

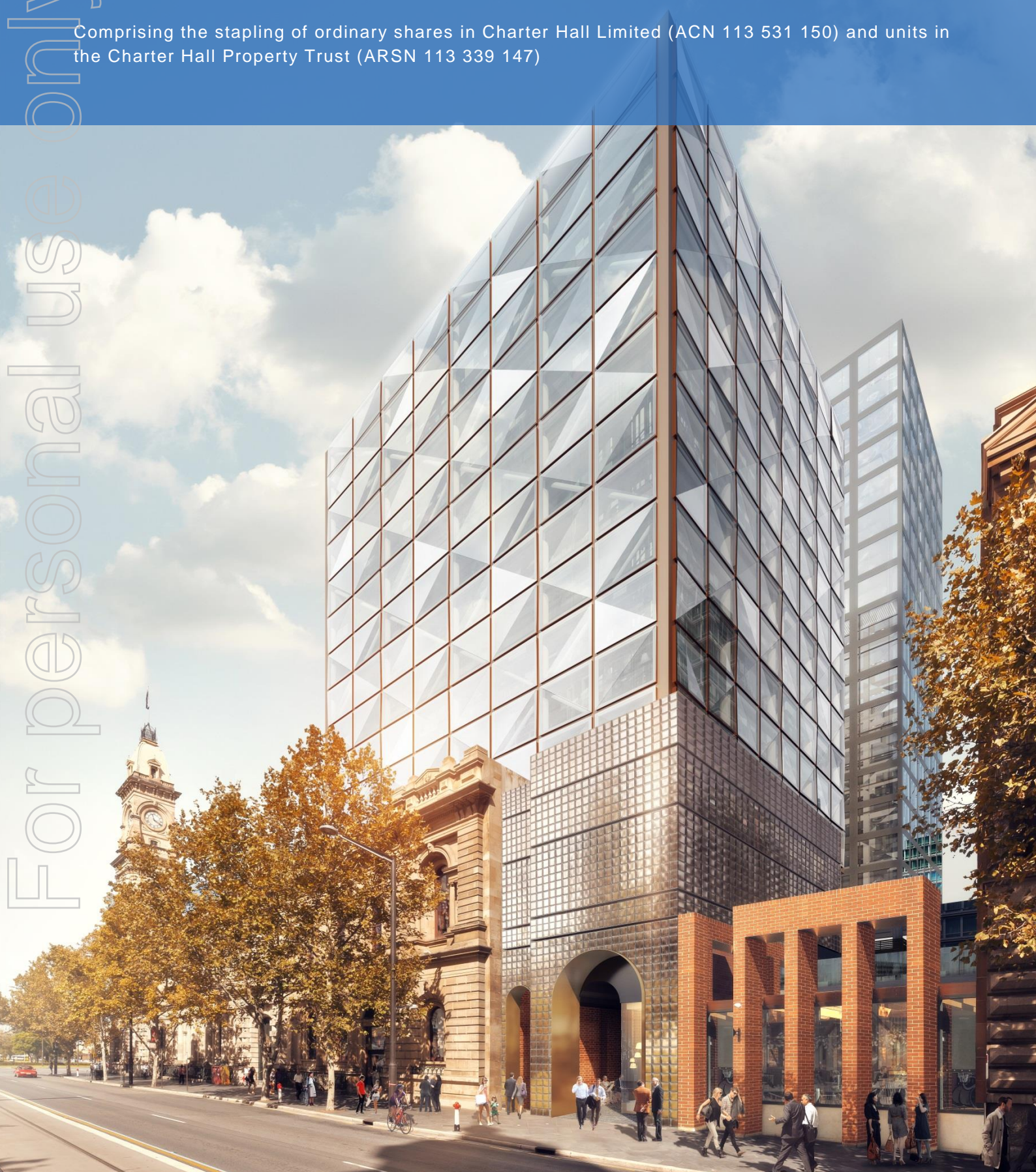
Charter Hall Group

Interim Financial report

For the half year ended 31 December 2015

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

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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.

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

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Contents

Directors' Report.....	4
Auditor's Independence Declaration	11
Consolidated Statements of Comprehensive Income	12
Consolidated Balance Sheets.....	13
Consolidated Statement of Changes in Equity – Charter Hall Group.....	14
Consolidated Statement of Changes in Equity – Charter Hall Property Trust Group	15
Consolidated Cash Flow Statements.....	16
Notes to the consolidated financial statements.....	17
1 Summary of significant accounting policies	17
2 Critical accounting estimates and judgements.....	18
3 Segment information.....	19
4 Distributions paid and payable.....	21
5 Earnings per stapled security.....	22
6 Investments in associates and joint ventures.....	23
7 Intangible assets.....	25
8 Interest-bearing liabilities	25
9 Contributed equity.....	26
10 Fair value measurement	26
11 Commitments.....	28
12 Contingent liabilities	28
13 Events occurring after the reporting date	28
Directors' declaration to securityholders	29
Independent Auditor's Report	30

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Directors' Report

for the half year ended 31 December 2015

The Directors of Charter Hall Limited and the Directors of Charter Hall Funds Management Limited, the Responsible Entity (RE) of Charter Hall Property Trust, present their report together with the consolidated 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 2015, 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). 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 period 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
- Philip Garling - Non-Executive Independent Director
- David Harrison - Chief Executive Officer and Managing Director
- Peter Kahan - Non-Executive Director
- Colin McGowan - Non-Executive Independent Director
- David Southon - Joint Managing Director (resigned 1 February 2016)

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 period.

Distributions - Charter Hall Group

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

	31 Dec 2015 \$'000	31 Dec 2014 \$'000
Interim ordinary distribution for the six months ended 31 December 2015 of 13.3 cents per stapled security payable on 26 February 2016	54,419	-
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	54,419	42,961

Distribution Re-investment Plan (DRP)

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

The DRP issue price is determined at a discount of 1% to the volume weighted average market prices of stapled securities traded on the ASX over the 15 business days from 6 January 2016 to 27 January 2016 inclusive. The Group will raise approximately \$15.4 million from the DRP for the 31 December 2015 distribution (\$4.3430 issue price).

Directors' Report (continued)

for the half year ended 31 December 2015

Review and results of operations

The Group recorded a statutory profit after tax attributable to stapled securityholders for the interim financial period of \$143.5 million compared to a profit of \$39.9 million for the half year ended 31 December 2014.

