

APPENDIX 4E

Preliminary Financial Report
for the year ended 30 June 2014

Name of Entity:

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

The Appendix 4E should be read in conjunction with the preliminary financial report of the Charter Hall Group for the year ended 30 June 2014.

Results for announcement to the market

	Year ended 30 June 2014 \$m	Year ended 30 June 2013 \$m	Variance (%)
Revenue ¹	122.7	114.8	6.9
Profit after tax attributable to stapled securityholders of Charter Hall Group	82.1	54.8	49.8
Operating earnings attributable to stapled securityholders ²	81.2	68.8 ³	18.0

¹ Gross revenue does not include share of net profits of associates and joint ventures of \$60.8 million (2013: profit of \$42.5 million).

² Operating earnings is a financial measure which represents the statutory profit adjusted for proportionally consolidated fair value adjustments, gains or losses on sale of investments, non-cash items such as amortisation and non-operating tax expense/(benefit). 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.

³ Restated to include non-cash security based benefit expense, consistent with current period presentation.

A reconciliation of the Group's statutory profit to operating earnings is provided in Note 3 of the preliminary financial report.

	Year ended 30 June 2014 cps	Year ended 30 June 2013 cps	Variance (%)
Basic statutory earnings per stapled security attributable to stapled securityholders	25.61	18.29	40.0
Diluted statutory earnings per stapled security attributable to stapled securityholders	24.92	17.67	41.0
Operating earnings per security attributable to stapled securityholders	25.31	22.93 ¹	10.4

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

Distributions	30 June 2014	30 June 2013
Final distribution in respect of a:		
CHPT unit	11.30¢	10.40¢
CHL share	-	-
Interim distribution in respect of a:		
CHPT unit	11.00¢	9.80¢
CHL share	-	-
Total	22.30¢	20.20¢
Record date for determining entitlements to the distribution	30 June 2014	
Payment date	29 August 2014	

Results for announcement to the market (continued)

The Group has a Distribution Reinvestment Plan (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 was in operation for the entire year.

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 following each balance date. The Group raised \$6.3 million from the DRP for the 31 December 2013 distribution (\$3.6665 issue price) and expects to raise \$6.2 million from the DRP for the 30 June 2014 distribution (\$4.1621 issue price).

The Group recorded a statutory profit after tax attributable to stapled securityholders for the financial year of \$82.1 million compared to a profit of \$54.8 million in 2013.

Operating earnings amounted to \$81.2 million for the financial year compared to \$68.8 million in 2013, an increase of 18.0% 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 preliminary financial report.

Reconciliation of operating earnings to statutory profit	2014	2013
	\$'000	\$'000
Operating earnings	81,163	68,750
Fair value adjustments on derivatives ¹	(909)	1,472
Fair value adjustments on investments and property ¹	14,404	(3,615)
Amortisation of management rights	(8,489)	(7,838)
Transfer from reserves of cumulative FX losses on disposal of foreign investments ¹	(488)	(484)
Loss on disposal of investments, property and derivatives ¹	(3,363)	(953)
Income taxes	1,007	(1,738)
Other ¹	(1,209)	(752)
Statutory profit after tax attributable to stapled securityholders	82,116	54,842

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

Earnings per security	2014	2013
Basic weighted average number of securities per Note 9 ('000s)	320,615	299,805
Basic earnings per stapled security per Note 9 (cents)	25.61	18.29
Operating earnings per stapled security (OEPS) per Note 3 (cents)	25.31	22.93

Review and results of operations

The 30 June 2014 financial results with comparatives are summarised as follows:

