

## APPENDIX 4D

### Half Year Financial Report for the half year ended 31 December 2013

**Name of Entity:** Charter Hall Group (CHC)(Group) – comprising the stapling of ordinary shares in Charter Hall Limited (ACN 113 531 150) and units in Charter Hall Property Trust (ARSN 113 339 147)

#### Results for announcement to the market

	6 months to 31 December 2013 \$m	6 months to 31 December 2012 \$m	Variance (%)
Revenue	59.8	58.0	3.1
Total income	81.2	81.1	0.1
Profit after tax attributable to stapled securityholders of Charter Hall Group	28.6	29.9	(4.3)
Operating earnings attributable to stapled securityholders <sup>(1)</sup>	38.1	33.7 <sup>(2)</sup>	13.1

A reconciliation of the Group's statutory profit to operating earnings is provided in Note 2 of the interim financial statements.

	6 months to 31 December 2013 cps	6 months to 31 December 2012 cps	Variance (%)
Basic earnings per stapled security attributable to stapled securityholders	9.32	10.01	(6.9)
Diluted earnings per stapled security attributable to stapled securityholders	9.05	9.68	(6.5)
Operating earnings per security attributable to stapled securityholders <sup>(1)</sup>	12.42	11.29 <sup>(2)</sup>	10.0

- (1) Operating earnings is a financial measure which represents the profit under Australian Accounting Standards adjusted for fair value adjustments, impairment of assets, income taxes, gains or losses on sale of investments, acquisition costs, non-operating movements in equity accounted 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.
- (2) Restated to include non-cash security based benefit expense, consistent with current period presentation.

### Results for announcement to the market (continued)

Distributions	31 December 2013	31 December 2012
Interim distribution in respect of a : CHPT unit CHL share	11.00¢ -	9.80¢ -
Record date for determining entitlements to the distribution	31 December 2013	
Payment date	25 February 2014	

The Group has a DRP under which securityholders may elect to have all or part of their distribution entitlements satisfied by the issue of new securities rather than being paid in cash. The DRP continued in operation during the half year ended 31 December 2013. The DRP issue price of \$3.67 per security was determined at a discount of 1.0% to the volume weighted average market prices of stapled securities traded on the ASX over the 15 business days from 2 January 2014 to 22 January 2014 inclusive.

### Net tangible assets

	As at 31 December 2013	As at 30 June 2013
Net tangible asset backing per security*	\$2.15	\$2.13

\* Under the listing rules NTA backing 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, non-controlling interests etc).

The number of securities on issue at 31 December 2013 is 309.1 million (June 2013: 302.3 million).

### Control gained or lost over entities during the period

Not applicable.

### Details of associates and joint venture entities

Refer attached interim financial statements (Note 5: Investments in associates and joint ventures).

### Accounting standards used by foreign entities

International Financial Reporting Standards

### Qualification of audit/review

Not applicable. Refer to attached half year financial report for review report.

### Audit

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

# Charter Hall Group

Interim financial report

For the half year ended 31 December 2013

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





## Important Notice

This interim financial report has been prepared and issued by Charter Hall Limited (ABN 57 113 531 150) and Charter Hall Funds Management Limited (ABN 31 082 991 786, AFSL 262861) (CHFML) as Responsible Entity of the Charter Hall Property Trust (together, the Charter Hall Group or Group). The information contained in the 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.

The report is not intended to be and does not constitute an offer of 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, their related bodies corporate, their 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 Charter Hall Group. Actual results may vary from any forecasts, and variation may be materially positive or negative.

CHFML does not receive fees in respect of the general financial advice it may provide; however, entities within the Charter Hall Group receive fees for operating the Trust in accordance with its constitution. Entities within the Charter Hall Group may also receive fees for managing the assets of, and providing resources to the Trust. For more details on fees, see the 2013 annual financial report.

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## Directors' report

for the half year ended 31 December 2013

The directors of Charter Hall Limited and the directors of Charter Hall Funds Management Limited, the Responsible Entity of Charter Hall Property Trust, present their report together with the consolidated interim financial statements of the Charter Hall Group (Group or CHC) and the consolidated interim financial statements of the Charter Hall Property Trust Group (CHPT) for the half year ended 31 December 2013, and the Independent Auditor's Review 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 responsible entity 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 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 otherwise noted:

- Kerry Roxburgh - 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 - Joint Managing Director
- Peter Kahan - Non-Executive Director
- Colin McGowan - Non-Executive Independent Director
- David Southon - Joint Managing Director

### Principal activities

During the period the principal activities of the Group consisted of:

- a. Investment in property funds;
- b. Direct property investments; and
- c. 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:

	2013 \$'000	2012 \$'000
Interim distribution for the six months ended 31 December 2013 of 11.0 cents per security declared and payable 25 February 2014	34,001	-
Interim distribution for the six months ended 31 December 2012 of 9.80 cents per security declared and paid on 26 February 2013	-	29,276

### Distribution Re-investment Plan (DRP)

The Group has a DRP under which securityholders may elect to have all or part of their distribution entitlements satisfied by the issue of new securities rather than being paid in cash. The DRP continued in operation during the half year ended 31 December 2013. The DRP issue price of \$3.67 per security was determined at a discount of 1.0% to the volume weighted average market prices of stapled securities traded on the ASX over the 15 business days from 2 January 2014 to 22 January 2014 inclusive. The Group expects to raise \$6.3 million from the DRP for the 31 December 2013 distribution.

## Directors' report (continued)

for the half year ended 31 December 2013

### Review and results of operations

The Group recorded a statutory profit after tax attributable to stapled security holders for the half year of \$28.6 million compared to \$29.9 million in the prior corresponding period, representing a decrease of 4.3%.

Operating earnings amounted to \$38.1 million compared to \$33.7 million for the half year ended 31 December 2012, an increase of 13.1% over the prior period. Operating earnings is a financial measure which represents the profit under Australian Accounting Standards adjusted for fair value adjustments, impairment of assets, income taxes, gains or losses on sale of investments, acquisition costs, non-operating movements in equity accounted investments, and non-cash items such as amortisation. Effective 1 July 2013, non-cash security based benefit expense is included in the definition of operating earnings. Comparatives for the prior period have been restated to reflect this change.

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 operating earnings information included in the table below has been extracted from Note 2 of the accompanying interim financial report.

A reconciliation of operating earnings to statutory profit is set out below:

	2013 \$'000	2012 \$'000
<b>Operating earnings</b>	<b>38,123</b>	33,699
Fair value adjustments on derivatives <sup>1</sup>	<b>1,270</b>	(847)
Fair value adjustments on investments and property <sup>1</sup>	<b>(2,234)</b>	3,470
Amortisation of management rights	<b>(4,230)</b>	(3,919)
Transfer from reserves of cumulative FX losses on disposal of foreign investments <sup>1</sup>	<b>(494)</b>	(247)
Loss on disposal of investments, property and derivatives <sup>1</sup>	<b>(1,478)</b>	(856)
Amortisation of lease incentives and straightlining of rental income <sup>1</sup>	<b>(180)</b>	(852)
Income taxes <sup>1</sup>	<b>(2,301)</b>	79
Other <sup>1</sup>	<b>123</b>	(659)
<b>Statutory profit after tax attributable to stapled securityholders</b>	<b>28,599</b>	29,868

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

	2013	2012
Basic weighted average number of securities per Note 4 ('000s)	<b>306,890</b>	298,443
Basic earnings per stapled security per Note 4 (cents)	<b>9.32</b>	10.01
Operating earnings per stapled security per Note 2 (cents)	<b>12.42</b>	11.29



## Directors' report (continued)

for the half year ended 31 December 2013

### Review and results of operations (continued)

The 31 December 2013 financial results with comparatives are summarised as follows:

	Charter Hall Group		Charter Hall Property Trust Group	
	Dec 2013	Dec 2012	Dec 2013	Dec 2012
Revenue including non-controlling interests (\$ million) <sup>1</sup>	<b>59.8</b>	58.0	<b>10.9</b>	17.8
Statutory profit after tax – stapled securityholders (\$ million)	<b>28.6</b>	29.9	<b>23.7</b>	27.6
Statutory earnings per stapled security (EPS) (cents)	<b>9.32</b>	10.01	<b>7.73</b>	9.24
Operating earnings for stapled securityholders (\$ million) <sup>2</sup>	<b>38.1</b>	33.7	<b>N/A</b>	N/A
Operating earnings per stapled security (cents) <sup>2</sup>	<b>12.42</b>	11.29	<b>N/A</b>	N/A
Distributions to stapled securityholders (\$ million) <sup>2</sup>	<b>34.0</b>	29.3	<b>34.0</b>	29.3
Distribution per stapled security (cents)	<b>11.0</b>	9.80	<b>11.0</b>	9.80
	<b>Dec 2013</b>	<b>Jun 2013</b>	<b>Dec 2013</b>	<b>Jun 2013</b>
Total assets (\$ million)	<b>845.1</b>	818.8	<b>736.5</b>	720.1
Total liabilities (\$ million)	<b>87.6</b>	78.5	<b>74.2</b>	60.2
Net assets attributable to stapled securityholders (\$ million)	<b>757.5</b>	740.3	<b>662.3</b>	659.9
Securities on issue (million)	<b>309.1</b>	302.3	<b>309.1</b>	302.3
Net assets per security (\$)	<b>2.45</b>	2.45	<b>2.14</b>	2.16
Net tangible assets (NTA) attributable to stapled securityholders (\$ million)	<b>665.7</b>	644.2	<b>662.3</b>	652.8
NTA per stapled security (\$)	<b>2.15</b>	2.13	<b>2.14</b>	2.16
Gearing – borrowings to total assets <sup>3</sup>	<b>3.05%</b>	1.88%	<b>5.19%</b>	3.51%
Funds under management (\$ billion)	<b>10.6</b>	10.3	<b>N/A</b>	N/A
Domestic funds under management (\$ billion)	<b>10.5</b>	9.9	<b>N/A</b>	N/A

1. Gross revenue does not include share of net profits of associates of \$21.3 million (2012: profit of \$22.9 million).

2. Excludes fair value adjustments, impairment of assets, income taxes, gains or losses on sale of investments, acquisition costs, non-operating movements in equity accounted investments, and non-cash items such as amortisation.

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

Interim distribution per security (DPS) has increased from 9.8 cents in 2012 to 11.0 cents in 2013.

Net Tangible Assets per stapled security (NTA) has increased from \$2.13 as at 30 June 2013 to \$2.15 as at 31 December 2013.

Funds Under Management (FUM) has increased from \$10.3 billion at 30 June 2013 to \$10.6 billion at 31 December 2013 due to property acquisitions, particularly in the Core Logistics Partnership.

Gearing has increased from 1.88% at 30 June 2013 to 3.05% at 31 December 2013.

The Group earned \$38.1 million of operating earnings compared to \$33.7 million for the prior corresponding period. Operating earnings comprises property fund investments of \$22.5 million (December 2012: \$18.8 million), direct property investments of \$0.7 million (December 2012: \$2.7 million), property funds management of \$16.7 million (December 2012: \$13.6 million) and unallocated non-cash security based benefit expense of \$1.8 million (December 2012: \$1.4 million).

## Directors' report (continued)

for the half year ended 31 December 2013

### Review and results of operations (continued)

#### Property funds investments

The Group's property funds investments are classified into the following categories reflecting different sources of external equity managed across the Group:

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

A summary of the activities of each of the above categories is provided below.

##### i. Listed fund

#### Charter Hall Retail REIT (CQR) – \$2.1 billion FUM, CHPT interest 9% with an equity interest carrying value of \$113.0 million

CQR's investment strategy is to invest in neighbourhood and sub-regional shopping centres anchored by Coles and Woolworths supermarkets located in demographically diverse catchments across Australia. The REIT's supermarket-anchored portfolio comprises 77 Australian properties with a reduced offshore exposure as a result of the REIT's successful offshore divestment program implemented in recent years. Following the completion of the sale of the REIT's Polish assets in October 2013, the Australian portfolio represents 99% of the REIT's net tangible assets.

At 31 December 2013, CQR was trading at a 6.8% premium to its net tangible assets of \$3.36 per unit. The REIT reported operating earnings of 14.84 cpu for the period, representing growth of 5.5% on the prior period. CQR contributed \$4.9 million to the Group's half year investment earnings.

For the period ended 31 December 2013, asset revaluations of CQR's Australian grocery anchored portfolio were up \$23.0 million. The occupancy of CQR's Australian portfolio at 31 December 2013 was 98.2%, with specialty rental rate growth of 3.3%, reflecting the non-discretionary nature of income from the underlying assets.

In November 2013, the REIT completed an \$80 million institutional placement of 21.1 million units at a price of \$3.80 per unit. The REIT used the proceeds of the placement to partially fund the acquisition of Rosebud Plaza, Rosebud for a gross purchase price of \$100 million. The REIT also purchased Southgate Plaza, Morphett Vale (\$60.0 million) and Secret Harbour Shopping Centre, Perth (\$33.2 million) and completed redevelopments at Singleton Square, Singleton (\$61.7 million) and South Hedland Square, South Hedland (\$15.7 million) during the period.

The Group acquired 1.6 million units in CQR in December 2013, 0.5 million units in January 2014 and 2.2 million units under a conditional placement in February 2014 for combined consideration of \$15.5 million. The Group's ownership interest in CQR has increased to currently 10.0% as a result of these transactions.

##### ii. Wholesale unlisted funds and partnerships

#### Charter Hall Office Trust (CHOT) – \$2.3 billion FUM, CHPT interest 14% with an equity interest carrying value of \$172.0 million

CHOT's portfolio comprises eighteen high grade office assets located in major business districts in Australia including the recently completed premium project at 171 Collins Street, Melbourne and No. 1 Martin Place, Sydney, of which CHOT acquired the residual 50% interest from third party investors in August 2013. The No.1 Martin Place acquisition was funded by a \$103.0 million equity raising in which the Group contributed a \$14.7 million pro-rata stake. The Group is moving its Sydney head office into the building in March 2014, with fitout of its space currently underway.

CHOT generated rental income of \$107.2 million for the period and contributed \$6.2 million to the Group's half year investment earnings. On a like-for-like holding basis, the portfolio valuations over the period increased by \$61.3 million, which closely matched the capital expenditure. Whilst there was modest capitalisation rate compression, this was typically offset by lower rental growth forecasts and higher tenant incentives.

The portfolio weighted average lease expiry (WALE) for CHOT is 4.4 years with a majority exposure to core Australian CBD office markets. The current weighted average capitalisation rate for CHOT is 7.5% and occupancy is 95%.

## Directors' report (continued)

for the half year ended 31 December 2013

### Review and results of operations (continued)

#### ii. Wholesale unlisted funds and partnerships (continued)

##### Charter Hall Core Plus Office Fund (CPOF) – \$1.8 billion FUM, CHPT interest 11% & CHL interest 1% with a combined equity interest carrying value of \$115.3 million

CPOF is an Australian unlisted wholesale office fund which owns fifteen high quality office assets spread across the major Australian CBD office markets. CPOF generated rental income of \$77.1 million for the period and contributed \$3.9 million to the Group's half year investment earnings. The fund re-negotiated its debt facility in December 2013, increasing its facility limit at reduced rates for an extended term. The composition of the fund's investors changed following a seven-year liquidity review held in November 2013. The fund's net equity was unaffected as a number of existing investors took up pre-emptive rights over the \$162 million of redemption demand via an additional investment of \$162 million in equity. In addition the fund secured new equity of \$154 million during the period comprising \$140 million from the current \$200 million equity raising plus a further \$14 million via the income reinvestment plan. CPOF has a current weighted average capitalisation rate of 7.68%, occupancy of 98% (excluding development affected properties) and a WALE of 5.2 years.

##### Charter Hall Core Plus Industrial Fund (CPIF) - \$733 million FUM, CHPT interest 5% & CHL interest 7% with a combined equity interest carrying value of \$57.2 million

CPIF is an Australian unlisted wholesale industrial fund which has outperformed its sector specific benchmark in the IPD/Mercer Wholesale Unlisted Property Index over the one, two and three year periods to 31 December 2013. CPIF generated rental income of \$23.9 million for the period and contributed \$2.2 million to the Group's half year investment earnings.

Following the completion of a \$150.0 million equity raising, the fund acquired or developed \$160.0 million of new property, increasing the fund size to \$733.0 million including: Huntingwood Drive, Huntingwood; 2 Bannister Road, Canning Vale; 180 Holt Street, Pinkenba; Grand Trunkway, Gillman; and 15 Long Street, Smithfield.

CPIF has a weighted average capitalisation rate of 8.3%, a WALE of 8.1 years and 100% occupancy (excluding development properties) underpinned by strong tenant covenants such as Woolworths, Coles, Chevron, Australia Post, Metcash and Volkswagen across 27 assets.