Operating earnings amounted to \$61.2 million for the period to 31 December 2015 compared to \$48.4 million for the half year ended 31 December 2014, an increase of 26.3% 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 interim financial report.

	31 Dec 2015 \$'000	31 Dec 2014 \$'000
Operating earnings	61,187	48,441
Net fair value (loss)/gain on financial derivatives ¹	(1,791)	(7,348)
Net fair value movements on investments and property ¹	88,703	3,955
Amortisation and impairment of intangibles	(4,259)	(5,059)
Income tax benefit/(expense)	(4,026)	372
Gain on disposal of property investments and inventory ¹	6,008	235
Other ¹	(2,316)	(676)
Statutory profit after tax attributable to stapled securityholders	143,506	39,920

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

The 31 December 2015 interim financial results with comparatives are summarised as follows:

	Charter Hall Group		Charter Hall Property Trust Group	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Revenue (\$ million) ¹	81.3	66.9	10.5	10.2
Basic weighted average number of stapled securities per Note 5 (million)	408.4	352.4	408.4	352.4
Statutory profit after tax for stapled securityholders (\$ million)	143.5	39.9	124.1	30.5
Statutory earnings per stapled security (EPS) (cents)	35.1	11.3	30.4	8.6
Operating earnings for stapled securityholders (\$ million) ²	61.2	48.4	n/a	n/a
Operating earnings per stapled security (cents) ²	15.0	13.7	n/a	n/a
Distributions to stapled securityholders (\$ million)	54.4	43.0	54.4	43.0
Distribution per stapled security (cents)	13.3	12.1	13.3	12.1
	31 Dec 2015	30 Jun 2015	31 Dec 2015	30 Jun 2015
Total assets (\$ million)	1,373.9	1,278.5	1,220.4	1,138.2
Total liabilities (\$ million)	78.9	78.0	55.7	49.5
Net assets attributable to stapled securityholders (\$ million)	1,295.0	1,200.5	1,164.7	1,088.7
Stapled securities on issue (million)	409.2	406.8	409.2	406.8
Net assets per stapled security (\$)	3.16	2.95	2.85	2.68
Net tangible assets (NTA) attributable to stapled securityholders (\$ million)	1,221.0	1,122.2	1,164.7	1,088.7
NTA per stapled security (\$)	2.98	2.76	2.85	2.68
Balance sheet gearing ³	0.00%	0.00%	0.00%	0.00%
Funds under management (\$ billion)	15.9	13.6	n/a	n/a

¹ Gross revenue does not include share of net profits of associates and joint ventures of \$116.4 million (31 December 2014: \$26.6 million).

² Excludes fair value adjustments on financial assets and financial instruments, gains or losses on the sale of investments, non-operating movements in equity accounted investments, non-cash items such as amortisation and non-operating income tax expense.

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

Directors' report (continued)

for the half year ended 31 December 2015

Review and results of operations (continued)

Interim distribution per stapled security (DPS) has increased 9.9% from 12.1 cents for the period ended 31 December 2014 to 13.3 cents for the period ended 31 December 2015.

Net Tangible Assets per stapled security (NTA) at 31 December 2015 is \$2.98, an increase of 8.0% over \$2.76 at 30 June 2015.

Funds Under Management (FUM) increased from \$13.6 billion at 30 June 2015 to \$15.9 billion at 31 December 2015 due to the establishment of Charter Hall Direct Automotive Trust, significant valuation uplifts and property acquisitions and developments in Charter Hall Office Trust, Charter Hall Core Plus Office Fund, Charter Hall Core Plus Industrial Fund, Core Logistics Partnership, Charter Hall Direct Office Fund and Charter Hall Retail REIT.

Gearing at 31 December 2015 is 0.0% (30 June 2015: 0.0%).

The Group generated \$61.2 million of operating earnings compared to \$48.4 million for the prior corresponding period. Operating earnings comprises property investments of \$35.9 million (31 December 2014: \$28.4 million), property funds management of \$26.4 million (31 December 2014: \$21.3 million) less non-cash security-based benefit expense of \$1.1 million (31 December 2014: \$1.3 million) which is not allocated to the reportable segments.

Property Investments

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

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

Directors' report (continued)

for the half year ended 31 December 2015

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)	31 Dec 2015 Charter Hall Investment Income ¹ (\$m)	WALE (years)	Market Cap Rate (%)	Discount Rate (%)	Average Rental Reviews (%)	Charter Hall Investment Yield ⁶ (%)
Listed Fund		224.2	7.0					
Charter Hall Retail REIT (CQR) ⁷	14.3%	224.2	7.0	6.8	6.9%	8.4%	4.1%	8.2%
Wholesale		851.4	26.1					
Charter Hall Office Trust (CHOT)	14.3%	186.4	5.0	5.6	6.4%	7.6%	3.6%	6.3%
Charter Hall Core Plus Office Fund (CPOF)	11.8%	180.5	4.6	6.6	6.5%	7.9%	3.9%	5.4%
Long WALE Investment Partnership (LWIP) ²	50.0%	164.6	6.0	18.8	6.2%	8.1%	2.5%	8.1%
Core Logistics Partnership (CLP)	15.6%	137.7	4.0	10.0	6.7%	8.1%	3.1%	6.7%
Charter Hall Core Plus Industrial Fund (CPIF)	8.2%	94.2	2.9	7.0	7.0%	8.4%	3.0%	7.7%
Retail Partnership No. 6 Trust (RP6) ⁷	20.0%	31.8	0.7	4.6	6.1%	8.2%	3.7%	5.8%
BP Fund (BP) ³	10.6%	22.5	0.6	9.3	6.0%	8.0%	2.0%	6.6%
BP Fund 2 (BP2) ³	13.2%	14.0	0.5	12.8	6.1%	8.0%	2.8%	7.8%
Retail Partnership No. 2 (RP2) ⁷	5.0%	5.9	1.5	4.9	6.5%	8.3%	4.6%	7.7%
Long WALE Investment Partnership 2 (LWIP2)	10.0%	6.3	0.1	19.6	6.5%	9.0%	2.5%	7.0%
TTP Wholesale Fund (TTP) ^{3,4,7}	10.0%	7.5	0.2	4.6	6.5%	8.0%	3.9%	6.0%
Retail Investor Funds		54.0	2.8					
Charter Hall Direct Office Fund (DOF) ⁵	5.4%	27.8	1.9	8.7	6.6%	7.8%	3.6%	9.7%
Charter Hall Direct Industrial Fund No. 3 (DIF3)	17.6%	26.0	0.9	14.0	7.2%	8.8%	3.0%	7.5%
PFA Diversified Property Trust (PFA)	0.1%	0.2	-	5.0	8.3%	8.8%	2.9%	8.9%
Funds being realised		0.7	0.1					
Diversified Property Fund (DPF)	19.6%	0.1	-	3.9	9.3%	10.0%	2.6%	n/a
Charter Hall Umbrella Fund (CHUF)	24.2%	0.6	-	3.9	9.3%	10.0%	2.6%	n/a
Other	-	-	0.1	n/a	n/a	n/a	n/a	n/a
Total		1,130.3	36.0	8.8	6.6%	8.1%	3.4%	7.2%

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

² The LWIP rental increase is CPI, uncapped.