	Charter Hall Group		Charter Hall Property Trust Group	
	2014	2013	2014	2013
Revenue including non-controlling interests (\$ million) ¹	122.7	114.8	26.4	36.8
Statutory profit after tax - stapled securityholders (\$ million)	82.1	54.8	70.6	54.4
Statutory earnings per stapled security (EPS) (cents)	25.61	18.29	22.01	18.13
Operating earnings for stapled securityholders(\$ million) ²	81.2	68.8	N/A	N/A
Operating earnings per stapled security (cents) ²	25.31	22.93	N/A	N/A
Distributions to stapled securityholders (\$ million)	73.3	60.7	73.3	60.7
Distribution per stapled security (cents)	22.3	20.2	22.3	20.2
Total assets (\$ million)	986.1	818.8	889.2	771.4
Total liabilities (\$ million)	69.0	78.5	41.5	60.2
Net assets attributable to stapled securityholders (\$ million)	917.1	740.3	847.7	704.1
Securities on issue (million)	348.0	302.3	348.0	302.3
Net assets per security	2.64	2.45	2.44	2.33
Net tangible assets (NTA) attributable to stapled securityholders (\$ million)	829.5	644.2	847.7	704.1
NTA per stapled security (\$)	2.38	2.13	2.44	2.33
Gearing – borrowings to total assets ³	0.00%	1.88%	0.00%	3.28%
Funds under management (\$ billion)	11.5	10.3	N/A	N/A
Domestic funds under management (\$ billion)	11.5	9.9	N/A	N/A

¹ Gross revenue does not include share of net profits of associates and joint ventures of \$60.8 million (2013: profit of \$42.5 million).

² Excludes fair value adjustments on investment property, financial assets and financial instruments, gains on sale of investments, non-operating movements in equity accounted investments, non-cash items such as amortisation and non-operating income tax expense/(benefit).

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

Distribution per stapled security (DPS) has increased 10.4% from 20.2 cents in 2013 to 22.3 cents in 2014.

Net Tangible Assets per stapled security (NTA) increased from \$2.13 at 30 June 2013 to \$2.38 at 30 June 2014.

Funds Under Management (FUM) increased from \$10.3 billion at 30 June 2013 to \$11.5 billion at 30 June 2014 due to the establishment of four new retail funds and principally property acquisitions in Charter Hall Core Plus Office Fund, Charter Hall Core Plus Industrial Fund, Core Logistics Partnership and Charter Hall Retail REIT.

Gearing has decreased from 1.88% at 30 June 2013 to 0.00% at 30 June 2014.

The Group generated \$81.2 million of operating earnings compared to \$68.8 million in 2013. Operating earnings comprises property investments of \$49.7 million (2013: \$44.5 million), and property funds management of \$34.6 million (2013: \$27.3 million) less non-cash security based benefit expense of \$3.1 million (2013: \$3.0 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.

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)	FY14 Charter Hall Investment Income (\$m)	WALE (in years)	Market Cap Rate (%)	Discount Rate (%)	Minimum rental reviews (%)	FY14 Charter Hall Investment Yield (%)
Listed Fund		129.2	10.4	7.4				
Charter Hall Retail REIT (CQR)	10.2%	129.2	10.4	7.4	7.7%	9.2%	4.2%	9.1%
Wholesale		555.4	34.9	6.9				
Charter Hall Office Trust (CHOT)	14.3%	172.9	13.2	5.8	7.5%	9.0%	4.0%	7.6%
Core Plus Office Fund (CPOF)	9.9%	116.9	7.9	6.4	7.5%	8.9%	3.9%	6.9%
Core Logistics Partnership (CLP)	19.1%	84.8	4.1	10.9	7.7%	9.3%	3.1%	6.9%
Core Plus Industrial Fund (CPIF)	11.7%	72.2	4.6	8.4	7.9%	9.6%	3.1%	7.6%
BP Fund 2 (BP2)	100.0%	48.4	0.2	12.0	7.3%	9.1%	3.0%	7.8%
Keperra Square Fund (KS)	35.1%	22.2	2.0	4.0	7.5%	9.3%	4.0%	9.1%
Retail Partnership No. 2 - Bateau Bay (RP2)	20.0%	20.7	1.6	3.7	7.5%	9.0%	4.6%	8.8%
BP Fund 1 (BP1)	16.8%	17.3	1.3	10.3	7.1%	8.8%	3.0%	8.4%
Retail Investor Funds		32.7	1.0	6.1				
Charter Hall Direct Property Fund (CHDPF)	4.2%	11.0	0.8	4.3	8.1%	9.0%	3.7%	7.9%
PFA Diversified Property Trust (PFA)	0.1%	0.2	-	3.2	9.4%	9.6%	3.3%	9.9%
Direct Industrial Fund (DIF)	0.2%	0.2	-	11.3	7.7%	9.6%	3.3%	8.2%
Direct Industrial Fund No. 2 (DIF2)	0.3%	0.3	-	12.3	7.7%	9.5%	3.0%	8.0%
Charter Hall Direct CDC Trust (CHCDC)	24.0%	21.0	0.2	12.7	7.5%	8.8%	2.8%	7.9%
Funds being realised		2.5	1.4	7.6				
Diversified Property Fund (DPF)	19.6%	1.8	0.2	5.5	10.0%	10.1%	1.7%	6.2%
Charter Hall Umbrella Fund (CHUF)	24.2%	0.7	1.2	8.0	8.2%	9.7%	2.9%	5.6%
Total		719.8	47.7¹	7.6	7.6%	9.1%	3.7%	7.7%