##### Charter Hall Retail Partnership No.2 (RP2) (Bateau Bay Square) – \$172 million FUM, CHPT interest 20%, with an equity interest carrying value of \$19.1 million

RP2 is an unlisted wholesale fund which owns the Bateau Bay Square shopping centre on the Central Coast of New South Wales. The Group's principal partner in the fund is a global institutional partner. RP2 has a 7.75% weighted average capitalisation rate, a 99% occupancy rate, an anchor tenant WALE of 3.6 years and a lease profile underpinned by national non-discretionary tenancies including Woolworths, Kmart and Aldi. The fund generated rental income of \$6.4 million for the period and contributed \$0.8 million to the Group's half year investment earnings.

##### BP Fund (BPF) (Bunnings Partnership) – \$250 million FUM, CHL interest 13% with an equity interest carrying value of \$15.6 million

BPF is a wholesale investment trust which owns eight freestanding Bunnings Warehouse properties and one traditional warehouse property, which is to serve as future expansion space for one of the Bunnings stores, and a \$14 million Bunnings Warehouse pending settlement. The Group's principal partner in the fund is a major Australian superannuation fund. The fund generated rental income of \$9.7 million for the period and contributed \$0.6 million to the Group's half year investment earnings. The property portfolio is 100% leased, has a WALE of 10.9 years and a weighted average capitalisation rate of 7.36%.

##### Core Logistics Partnership (CLP) - \$439 million FUM. CHL interest 19% with an equity interest carrying value of \$82.2 million

CLP is a wholesale core industrial partnership with a mandate to acquire predominantly core Australian logistics properties. The partnership targets institutional grade properties with strong lease covenants and has a target portfolio WALE of greater than 8 years. CLP's mandate allows it to invest a proportion of its capital in land which provides a pipeline to additional assets based on pre-leased, design and construct industrial and logistics facilities.

The partnership raised \$223.9 million of equity this period, including \$71.8 million received from the Group, and acquired \$270.3 million of new assets including Somerton Logistics Centre, Somerton; 2-29 Frederick Street, Tottenham; 14-18 Worth Street, Chullora; 92 Kurrajong Avenue, Mt Druitt and Peters Manufacturing and Distribution Centre, 254-294 Wellington Road, Mulgrave (settled post balance date) and Manheim Smithfield, 386-400 Woodpark Road, Smithfield (settled post balance date). Development land comprises approximately 4% of the portfolio by gross asset value.

## Directors' report (continued)

for the half year ended 31 December 2013

### Review and results of operations (continued)

#### ii. Wholesale unlisted funds and partnerships (continued)

##### CLP (continued)

The partnership generated rental income of \$8.7 million for the period and contributed \$1.3 million to the Group's half year investment earnings. The current portfolio has a weighted average capitalisation rate of 7.9% and a 9.3 year WALE from its leased assets with the income predominantly generated from Woolworths, Metcash and Amcor. The property portfolio consists of 10 properties and is 93% occupied (excluding development land). CLP continues to actively pursue further property acquisitions in order to fully deploy its debt and equity commitments. Property revaluations since 30 June 2013 have resulted in a total valuation increase of \$5.1 million net of capital expenditure.

##### Keperra Square Fund (Keperra Square) - \$65 million FUM, CHL equity interest of 10% with a carrying value of \$0.9 million and convertible preferred equity notes (PENS) with a carrying value of \$21.3 million

The Keperra Square Fund is an unlisted wholesale trust established by the Group in partnership with an institutional investor in June 2013. The fund's sole asset, Keperra Square, anchored by Woolworths and Aldi, in Keperra, Brisbane has a 7.75% weighted average capitalisation rate, a 90% occupancy rate and a 4.4 year WALE. The Group has a 10% interest in the fund in addition to \$21.3 million in convertible preferred equity notes (PENS). The fund generated rental income of \$3.8 million for the period and contributed \$1.0 million to the Group's half year investment earnings (including interest income).

##### Other wholesale unlisted funds, mandates and partnerships

The Group also 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 property portfolio for the segregated mandate business includes 275 George Street, Brisbane Square, 100 Skyring Terrace in Brisbane, Charter Hall Retail Partnership No. 1, Riverside Centre in Adelaide and Bankwest Place in Perth, representing a total portfolio value of \$1.1 billion.

#### iii. Retail investor funds

This business manages equity raised from retail investors via advisers, high net worth individuals and through direct distribution channels.

##### Charter Hall Direct Property Fund (CHDPF) - \$472 million FUM, CHPT interest 4% representing a carrying value of \$10.8 million

CHDPF is an unlisted property fund primarily invested in eight office properties in Sydney, Melbourne, Brisbane and Perth. The fund generated rental income of \$24.6 million during the period and contributed \$0.4 million to the Group's half year investment earnings. The fund has a weighted average capitalisation rate of 8.24%, an occupancy rate of 93% and a WALE of 4.1 years

The fund remains open for investor applications with the issue of a product disclosure statement in December 2010 and is continuing to provide limited liquidity through six-monthly withdrawal offers.

##### Charter Hall Diversified Property Fund (DPF) - \$8 million FUM, CHPT equity interest of 20% representing a carrying value of \$1.9 million

DPF is an unlisted property fund in the process of being wound up. It sold two of its assets for proceeds approximating book value during the current period and its last remaining asset, an industrial property located in Melbourne, has a book value of \$8.0 million. The fund generated rental income of \$1.1 million and contributed \$0.1 million to the Group's half year investment earnings.

##### Charter Hall Umbrella Fund (CHUF) - \$50 million FUM, CHPT interest 24% representing a carrying value of \$12.5 million

CHUF is an unlisted fund of funds with investments in which in aggregate own 28 industrial properties across Australia. The fund contributed \$0.8 million to the Group's half year investment earnings and provided a capital return of \$15.0 million (32 cents per unit).

##### Other retail investor funds

The Group manages a series of pooled and single asset syndicates totalling \$909 million in FUM. Charter Hall Group has a co-investment totalling \$0.4 million in two of these funds, being PFA Diversified Property Trust (PFA) and Direct Industrial Fund (DIF).

## Directors' report (continued)

for the half year ended 31 December 2013

### Review and results of operations (continued)

#### Direct property investments

The Group's direct property investment activities have been carried out by Charter Hall Direct Retail Fund (DRF) which is 100% owned by the Group.

##### Charter Hall Direct Retail Fund (DRF) – \$Nil carrying value

DRF contributed \$0.8 million to the Group's half year investment earnings. During the period, DRF sold its last two remaining investments, a 50% interest in Home HQ, Nunawading, Victoria and a direct interest in the Menai Central Shopping Centre in Menai, New South Wales. The gross sales prices of both transactions were in line with the assets' respective carrying values at 30 June 2013. This fund will be wound up following the expiry of existing warranty by June 2014.

#### Property funds management

The property funds management business provides investment management, asset management, property management, development management, leasing and transaction services to not only funds in which the Group has a co-investment stake, but also to funds established and managed by the Group. The use of an integrated property services model enhances the returns from capital invested. The Group also provides services via segregated mandates looking to capitalise on the Group's expertise. The property funds management business contributed \$16.7 million in operating earnings to the Group.

During the period, total funds under management increased \$0.3 billion to \$10.6 billion. The Group's managed funds have acquired approximately \$1.0 billion of property and divested approximately \$0.9 billion. The incremental increase of funds under management is attributed to valuation uplifts and capital expenditure during the period.

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 \$1.3 million to the Group's half year investment earnings.

#### Interests in development funds and development properties

The Group's interests in development funds and development properties include interests in the Charter Hall Opportunity Fund No. 4 (CHOF4), the Charter Hall Opportunity Fund No. 5 (CHOF5) and a 50% interest in an office development at 685 La Trobe Street, Melbourne. Investment in development funds and development properties do not form part of the operating result of the Group.

##### Charter Hall Opportunity Fund 4 (CHOF4) - \$Nil FUM, CHL interest 3% with an equity interest carrying value of \$Nil

CHOF4's eight projects are completed and capital returned to investors (including \$0.8 million received by the Group). The last project, being Home HQ North Shore, settled on 30 September 2013 and the fund is in the process of being wound up in an orderly manner.

##### Charter Hall Opportunity Fund 5 (CHOF5) – \$148 million FUM, CHL interest 15% with an equity interest carrying value of \$15.0 million

CHOF5's mandate is to identify, acquire and deliver property development and value-add opportunities across various sectors. Progress on the fund's existing developments is outlined below.