³ These funds comprise the Long WALE Hardware Partnership (LWHP).

⁴ Formerly Keperra Square Fund (KS).

⁵ Formerly Charter Hall Direct Property Fund.

⁶ Investment yield is operating earnings divided by investment value at the beginning of the period adjusted for investments and divestments. Excludes MTM movements during the period.

⁷ Average rent reviews is contracted weighted average rent increases of specialty tenants.

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

(a) Listed fund

Charter Hall Retail REIT (CQR)

CQR's strategy is to invest in neighbourhood and sub-regional shopping centres anchored by Coles and Woolworths supermarkets located in demographically diverse catchments across Australia in order to provide unit holders with a secure and growing income stream. CQR's portfolio comprises 76 properties valued at \$2.5 billion.

CQR reported operating earnings per unit of 15.18 cpu for the period.

During the period, CQR acquired \$228 million in assets including Goulburn Plaza, NSW, Katherine Central, NT and a 47.5% interest in Bateau Bay Square, NSW.

Directors' report (continued)

for the half year ended 31 December 2015

Review and results of operations (continued)

(b) Wholesale unlisted funds and partnerships

Charter Hall Office Trust (CHOT)

CHOT is an unlisted wholesale partnership which owns interests in 15 high grade office assets located in major business districts in Australia. CHOT executed or agreed terms for leases over 67,081sqm during the period.

Long WALE Investment Partnership (LWIP)

LWIP comprises 54 hospitality assets under triple net leases and 100% occupancy.

Charter Hall Core Plus Office Fund (CPOF)

CPOF is an unlisted wholesale office fund which owns interests in 18 high grade office assets located across the major Australian capital city office markets.

During the period the Fund acquired a 50% interest in 900 Ann Street, a \$170 million (100%) forward funded office building leased to Aurizon for a 12 year lease over 18,971sqm. The Fund has secured development rights on 130 Lonsdale St, Melbourne for a total consideration of \$36 million on a staged payment basis and exchanged contracts on 55 King St, Melbourne in December 2015 for \$78.5 million with settlement scheduled for February 2016.

Core Logistics Partnership (CLP)

CLP is a wholesale industrial partnership which owns 24 assets, with occupancy of 98.7% (excluding developments).

CLP acquired or completed \$320 million of assets and sold one asset for \$33 million during the period.

The Fund completed pre-leases to Cascade and Wild Breads at Darra, QLD, Laverton Cold Storage at Drystone, VIC and Woolworths at Laverton, VIC.

Charter Hall Core Plus Industrial Fund (CPIF)

CPIF is a wholesale industrial pooled fund which owns 43 assets, with occupancy of 99.6% (excluding developments). CPIF acquired eight assets for \$440 million and disposed of one asset during the period.

Charter Hall Retail Partnership No.2 (RP2)

RP2 is an unlisted wholesale fund which owns the Bateau Bay Square shopping centre on the Central Coast of New South Wales.

Long WALE Hardware Partnership (LWHP)

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

BP Fund (BP)

BP is an unlisted wholesale fund which owns 10 freestanding warehouse properties, with 100% occupancy (excluding two development properties).

BP Fund 2 (BP2)

BP2 is an unlisted wholesale fund, which owns six freestanding warehouse properties, with 100% occupancy, including one acquired during the period (\$34 million) and one that was sold in January 2016 (\$32 million).

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

The TTP Wholesale Fund is an unlisted wholesale fund which owns the Keperra Square shopping centre in Brisbane.

Retail Partnership No.6 Trust (RP6)

RP6 is an unlisted wholesale fund focusing on strong performing neighbourhood and sub regional shopping centres in which the group has a 20% interest. During the period the fund purchased its second property for \$91 million.

Long WALE Investment Partnership 2 (LWIP2)

LWIP2 is comprised of \$62 million in hospitality assets, including two assets acquired during the period for a combined \$28 million.

Other wholesale unlisted funds, mandates and partnerships

The Group originates and manages segregated mandates for direct property investments either in joint venture with funds such as CPOF or CQR or as 100% owned assets by our clients. The total property value of 3rd party mandates is \$1.4 billion.

(c) Direct investor funds

The Group manages equity raised from retail investors via advisers, high net worth individuals and through direct distribution channels. The Group has \$53.8 million investments in Charter Hall Direct Office Fund and Charter Hall Direct Industrial Fund No.3, unlisted retail funds. The total FUM of these retail funds and single asset syndicates is \$2.2 billion.

Directors' report (continued)

for the half year ended 31 December 2015

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 \$15.9 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 \$26.4 million in operating earnings to the Group.

During the period, total funds under management increased by a net \$2.3 billion to \$15.9 billion. The movement was a result of additional capital expenditure and valuation uplifts, along with the Group's managed funds acquiring approximately \$1.4 billion of property and divesting approximately \$0.3 billion of property.

This segment also includes the activities of the Group's 50% interest in Commercial and Industrial Property Pty Limited (CIP), an industrial development business. CIP contributed \$1.7 million to the Group's earnings for the period.

Significant changes in the state of affairs

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

- In July 2015, the Group purchased \$48.9 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% for cash of \$0.1m and \$45.3 million of CQR units.
- In September 2015, the Group purchased an additional \$20 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 31 December 2015 is 14.3% after these transactions.
- The Group invested \$35.4 million into Core Logistics Partnership (CLP), increasing the Group's ownership to 15.6%.
- The Group invested \$16.0 million into Charter Hall Core Plus Industrial Fund (CPIF), increasing the Group's ownership to 8.2%.
- The Group sold \$14.6 million of its investment in Charter Hall Direct Office Fund (DOF), decreasing the Group's ownership to 5.4%.
- The Group received a capital distribution of \$1.2 million from Diversified Property Fund (DPF) during the period.

