

# Charter Hall Group

Interim Financial report

For the half year ended 31 December 2016

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



## Important notice

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

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

CHFML does not receive fees in respect of the general financial product advice it may provide; however, entities within the Charter Hall Group receive fees for operating the Charter Hall Property Trust in accordance with its constitution. Entities within the Group may also receive fees for managing the assets of, and providing resources to, the Charter Hall Property Trust. All information herein is current as at 31 December 2016 unless otherwise stated. All references to dollars (\$) or A\$ are Australian Dollars unless otherwise stated.

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## Directors' Report

for the half year ended 31 December 2016

The Directors of Charter Hall Limited and the Directors of Charter Hall Funds Management Limited, the Responsible Entity (RE) of Charter Hall Property Trust, present their report together with the consolidated interim financial report of the Charter Hall Group (Group or CHC) and the consolidated interim financial report of the Charter Hall Property Trust Group (CHPT) for the half year ended 31 December 2016, and the Independent Auditor's Report thereon. The interim financial report of the Group comprises Charter Hall Limited (Company or CHL) and its controlled entities, which include Charter Hall Funds Management Limited as the RE of Charter Hall Property Trust (Trust). The interim financial report of the Charter Hall Property Trust Group comprises the Trust and its controlled entities.

Charter Hall Limited and Charter Hall Funds Management Limited have identical Boards of Directors. The term Board hereafter should be read as a reference to both these Boards.

The units in the Trust are 'stapled' to the shares in the Company. A stapled security comprises one Company share and one Trust unit. The stapled securities cannot be traded or dealt with separately.

### Directors

The following persons were Directors of the Group during the period and up to the date of this report, unless noted otherwise:

- David Clarke - Chairman and Non-Executive Independent Director
- Anne Brennan - Non-Executive Independent Director
- Philip Garling - Non-Executive Independent Director
- Karen Moses - Non-Executive Independent Director (appointed 1 September 2016)
- David Harrison - Managing Director and Group CEO
- Peter Kahan - Non-Executive Director (resigned 20 December 2016)
- Colin McGowan - Non-Executive Independent Director (resigned 9 November 2016)
- David Ross - Non-Executive Independent Director (appointed 20 December 2016)

### Principal activities

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

- (a) Investment in property funds; and
- (b) Property funds management.

No significant changes in the nature of the activities of the Group occurred during the period.

### Distributions - Charter Hall Group

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

	31 Dec 2016 \$'000	31 Dec 2015 \$'000
Interim ordinary distribution for the six months ended 31 December 2016 of 14.4 cents per stapled security payable on 28 February 2017	59,431	-
Interim ordinary distribution for the six months ended 31 December 2015 of 13.3 cents per stapled security paid on 26 February 2016	-	54,419
<b>Total distributions paid and payable</b>	<b>59,431</b>	<b>54,419</b>

### Review and results of operations

The Group recorded a statutory profit after tax attributable to stapled securityholders for the interim financial period of \$173.3 million compared to a statutory profit of \$143.5 million for the half year ended 31 December 2015.

Operating earnings amounted to \$80.8 million for the period to 31 December 2016 compared to \$61.2 million for the half year ended 31 December 2015, an increase of 32.0% 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 interim financial report.

## Directors' Report (continued)

for the half year ended 31 December 2016

	31 Dec 2016 \$'000	31 Dec 2015 \$'000
<b>Operating earnings attributable to stapled securityholders</b>	<b>80,764</b>	61,187
Realised and unrealised losses on derivatives <sup>1</sup>	<b>10,024</b>	(1,791)
Net fair value movements on investments and property <sup>1</sup>	<b>90,119</b>	88,703
Amortisation and impairment of intangibles	<b>(3,776)</b>	(4,259)
Income tax expense	<b>(2,843)</b>	(4,026)
Gain on disposal of property investments and inventory <sup>1</sup>	<b>4,058</b>	6,008
Other <sup>1</sup>	<b>(5,055)</b>	(2,316)
<b>Statutory profit after tax attributable to stapled securityholders</b>	<b>173,291</b>	<b>143,506</b>

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

The 31 December 2016 financial results with comparatives are summarised as follows:

	Charter Hall Group		Charter Hall Property Trust Group	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Revenue (\$ million) <sup>2</sup>	<b>110.9</b>	81.3	<b>9.8</b>	10.5
Basic weighted average number of stapled securities per Note 5 (million)	<b>412.7</b>	408.4	<b>412.7</b>	408.4
Statutory profit after tax for stapled securityholders (\$ million)	<b>173.3</b>	143.5	<b>144.1</b>	124.1
Statutory earnings per stapled security (EPS) (cents)	<b>42.0</b>	35.1	<b>34.9</b>	30.4
Operating earnings for stapled securityholders (\$ million) <sup>3</sup>	<b>80.8</b>	61.2	n/a	n/a
Operating earnings per stapled security (cents) <sup>3</sup>	<b>19.6</b>	15.0	n/a	n/a
Distributions to stapled securityholders (\$ million)	<b>59.4</b>	54.4	<b>59.4</b>	54.4
Distribution per stapled security (cents)	<b>14.4</b>	13.3	<b>14.4</b>	13.3
	<b>31 Dec 2016</b>	<b>30 Jun 2016</b>	<b>31 Dec 2016</b>	<b>30 Jun 2016</b>
Total assets (\$ million)	<b>1,540.2</b>	1,421.1	<b>1,337.8</b>	1,251.6
Total liabilities (\$ million)	<b>102.5</b>	95.1	<b>59.8</b>	56.5
Net assets attributable to stapled securityholders (\$ million)	<b>1,437.7</b>	1,326.0	<b>1,278.0</b>	1,195.1
Stapled securities on issue (million)	<b>412.7</b>	412.7	<b>412.7</b>	412.7
Net assets per stapled security (\$)	<b>3.48</b>	3.21	<b>3.10</b>	2.90
Net tangible assets (NTA) attributable to stapled securityholders (\$ million)	<b>1,371.7</b>	1,256.3	<b>1,278.0</b>	1,195.1
NTA per stapled security (\$)	<b>3.32</b>	3.04	<b>3.10</b>	2.90
Balance sheet gearing <sup>4</sup>	<b>0.00%</b>	0.00%	<b>0.00%</b>	0.00%
Funds under management (FUM) (\$ billion)	<b>19.0</b>	17.5	n/a	n/a

<sup>2</sup> Gross revenue does not include share of net profits of associates and joint ventures of \$136.6 million (31 December 2015: \$116.4 million).

<sup>3</sup> Excludes fair value adjustments, gains or losses on the sale of investments, amortisation and/or impairment of intangible assets and other unrealised or one-off items.

<sup>4</sup> Gearing is calculated by using debt drawn net of cash divided by total assets net of cash.

### Property Investments

The Group's Property Investments are classified into the following real estate sectors:

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

## Directors' Report (continued)

for the half year ended 31 December 2016

### Review and results of operations (continued)

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

	Ownership Stake (%)	Charter Hall Investment (\$m)	31 Dec 2016 Charter Hall Investment Income <sup>1</sup> (\$m)	WALE (years)	Weighted Average Market Cap Rate (%)	Weighted Average Discount Rate (%)	Average Rental Reviews (%)	31 Dec 2016 Charter Hall Investment Yield <sup>2</sup> (%)
<b>Office</b>		<b>403.7</b>	<b>12.2</b>	<b>5.5</b>	<b>5.8%</b>	<b>7.2%</b>	<b>3.9%</b>	<b>7.2%</b>
Charter Hall Office Trust (CHOT)	14.3%	206.6	6.6	4.8	5.7%	7.1%	3.9%	8.0%
Charter Hall Prime Office Fund (CPOF)	10.4%	196.9	5.6	6.5	6.0%	7.4%	3.9%	6.1%
PFA Diversified Property Trust (PFA)	0.1%	0.2	-	7.6	7.7%	8.3%	2.9%	7.8%
<b>Industrial</b>		<b>256.3</b>	<b>8.4</b>	<b>9.3</b>	<b>6.5%</b>	<b>7.8%</b>	<b>3.0%</b>	<b>6.5%</b>
Core Logistics Partnership (CLP)	14.3%	154.9	5.3	9.6	6.5%	7.7%	3.0%	6.3%
Charter Hall Prime Industrial Fund (CPIF)	5.7%	95.0	3.1	8.0	6.5%	7.9%	3.1%	6.5%
Charter Hall Direct Industrial Fund 4 (DIF4)	16.5%	6.4	-	16.7	6.5%	8.3%	3.0%	7.5%
<b>Retail</b>		<b>482.3</b>	<b>17.6</b>	<b>7.1</b>	<b>6.2%</b>	<b>7.6%</b>	<b>3.9%</b>	<b>7.4%</b>
Charter Hall Retail REIT (CQR) <sup>3</sup>	18.3%	317.7	9.7	7.0	6.4%	7.6%	4.1%	7.9%
Charter Hall Prime Retail Fund (CPRF) <sup>3</sup>	38.0%	46.8	0.5	4.6	6.0%	7.8%	4.4%	6.6%
Retail Partnership No. 6 Trust (RP6) <sup>3</sup>	20.0%	33.8	1.0	3.8	5.8%	7.8%	2.9%	6.4%
BP Fund 1 (BP1) <sup>5</sup>	8.4%	28.2	0.7	10.3	5.6%	7.3%	2.9%	5.6%
BP Fund 2 (BP2) <sup>5</sup>	13.2%	13.8	0.4	12.3	5.7%	7.4%	2.8%	5.0%
TTP Wholesale Fund (TTP) <sup>3,5</sup>	10.0%	7.9	0.2	4.6	6.3%	7.5%	4.0%	5.8%
Long WALE Investment Partnership (LWIP) <sup>4</sup>	5.0%	17.7	4.6	17.8	6.1%	7.5%	2.0%	7.4%
Long WALE Investment Partnership 2 (LWIP2)	10.0%	9.9	0.3	18.5	6.0%	7.5%	2.5%	7.5%
Retail Partnership No. 2 (RP2) <sup>3</sup>	5.0%	6.5	0.2	5.3	5.8%	7.5%	4.4%	7.1%
<b>Diversified</b>		<b>161.1</b>	<b>1.4</b>	<b>12.2</b>	<b>6.3%</b>	<b>7.6%</b>	<b>2.8%</b>	<b>6.3%</b>
Charter Hall Long WALE REIT (CLW)	19.7%	161.1	1.4	12.2	6.3%	7.6%	2.8%	6.3%
<b>Property Investment - subtotal</b>		<b>1,303.4</b>	<b>39.6</b>	<b>7.5</b>	<b>6.2%</b>	<b>7.5%</b>	<b>3.6%</b>	<b>7.0%</b>
Commercial and Industrial Property Pty Limited (CIP)	50.0%	29.2	0.7	n/a	n/a	n/a	n/a	n/a
Investments disposed/other <sup>6</sup>		7.3	1.0	n/a	n/a	n/a	n/a	n/a
<b>Total</b>		<b>1,339.9</b>	<b>41.3</b>					

<sup>1</sup> Charter Hall Group property investment operating income per Segment Note 3(b) of the interim financial report.

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

<sup>3</sup> Average rent reviews is contracted weighted average rent increases of specialty tenants.

<sup>4</sup> The LWIP rental increase is CPI, uncapped.

<sup>5</sup> These funds comprise the Long WALE Hardware Partnership (LWHP).

<sup>6</sup> Comprises Charter Hall Opportunity Fund 4, Charter Hall Opportunity Fund 5 and LWR Truganina Trust.

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

#### (a) Office

##### Charter Hall Office Trust (CHOT)

CHOT is an unlisted wholesale partnership that invests in a diversified portfolio of office properties primarily located in Australian central business districts. CHOT owns interests in 11 high grade office assets valued at \$2.6 billion.

##### Charter Hall Prime Office Fund (CPOF) (formerly Charter Hall Core Plus Office Fund)

CPOF is a wholesale pooled fund that invests in high quality office buildings located in Australia's major capital cities. CPOF owns interests in 19 assets valued at \$3.0 billion.

##### PFA Diversified Property Trust (PFA)

PFA is an unlisted property fund diversified across geographic locations, tenant profiles and lease expiries around Australia, valued at \$230 million.

#### (b) Industrial

##### Core Logistics Partnership (CLP)

CLP is a wholesale industrial partnership, which owns 25 assets valued at \$1.4 billion.

## Directors' Report (continued)

for the half year ended 31 December 2016

### Review and results of operations (continued)

#### Charter Hall Prime Industrial Fund (CPIF) (formerly Charter Hall Core Plus Industrial Fund)

CPIF is a wholesale industrial pooled fund focused on sourcing properties in the industrial and logistics sectors of major Australian capital cities. It includes both core and enhanced investment grade property assets. CPIF owns 43 assets valued at \$2.0 billion.

#### Charter Hall Direct Industrial Fund 4 (DIF4)

Charter Hall Direct Industrial Fund No.4 is an unlisted property fund investing in quality Australian industrial properties, and also in the Charter Hall managed Core Logistics Partnership.

#### (c) Retail

##### Charter Hall Retail REIT (CQR)

CQR is a listed trust, which invests in neighbourhood and sub-regional shopping centres anchored by Coles and Woolworths supermarkets. CQR's portfolio comprises 72 properties valued at \$2.7 billion.