The WorkZone, Perth office development reached practical completion on 29 August 2013 and the anchor tenant, Leighton Contractors Pty Limited occupies 76% of the 2 office buildings. Contracts exchanged for the sale of the West Tower to a Charter Hall syndication (the Charter Hall Direct Workzone Trust) during the period and settlement occurred on 30 January 2014. CHOF5 repaid the Group mezzanine debt and related interest totalling \$6.3 million on settlement.

In respect of the Little Bay Cove project, CHOF5 entered into a conditional agreement with its Development Alliance Partner, Global Development Pty Limited and TA Antarabangsa Development Limited (TAG) on 27 November 2013 for the sale of CHOF5's 50% interest in the Little Bay Cove project. The sale is conditional on the development reaching practical completion, TAG obtaining debt funding approval and the extension of the project's Westpac debt facility until 14 days following practical completion. Practical completion is expected in late March / early April 2014. Westpac has granted an extension of the facility to 14 March 2014. A further extension of the facility until practical completion is the subject of ongoing discussions with the senior debt financier. The project is valued in line with the sales price agreed with TAG. Should the sales transaction not occur, commercial negotiations regarding the future direction of the Development Alliance and the project will commence. Please refer to Note 5: Investments in associates and joint ventures of the financial statements for further details.

## Directors' report (continued)

for the half year ended 31 December 2013

### Review and results of operations (continued)

#### Interests in development funds and development properties (continued)

##### CHOF5 (continued)

For the Aquilo residential development in Mentone, Victoria, at the date of this report, all 119 townhouses have been sold and settled. During the period, 12 townhouses settled.

For the Lacrosse residential development in Melbourne Docklands, Victoria, all 312 apartments and 15 retail lot development have been sold and settled. During the period, 8 apartments and 8 retail lots settled.

For The Park Megacentre development in Hastings New Zealand, all 8 lots have been sold and settled. During the period, the final 4 lots settled.

##### 685 La Trobe Street office development site – CHL interest 50%

The development site at 685 La Trobe Street, Melbourne has planning approval for an office building of approximately 38,000 square metres and is seeking a satisfactory leasing pre-commitment with a view to on-selling this project to a suitable third party capital partner. This project has not made a contribution to the current period result.

#### Matters subsequent to the end of the period

Since 31 December 2013, the Group has completed the following:

- Settled \$1.7 million of CQR units in January 2014 and acquired a further \$8.0 million of units under a conditional placement approved by CQR unitholders on 3 February 2014. The Group has increased its ownership interest in CQR from 9.3% to 10.0% as a result of these transactions.

Except as noted above, no other matter or circumstance has arisen since 31 December 2013 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.

#### 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 to the nearest thousand dollars

The Group is of a kind referred to in Class Order 98/100, issued by the Australia Securities & Investment Commission, relating to the 'rounding off' of amounts in the directors' report and interim financial report. Amounts in the directors' report and interim financial report have been rounded to the nearest thousand dollars, in accordance with that class order, unless otherwise indicated.

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



**Kerry Roxburgh**

Chairman

Sydney

24 February 2014



## 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 2013, 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  
24 February 2014

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## Consolidated statements of comprehensive income

for the half year ended 31 December 2013

	Note	Charter Hall Group		Charter Hall Property Trust Group	
		31 Dec 2013 \$'000	31 Dec 2012 \$'000	31 Dec 2013 \$'000	31 Dec 2012 \$'000
<b>Income</b>					
Revenue		59,761	57,980	10,947	17,766
Share of net profit of associates accounted for using the equity method		21,288	22,900	17,926	21,115
Foreign exchange gains		103	53	-	-
Fair value adjustment on contingent consideration		-	6	-	-
Net unrealised gain from derivative financial instruments		-	119	-	119
<b>Total income</b>		<b>81,152</b>	<b>81,058</b>	<b>28,873</b>	<b>39,000</b>
<b>Expenses</b>					
Investment property expenses		(160)	(1,086)	(160)	(1,086)
Depreciation		(434)	(608)	-	-
Finance costs		(733)	(2,769)	(993)	(2,869)
Net loss on sale of investment properties and derivatives		(917)	(1,066)	(917)	(1,066)
Net fair value adjustments on investment properties		-	(4,324)	-	(4,324)
Net loss on investment in associates at fair value		(2,554)	(674)	(2,554)	(709)
Net loss on remeasurement of equity interests		-	(933)	-	(941)
Amortisation of management rights		(4,230)	(3,919)	-	-
Asset management fees		-	-	(443)	(1,249)
Employee benefits expense		(35,037)	(30,621)	-	-
Management, administration and other expenses		(6,503)	(5,785)	(119)	(295)
<b>Total expenses</b>		<b>(50,568)</b>	<b>(51,785)</b>	<b>(5,186)</b>	<b>(12,539)</b>
<b>Profit before tax</b>		<b>30,584</b>	<b>29,273</b>	<b>23,687</b>	<b>26,461</b>
Income tax expense		(1,985)	(163)	-	-
<b>Profit for the period</b>		<b>28,599</b>	<b>29,110</b>	<b>23,687</b>	<b>26,461</b>
<b>Profit for the period as attributable to:</b>					
Equity holders of Charter Hall Limited		4,867	2,287	-	-
Equity holders of Charter Hall Property Trust (non-controlling interest)		23,732	27,581	23,732	27,581
<b>Profit attributable to stapled securityholders of Charter Hall Group</b>		<b>28,599</b>	<b>29,868</b>	<b>23,732</b>	<b>27,581</b>
Net profit attributable to other non-controlling interests		-	(758)	(45)	(1,120)
<b>Profit for the period</b>		<b>28,599</b>	<b>29,110</b>	<b>23,687</b>	<b>26,461</b>
<b>Other comprehensive income</b>					
<i>Items that may be reclassified to profit or loss</i>					
Exchange differences on translation of foreign operations		171	102	35	55
Transfer of cumulative foreign exchange losses		494	247	494	247
Other comprehensive income for the period, net of tax		665	349	529	302
<b>Total comprehensive income for the period</b>		<b>29,264</b>	<b>29,459</b>	<b>24,216</b>	<b>26,763</b>
<b>Total comprehensive income for the period is attributable to:</b>					
Equity holders of Charter Hall Limited		5,003	2,334	-	-
Equity holders of Charter Hall Property Trust (non-controlling interest)		24,261	27,883	24,261	27,883
<b>Total comprehensive income attributable to stapled securityholders of Charter Hall Group</b>		<b>29,264</b>	<b>30,217</b>	<b>24,261</b>	<b>27,883</b>
Total comprehensive income attributable to other non-controlling interests		-	(758)	(45)	(1,120)
<b>Total comprehensive income for the period</b>		<b>29,264</b>	<b>29,459</b>	<b>24,216</b>	<b>26,763</b>
<b>Basic and diluted earnings per stapled security</b>					
Basic earnings per stapled security (cents) attributable to securityholders	4	9.32	10.01	7.73	9.24
Diluted earnings per stapled security (cents) attributable to securityholders	4	9.05	9.68	7.51	8.94