Matters subsequent to the end of the period

The following events have occurred subsequent to 31 December 2015:

- CHPT has acquired a 26% interest in a Woolworths Distribution Centre development in Dandenong South, VIC to be equity accounted as a joint venture. The \$216 million asset will have a 20 year lease term and is expected to be completed in March 2018. CHPT has contributed \$4.2 million of its \$56.2 million equity commitment to date.
- On 21 January 2016 the Group announced the retirement of Mr David Deverall as Non-Executive Director of the Group's Board and Chair of the Group's Audit Risk and Compliance Committee, effective 26 February 2016.
- On 1 February 2016 the Group announced that David Harrison has been appointed Chief Executive Officer and Managing Director of the Group, with David Southon electing to step down as Joint Managing Director. David Southon's separation agreement includes a 12 month notice period, short term incentive pro rata for the period of his notice period, vesting of the current service and performance rights as originally intended to the extent that the performance conditions are satisfied and a 12 month redundancy payment to be paid at the end of the notice period.

Except for the matters discussed above, no other matter or circumstance has arisen since 31 December 2015 that has significantly affected, or may significantly affect:

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

Directors' Report (continued)

for the half year ended 31 December 2015

Information on Directors (continued)

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 11.

Rounding of amounts

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

Auditor

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

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



D Clarke
Chairman
Sydney
25 February 2016

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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 2015, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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 that reads 'Wayne Andrews'.

Wayne Andrews
Partner
PricewaterhouseCoopers

Sydney
25 February 2016

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Consolidated Statements of Comprehensive Income

for the half year ended 31 December 2015

	Charter Hall Group		Charter Hall Property Trust Group		
	31 Dec	31 Dec	31 Dec	31 Dec	
	2015	2014	2015	2014	
Note	\$'000	\$'000	\$'000	\$'000	
income					
Revenue	81,270	66,946	10,480	10,155	
Share of net profit of investments accounted for using the equity method	116,433	26,599	110,228	21,974	
Net gain on sale of investments and inventory	5,970	259	973	259	
Net gain on investment in associates at fair value	4,006	-	4,006	-	
Foreign exchange gains	37	-	-	-	
Total income	207,716	93,804	125,687	32,388	
Expenses					
Depreciation	(1,380)	(883)	-	-	
Finance costs	(1,041)	(1,237)	(1,015)	(1,237)	
Net loss on investment in associates at fair value	-	(108)	-	(108)	
Foreign exchange losses	-	(809)	-	-	
Amortisation and impairment of intangibles	(4,259)	(5,059)	-	-	
Asset management fees	-	-	(559)	(445)	
Employee costs	(44,684)	(38,883)	-	-	
Administration and other expenses	(8,820)	(7,277)	(35)	(131)	
Total expenses	(60,184)	(54,256)	(1,609)	(1,921)	
Profit before tax	147,532	39,548	124,078	30,467	
Income tax benefit/(expense)	(4,026)	372	-	-	
Profit for the period	143,506	39,920	124,078	30,467	
Profit for the period as attributable to:					
Equity holders of Charter Hall Limited	19,428	9,453	-	-	
Equity holders of Charter Hall Property Trust (non-controlling interest)	124,078	30,467	124,078	30,467	
Profit for the period	143,506	39,920	124,078	30,467	
Other comprehensive income					
<i>Items that may be reclassified to profit or loss</i>					
Exchange differences on translation of foreign operations	231	(320)	231	(341)	
Transfer of cumulative foreign exchange losses	-	810	-	-	
Other comprehensive income for the period, net of tax	231	490	231	(341)	
Total comprehensive income for the period	143,737	40,410	124,309	30,126	
Total comprehensive income for the period is attributable to:					
Equity holders of Charter Hall Limited	19,428	10,284	-	-	
Equity holders of Charter Hall Property Trust (non-controlling interest)	124,309	30,126	124,309	30,126	
Total comprehensive income for the period	143,737	40,410	124,309	30,126	
Basic and diluted earnings per stapled security					
Basic earnings per stapled security (cents) attributable to stapled securityholders	5(a)	35.1	11.3	30.4	8.6
Diluted earnings per stapled security (cents) attributable to stapled securityholders	5(b)	34.8	11.2	30.1	8.5

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

Consolidated Balance Sheets

as at 31 December 2015

	Note	Charter Hall Group		Charter Hall Property Trust Group	
		31 Dec 2015 \$'000	30 Jun 2015 \$'000	31 Dec 2015 \$'000	30 Jun 2015 \$'000
Assets					
<i>Current assets</i>					
Cash and cash equivalents		61,147	151,593	44,233	37,037
Trade and other receivables		58,775	38,609	24,163	16,154
Assets classified as held for sale		-	10,876	-	-
Total current assets		119,922	201,078	68,396	53,191
<i>Non-current assets</i>					
Trade and other receivables		-	-	81,656	198,427
Investments in associates at fair value through profit or loss	6	54,671	65,535	54,671	65,535
Investments accounted for using the equity method	6	1,109,859	913,865	1,015,702	820,589
Intangible assets	7	74,001	78,260	-	-
Property, plant and equipment		12,319	11,931	-	-
Deferred tax assets		3,169	7,307	-	-
Other assets		-	453	-	453
Total non-current assets		1,254,019	1,077,351	1,152,029	1,085,004
Total assets		1,373,941	1,278,429	1,220,425	1,138,195
Liabilities					
<i>Current liabilities</i>					
Trade and other payables		70,294	70,213	55,669	49,449
Provisions		1,777	1,595	-	-
Total current liabilities		72,071	71,808	55,669	49,449
<i>Non-current liabilities</i>					
Trade and other payables		5,589	5,007	-	-
Provisions		1,265	1,153	-	-
Total non-current liabilities		6,854	6,160	-	-
Total liabilities		78,925	77,968	55,669	49,449
Net assets		1,295,016	1,200,461	1,164,756	1,088,746
Equity					
<i>Equity holders of Charter Hall Limited</i>					
Contributed equity	9(a)	254,515	253,907	-	-
Reserves		(46,106)	(44,615)	-	-
Accumulated losses		(78,149)	(97,577)	-	-
Parent entity interest		130,260	111,715	-	-
<i>Equity holders of Charter Hall Property Trust</i>					
Contributed equity	9(a)	1,187,694	1,181,772	1,187,694	1,181,772
Reserves		383	(46)	383	(46)
Accumulated losses		(23,321)	(92,980)	(23,321)	(92,980)
Equity holders of Charter Hall Property Trust (non-controlling interest)		1,164,756	1,088,746	1,164,756	1,088,746
Total equity		1,295,016	1,200,461	1,164,756	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 half year ended 31 December 2015