##### Charter Hall Prime Retail Fund (CPRF)

CPRF is a wholesale fund, which owns Campbelltown Mall valued at \$197 million.

##### Retail Partnership No.6 Trust (RP6)

RP6 is a wholesale retail fund focusing on neighbourhood and sub-regional shopping centres. RP6 owns two assets valued over \$250 million.

##### Long WALE Investment Partnership (LWIP)

LWIP is a wholesale partnership, which owns 54 hospitality assets valued at \$700 million. These assets are leased to ALH under triple net leases.

##### Long WALE Hardware Partnership (LWHP)

The combined BP1, BP2 and TTP Funds are collectively referred to as the Long WALE Hardware Partnership (LWHP), which owns assets valued at \$730 million.

##### BP Fund 1 (BP1)

BP1 is a wholesale fund, which owns 12 freestanding warehouse properties valued over \$500 million.

##### BP Fund 2 (BP2)

BP2 is a wholesale fund, which owns four freestanding warehouse properties valued at \$150 million.

##### TTP Wholesale Fund (TTP)

TTP is a wholesale fund, which owns the Keperra Square shopping centre in Brisbane valued at \$80 million.

##### Long WALE Investment Partnership 2 (LWIP2)

LWIP2 is a wholesale partnership, which owns eight hospitality assets valued over \$150 million.

##### Charter Hall Retail Partnership No.2 (RP2)

RP2 is a wholesale retail fund, which owns the Bateau Bay Square shopping centre on the Central Coast of New South Wales valued over \$200 million.

#### (d) Diversified

##### Charter Hall Long WALE REIT (CLW)

CLW is an Australian Real Estate Investment Trust ("REIT") listed on the ASX (ASX: CLW) and invests in high quality Australasian real estate assets that are predominantly leased to corporate and government tenants on long-term leases. The REIT comprises 76 properties independently valued at \$1.3 billion.

#### (e) Commercial and Industrial Property Pty Limited (CIP)

The Group has a 50% interest in Commercial and Industrial Property Pty Limited (CIP), an industrial development business.

#### (f) Direct investor funds

The Group manages equity raised from retail investors via advisers, high net worth individuals and through direct distribution channels. The total FUM of these retail funds and single asset syndicates is \$2.5 billion.

#### (g) Wholesale mandates

The Group originates and manages segregated mandates for direct property investments either in joint venture with funds such as CPOF or CQR or as 100% owned assets by our clients. The total property value of wholesale mandates is \$1.6 billion.

## Directors' Report (continued)

for the half year ended 31 December 2016

### Review and results of operations (continued)

#### Property Funds Management

The Property Funds Management business provides investment management, asset management, property management, development management and leasing and transaction services to the Group's \$19.0 billion funds management portfolio. The use of an integrated property services model, which earns fees from providing these services to the managed portfolio, enhances the Group's returns from capital invested. The Group also provides services to segregated mandates looking to capitalise on its property and funds management expertise. The property funds management business contributed \$39.4 million in operating earnings to the Group.

During the period, total funds under management increased by \$1.5 billion to \$19.0 billion. The increase was a result of capital expenditure and valuation uplifts, along with net acquisitions of \$0.5 billion.

#### Significant changes in the state of affairs

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

- The Group invested \$46.0 million into Charter Hall Prime Retail Fund (CPRF) representing a 38% holding.
- The Group invested \$69.7 million into Charter Hall Retail REIT (CQR), increasing its holding from 14.3% at 30 June 2016 to 18.3% at 31 December 2016.
- The Group invested \$162.8 million into Charter Hall Long WALE REIT (CLW), representing a 19.7% holding.
- The Group invested \$6.4 million into Charter Hall Direct Industrial Fund No. 4 (DIF4) acquisition units representing a 16.5% holding. It also extended a \$9.7 million loan of which \$7.0 million was subsequently repaid.
- The Group sold \$152.2 million of its investment in Long WALE Investment Partnership (LWIP), reducing its holding from 50% to 5%.
- The Group sold \$20.0 million of its investment in Core Logistics Partnership (CLP) reducing its holding from 16.1% at 30 June 2016 to 14.3% at 31 December 2016.