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



## Consolidated balance sheets

as at 31 December 2013

	Note	Charter Hall Group		Charter Hall Property Trust Group	
		31 Dec 2013 \$'000	30 Jun 2013 \$'000	31 Dec 2013 \$'000	30 Jun 2013 \$'000
<b>Assets</b>					
<i>Current assets</i>					
Cash and cash equivalents		14,328	12,236	1,544	2,229
Trade and other receivables		67,005	63,550	37,629	32,432
Assets classified as held for sale		-	55,225	-	55,225
<b>Total current assets</b>		<b>81,333</b>	<b>131,011</b>	<b>39,173</b>	<b>89,886</b>
<i>Non-current assets</i>					
Trade and other receivables		6,500	2,400	138,951	145,891
Investments in associates at fair value through profit or loss	5	25,676	49,229	25,676	49,229
Inventories		11,245	10,848	-	-
Investments accounted for using the equity method	5	618,817	520,147	532,729	435,084
Intangible assets	6	91,836	96,066	-	-
Property, plant and equipment		4,685	2,743	-	-
Deferred tax assets		5,028	6,389	-	-
<b>Total non-current assets</b>		<b>763,787</b>	<b>687,822</b>	<b>697,356</b>	<b>630,204</b>
<b>Total assets</b>		<b>845,120</b>	<b>818,833</b>	<b>736,529</b>	<b>720,090</b>
<b>Liabilities</b>					
<i>Current liabilities</i>					
Trade and other payables		45,362	48,821	34,569	32,740
Provisions		1,456	1,101	-	-
Interest bearing liabilities		-	27,455	-	27,455
<b>Total current liabilities</b>		<b>46,818</b>	<b>77,377</b>	<b>34,569</b>	<b>60,195</b>
<i>Non-current liabilities</i>					
Provisions		1,141	1,162	-	-
Interest bearing liabilities		39,659	-	39,659	-
<b>Total non-current liabilities</b>		<b>40,800</b>	<b>1,162</b>	<b>39,659</b>	<b>-</b>
<b>Total liabilities</b>		<b>87,618</b>	<b>78,539</b>	<b>74,228</b>	<b>60,195</b>
<b>Net assets</b>		<b>757,502</b>	<b>740,294</b>	<b>662,301</b>	<b>659,895</b>
<b>Equity</b>					
<i>Equity holders of Charter Hall Limited</i>					
Contributed equity	7	213,907	211,335	-	-
Reserves		(53,856)	(54,147)	-	-
Accumulated losses		(64,850)	(69,717)	-	-
Parent entity interest		95,201	87,471	-	-
<i>Equity holders of Charter Hall Property Trust</i>					
Contributed equity	7	772,828	753,610	772,828	753,610
Reserves		(881)	(1,410)	(881)	(1,410)
Accumulated losses		(109,646)	(99,377)	(109,646)	(99,377)
Equity holders of Charter Hall Property Trust (non-controlling interest)		662,301	652,823	662,301	652,823
<b>Interest attributable to stapled securityholders</b>		<b>757,502</b>	<b>740,294</b>	<b>662,301</b>	<b>652,823</b>
Non-controlling interest in DRF		-	-	-	7,072
<b>Total equity</b>		<b>757,502</b>	<b>740,294</b>	<b>662,301</b>	<b>659,895</b>

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 2013

Attributable to the owners of Charter Hall Group						
	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total \$'000	Non- controlling interest \$'000	Total equity \$'000
Balance at 1 July 2012	948,725	(50,470)	(169,347)	728,908	27,448	756,356
Profit/(loss) for the half year	-	-	29,868	29,868	(758)	29,110
Other comprehensive income	-	349	-	349	-	349
<b>Total comprehensive income/(loss)</b>	-	349	29,868	30,217	(758)	29,459
Transactions with equity holders in their capacity as equity holders:						
Performance rights and options exercised	5,074	(1,739)	-	3,335	-	3,335
Distribution provided for or paid	-	-	(29,276)	(29,276)	(11,383)	(40,659)
Non-cash security-based benefit expense	-	1,395	-	1,395	-	1,395
Transactions with non-controlling interests	-	(89)	-	(89)	924	835
Transfer from accumulated losses	-	(6,122)	6,122	-	-	-
	5,074	(6,555)	(23,154)	(24,635)	(10,459)	(35,094)
<b>Balance at 31 December 2012</b>	<b>953,799</b>	<b>(56,676)</b>	<b>(162,633)</b>	<b>734,490</b>	<b>16,231</b>	<b>750,721</b>
Balance at 1 July 2013	964,945	(55,557)	(169,094)	740,294	-	740,294
Profit for the half year	-	-	28,599	28,599	-	28,599
Other comprehensive income	-	665	-	665	-	665
<b>Total comprehensive income</b>	-	665	28,599	29,264	-	29,264
Transactions with equity holders in their capacity as equity holders:						
Contributions of equity, net of issue costs	14,201	-	-	14,201	-	14,201
Performance rights and options exercised	7,589	(2,791)	-	4,798	-	4,798
Transfer due to deferred compensation payable in performance rights	-	1,194	-	1,194	-	1,194
Distributions provided for or paid	-	-	(34,001)	(34,001)	-	(34,001)
Non-cash security-based benefit expense	-	1,752	-	1,752	-	1,752
	21,790	155	(34,001)	(12,056)	-	(12,056)
<b>Balance at 31 December 2013</b>	<b>986,735</b>	<b>(54,737)</b>	<b>(174,496)</b>	<b>757,502</b>	<b>-</b>	<b>757,502</b>

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

## Consolidated statement of changes in equity – Charter Hall Property Trust Group

for the half year ended 31 December 2013

Attributable to the owners of Charter Hall Property Trust Group						
	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total \$'000	Non- controlling interest \$'000	Total equity \$'000
Balance at 1 July 2012	739,175	(1,415)	(87,609)	650,151	40,558	690,709
Profit/(loss) for the half year	-	-	27,581	27,581	(1,120)	26,461
Other comprehensive income	-	302	-	302	-	302
<b>Total comprehensive income/(loss)</b>	-	302	27,581	27,883	(1,120)	26,763
Transactions with equity holders in their capacity as equity holders:						
Performance rights and options exercised	4,526	-	-	4,526	-	4,526
Distribution provided for or paid	-	-	(29,276)	(29,276)	(16,820)	(46,096)
Transactions with non-controlling interests	-	(67)	-	(67)	902	835
	4,526	(67)	(29,276)	(24,817)	(15,918)	40,735
<b>Balance at 31 December 2012</b>	<b>743,701</b>	<b>(1,180)</b>	<b>(89,304)</b>	<b>653,217</b>	<b>23,520</b>	<b>676,737</b>
Balance at 1 July 2013	753,610	(1,410)	(99,377)	652,823	7,072	659,895
Profit for the half year	-	-	23,732	23,732	(45)	23,687
Other comprehensive income	-	529	-	529	-	529
<b>Total comprehensive income/(loss)</b>	-	529	23,732	24,261	(45)	24,216
Transactions with equity holders in their capacity as equity holders:						
Contributions of equity, net of issue costs	12,525	-	-	12,525	-	12,525
Performance rights and options exercised	6,693	-	-	6,693	-	6,693
Distributions provided for or paid	-	-	(34,001)	(34,001)	(7,027)	(41,028)
	19,218	-	(34,001)	(14,783)	(7,027)	(21,810)
<b>Balance at 31 December 2013</b>	<b>772,828</b>	<b>(881)</b>	<b>(109,646)</b>	<b>662,301</b>	-	<b>662,301</b>

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 2013

	Charter Hall Group		Charter Hall Property Trust Group	
	31 Dec 2013 \$'000	31 Dec 2012 \$'000	31 Dec 2013 \$'000	31 Dec 2012 \$'000
<b>Cash flows from operating activities</b>				
Receipts from customers (inclusive of GST)	58,857	62,516	1,357	7,405
Payments to suppliers and employees (inclusive of GST)	(47,706)	(48,423)	(1,247)	(4,689)
	11,151	14,093	110	2,716
Interest received	1,323	1,209	571	417
Interest paid	(592)	(1,863)	(852)	(1,958)
Distributions and dividends from investments	19,805	14,949	17,136	12,782
Income taxes paid	(27)	-	-	-
<b>Net cash flows from operating activities</b>	<b>31,660</b>	<b>28,388</b>	<b>16,965</b>	<b>13,957</b>
<b>Cash flows from investing activities</b>				
Payments for property, plant and equipment	(2,386)	(228)	-	-
Proceeds on disposal of investment property	54,487	49,123	54,487	49,123
Payments for inventory	(398)	(631)	-	-
Payments for investment property	-	(4,485)	-	(4,485)
Deferred payments for business combination	(1,857)	(7,685)	-	-
Investments in associates and joint ventures	(98,323)	(44,270)	(98,323)	(44,270)
Proceeds on disposal and return of capital from investments in associates	19,674	18,747	18,844	6,950
Payment for management rights	-	(5,217)	-	-
Loans to associates, joint ventures and related parties	(1,500)	(1,030)	(19,055)	-
Loans from related parties	-	-	86	-
Repayment from associates, joint ventures and related parties	35	1,650	33,495	21,759
Repayments from key management personnel	1,000	800	-	-
Transactions with non-controlling interests	-	970	-	970
<b>Net cash flows from investing activities</b>	<b>(29,268)</b>	<b>7,744</b>	<b>(10,466)</b>	<b>30,047</b>
<b>Cash flows from financing activities</b>				
Proceeds from issues of securities and other equity securities	18,998	3,335	19,218	2,975
Proceeds from borrowings	40,000	29,453	40,000	29,453
Repayment of borrowings	(27,942)	(44,315)	(27,942)	(44,315)
Distribution paid to securityholders	(31,435)	(38,452)	(38,460)	(43,945)
<b>Net cash flows from financing activities</b>	<b>(379)</b>	<b>(49,979)</b>	<b>(7,184)</b>	<b>(55,832)</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>2,013</b>	<b>(13,847)</b>	<b>(685)</b>	<b>(11,828)</b>
Cash and cash equivalents at the beginning of the period	12,236	39,315	2,229	21,674
Effects of exchange rate change on cash and cash equivalents	79	6	-	-
<b>Cash and cash equivalents at the end of the period</b>	<b>14,328</b>	<b>25,474</b>	<b>1,544</b>	<b>9,846</b>

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 2013

### 1 Summary of significant accounting policies

The Charter Hall Group (the Group or CHC) is a stapled entity comprising Charter Hall Limited (the Company or CHL) and its controlled entities, and Charter Hall Property Trust (CHPT) and its controlled entities. 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.