	Attributable to the owners of the Charter Hall Group				
	Note	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2014		1,177,434	(44,090)	(216,256)	917,088
Profit for the period		-	-	39,920	39,920
Other comprehensive income		-	490	-	490
Total comprehensive income		-	490	39,920	40,410
<i>Transactions with equity holders in their capacity as equity holders:</i>					
Contributions of equity, net of issue costs		6,208	-	-	6,208
Performance rights and options exercised		9,316	(4,617)	-	4,699
Transfer due to deferred compensation payable in performance rights		-	1,474	-	1,474
Distribution provided for or paid	4	-	-	(42,961)	(42,961)
Non-cash security-based benefit expense		-	1,282	-	1,282
		15,524	(1,861)	(42,961)	(29,298)
Balance at 31 December 2014		1,192,958	(45,461)	(219,297)	928,200
Balance at 1 July 2015		1,435,679	(44,661)	(190,557)	1,200,461
Profit for the period		-	-	143,506	143,506
Other comprehensive income		-	231	-	231
Total comprehensive income		-	231	143,506	143,737
<i>Transactions with equity holders in their capacity as equity holders:</i>					
Contributions of equity, net of issue costs	9	10,686	-	-	10,686
Buyback and issuance of shares for exercised performance rights		(4,156)	(4,340)	-	(8,496)
Transfer due to deferred compensation payable in performance rights		-	1,722	-	1,722
Distribution provided for or paid	4	-	-	(54,419)	(54,419)
Non-cash security-based benefit expense		-	1,127	-	1,127
Equity accounted fair value movements in cash flow hedges		-	198	-	198
		6,530	(1,293)	(54,419)	(49,182)
Balance at 31 December 2015		1,442,209	(45,723)	(101,470)	1,295,016

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 2015

	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 period		-	-	30,467	30,467
Other comprehensive income		-	(341)	-	(341)
Total comprehensive income/(loss)		-	(341)	30,467	30,126
<i>Transactions with equity holders in their capacity as equity holders:</i>					
Contributions of equity, net of issue costs		5,736	-	-	5,736
Performance rights and options exercised		8,608	-	-	8,608
Distribution provided for or paid	4	-	-	(42,961)	(42,961)
		14,344	-	(42,961)	(28,617)
Balance at 31 December 2014		959,677	(45)	(110,422)	849,210
Balance at 1 July 2015		1,181,772	(46)	(92,980)	1,088,746
Profit for the period		-	-	124,078	124,078
Other comprehensive income		-	231	-	231
Total comprehensive income		-	231	124,078	124,309
<i>Transactions with equity holders in their capacity as equity holders:</i>					
Contributions of equity, net of issue costs	9	9,691	-	-	9,691
Buyback and issuance of shares for exercised performance rights		(3,769)	-	-	(3,769)
Distribution provided for or paid	4	-	-	(54,419)	(54,419)
Equity accounted fair value movements in cash flow hedges		-	198	-	198
		5,922	198	(54,419)	(48,299)
Balance at 31 December 2015		1,187,694	383	(23,321)	1,164,756

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

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Consolidated Cash Flow Statements

for the half year ended 31 December 2015

	Charter Hall Group		Charter Hall Property Trust Group	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Receipts from customers (inclusive of GST)	73,367	69,903	-	8
Payments to suppliers and employees (inclusive of GST)	(62,965)	(54,777)	(280)	(575)
Interest received	1,411	1,795	137	933
Interest paid	(563)	(1,032)	(533)	(1,031)
Distributions and dividends from investments	34,760	27,858	30,960	23,878
Net cash inflow from operating activities	46,010	43,747	30,284	23,213
Cash flows from investing activities				
Payments for PP&E, net of lease incentive received	(1,157)	(1,986)	-	-
Proceeds on disposal of investments and inventory	15,873	19,595	-	19,595
Refund for inventory	-	1,740	-	-
Investments in associates and joint ventures	(122,085)	(165,686)	(122,085)	(165,686)
Proceeds on disposal and return of capital from investments in associates and joint ventures	22,457	70,164	22,457	70,164
Loans to associates, joint ventures and related parties	(4,546)	-	(77,143)	(19,656)
Repayments from joint ventures and related parties	-	21,250	196,986	97,168
Repayments from key management personnel	-	1,200	-	-
Net cash (outflow)/inflow from investing activities	(89,458)	(53,723)	20,215	1,585
Cash flow from financing activities				
Proceeds from issues of stapled securities and other equity securities	2,190	10,940	5,922	14,344
Proceeds from borrowings	-	79,100	-	79,100
Repayment of borrowings	-	(78,561)	-	(78,561)
Distributions paid to stapled securityholders	(49,225)	(39,323)	(49,225)	(39,323)
Net cash outflow from financing activities	(47,035)	(27,844)	(43,303)	(24,440)
Net (decrease)/increase in cash and cash equivalents	(90,483)	(37,820)	7,196	358
Cash and cash equivalents at the beginning of the period	151,593	50,184	37,037	577
Effects of exchange rate changes on cash and cash	37	22	-	-
Cash and cash equivalents at the end of the period	61,147	12,386	44,233	935

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 2015

1 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. 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 interim financial report is a combined financial report that presents the interim financial statements and accompanying notes of both the Charter Hall Group and the Charter Hall Property Trust Group.

The interim 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 financial report for the interim half year reporting period ended 31 December 2015 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. 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 2015 and any public announcements made by the Group during the half year ended 31 December 2015 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.

New and amended standards adopted

No new accounting standards or amendments have come into effect for the half year ended 31 December 2015 that affect the Group's operations or reporting requirements.

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

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

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

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

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

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

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

Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2015

2 Critical accounting estimates and judgements

The Charter Hall Group and Charter Hall Property Trust Group make estimates and assumptions concerning the future.

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

The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Classification and carrying value of investments

The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Critical judgements are made in assessing whether an investee entity is controlled or subject to significant influence or joint control. These judgements include an assessment of the nature, extent and financial effects of the Group's interest in joint arrangements and associates, including the nature and effects of its contractual relationship with the entity or with other investors.

