hall Group		Charter Hall Property Trust Group	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	\$'m	\$'m	\$'m	\$'m
Investment management revenue ^{1,2}	258.6	104.8	–	–
Property services revenue ¹	28.7	21.4	–	–
Development revenue ³	36.4	–	–	–
Gross rental income	4.7	3.9	4.7	3.9
	328.4	130.1	4.7	3.9
<i>Other revenue</i>				
Recovery of property and fund-related expenses	26.3	22.5	–	–
Interest	2.1	2.3	3.4	6.2
Distributions/Dividends ⁴	0.1	1.1	0.6	1.9
Other investment-related revenue	–	–	5.7	5.2
Total other revenue	28.5	25.9	9.7	13.3
Total revenue⁵	356.9	156.0	14.4	17.2

1 Revenue from the Group's property and funds management business is categorised into the two main lines of operations being investment management and property services.

2 Investment management revenue in the half year ended 31 December 2019 includes \$98.0 million for CHOT performance fee.

3 Revenue from the Group's development investments forms part of the development segment earnings.

4 Represents the distribution of income from investments in associates accounted for at fair value by the Group and Charter Hall Property Trust Group.

5 Revenue excludes share of net profits of equity accounted associates and joint ventures.

(a) Critical judgements

Critical judgements and estimates are made by the Group in respect of recognising performance fee revenue. Detailed calculations and an assessment of the risks associated with the recognition of the fee are completed to inform the assessment of the appropriate revenue to recognise. Key risks include the period remaining from balance sheet date to performance fee crystallisation date and the degree of probability that any potential fee may unwind during that period. Key drivers of performance fees are assessed based on historic data and prevailing economic conditions to inform judgements on the extent to which the fee can be reliably estimated.

5 Distributions/Dividends paid and payable

	Charter Hall Group		Charter Hall Property Trust Group	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	\$'m	\$'m	\$'m	\$'m
Ordinary stapled securities				
Interim ordinary distribution of 10.5 cents and interim ordinary dividend of 7 cents per stapled security for the six months ended 31 December 2019 payable on 28 February 2020	81.5	–	48.9	–
Interim ordinary distribution of 8.3 cents and interim ordinary dividend of 8.2 cents per stapled security for the six months ended 31 December 2018 paid on 28 February 2019	–	76.9	–	38.7
Total Distributions/Dividends paid and payable to stapled securityholders	81.5	76.9	48.9	38.7
Distributions paid and payable to Charter Hall Direct Diversified Consumer Staples Fund non-controlling interests	2.0	1.6	2.0	1.6
Total Distributions/Dividends paid and payable	83.5	78.5	50.9	40.3

A liability is recognised for the amount of any Distribution/Dividend declared by the Group on or before the end of the reporting period but not paid at balance date.

Franking credits available in the parent entity (Charter Hall Limited) for dividends payable in subsequent financial years based on a tax rate of 30% (30 June 2019: 30%) are \$63.8 million (30 June 2019: \$51.9 million). These amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the year.

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6 Earnings per stapled security

	Charter Hall Group		Charter Hall Property Trust Group	
	31 Dec 2019 Cents	31 Dec 2018 Cents	31 Dec 2019 Cents	31 Dec 2018 Cents
(a) Basic earnings per security attributable to:				
Equity holders of Charter Hall Limited	35.9	10.5	n/a	n/a
Equity holders of Charter Hall Property Trust (non-controlling interest)	31.3	18.2	31.3	18.2
Stapled securityholders of Charter Hall Group	67.2	28.7	n/a	n/a
(b) Diluted earnings per security attributable to:				
Equity holders of Charter Hall Limited	35.6	10.4	n/a	n/a
Equity holders of Charter Hall Property Trust (non-controlling interest)	31.1	18.1	31.1	18.1
Stapled securityholders of Charter Hall Group	66.7	28.5	n/a	n/a

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

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

	31 Dec 2019 \$'m	31 Dec 2018 \$'m	31 Dec 2019 \$'m	31 Dec 2018 \$'m
(c) Reconciliations of earnings used in calculating earnings per stapled security				
Equity holders of Charter Hall Limited	167.4	48.9	n/a	n/a
Profit attributable to the ordinary stapled securityholders of the Group used in calculating basic and diluted earnings per stapled security	313.2	133.5	145.8	84.6