The two Charter Hall entities comprising the stapled group remain separate legal entities in accordance with the *Corporations Act 2001*, and are each required to comply with the reporting and disclosure requirements of Accounting Standards and the *Corporations Act 2001*.

As permitted by Class Order 05/642, issued by the Australian Securities and Investment Commission, this financial report 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 Charter Hall Limited and its controlled entities including Charter Hall Property Trust. Charter Hall Limited has been identified as the Parent Entity in relation to the staplings. 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 results and equity of the Charter Hall Direct Retail Fund (DRF) and the Charter Hall Direct Industrial Fund No. 2 (DIF2) not directly owned by the Group have been treated and disclosed as non-controlling interests.

The interim 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 reporting period ended 31 December 2013 has been prepared in accordance with 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 2013 and any public announcements made by Charter Hall Group during the half year ended 31 December 2013 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 and corresponding interim reporting period, except as set out below:

#### Changes in accounting policy

The Group had to change some of its accounting policies as the result of new or revised accounting standards which became effective for the annual reporting period commencing on 1 July 2013. The affected policies and standards are:

- Principles of consolidation – new standards AASB 10 *Consolidated Financial Statements* and AASB 11 *Joint Arrangements*; and;
- Fair value measurement – new standard AASB 13 *Fair Value Measurement*.

Other new standards that are applicable for the first time for the December 2013 half-year report are AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities* and AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*. These standards did not affect the Group's accounting policies or any of the amounts recognised or disclosures made in the financial statements.

#### a Principles of consolidation – subsidiaries and joint arrangements

AASB 10 was issued in August 2011 and replaces the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements* and in Interpretation 112 *Consolidation – Special Purpose Entities*. Under the new principles, 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. The Group has reviewed its investments in other entities to assess whether the consolidation conclusion in relation to these entities is different under AASB 10 than under AASB 127. No material differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

## Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2013

### 1 Summary of significant accounting policies (continued)

Under AASB 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined to have both joint ventures and joint operations. The accounting for the Group's joint ventures and joint operations has not changed as a result of the adoption of AASB 11. The Group continues to account for interests in joint ventures using the equity method and recognise its direct right to its proportionate share of the jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate headings.

#### b Fair value measurements

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. Adoption of AASB 13 has not materially impacted how the Group measures investments held at fair value through profit and loss and equity accounted investments (with respect to look-through measurement of derivative financial instruments and investment properties by the underlying funds).

AASB 13 also introduced new disclosures for the interim report. Refer to Note 8 for financial instruments classified into Level 1-3 hierarchies as at 31 December 2013, consistent with the disclosures made in the 30 June 2013 annual report, and additional disclosures on Level 3 valuation inputs.

#### Principles of consolidation

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. These judgements are regularly reviewed and updated based on any changes in circumstances or contractual arrangements.

### 2 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 the performance of the operating segments, and therefore has been identified as the chief operating decision maker.

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

##### Property Funds Investments

This segment comprises interests in funds under management.

##### Property Direct Investments

This segment comprises direct interests in investment properties.

##### Property Funds Management

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

##### Change in composition of segment income

Effective 1 July 2013, operating earnings is inclusive of non-cash security based benefit expense to reflect its nature of employee compensation. Comparatives for the prior period have been restated to reflect this change. Non-cash security based benefit expense is not allocated to the three reportable segments.

##### Charter Hall Property Trust Group

CHPT operates entirely within the Property Funds Investments segment.

## Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2013

### 2 Segment information (continued)

#### b Segment information provided to the Board

The reportable segments for the half year ended 31 December 2013 are as follows:

	Property Funds Investments \$'000	Property Direct Investments \$'000	Property Funds Management \$'000	Combined Group \$'000
<b>31 December 2013</b>				
Net property income	-	758	-	758
Co-investment income	22,175	-	-	22,175
<b>Total rental and property income</b>	<b>22,175</b>	<b>758</b>	-	<b>22,933</b>
Total property funds management income	-	-	47,489	47,489
<b>Total income</b>	<b>22,175</b>	<b>758</b>	<b>47,489</b>	<b>70,422</b>
Operating expenses	(57)	(63)	(39,706)	(39,826)
Less: recovery of expenses	-	-	9,355	9,355
Net operating expenses	(57)	(63)	(30,351)	(30,471)
<b>Operating earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<b>22,118</b>	<b>695</b>	<b>17,138</b>	<b>39,951</b>
Depreciation	-	-	(434)	(434)
<b>Operating earnings before interest and tax (EBIT)</b>	<b>22,118</b>	<b>695</b>	<b>16,704</b>	<b>39,517</b>
Interest income	1,085	6	-	1,091
Interest expense	(682)	(51)	-	(733)
<b>Operating earnings attributable to stapled securityholders before non-cash security based benefit expense</b>	<b>22,521</b>	<b>650</b>	<b>16,704</b>	<b>39,875</b>
Non-cash security based benefit expense	-	-	-	(1,752)
<b>Operating earnings attributable to stapled securityholders</b>	-	-	-	<b>38,123</b>
Weighted average number of securities ('000)	-	-	-	306,890
<b>Operating earnings per stapled security (OEPS)</b>	-	-	-	<b>12.42 cps</b>
Number of securities for distribution per security (DPS) ('000)	-	-	-	309,118
<b>DPS</b>	-	-	-	<b>11.00 cps</b>

The reportable segments for the half year ended 31 December 2012 are as follows:

	Property Funds Investments \$'000	Property Direct Investments \$'000	Property Funds Management \$'000	Combined Group \$'000
<b>31 December 2012</b>				
Net property income	-	5,793	-	5,793
Co-investment income	18,596	-	-	18,596
<b>Total rental and property income</b>	<b>18,596</b>	<b>5,793</b>	-	<b>24,389</b>
Total property funds management income	-	-	40,630	40,630
<b>Total income</b>	<b>18,596</b>	<b>5,793</b>	<b>40,630</b>	<b>65,019</b>
Operating expenses	(294)	(211)	(34,505)	(35,010)
Less: recovery of expenses	-	-	8,033	8,033
Net operating expenses	(294)	(211)	(26,472)	(26,977)
<b>Operating earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<b>18,302</b>	<b>5,582</b>	<b>14,158</b>	<b>38,042</b>
Depreciation	-	-	(608)	(608)
<b>Operating earnings before interest and tax (EBIT)</b>	<b>18,302</b>	<b>5,582</b>	<b>13,550</b>	<b>37,434</b>
Interest income	1,294	72	-	1,366
Interest expense	(757)	(1,841)	-	(2,598)
<b>Operating earnings (including non-controlling interests)</b>	<b>18,839</b>	<b>3,813</b>	<b>13,550</b>	<b>36,202</b>
Non-controlling interests	-	(1,108)	-	(1,108)
<b>Operating earnings attributable to stapled securityholders before non-cash security based benefit expense</b>	<b>18,839</b>	<b>2,705</b>	<b>13,550</b>	<b>35,094</b>
Non-cash security based benefit expense	-	-	-	(1,395)
<b>Operating earnings attributable to stapled securityholders <sup>(1)</sup></b>	-	-	-	<b>33,699</b>
Weighted average number of securities ('000)	-	-	-	298,443
<b>Operating earnings per stapled security (OEPS) <sup>(1)</sup></b>	-	-	-	<b>11.29 cps</b>
Number of securities for distribution per security (DPS) ('000)	-	-	-	298,730
<b>DPS</b>	-	-	-	<b>9.80 cps</b>

1. Restated to include non-cash security based benefit expense, consistent with current period presentation.

## Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2013

### 2 Segment information (continued)

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

	Dec 2013 \$'000	Dec 2012 \$'000
Total income per segment note	70,422	65,019
Add: recovery of expenses	9,355	8,033
	<b>79,777</b>	73,052
Add: investment property expenses	160	1,086
Add: interest income	1,091	1,366
Less: amortisation of lease incentives	(57)	(326)
Less: equity accounted profit in Property Direct Investments segment	-	(522)
Less: equity accounted profit in Property Funds Investments segment	(19,910)	(16,676)
Less: equity accounted profit in Property Funds Management segment	(1,300)	-
Revenue per statement of comprehensive income	<b>59,761</b>	57,980

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

	Dec 2013 \$'000	Dec 2012 \$'000
Net operating interest per segment note	358	(1,232)
Less: unwind of discount on contingent consideration	-	(171)
Add: bridging equity interest reclassified to investment income	-	113
Add: interest income earned on preferred equity notes	965	-
<b>Net interest expense</b>	<b>1,323</b>	(1,290)
Interest income	2,056	1,479
Finance costs	(733)	(2,769)
<b>Net interest expense</b>	<b>1,323</b>	(1,290)

Operating earnings is a financial measure which represents the profit under Australia Accounting Standards adjusted for fair value adjustments, impairment of assets, income taxes, gains or losses on sale of investments, acquisition costs, non-operating movements in equity accounted 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 segments performance. Operating earnings is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution to declare.