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

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

(b) Estimated performance fees

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

(c) Tax losses

The Charter Hall Group has recognised a deferred tax asset relating to tax losses as it is considered probable that future taxable income will be available to utilise the losses in the short to medium term.

(d) Impairment testing of intangibles

Critical judgements are made by the Charter Hall Group in assessing the recoverable amount of intangibles acquired, where the funds to which those intangibles relate have an indefinite life. Intangibles are considered to have an indefinite useful life if there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. Refer to Note 7 for further details.

Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2015

3 Segment information

(a) Description of segments

Charter Hall Group

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

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

Property investments

This segment comprises investments in property funds.

Property funds management

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

Charter Hall Property Trust Group

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

Charter Hall Group

The operating segments provided to the Board for the reportable segments for the period ended 31 December 2015 are as follows:

	Property Investments \$'000	Property Funds Management \$'000	Unallocated \$'000	Combined Group \$'000
31 December 2015				
Co-investment income	35,960	-	-	35,960
Total property funds management income	-	66,524	-	66,524
Total income	35,960	66,524	-	102,484
Net operating expenses	(590)	(38,750)	-	(39,340)
Operating earnings before interest, tax, depreciation and amortisation	35,370	27,774	-	63,144
Non-cash security-based benefits expense	-	-	(1,127)	(1,127)
Depreciation	-	(1,380)	-	(1,380)
Operating earnings before interest and tax	35,370	26,394	(1,127)	60,637
Interest income	1,340	-	-	1,340
Interest expense	(790)	-	-	(790)
Operating earnings attributable to stapled securityholders	35,920	26,394	(1,127)	61,187
Basic weighted average number of stapled securities ('000) per Note 5				408,373
Operating earnings per stapled security (OEPS)				15.0 cps
Number of securities for distribution per stapled security ('000)				409,163
Distribution per stapled security (DPS)				13.3 cps

Geographical segments are immaterial as the vast majority of the Group's income is from Australian sources. Assets and liabilities have not been reported on a segmented basis as the Board is provided with consolidated information.

Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2015

3 Segment information (continued)

The reportable segments for the period ended 31 December 2014 are as follows:

31 December 2014	Property Investments \$'000	Property Funds Management \$'000	Unallocated \$'000	Combined Group \$'000
Co-investment income	28,882	-	-	28,882
Total property funds management income	-	55,865	-	55,865
Total income	28,882	55,865	-	84,747
Net operating expenses	(63)	(33,705)	-	(33,768)
Operating earnings before interest, tax, depreciation and amortisation	28,819	22,160	-	50,979
Non-cash security-based benefits expense	-	-	(1,282)	(1,282)
Depreciation	-	(883)	-	(883)
Operating earnings before interest and tax	28,819	21,277	(1,282)	48,814
Interest income	864	-	-	864
Interest expense	(1,237)	-	-	(1,237)
Operating earnings attributable to stapled securityholders	28,446	21,277	(1,282)	48,441
Basic weighted average number of stapled securities ('000) per Note 5				352,433
Operating earnings per stapled security (OEPS)				13.7 cps
Number of securities for distribution per stapled security ('000)				355,052
Distribution per stapled security (DPS)				12.1 cps

Refer to Note 5 for statutory earnings per stapled security figures.

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

	31 Dec 2015 \$'000	31 Dec 2014 \$'000
Total income per segment note	102,484	84,747
Add: recovery of property and fund related expenses	12,174	10,960
	114,658	95,707
Add: interest income	1,440	864
Less: equity accounted profit in Property Investments segment	(33,165)	(27,625)
Less: equity accounted profit in Property Funds Management segment	(1,663)	(2,000)
Revenue per statement of comprehensive income	81,270	66,946

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

	31 Dec 2015 \$'000	31 Dec 2014 \$'000
Operating interest income per segment note	1,340	864
Operating interest expense per segment note	(790)	(1,237)
Add: interest accounted for as investment income	100	700
Net interest income	650	327
Interest income	1,440	1,564
Finance costs	(1,041)	(1,237)
Borrowing costs	251	-
Net interest income	650	327

Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2015

3 Segment information (continued)

Operating earnings is a financial measure which represents statutory profit/(loss) adjusted for proportionally consolidated fair value adjustments, gains or losses on sale of investments and non-cash items such as amortisation. The inclusion of operating earnings as a measure of the Group's profitability provides investors with the same basis that is used internally for evaluating operating segment performance. Operating earnings is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution to declare.

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

	31 Dec 2015 \$'000	31 Dec 2014 \$'000
Operating earnings	61,187	48,441
Net fair value (loss)/gain on financial derivatives ¹	(1,791)	(7,348)
Net fair value movements on investments and property ¹	88,703	3,955
Amortisation and impairment of intangibles	(4,259)	(5,059)
Income tax benefit/(expense)	(4,026)	372
Gain on disposal of property investments and inventory ¹	6,008	235
Other ¹	(2,316)	(676)
Statutory profit after tax attributable to stapled securityholders of Charter Hall Group	143,506	39,920

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

4 Distributions paid and payable

	Charter Hall Group		Charter Hall Property Trust Group	
	31 Dec 2015 \$'000	31 Dec 2014 \$'000	31 Dec 2015 \$'000	31 Dec 2014 \$'000
Interim ordinary distribution for the six months ended 31 December 2015 of 13.3 cents per stapled security payable on 26 February 2016	54,419	-	54,419	-
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	54,419	42,961	54,419	42,961

Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2015

5 Earnings per stapled security

	Charter Hall Group		Charter Hall Property Trust Group	
	31 Dec 2015 Cents	31 Dec 2014 Cents	31 Dec 2015 Cents	31 Dec 2014 Cents
(a) Basic earnings per stapled security				
Basic earnings attributable to the stapled securityholders	35.1	11.3	30.4	8.6
(b) Diluted earnings per stapled security				
Diluted earnings attributable to the stapled securityholders	34.8	11.2	30.1	8.5

	Charter Hall Group		Charter Hall Property Trust Group	
	31 Dec 2015 \$'000	31 Dec 2014 \$'000	31 Dec 2015 \$'000	31 Dec 2014 \$'000
(c) Reconciliations of earnings used in calculating earnings per stapled security				
Profit attributable to the ordinary stapled securityholders of the Group used in calculating basic and diluted earnings per stapled security	143,506	39,920	124,078	30,467