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

The following events have occurred subsequent to 31 December 2016:

- On 16 January 2017 DIF4 repaid a further \$1.5 million of its loan to CHL and on 25 January DIF4 repaid a further \$1.2 million. The loan is now fully repaid.
- On 25 January 2017 CHL acquired 500 units of CHOF5 for \$35.2 million to increase the Group's ownership to 100%. On 27 January 2017 the sale of Workzone East, Perth settled with proceeds of \$68.3 million. The proceeds were partly used to repay the CHOF5 debt and the balance remaining in cash.
- On 30 January 2017 CHC received a capital return distribution on its investment in CHOT of \$7.9 million.
- On 2 February 2017 DIF4 redeemed 4.1 million acquisition units for consideration of \$4.1 million and on 8 February 2017 DIF4 redeemed CHC's remaining 2.3 million acquisition units for consideration of \$2.3 million, reducing its unitholding to nil.

Except for the matters discussed above, no other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect:

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



## Directors' Report (continued)

for the half year ended 31 December 2016

### 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 10.

### Rounding of amounts

The Company is of a kind referred to in ASIC Corporations Instrument (Rounding in Financial/Directors' Reports) 2016/91, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

### Auditor

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

### Directors' Authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The financial statements were authorised for issue by the Directors on 24 February 2017. The Directors have the power to amend and re-issue the Financial Statements.



David Clarke  
Chairman  
Sydney  
24 February 2017



## 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 2016, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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  
24th February 2017

## Consolidated Statements of Comprehensive Income

for the half year ended 31 December 2016

	Charter Hall Group		Charter Hall Property Trust Group	
	31 Dec 2016 \$'000	31 Dec 2015 \$'000	31 Dec 2016 \$'000	31 Dec 2015 \$'000
<b>Income</b>				
Revenue	110,850	81,270	9,826	10,480
Share of net profit of investments accounted for using the equity method	136,589	116,433	131,885	110,228
Net gain on sale of investments and inventory	3,726	5,970	3,726	973
Net gain on investment in associates at fair value	8	4,006	8	4,006
Foreign exchange gains	3	37	-	-
<b>Total income</b>	<b>251,176</b>	<b>207,716</b>	<b>145,445</b>	<b>125,687</b>
<b>Expenses</b>				
Depreciation	(1,661)	(1,380)	-	-
Finance costs	(779)	(1,041)	(668)	(1,015)
Amortisation of intangibles	(3,776)	(4,259)	-	-
Asset management fees	-	-	(639)	(559)
Employee costs	(49,069)	(44,684)	-	-
Administration and other expenses	(9,134)	(8,820)	(43)	(35)
<b>Total expenses</b>	<b>(64,419)</b>	<b>(60,184)</b>	<b>(1,350)</b>	<b>(1,609)</b>
<b>Profit before tax</b>	<b>186,757</b>	<b>147,532</b>	<b>144,095</b>	<b>124,078</b>
Income tax expense	(13,466)	(4,026)	-	-
<b>Profit for the period</b>	<b>173,291</b>	<b>143,506</b>	<b>144,095</b>	<b>124,078</b>
<b>Profit for the period as attributable to:</b>				
Equity holders of Charter Hall Limited	29,196	19,428	-	-
Equity holders of Charter Hall Property Trust (non-controlling interest)	144,095	124,078	144,095	124,078
<b>Profit for the period</b>	<b>173,291</b>	<b>143,506</b>	<b>144,095</b>	<b>124,078</b>
<b>Other comprehensive income</b>				
<i>Items that may be reclassified to profit or loss</i>				
Exchange differences on translation of foreign operations	8	231	8	231
Equity accounted fair value movements in cash flow hedges	771	-	771	-
<b>Other comprehensive income for the period, net of tax</b>	<b>779</b>	<b>231</b>	<b>779</b>	<b>231</b>
<b>Total comprehensive income for the period</b>	<b>174,070</b>	<b>143,737</b>	<b>144,874</b>	<b>124,309</b>
<b>Total comprehensive income for the period is attributable to:</b>				
Equity holders of Charter Hall Limited	29,196	19,428	-	-
Equity holders of Charter Hall Property Trust (non-controlling interest)	144,874	124,309	144,874	124,309
<b>Total comprehensive income for the period</b>	<b>174,070</b>	<b>143,737</b>	<b>144,874</b>	<b>124,309</b>
<b>Basic earnings per security (cents) attributable to:</b>				
Equity holders of Charter Hall Limited	7.1	4.7	n/a	n/a
Equity holders of Charter Hall Property Trust (non-controlling interest)	34.9	30.4	34.9	30.4
<b>Basic earnings per stapled security (cents) attributable to stapled securityholders of Charter Hall Group</b>	<b>42.0</b>	<b>35.1</b>	<b>n/a</b>	<b>n/a</b>
<b>Diluted earnings per security (cents) attributable to:</b>				
Equity holders of Charter Hall Limited	7.1	4.7	n/a	n/a
Equity holders of Charter Hall Property Trust (non-controlling interest)	34.6	30.1	34.6	30.1
<b>Diluted earnings per stapled security (cents) attributable to stapled securityholders of Charter Hall Group</b>	<b>41.7</b>	<b>34.8</b>	<b>n/a</b>	<b>n/a</b>