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

	2013 \$'000	2012 \$'000
<b>Operating earnings</b>	<b>38,123</b>	33,699
Fair value adjustments on derivatives <sup>1</sup>	1,270	(847)
Fair value adjustments on investments and property <sup>1</sup>	(2,234)	3,470
Amortisation of management rights	(4,230)	(3,919)
Transfer from reserves of cumulative FX losses on disposal of foreign investments <sup>1</sup>	(494)	(247)
Loss on disposal of investments, property and derivatives <sup>1</sup>	(1,478)	(856)
Amortisation of lease incentives and straightlining of rental income <sup>1</sup>	(180)	(852)
Income taxes <sup>1</sup>	(2,301)	79
Other <sup>1</sup>	123	(659)
<b>Statutory profit after tax attributable to stapled securityholders</b>	<b>28,599</b>	29,868

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



## Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2013

### 2 Segment information (continued)

	Dec 2013	Dec 2012
Basic weighted average number of securities per Note 4	<b>306,889,782</b>	298,442,784
Operating earnings per stapled security (OEPS) (excl. non-controlling interest) (cps)	<b>12.42</b>	11.29

Refer to Note 4 for statutory earnings per stapled security figure.

### 3 Distributions paid and payable

	Charter Hall Group		Charter Hall Property Trust Group	
	Distribution cents per unit	Total amount \$'000	Distribution cents per unit	Total amount \$'000
Distributions for the half year ended:				
31 December 2013	<b>11.00</b>	34,001	<b>11.00</b>	34,001
31 December 2012	<b>9.80</b>	29,276	<b>9.80</b>	29,276

The distribution of 11.00 cents per security for the half year ended 31 December 2013 was declared prior to 31 December 2013 and will be paid on 25 February 2014.

### 4 Earnings per security

	Charter Hall Group		Charter Hall Property Trust Group	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
<b>Basic earnings per stapled security</b>				
Basic earnings attributable to the stapled securityholders	<b>9.32</b>	10.01	<b>7.73</b>	9.24
<b>Diluted earnings per stapled security</b>				
Diluted earnings attributable to the stapled securityholders	<b>9.05</b>	9.68	<b>7.51</b>	8.94

#### Earnings used in calculating earnings per security

	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Profit attributable to the ordinary equity holders of the Group used in calculating basic earnings per security	<b>28,599</b>	29,868	<b>23,732</b>	27,581

The weighted average number of stapled securities on issue used in the calculations of:

- basic ordinary earnings per stapled security was 306,889,782 stapled securities (2012: 298,442,784); and
- diluted ordinary earnings per stapled security was 315,994,101 stapled securities (2012: 308,590,508).

## Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2013

### 5 Investments in associates and joint ventures

Charter Hall Group	31 Dec 2013 %	30 Jun 2013 %	31 Dec 2013 \$'000	30 Jun 2013 \$'000
<b>Accounted for at fair value through profit or loss</b>				
<i>Unlisted</i>				
Charter Hall Umbrella Fund	24.2	24.2	12,541	30,080
Charter Hall Direct Property Fund	4.1	4.0	10,836	10,665
Charter Hall Diversified Property Fund	19.6	19.6	1,903	8,085
Charter Hall Direct Industrial Fund	0.2	0.2	237	234
PFA Diversified Property Trust	0.1	0.1	159	165
			<b>25,676</b>	<b>49,229</b>
<b>Equity accounted</b>				
<i>Unlisted</i>				
Charter Hall Office Trust	14.3	14.5	172,001	158,971
Charter Hall Core Plus Office Fund	12.1	12.3	115,311	114,722
Core Logistics Partnership	19.1	5.3	82,209	10,808
Charter Hall Core Plus Industrial Fund	11.5	13.2	57,243	56,661
Charter Hall Opportunity Fund No. 5	15.0	15.0	14,993	14,891
Charter Hall Opportunity Fund No. 4	3.0	3.0	48	800
<i>Listed</i>				
Charter Hall Retail REIT	9.3	9.2	113,017	103,055
<i>Joint Ventures - unlisted</i>				
Commercial and Industrial Property Pty Ltd	50.0	50.0	28,415	27,121
Retail Partnership No. 2 Trust	20.0	20.0	19,085	17,688
BP Fund	13.0	13.0	15,608	14,319
Keperra Square Fund	10.0	10.0	887	1,111
			<b>618,817</b>	<b>520,147</b>
			<b>644,493</b>	<b>569,376</b>
<b>Charter Hall Property Trust Group</b>	<b>31 Dec 2013 %</b>	<b>30 Jun 2013 %</b>	<b>31 Dec 2013 \$'000</b>	<b>30 Jun 2013 \$'000</b>
<b>Accounted for at fair value through profit or loss</b>				
<i>Unlisted</i>				
Charter Hall Umbrella Fund	24.2	24.2	12,541	30,080
Charter Hall Direct Property Fund	4.1	4.0	10,836	10,665
Charter Hall Diversified Property Fund	19.6	19.6	1,903	8,085
Charter Hall Direct Industrial Fund	0.2	0.2	237	234
PFA Diversified Property Trust	0.1	0.1	159	165
			<b>25,676</b>	<b>49,229</b>
<b>Equity accounted</b>				
<i>Unlisted</i>				
Charter Hall Office Trust	14.3	14.5	172,001	158,971
Charter Hall Core Plus Office Fund	11.0	11.2	104,824	104,287
Core Logistics Partnership	19.1	5.3	82,209	10,808
Charter Hall Core Plus Industrial Fund	5.0	5.7	25,098	24,845
<i>Listed</i>				
Charter Hall Retail REIT	9.3	9.2	113,017	103,055
<i>Joint Ventures - unlisted</i>				
Retail Partnership No. 2 Trust	20.0	20.0	19,085	17,688
BP Fund	13.0	13.0	15,608	14,319
Keperra Square Fund	10.0	10.0	887	1,111
			<b>532,729</b>	<b>435,084</b>
			<b>558,405</b>	<b>484,313</b>

## Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2013

### 5 Investments in associates and joint ventures (continued)

#### Contingent liabilities of associates

CHOF5 entered into a conditional agreement with its Development Alliance Partner, Global Development Pty Limited and TA Antarabangsa Development Limited (TAG) on 27 November 2013 for the sale of CHOF5's 50% interest in the Little Bay Cove project. The sale is conditional on the development reaching practical completion, TAG obtaining debt funding approval and the extension of the project's Westpac debt facility until 14 days following practical completion. Practical completion is expected late March / early April 2014. Westpac has granted an extension of the facility to 14 March 2014. The project is valued in line with the sales price agreed with TAG. Should the sales transaction not occur, commercial negotiations regarding the future direction of the Development Alliance and the project will commence.

As at the date of signing the financial statements, CHOF5 is not able to determine the financial impact in the event the conditional sale does not proceed. The senior debt financier has granted an extension of the facility to 14 March 2014. A further extension of the facility until practical completion is the subject of ongoing discussions with the senior debt financier.

### 6 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 Property Fund (CHDPF) and the PFA Diversified Property Trust (PFA).

With the exception of management rights held over CHOT, management considers that the management rights have an indefinite life as there are no finite terms in the underlying agreements and the Group has no intention to cease managing these Funds. The carrying value of management rights with an indefinite life (i.e. excluding CHOT) is \$54.9 million.

As the management rights of CHOT are subject to a liquidity event every five years, the Group is amortising the CHOT management rights over a six year period from 1 May 2012 (includes an additional year to source liquidity were the trust to be wound up in five years as a result of the liquidity review). Only the management rights held over CHOT are being amortised.