	Charter Hall Group		Charter Hall Property Trust Group	
	31 Dec 2015 Number	31 Dec 2014 Number	31 Dec 2015 Number	31 Dec 2014 Number
(d) Weighted average number of stapled securities used as the denominator				
Weighted average number of ordinary stapled securities used as the denominator in calculating basic earnings per stapled security	408,372,981	352,433,254	408,372,981	352,433,254
Adjustments for calculation of diluted earnings per stapled security:				
Performance rights	3,217,763	4,341,844	3,217,763	4,341,844
Service rights	639,299	430,343	639,299	430,343
Options	-	831,009	-	831,009
Weighted average number of ordinary stapled securities and potential ordinary stapled securities used as the denominator in calculating diluted earnings per stapled security	412,230,043	358,036,450	412,230,043	358,036,450

Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2015

6 Investments in associates and joint ventures

		OWNERSHIP INTEREST			
Charter Hall Group		31 Dec	30 Jun	31 Dec	30 Jun
Name of entity		2015	2015	2015	2015
Principal Activity		%	%	\$'000	\$'000
Accounted for at fair value through profit or loss:					
<i>Associates - unlisted</i>					
Charter Hall Direct Office Fund ¹	Property investment	5.4	9.3	27,759	38,766
Charter Hall Direct Industrial Fund 3	Property investment	17.6	24.3	26,002	24,631
Charter Hall Diversified Property Fund	Property investment	19.6	19.6	94	1,317
PFA Diversified Property Trust	Property investment	0.1	0.1	197	183
Charter Hall Umbrella Fund	Property investment	24.2	24.2	619	638
Total fair value through profit or loss investments				54,671	65,535
Equity accounted					
<i>Associates - unlisted</i>					
Charter Hall Office Trust	Property investment	14.3	14.3	186,446	163,959
Charter Hall Core Plus Office Fund	Property investment	11.8	12.8	180,466	168,603
Core Logistics Partnership	Property investment	15.6	14.8	137,708	95,712
Charter Hall Core Plus Industrial Fund	Property investment	8.2	7.2	94,246	74,939
Retail Partnership No. 2 Trust ⁵	Property investment	5.0	-	5,888	-
Charter Hall Opportunity Fund 5	Property development	15.0	15.0	5,787	5,787
Charter Hall Opportunity Fund 4	Property development	3.0	3.0	12	12
<i>Associates - listed</i>					
Charter Hall Retail REIT ²	Property investment	14.3	10.7	224,205	146,968
<i>Joint ventures - unlisted</i>					
Long WALE Investment Partnership	Property investment	50.0	50.0	164,575	147,290
Retail Partnership No. 6 Trust	Property investment	20.0	20.0	31,818	19,259
Commercial and Industrial Property Pty Ltd	Property development	50.0	50.0	28,426	30,018
Retail Partnership No. 2 Trust ⁵	Property investment	-	20.0	-	19,591
BP Fund ³	Property investment	10.6	10.6	22,530	19,273
BP Fund 2 ³	Property investment	13.2	14.6	13,964	12,188
TTP Wholesale Fund (TTP) ^{3,4}	Property investment	10.0	10.0	7,480	7,127
Long WALE Investment Partnership 2	Property investment	10.0	10.0	6,308	3,139
Total equity accounted investments				1,109,859	913,865
Total investments				1,164,530	979,400

¹ Formerly Charter Hall Direct Property Fund.

² Fair value at the ASX quoted price as at 31 December 2015 was \$240,454,000 (30 June 2015: \$170,865,000).

³ These funds comprise the Long WALE Hardware Partnership.

⁴ Formerly Keperra Square Fund (KS).

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

Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2015

6 Investments in associates and joint ventures (continued)

		OWNERSHIP INTEREST			
Charter Hall Property Trust Group		31 Dec	30 Jun	31 Dec	30 Jun
Name of entity		2015	2015	2015	2015
Principal Activity		%	%	\$'000	\$'000
Accounted for at fair value through profit or loss:					
<i>Associates - unlisted</i>					
Charter Hall Direct Office Fund ¹	Property investment	5.4	9.3	27,759	38,766
Charter Hall Direct Industrial Fund 3	Property investment	17.6	24.3	26,002	24,631
Charter Hall Diversified Property Fund	Property investment	19.6	19.6	94	1,317
PFA Diversified Property Trust	Property investment	0.1	0.1	197	183
Charter Hall Umbrella Fund	Property investment	24.2	24.2	619	638
Total fair value through profit or loss investments				54,671	65,535
Equity accounted					
<i>Associates - unlisted</i>					
Charter Hall Office Trust	Property investment	14.3	14.3	186,446	163,959
Charter Hall Core Plus Office Fund	Property investment	11.0	11.9	168,711	157,628
Core Logistics Partnership	Property investment	15.6	14.8	137,708	95,712
Charter Hall Core Plus Industrial Fund	Property investment	4.0	2.7	46,069	28,455
Retail Partnership No. 2 Trust ⁵	Property investment	5.0	-	5,888	-
<i>Associates - listed</i>					
Charter Hall Retail REIT ²	Property investment	14.3	10.7	224,205	146,968
<i>Joint ventures - unlisted</i>					
Long WALE Investment Partnership	Property investment	50.0	50.0	164,575	147,290
Retail Partnership No. 2 Trust ⁵	Property investment	-	20.0	-	19,591
Retail Partnership No. 6 Trust	Property investment	20.0	20.0	31,818	19,259
BP Fund ³	Property investment	10.6	10.6	22,530	19,273
BP Fund 2 ³	Property investment	13.2	14.6	13,964	12,188
TTP Wholesale Fund (TTP) ^{3,4}	Property investment	10.0	10.0	7,480	7,127
Long WALE Investment Partnership 2	Property investment	10.0	10.0	6,308	3,139
Total equity accounted investments				1,015,702	820,589
Total investments				1,070,373	886,124

¹ Formerly Charter Hall Direct Property Fund.

² Fair value at the ASX quoted price as at 31 December 2015 was \$240,454,000 (30 June 2015: \$170,865,000).

³ These funds comprise the Long WALE Hardware Partnership.

⁴ Formerly Keperra Square Fund (KS).

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

Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2015

7 Intangible assets

Intangible assets comprise acquired management rights held over the Charter Hall Office Trust (CHOT), Charter Hall Retail REIT (CQR), the Charter Hall Direct Office Fund (DOF, formerly Charter Hall Direct Property Fund) and the PFA Diversified Property Trust (PFA).