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

## Consolidated Balance Sheets

as at 31 December 2016

	Note	Charter Hall Group		Charter Hall Property Trust Group	
		31 Dec 2016 \$'000	30 Jun 2016 \$'000	31 Dec 2016 \$'000	30 Jun 2016 \$'000
<b>Assets</b>					
<i>Current assets</i>					
Cash and cash equivalents		43,055	145,358	31,171	43,321
Trade and other receivables		70,164	48,687	30,737	26,684
<b>Total current assets</b>		<b>113,219</b>	<b>194,045</b>	<b>61,908</b>	<b>70,005</b>
<i>Non-current assets</i>					
Trade and other receivables		-	-	33,930	139,860
Investments in associates at fair value through profit or loss	6	6,616	208	6,616	208
Investments accounted for using the equity method	6	1,333,323	1,136,727	1,235,362	1,041,502
Intangible assets	7	65,966	69,743	-	-
Property, plant and equipment		18,423	14,855	-	-
Deferred tax assets		2,677	5,520	-	-
<b>Total non-current assets</b>		<b>1,427,005</b>	<b>1,227,053</b>	<b>1,275,908</b>	<b>1,181,570</b>
<b>Total assets</b>		<b>1,540,224</b>	<b>1,421,098</b>	<b>1,337,816</b>	<b>1,251,575</b>
<b>Liabilities</b>					
<i>Current liabilities</i>					
Trade and other payables		92,548	86,894	59,761	56,488
Provisions		1,978	1,680	-	-
<b>Total current liabilities</b>		<b>94,526</b>	<b>88,574</b>	<b>59,761</b>	<b>56,488</b>
<i>Non-current liabilities</i>					
Trade and other payables		6,760	5,193	-	-
Provisions		1,234	1,334	-	-
<b>Total non-current liabilities</b>		<b>7,994</b>	<b>6,527</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>		<b>102,520</b>	<b>95,101</b>	<b>59,761</b>	<b>56,488</b>
<b>Net assets</b>		<b>1,437,704</b>	<b>1,325,997</b>	<b>1,278,055</b>	<b>1,195,087</b>
<b>Equity</b>					
<i>Equity holders of Charter Hall Limited</i>					
Contributed equity	9(a)	255,777	256,049	-	-
Reserves		(45,718)	(45,533)	-	-
Accumulated losses		(50,410)	(79,606)	-	-
Parent entity interest		159,649	130,910	-	-
<i>Equity holders of Charter Hall Property Trust</i>					
Contributed equity	9(a)	1,198,871	1,201,346	1,198,871	1,201,346
Reserves		779	-	779	-
Accumulated profit/(losses)		78,405	(6,259)	78,405	(6,259)
Equity holders of Charter Hall Property Trust (non-controlling interest)		1,278,055	1,195,087	1,278,055	1,195,087
<b>Total equity</b>		<b>1,437,704</b>	<b>1,325,997</b>	<b>1,278,055</b>	<b>1,195,087</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 2016

	Attributable to the owners of the Charter Hall Group				
	Note	Contributed equity \$'000	Reserves \$'000	Accumulated profit/(losses) \$'000	Total equity \$'000
Balance at 1 July 2015		1,435,679	(44,661)	(190,557)	1,200,461
Profit for the period		-	-	143,506	143,506
Other comprehensive income		-	231	-	231
<b>Total comprehensive income</b>		-	231	143,506	143,737
<i>Transactions with equity holders in their capacity as equity holders:</i>					
Contributions of equity, net of issue costs		10,686	-	-	10,686
Buyback and issuance of securities for exercised performance rights		(4,156)	(4,340)	-	(8,496)
Transfer due to deferred compensation payable in service rights		-	1,722	-	1,722
Distribution provided for or paid	4	-	-	(54,419)	(54,419)
Security-based benefit expense		-	1,127	-	1,127
Equity accounted fair value movements in cash flow hedges		-	198	-	198
		6,530	(1,293)	(54,419)	(49,182)
<b>Balance at 31 December 2015</b>		<b>1,442,209</b>	<b>(45,723)</b>	<b>(101,470)</b>	<b>1,295,016</b>
Balance at 1 July 2016		1,457,395	(45,533)	(85,865)	1,325,997
Profit for the period		-	-	173,291	173,291
Other comprehensive income		-	779	-	779
<b>Total comprehensive income</b>		-	779	173,291	174,070
<i>Transactions with equity holders in their capacity as equity holders:</i>					
Buyback and issuance of securities for exercised performance rights		(2,747)	(2,395)	-	(5,142)
Transfer due to deferred compensation payable in service rights		-	1,427	-	1,427
Distribution provided for or paid	4	-	-	(59,431)	(59,431)
Security-based benefit expense		-	783	-	783
		(2,747)	(185)	(59,431)	(62,363)
<b>Balance at 31 December 2016</b>		<b>1,454,648</b>	<b>(44,939)</b>	<b>27,995</b>	<b>1,437,704</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 2016