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

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

i. 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. CQR's Australian supermarket-anchored portfolio comprises 77 properties.

CQR reported operating earnings per security of 29.6 cpu for the year, representing growth of 3.0% on the prior year.

During the year, CQR completed the exit from its European asset portfolio (including Germany which was contracted in July 2014) and raised a further \$113 million of new equity from an institutional placement in November 2013 and the distribution reinvestment plan. CQR redeployed the capital into four property acquisitions totalling \$252 million at an average yield of 7.6%, and completed \$83.6 million of redevelopments at Singleton Square, South Hedland and Orange at a stabilised yield of 9.6%.

ii. Wholesale unlisted funds and partnerships**Charter Hall Office Trust (CHOT)**

CHOT is an unlisted wholesale partnership which owns interests in 18 high grade office assets located in major business districts in Australia including the completed project at 171 Collins Street, Melbourne and No. 1 Martin Place, Sydney, which CHOT acquired the residual 50% interest from third party investors in August 2013. Charter Hall Group moved its Sydney head office into 1 Martin Place in March 2014.

Charter Hall Core Plus Office Fund (CPOF)

CPOF is an unlisted wholesale office fund which owns interests in 16 high grade office assets located across the major Australian CBD office markets.

CPOF currently has three development projects underway at 333 George Street, Sydney, 570 Bourke Street, Melbourne and a 50% interest in the new Bank of Queensland building at 100 Skyring Terrace in Brisbane (in partnership with an institutional partner). Total development capital expenditure commitments for 333 George Street and 570 Bourke Street are \$142 million.

Review and results of operations (continued)

Core Logistics Partnership (CLP)

CLP is a wholesale industrial partnership which owns 13 assets and is 98.0% occupied (excluding development land). The partnership targets institutional grade properties with strong lease covenants and a target portfolio WALE of greater than 8 years.

CLP purchased \$272 million of new assets in the year to 30 June 2014. This included Somerton Logistics Centre VIC, AWH Tottenham, Ancon Mt Druitt, Australia Post Chullora, Peters Mulgrave VIC, Manheim Smithfield NSW and Woolworths Laverton VIC.

Charter Hall Core Plus Industrial Fund (CPIF)

CPIF is an unlisted wholesale industrial fund which owns 32 assets across Australia.

During the year, CPIF completed a \$150.0 million equity raising and acquired \$199.0 million of properties.

BP Fund 1 (BP1)

BP1 is a wholesale investment trust which owns 6 freestanding Bunnings Warehouse properties. The Group's principal partner in the fund is an Australian superannuation fund.

BP1 sold a portfolio of 4 assets in March 2014 for \$67.6 million to a new Charter Hall managed syndicate.

BP Fund 2 (BP2)

BP2, a newly established fund, purchased a portfolio of Bunnings properties in June 2014. The portfolio consists of one completed investment property in Armadale, Perth and 4 investment properties under development. All properties are leased to Bunnings on new 12 year leases providing for average 3% per annum increases.

On 18 August 2014 (post balance date) the Group brought a new equity partner into BP2, reducing the Group's equity interest to 50.1%. The Group received a \$20 million return of capital.