With the exception of management rights held over CHOT, management considers that the intangible assets have an indefinite life as there are no finite terms in the underlying agreements, the Charter Hall Group has no intention to cease managing these Funds and the Funds do not have a finite life. The carrying value of intangible assets with an indefinite life (i.e. excluding CHOT) is \$54.1 million.

As CHOT is subject to a liquidity event every five years, the Group is amortising the associated intangible assets over a six year period from 1 May 2012, which includes an additional year to source liquidity were the fund to be wound up as a result of a liquidity review.

	Charter Hall Group		Charter Hall Property Trust Group	
	31 Dec 2015 \$'000	30 Jun 2015 \$'000	31 Dec 2015 \$'000	30 Jun 2015 \$'000
Opening balance	78,260	87,577	-	-
Amortisation	(4,259)	(8,517)	-	-
Impairment	-	(800)	-	-
Closing balance	74,001	78,260	-	-

8 Interest-bearing liabilities

Charter Hall Property Trust loan

Tranche A

This \$100 million facility expires in August 2017. At 31 December 2015, borrowings of \$nil (30 June 2015: \$nil) and bank guarantees of \$11.5 million (30 June 2015: \$11.5 million) had been drawn under this facility.

Tranche B

This \$25.0 million facility expired in August 2015.

Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2015

9 Contributed equity

(a) Security capital

	31 Dec 2015 Securities	30 Jun 2015 Securities	31 Dec 2015 \$'000	30 Jun 2015 \$'000
Charter Hall Limited			254,515	253,907
Charter Hall Property Trust			1,187,694	1,181,772
Ordinary securities - stapled securities, fully paid	409,163,291	406,817,856	1,442,209	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	\$ 1.73	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 rights ⁴	-	\$ 2.21	(387)	(3,769)	(4,156)
Issuance under DRP	2,345,435	\$ 4.60	1,004	9,791	10,795
Balance at 31 December 2015	409,163,291		254,524	1,187,794	1,442,318
Less: Transaction costs on stapled security issues			(9)	(100)	(109)
Balance per accounts at 31 December 2015	409,163,291		254,515	1,187,694	1,442,209

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 \$4.37, offset by the exercise of 1,581,344 performance rights with a value of \$1.91 and 345,607 service rights with an average value of \$3.59.

10 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 6).

Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2015

10 Fair Value Measurement (continued)

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

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

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

Charter Hall Group	Level 1	Level 2	Level 3	Total
31 December 2015	\$'000	\$'000	\$'000	\$'000
Investments in associates at fair value through profit and loss	-	-	54,671	54,671
Total assets	-	-	54,671	54,671
30 June 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	Level 1	Level 2	Level 3	Total
31 December 2015	\$'000	\$'000	\$'000	\$'000
Investments in associates at fair value through profit and loss	-	-	54,671	54,671
Total assets	-	-	54,671	54,671
30 June 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.

(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.

(d) Summarised movements in carrying amounts of associates accounted for at fair value through profit or

	Charter Hall Group		Charter Hall Property Trust Group	
	31 Dec 2015	30 Jun 2014	31 Dec 2015	30 Jun 2014
	\$'000	\$'000	\$'000	\$'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	4,006	1,901	4,006	1,901
Disposal of units	(14,870)	(800)	(14,870)	(800)
Closing balance	54,671	65,535	54,671	65,535

Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2015

11 Commitments

Capital commitments

Charter Hall Group

The Group had no contracted capital commitments as at 31 December 2015 (30 June 2015: \$nil).

Charter Hall Property Trust Group

The Group had no contracted capital commitments as at 31 December 2015 (30 June 2015: \$nil).

12 Contingent liabilities

The Group did not have any contingent liabilities as at 31 December 2015 (30 June 2015: \$nil) other than the bank guarantees of \$11.5 million provided for under the bank facility (refer to Note 8).

13 Events occurring after the reporting date

The following events have occurred subsequent to 31 December 2015:

- CHPT has acquired a 26% interest in a Woolworths Distribution Centre development in Dandenong South, VIC to be equity accounted as a joint venture. The \$216 million asset will have a 20 year lease term and is expected to be completed in March 2018. CHPT has contributed \$4.2 million of its \$56.2 million equity commitment to date.
- On 21 January 2016 the Group announced the retirement of Mr David Deverall as Non-Executive Director of the Group's Board and Chair of the Group's Audit Risk and Compliance Committee, effective 26 February 2016.
- On 1 February 2016 the Group announced that David Harrison has been appointed Chief Executive Officer and Managing Director of the Group, with David Southon electing to step down as Joint Managing Director. David Southon's separation agreement includes a 12 month notice period, short term incentive pro rata for the period of his notice period, vesting of the current service and performance rights as originally intended to the extent that the performance conditions are satisfied and a 12 month redundancy payment to be paid at the end of the notice period.

Except for the matters discussed above, no other matter or circumstance has arisen since 31 December 2015 that has significantly affected, or may significantly affect:

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

Directors' declaration to securityholders

for the half year ended 31 December 2015

In the opinion of the Directors of Charter Hall Limited (Company), and the Directors of the Responsible Entity of Charter Hall Property Trust (Trust), Charter Hall Funds Management Limited (collectively referred to as the Directors):

- (a) the 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 12 to 28 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 2015 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; and

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



David Clarke
Chairman
Sydney
25 February 2016



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 report of:

- Charter Hall Limited, which comprises the consolidated balance sheet as at 31 December 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, selected explanatory notes and a directors' declaration for the Charter Hall Limited Group. The Charter Hall Limited Group comprises Charter Hall Limited and the entities it controlled during that half-year and Charter Hall Property Trust and the entities it controlled during that half-year, which together form the consolidation entity ("Charter Hall Group").
- Charter Hall Property Trust, which comprises the consolidated balance sheet as at 31 December 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, selected 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 during the half-year, which form the consolidated entity ("Charter Hall Property Trust Group").

Directors' responsibility for the half-year 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 interim financial reports that give a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of interim financial reports that 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 2015 and of their performance for the half-year 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 report.

PricewaterhouseCoopers, ABN 52 780 433 757

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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 Limited and Charter Hall Property Trust are not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of Charter Hall Group's and Charter Hall Property Trust Group's financial positions as at 31 December 2015 and of their performance for the half-year ended on that date; and
- (b) complying with Accounting Standards AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive script.

PricewaterhouseCoopers

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

Wayne Andrews
Partner

Sydney
25 February 2016

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