	31 Dec 2019 Number	31 Dec 2018 Number	31 Dec 2019 Number	31 Dec 2018 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	465,777,131	465,777,131	465,777,131	465,777,131
<i>Adjustments for calculation of diluted earnings per stapled security:</i>				
Performance rights	2,234,802	2,130,914	2,234,802	2,130,914
Service rights	1,477,254	626,003	1,477,254	626,003
Weighted average number of ordinary stapled securities and potential ordinary stapled securities used as the denominator in calculating diluted earnings per stapled security	469,489,187	468,534,048	469,489,187	468,534,048

(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 performance and/or service conditions.

Stapled securities issued under the General Employee Securities 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.

7 Receivables and other assets

	Note	Charter Hall Group		Charter Hall Property Trust Group	
		31 Dec 2019	30 Jun 2019	31 Dec 2019	30 Jun 2019
		\$'m	\$'m	\$'m	\$'m
Current					
Trade receivables		79.4	38.7	9.0	2.9
Contract assets ¹		171.8	52.1	–	–
Loans to associates and joint ventures		4.6	52.3	–	38.9
Distributions receivable		30.7	31.8	29.6	30.8
Other receivables and assets		12.9	2.5	–	–
		299.4	177.4	38.6	72.6
Non-current					
Loans to associates and joint ventures		2.7	9.2	–	–
Loan receivable from Charter Hall Limited		–	–	11.5	42.1
Other receivables and assets		4.5	1.8	–	–
		7.2	11.0	11.5	42.1

¹ As at 31 December 2019, contract assets include \$148.0 million (30 June 2019: \$50.0m) relating to the CHOT performance fee.

8 Investment properties

The Group's controlled entity investment fund, Charter Hall Direct Diversified Consumer Staples Fund (DCSF), has a portfolio of investment properties which are consolidated into the Group's balance sheet.

A reconciliation of the carrying amount of investment properties at the beginning and end of the year is set out below:

	Charter Hall Group		Charter Hall Property Trust Group	
	Six months to 31 Dec 2019	12 months to 30 Jun 2019	Six months to 31 Dec 2019	12 months to 30 Jun 2019
	\$'m	\$'m	\$'m	\$'m
Opening balance	118.5	63.4	118.5	63.4
Additions including acquisition costs	36.8	60.1	36.8	60.1
Fair value and other adjustments	3.6	(0.9)	3.6	(0.9)
Disposals	–	(4.1)	–	(4.1)
Closing balance	158.9	118.5	158.9	118.5

Key valuation assumptions used in the determination of the investment properties' fair value and the Group's valuation policy are disclosed in Note 13(d).

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9 Intangible assets

	Charter Hall Group		Charter Hall Property Trust Group	
	Six months to 31 Dec 2019 \$'m	12 months to 30 Jun 2019 \$'m	Six months to 31 Dec 2019 \$'m	12 months to 30 Jun 2019 \$'m
Indefinite life intangibles – management rights				
Charter Hall Retail REIT				
Opening and closing balance	42.3	42.3	–	–
Charter Hall Education Trust				
Opening balance	46.4	–	–	–
Additions	–	46.4	–	–
Closing balance	46.4	46.4	–	–
Other indefinite life intangibles				
Opening balance	15.3	12.6	–	–
Additions	–	2.7	–	–
Closing balance	15.3	15.3	–	–
Total indefinite life intangibles	104.0	104.0	–	–
Finite life intangibles – management rights				
Opening balance	11.9	7.8	–	–
Additions	–	8.2	–	–
Amortisation charge	(2.4)	(4.1)	–	–
Closing balance	9.5	11.9	–	–
At balance date – finite life intangibles				
Cost	58.5	50.3	–	–
Additions	–	8.2	–	–
Accumulated amortisation	(49.0)	(46.6)	–	–
Total finite life intangibles	9.5	11.9	–	–
Goodwill				
Folkestone Limited				
Opening balance	9.9	–	–	–
Additions	–	9.9	–	–
Closing balance	9.9	9.9	–	–
Total intangible assets	123.4	125.8	–	–

(a) Critical judgements

Critical judgements and estimates are made by the 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.