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. The Group's principal external investor in the fund is a global institutional partner.

Keperra Square Fund (KS)

The Keperra Square Fund is an unlisted wholesale fund which owns the Keperra Square shopping centre in Brisbane. The Group's principal external investor in the fund is an Australian superannuation fund.

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 \$1.3 billion.

iii. Retail investor funds

The Group manages equity raised from retail investors via advisers, high net worth individuals and through direct distribution channels. The Group in total has a \$35.2 million investment in a range of unlisted retail funds. The total FUM of these retail funds and single asset syndicates is \$1.7 billion.

Charter Hall Direct Retail Fund (DRF)

During the year, 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.

Review and results of operations (continued)

Property Funds Management

The Property Funds Management business provides investment management, asset management, property management, development management, leasing and transaction services to the Group's \$11.5 billion managed portfolio. The use of an integrated property services model which earns fees from providing these services to the managed portfolio enhances the Group's returns from capital invested. The Group also provides services to segregated mandates looking to capitalise on its property and funds management expertise. The property funds management business contributed \$34.6 million in operating earnings to the Group.

During the period, total funds under management increased \$1.2 billion to \$11.5 billion. The Group's managed funds have acquired approximately \$1.8 billion of property and divested approximately \$1.3 billion.

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 \$3.75 million to the Group's earnings for the year.

Interests in development funds and development properties

The Group has residual interests in development funds and development properties. Investment in development funds and development properties do not form part of the operating result of the Group. These include:

- Charter Hall Opportunity Fund 4 (CHOF4). The fund's eight projects have been completed and capital returned to investors (including \$0.9 million received by the Group).
- Charter Hall Opportunity Fund 5 (CHOF5) has substantially exited its remaining investments. The WorkZone development reached practical completion in September 2013 and the WorkZone West Tower was sold to a Charter Hall managed syndicate (the Charter Hall Direct Workzone Trust). Workzone East is scheduled to be marketed for sale once the building is substantially leased (currently at 50%). CHOF5 sold its economic interest and shareholding in the Little Bay Cove project and the project company, CHOF5 Little Bay Pty Limited, to a wholly owned entity of the Development Alliance Partner, TA Global. \$10.4 million of the proceeds are held in escrow pending planning approvals.
- A conditional contract for the sale of the development site at 685 La Trobe Street, Melbourne was exchanged in July 2014. The Group has a 50% interest in this asset.

Significant changes in the state of affairs

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

- The Group established one new wholly owned wholesale fund, BP2, and four new direct retail funds, representing combined funds under management of \$378 million; and
- The Group increased its investment in CLP by \$71 million.

Undistributed income

Refer attached preliminary financial report (Note 28: Reserves and accumulated losses).

Net Tangible Assets

	Current year	Previous corresponding year
Net tangible assets (NTA) per unit ¹	\$2.38	\$2.13

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

The number of securities on issue is 348.0 million (2013: 302.3 million).

Review and results of operations (continued)

Control gained or lost over entities during the year

There were no changes in control within the Group during the year.

Details of Associates and Joint Venture entities

Refer attached preliminary financial report (Note 33: Investments in Associates and Note 34: Investments in Joint Ventures).

Other significant information

For additional information regarding the results of Charter Hall Group for the year ended 30 June 2014 please refer to the Full Year Results – ASX Media Announcement and the 2014 Full Year Results Presentation lodged with the ASX. Attached with this Appendix 4E is a copy of the unaudited Preliminary Financial Report for the year ended 30 June 2014.

Accounting standards used by foreign entities

International Financial Reporting Standards.

Segment results:

Refer attached preliminary financial report (Note 3: Segment reporting).

Performance trends:

Refer to significant features of operating performance above.

Other Factors:

Refer to other significant information (above).

Audit

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

<input type="checkbox"/>	The accounts have been audited. (refer attached financial statements)	<input type="checkbox"/>	The accounts have been subject to review. (refer attached financial statements)
<input checked="" type="checkbox"/>	The accounts are in the process of being audited or subject to review.	<input type="checkbox"/>	The accounts have not yet been audited or reviewed.