	Attributable to the owners of the Charter Hall Property Trust Group				
	Note	Contributed equity \$'000	Reserves \$'000	Accumulated profit/(losses) \$'000	Total equity \$'000
Balance at 1 July 2015		1,181,772	(46)	(92,980)	1,088,746
Profit for the period		-	-	124,078	124,078
Other comprehensive income		-	231	-	231
<b>Total comprehensive income/(loss)</b>		-	231	124,078	124,309
<i>Transactions with equity holders in their capacity as equity holders:</i>					
Contributions of equity, net of issue costs		9,691	-	-	9,691
Buyback and issuance of securities for exercised performance rights		(3,769)	-	-	(3,769)
Distribution provided for or paid	4	-	-	(54,419)	(54,419)
Equity accounted fair value movements in cash flow hedges		-	198	-	198
		5,922	198	(54,419)	(48,299)
<b>Balance at 31 December 2015</b>		<b>1,187,694</b>	<b>383</b>	<b>(23,321)</b>	<b>1,164,756</b>
Balance at 1 July 2016		1,201,346	-	(6,259)	1,195,087
Profit for the period		-	-	144,095	144,095
Other comprehensive income		-	779	-	779
<b>Total comprehensive income</b>		-	779	144,095	144,874
<i>Transactions with equity holders in their capacity as equity holders:</i>					
Buyback and issuance of securities for exercised performance rights		(2,475)	-	-	(2,475)
Distribution provided for or paid	4	-	-	(59,431)	(59,431)
		(2,475)	-	(59,431)	(61,906)
<b>Balance at 31 December 2016</b>		<b>1,198,871</b>	<b>779</b>	<b>78,405</b>	<b>1,278,055</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 2016

	Charter Hall Group		Charter Hall Property Trust Group	
	31 Dec	31 Dec	31 Dec	31 Dec
	2016	2015	2016	2015
Note	\$'000	\$'000	\$'000	\$'000
<b>Cash flows from operating activities</b>				
Receipts from customers (inclusive of GST)	99,950	73,367	3,908	-
Payments to suppliers and employees (inclusive of GST)	(75,924)	(62,965)	(1,000)	(280)
Interest received	1,322	1,411	163	137
Interest paid	(673)	(563)	(611)	(533)
Distributions and dividends from investments	38,827	34,760	35,184	30,960
<b>Net cash inflow from operating activities</b>	<b>63,502</b>	<b>46,010</b>	<b>37,644</b>	<b>30,284</b>
<b>Cash flows from investing activities</b>				
Payments for PP&E, net of lease incentive received	(2,804)	(1,157)	-	-
Proceeds on disposal of inventory	-	15,873	-	-
Investments in associates and joint ventures	6 (199,517)	(122,085)	(199,517)	(122,085)
Proceeds on disposal and return of capital from investments in associates and joint ventures	6 88,607	22,457	88,607	22,457
Loans to associates, joint ventures and related parties	6 (9,449)	(4,546)	(68,379)	(77,143)
Repayments from joint ventures and related parties	18,534	-	188,100	196,986
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(104,629)</b>	<b>(89,458)</b>	<b>8,811</b>	<b>20,215</b>
<b>Cash flow from financing activities</b>				
Proceeds from issues / (buy-back) of stapled securities	(5,046)	2,190	(2,475)	5,922
Proceeds from borrowings	48,800	-	48,800	-
Repayment of borrowings	(48,800)	-	(48,800)	-
Distributions paid to stapled securityholders	(56,130)	(49,225)	(56,130)	(49,225)
<b>Net cash outflow from financing activities</b>	<b>(61,176)</b>	<b>(47,035)</b>	<b>(58,605)</b>	<b>(43,303)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(102,303)</b>	<b>(90,483)</b>	<b>(12,150)</b>	<b>7,196</b>
Cash and cash equivalents at the beginning of the period	145,358	151,593	43,321	37,037
Effects of exchange rate changes on cash and cash equivalents	-	37	-	-
<b>Cash and cash equivalents at the end of the period</b>	<b>43,055</b>	<b>61,147</b>	<b>31,171</b>	<b>44,233</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 2016