10 Borrowings

	Charter Hall Group		Charter Hall Property Trust Group	
	31 Dec 2019 \$'m	30 Jun 2019 \$'m	31 Dec 2019 \$'m	30 Jun 2019 \$'m
Current assets				
Current liabilities				
Loans – related parties	6.7	7.5	–	–
Non-current liabilities				
Bonds	268.9	268.2	268.9	268.2
Cash advance facilities	60.0	–	60.0	–
Cash advance facilities (DCSF)	66.1	32.3	66.1	32.3
Less: unamortised transaction costs	(2.8)	(3.0)	(2.8)	(3.0)
	392.2	297.5	392.2	297.5

(a) Borrowings**Charter Hall Group**

The Group's debt platform includes the following:

- An unsecured \$200.0 million credit facility plus an additional \$20.0 million unsecured facility to support the bank guarantees with maturity in May 2024. At 31 December 2019, drawn borrowings of \$60.0 million (30 June 2019: \$nil) and bank guarantees of \$14.3 million (30 June 2019: \$14.3 million) had been utilised under these facilities, which under the terms of the agreements reduce the available facilities. No liability is recognised for bank guarantees.
- US\$175 million (A\$231.5 million at issue date) bonds issued through a US Private Placement which was fully funded in August 2018 and matures in August 2028.
 - The Group has entered into A\$/US\$ cross currency interest rate swap agreements that hedge the Group's exposure to foreign currency. The swap agreements entitle the Group to repay the bonds at A\$231.5 million in August 2028. At 31 December 2019, the carrying amount of the bonds at the prevailing spot rate was A\$268.9 million (30 June 2019: A\$268.2 million) including a fair value adjustment of A\$19.7 million (30 June 2019: A\$19.0 million). The carrying amount is offset by the fair value of the swap.
 - The swap agreements also entitle the Group to receive interest, at semi-annual intervals, at a fixed rate on a notional principal amount of US\$175.0 million and oblige it to pay, at quarterly intervals, at a floating rate on a notional principal amount of A\$231.5 million. The swap agreements mature in August 2028.
- The Group has entered into interest rate swap agreements which hedge the Group's exposure to interest rate fluctuations on a notional principal amount of A\$100.0 million. The swap agreements entitle the Group to receive floating interest and pay a fixed rate at quarterly intervals. The agreements mature in February 2024.

DCSF Facility

The fund has two revolving debt facilities of A\$80.0 million (30 June 2019: A\$50.5 million) and NZ\$7.0 million (30 June 2019: NZ\$7.0 million), secured against the fund's investment properties (see Note 8). The facilities were extended in the period, and have a maturity date of July 2024. At 31 December 2019, drawn borrowings of A\$60.4 million (30 June 2019: A\$26.6 million) and NZ\$6.0 million (30 June 2019: NZ\$6.0 million) had been utilised under these facilities respectively.

11 Contributed equity**(a) Movements in ordinary stapled security capital**

Details	Number of securities	Weighted average issue price	Charter Hall Limited \$'m	Charter Hall Property Trust \$'m	Total \$'m
Opening balance at 1 July 2018	465,777,131		285.7	1,453.5	1,739.2
Buyback and issuance of securities for exercised performance and service rights ¹	–	\$2.25	(0.6)	(5.0)	(5.6)
Tax recognised directly in equity	–		1.6	–	1.6
Closing balance at 30 June 2019	465,777,131		286.7	1,448.5	1,735.2
Closing balance per accounts at 30 June 2019	465,777,131		286.7	1,448.5	1,735.2
Buyback and issuance of securities for exercised performance and service rights ²	–	\$3.98	(1.7)	(11.7)	(13.4)
Tax recognised directly in equity	–		4.0	–	4.0
Closing balance at 31 December 2019	465,777,131		289.0	1,436.8	1,725.8
Closing balance per accounts at 31 December 2019	465,777,131		289.0	1,436.8	1,725.8

1 1,121,489 stapled securities bought on-market at an average value of \$7.20, offset by the exercise of 857,738 performance rights with a fair value of \$1.41 and 263,751 service rights with an average value of \$4.97.

2 1,640,582 stapled securities bought on-market at an average value of \$12.11, offset by the exercise of 797,578 performance rights with a fair value of \$1.41 and 843,004 service rights with an average value of \$6.41.