	Charter Hall Group	
	31 Dec 2013 \$'000	30 Jun 2013 \$'000
Opening balance	96,066	98,687
Additions <sup>1</sup>	-	5,217
Amortisation charge	(4,230)	(7,838)
Closing balance	91,836	96,066

1. On 15 August 2012 a subsidiary of the Group acquired the management rights to PFA at a total cost of \$5.2 million. As PFA is an open ended fund with no termination date or review event contemplated in its constitution, management rights held over PFA are considered to have an indefinite useful life.

No intangible assets are held in CHPT.

### 7 Contributed equity

#### a Security capital

	31 Dec 2013 Securities	30 Jun 2013 Securities	31 Dec 2013 \$'000	30 Jun 2013 \$'000
Charter Hall Limited			213,907	211,335
Charter Hall Property Trust			772,828	753,610
Ordinary securities – stapled units, fully paid	309,118,171	302,262,312	986,735	964,945

## Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2013

### 7 Contributed equity (continued)

#### b Movements in ordinary security capital

Details	Number of securities <sup>1</sup>	Issue price	Charter Hall Limited \$'000	Charter Hall Property Trust \$'000	Total \$'000
<b>Opening balance 1 July 2012</b>	296,168,170		209,550	739,175	948,725
Performance rights and options exercised <sup>2</sup>	2,835,759	\$1.94	612	5,040	5,652
Issuance under DRP	3,258,383	\$3.25	1,175	9,411	10,586
<b>Balance at 30 June 2013</b>	<b>302,262,312</b>		<b>211,337</b>	<b>753,626</b>	<b>964,963</b>
Less: Transaction costs on security issues			(2)	(16)	(18)
<b>Balance per accounts at 30 June 2013</b>	<b>302,262,312</b>		<b>211,335</b>	<b>753,610</b>	<b>964,945</b>
Performance rights and options exercised <sup>3</sup>	3,163,972	\$2.40	896	6,693	7,589
Issuance under DRP	3,691,887	\$3.85	1,676	12,525	14,201
<b>Balance at 31 December 2013</b>	<b>309,118,171</b>		<b>213,907</b>	<b>772,828</b>	<b>986,735</b>

1. This includes shares of Charter Hall Limited and units in Charter Hall Property Trust, which are stapled. Refer to Note 1 for details of the accounting for this stapling arrangement.
2. Includes 1,772,116 options with a strike price of \$1.94 and 72,117 options with a strike price of \$2.44.
3. Includes 602,636 options with a strike price of \$2.80, 27,243 options with a strike price of \$2.35 and 1,248,376 options with a strike price of \$2.44.

### 8 Fair value measurement of financial instruments

#### a Fair value hierarchy

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

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

The following table presents the Group's financial assets and liabilities measured and recognised at fair value:

Charter Hall Group	Level 1	Level 2	Level 3	Total
31 December 2013	\$'000	\$'000	\$'000	\$'000
<b>Investments in associates at fair value through profit or loss</b>	-	-	<b>25,676</b>	<b>25,676</b>
<b>Total assets</b>	-	-	<b>25,676</b>	<b>25,676</b>
<b>Total liabilities</b>	-	-	-	-
<b>30 June 2013</b>				
Investments in associates at fair value through profit or loss	-	-	49,229	49,229
<b>Total assets</b>	-	-	<b>49,229</b>	<b>49,229</b>
Contingent consideration payable	-	-	1,856	1,856
<b>Total liabilities</b>	-	-	<b>1,856</b>	<b>1,856</b>

## Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2013

### 8 Fair value measurements of financial instruments (continued)

Charter Hall Property Trust Group	Level 1	Level 2	Level 3	Total
31 December 2013	\$'000	\$'000	\$'000	\$'000
Investments in associates at fair value through profit or loss	-	-	25,676	25,676
<b>Total assets</b>	-	-	25,676	25,676
<b>Total liabilities</b>	-	-	-	-

  

30 June 2013				
Investments in associates at fair value through profit or loss	-	-	49,229	49,229
Total assets	-	-	49,229	49,229
Total liabilities	-	-	-	-

#### b Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 instruments for the half year ended 31 December 2013:

	Charter Hall Group		Charter Hall Property Trust Group	
	Investments in associates at fair value through profit or loss	Contingent consideration payable	Investments in associates at fair value through profit or loss	Contingent consideration payable
	\$'000	\$'000	\$'000	\$'000
<b>Opening balance</b>	<b>49,229</b>	<b>(1,856)</b>	<b>49,229</b>	-
Additions	100	-	100	-
Decrease recognised in profit and loss	(2,554)	-	(2,554)	-
Capital returns	(21,099)	-	(21,099)	-
Payments made	-	1,856	-	-
<b>Closing balance</b>	<b>25,676</b>	<b>-</b>	<b>25,676</b>	<b>-</b>

The fair value of associates held at fair value through profit and loss, which are investments in unlisted securities, approximates book value and is determined giving consideration to the unit prices and net asset values of the underlying funds. The unit prices and net asset values are largely driven by the fair values of the investment properties and derivatives held by the funds. Recent arm's length transactions (if any) are also taken into consideration.

There were no transfers between levels 1, 2 and 3 during the year.

#### Sensitivity on changes in fair value of level 3 financial instruments

The table below summarises the impact of an increase/decrease in unlisted security prices on the Group's post-tax profit for the period and on equity. For level 3 unlisted securities, the analysis is based on the assumption that security prices increase/decrease by 10%:

	31 Dec 2013	30 Jun 2013
	\$'000	\$'000
<b>Change in observable input</b>		
Gain on 10 % increase in price per security	2,568	4,923
Loss on 10 % decrease in price per security	(2,568)	(4,923)

## Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2013

### 9 Commitments and contingent liabilities

#### Commitments

##### Capital commitments

###### Charter Hall Group

As at 31 December 2013, the Group had contractual capital commitments of \$4.7 million in relation to the fitout of the Group's new premises located at 1 Martin Place (31 December 2012: \$nil). These commitments will be funded by lease incentives provided by the landlord.

###### Charter Hall Property Trust Group

The Group has no capital commitments as at 31 December 2013 (31 December 2012: \$nil).

##### Other commitments

###### Charter Hall Group

On 21 December 2011, Charter Hall Limited and Charter Hall Funds Management Limited as trustee for CHOF5 entered into a Preferred Equity Deed (deed) committing \$9.0 million to fund development of the Workzone project. An amendment was executed on 20 May 2013 to extend the loan term to 31 March 2014. The \$5.5 million drawn as at 31 December 2013 and related interest were fully repaid on 30 January 2014, and the commitment is now extinguished.

On 25 November 2013, the Group committed to a conditional purchase of \$8.0 million in CQR units, subject to CQR unitholder approval, which was granted on 3 February 2014. See Note 10 for further details.

###### Charter Hall Property Trust Group

Other than the CQR placement noted above, the Charter Hall Trust Group had no other commitments as at 31 December 2013 (31 December 2012: \$nil).

#### Contingent liabilities

The Charter Hall Group and the Charter Hall Property Trust Group did not have any contingent liabilities as at 31 December 2013.

### 10 Events occurring after the balance sheet date

Since 31 December 2013, the Charter Hall Group and the Charter Hall Property Trust Group have completed the following:

- Settled \$1.7 million of CQR units in January 2014 and acquired a further \$8.0 million of units under a conditional placement approved by CQR unitholders on 3 February 2014. The Group has increased its ownership interest in CQR from 9.3% to 10.0% as a result of these transactions.

Except as noted above, no other matter or circumstance has arisen since 31 December 2013 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 unitholders

for the half year ended 31 December 2013

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

- a the financial statements and notes of Charter Hall Limited and its controlled entities including Charter Hall Property Trust and its controlled entities ('Charter Hall Group') and Charter Hall Property Trust and its controlled entities ('Charter Hall Property Trust Group') set out on pages 12 to 26 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 true and fair view of Charter Hall Group's and Charter Hall Property Trust Group's financial position as at 31 December 2013 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 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.



**Kerry Roxburgh**

Chairman  
Sydney  
24 February 2014



## **Independent auditor's review report to the securityholders of Charter Hall Group and Charter Hall Property Trust Group**

### ***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 2013, 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 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 consolidated entity ("Charter Hall Group")
- Charter Hall Property Trust, which comprises the consolidated balance sheet as at 31 December 2013, 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 that 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 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 reviews. We conducted our reviews 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 2013 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.

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

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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 2013 and of their performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*PricewaterhouseCoopers*  
PricewaterhouseCoopers

*Wayne Andrews*  
Wayne Andrews  
Partner

Sydney  
24 February 2014