12 Non-controlling interests

During the period, the Group reduced its holding in the Charter Hall Direct Diversified Consumer Staples Fund from 41.9% to 36.6% (30 June 2019: from 61.3% to 41.9%), increasing the non-controlling interest from 58.1% to 63.4%. The net proceeds on redemption were \$2.0 million (30 June 2019: \$20.0 million), received in cash.

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13 Fair value measurement

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.

(a) Recognised fair value measurement

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

- Investments in associates at fair value through profit and loss (Note 2)
- Investments in joint ventures at fair value through profit and loss (Note 3)
- Investment properties (Note 8)
- Derivatives

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

- (i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- (iii) Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

	Level 1 \$'m	Level 2 \$'m	Level 3 \$'m	Total \$'m
Charter Hall Group				
31 December 2019				
Investments in associates at fair value through profit and loss	–	–	26.0	26.0
Investment properties	–	–	158.9	158.9
Derivative financial instruments	–	41.1	–	41.1
Total assets	–	41.1	184.9	226.0
Derivative financial instruments	–	(4.5)	–	(4.5)
Total liabilities	–	(4.5)	–	(4.5)
30 June 2019				
Investments in joint ventures at fair value through profit and loss	47.6	–	–	47.6
Investments in associates at fair value through profit and loss	–	–	26.0	26.0
Investment properties	–	–	118.5	118.5
Derivative financial instruments	–	40.3	–	40.3
Total assets	47.6	40.3	144.5	232.4
Derivative financial instruments	–	(6.1)	–	(6.1)
Total liabilities	–	(6.1)	–	(6.1)
Charter Hall Property Trust Group				
31 December 2019				
Investments in associates at fair value through profit and loss	–	–	26.0	26.0
Investment properties	–	–	158.9	158.9
Derivative financial instruments	–	41.1	–	41.1
Total assets	–	41.1	184.9	226.0
Derivative financial instruments	–	(4.5)	–	(4.5)
Total liabilities	–	(4.5)	–	(4.5)
30 June 2019				
Investments in joint ventures at fair value through profit and loss	47.6	–	–	47.6
Investments in associates at fair value through profit and loss	–	–	26.0	26.0
Investment properties	–	–	118.5	118.5
Derivative financial instruments	–	40.3	–	40.3
Total assets	47.6	40.3	144.5	232.4
Derivative financial instruments	–	(6.1)	–	(6.1)
Total liabilities	–	(6.1)	–	(6.1)

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

(b) Disclosed fair values

The carrying amounts of current trade receivables and payables approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Charter Hall Group and Charter Hall Property Trust Group for similar financial instruments. The fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant.

(c) Valuation techniques used to derive Level 2 fair values

Derivatives

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

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

The fair value of interest rate swaps is determined using forward interest rates and the present value of the estimated future cash flows at the balance date.

Credit value adjustments are calculated based on the counterparty's credit risk using the counterparty's credit default swap curve as a benchmark. Debit value adjustments are calculated based on the Group's credit risk using debt financing available to the Group as a benchmark.

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13 Fair value measurement continued

(d) Valuation techniques used to derive Level 3 fair values

Investments in associates

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 fair value of investments in associates held at fair value through profit and loss, which are investments in unlisted securities, are 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.

Investment property

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

The use of independent external valuers is on a rotational basis at least once every 12 months, or earlier, where the Responsible Entity deems it appropriate or believes there may be a material change in the carrying value of the property.

Where an independent valuation is not obtained, the fair value is determined using Discounted Cash Flow and income capitalisation methods.

14 Commitments

(a) Capital commitments

Charter Hall Group

The Group has capital expenditure and a funding guarantee contracted for at the reporting date but not recognised as liabilities of \$44.0 million at 31 December 2019 (30 June 2019: \$44.0 million) relating to a development joint venture.

Charter Hall Property Trust Group

The Trust Group had no contracted capital commitments as at 31 December 2019 (2018: \$nil).

15 Contingent liabilities

The Group has nil contingent liabilities as at 31 December 2019 (30 June 2019: \$20.0 million).

16 Events occurring after the reporting date

No matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect:

- (a) The Group's operations in future financial periods; or
- (b) The results of those operations in future financial periods; or
- (c) The Group's state of affairs in future financial periods.

17 Summary of significant accounting policies

(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 (ASX). 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.

This general purpose interim financial report for the half year ended 31 December 2019 has been prepared in accordance with the constitution of CHPT, Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

New and amended standards adopted

The Group adopted AASB 16 *Leases* retrospectively from 1 July 2019. The impact of the adoption of the leasing standard and the new accounting policies are disclosed in Note 17(c) below. A number of other new or amended standards became applicable in the current reporting period, these standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

(b) Other critical accounting estimates and judgements

In addition to the critical accounting estimates and judgements disclosed in the notes, the following estimates or assumptions also have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities.

Deferred tax

Critical judgements and accounting estimates are made in assessing the extent to which the utilisation of tax losses carried forward is considered probable and the corresponding deferred tax asset recognised.

Controlled entities

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 investee entities, including the nature and effects of its contractual relationship with the entity or with other investors.

(c) Changes in accounting policies

AASB16 Leases

The Group has adopted AASB 16 *Leases* from 1 July 2019. In accordance with the transition provisions in AASB 16 the new rules have been adopted retrospectively with the cumulative effect of initially applying the new standard recognised on 1 July 2019, under the simplified transition approach. Comparatives for the 2018 reporting period have not been restated.

The Group's assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of an extension option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs; and
- restoration costs.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The Group tests right-of-use assets for impairment where there is an indicator that the asset may be impaired. 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.

The Group's right-of-use assets are all property leases.

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17 Summary of significant accounting policies continued

Payments associated with short-term leases and leases of low-value assets (as defined in AASB 16) are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Adjustments recognised on adoption of AASB 16 Leases

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 2.74%.

The associated rights-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 1 July 2019. As a result, the change in accounting policy affected the following items in the balance sheet on 1 July 2019:

- right-of use assets – increased by \$9.7 million
- deferred tax assets – increased by \$2.4 million
- lease liabilities – increased by \$16.4 million
- accruals – increased by \$1.2 million
- other liabilities (unamortised lease incentives) – decrease by \$4.8 million

The net impact on retained earnings on 1 July 2019 was a decrease of \$0.7 million.

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

DIRECTORS' DECLARATION TO SECURITYHOLDERS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

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 interim 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 9 to 30 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of Charter Hall Group's and Charter Hall Property Trust Group's financial position as at 31 December 2019 and of their performance for the half 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.

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



David Clarke

Chairman

Sydney

19 February 2020



Independent auditor's review report to the security holders of Charter Hall Limited and Charter Hall Property Trust

Report on the Interim Financial Reports

We have reviewed the accompanying interim financial reports of Charter Hall Group and Charter Hall Property Trust Group which comprise:

- the consolidated balance sheets as at 31 December 2019
- the consolidated statements of comprehensive income for the period then ended
- the consolidated statement of changes in equity – Charter Hall Group for the period then ended
- the consolidated statement of changes in equity – Charter Hall Property Trust Group for the period then ended
- the consolidated cash flow statements for the period then ended
- the notes to the consolidated financial statements
- the directors' declaration to security holders for Charter Hall Group and Charter Hall Property Trust Group.

The Charter Hall Group comprises Charter Hall Limited and the entities it controlled at period end or from time to time during the period and Charter Hall Property Trust and the entities it controlled at period end or from time to time during the period. The Charter Hall Property Trust Group comprises Charter Hall Property Trust and the entities it controlled at period end or from time to time during the period.

Directors' responsibility for the interim 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 the interim financial reports that give a 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 the interim financial reports that give a true and fair view and are free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial reports based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial reports are not in accordance with the *Corporations Act 2001* including giving a true and fair view of the financial positions of the Charter Hall Group and the Charter Hall Property Trust Group as at 31 December 2019 and their performance for the period ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Charter Hall Limited and Charter Hall Property Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial reports.

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A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial reports of Charter Hall Group and Charter Hall Property Trust Group are not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of Charter Hall Group's and Charter Hall Property Trust Group's financial positions as at 31 December 2019 and of their performance for the period ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in black ink that appears to read 'E A Barron'.

E A Barron
Partner

Sydney
19 February 2020