### 1 Summary of significant accounting policies

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 2016 and any public announcements made by the Charter Hall Group during the half year ended 31 December 2016, in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

#### (a) Basis of preparation

The Charter Hall Group (Group, CHC or Charter Hall) is a 'stapled' entity comprising Charter Hall Limited (Company or CHL) and its controlled entities, and Charter Hall Property Trust (Trust or CHPT) and its controlled entities (Charter Hall Property Trust Group). The shares in the Company are stapled to the units in the Trust. The stapled securities cannot be traded or dealt with separately. The stapled securities of the Group are listed on the Australian Securities Exchange. CHL has been identified as the parent entity in relation to the stapling.

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

As permitted by ASIC Corporations (Stapled Group Reports) Instrument 2015/838, this interim financial report is a combined financial report that presents the consolidated financial statements and accompanying notes of both the Charter Hall Group and the Charter Hall Property Trust Group.

The interim financial report of the Charter Hall Group comprises CHL and its controlled entities, including Charter Hall Funds Management Limited (Responsible Entity) as responsible entity for CHPT and CHPT and its controlled entities. The results and equity, not directly owned by CHL, of CHPT have been treated and disclosed as a non-controlling interest. Whilst the results and equity of CHPT are disclosed as a non-controlling interest, the stapled securityholders of CHL are the same as the stapled securityholders of CHPT. The financial report of the Charter Hall Property Trust Group comprises the Trust and its controlled entities.

#### New and amended standards adopted

No new accounting standards or amendments have come into effect for the half year ended 31 December 2016 that affect the Group's operations or reporting requirements.

### 2 Critical accounting estimates and judgements

The Charter Hall Group and Charter Hall Property Trust Group make estimates and assumptions concerning the future. Estimates and judgements are continually evaluated and are based on experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### (a) Classification and carrying value of investments

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

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

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



## Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2016

### 2 Critical accounting estimates and judgements (continued)

#### (b) Performance fee recognition

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

#### (c) Valuation of intangibles

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

### 3 Segment information

#### (a) Description of segments

##### **Charter Hall Property Trust Group**

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

##### **Charter Hall Group**

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

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

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

##### *Property Investments*

This segment comprises investments in property funds.

##### *Property Funds Management*

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

##### **Comparative information**

During the prior year the financial information provided to the chief operating decision maker was changed to be provided on a proportionately consolidated basis, and to reclassify CIP operating earnings of \$1,663,000 from the property funds management segment to the property investments segment and to reclassify non-cash security-based benefits expense of \$1,127,000 from unallocated to the property funds management segment. Comparative information has been restated accordingly. Corporate costs which were previously unallocated in the June 2016 financial report are now included in the property funds management segment.

The impact of the reclassification of CIP is an increase in the property investments operating earnings disclosed in the 31 December 2015 financial report from \$35,920,000 to restated property investments operating earnings of \$37,583,000. The impact of the reclassification of CIP and non-cash security-based benefits expense for 31 December 2015 is a reduction in the amount disclosed in the 31 December 2015 interim financial report from \$26,394,000 to the restated property funds management operating earnings of \$23,604,000.

## Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2016

### 3 Segment information (continued)

#### (b) Proportionally consolidated operating segments

The operating segments provided to the Board for the reportable segments for the period ended 31 December 2016 are as follows:

	Property Investments \$'000	Property Funds Management \$'000	Total \$'000
<b>31 December 2016</b>			
Property rental income <sup>1</sup>	76,393	-	<b>76,393</b>
Property expenses <sup>1</sup>	(14,810)	-	<b>(14,810)</b>
Management fee revenue	-	84,414	<b>84,414</b>
Net property development EBITDA <sup>2</sup>	1,388	-	<b>1,388</b>
Net operating expenses	(371)	(33,172)	<b>(33,543)</b>
Corporate expenses <sup>3</sup>	-	(10,254)	<b>(10,254)</b>
<b>EBITDA</b>	<b>62,600</b>	<b>40,988</b>	<b>103,588</b>
<b>EBITDA as a % of total EBITDA</b>	<b>60.4%</b>	<b>39.6%</b>	
Inter-segment fees and expenses <sup>4</sup>	(6,314)	10,729	<b>4,415</b>
Depreciation and amortisation expense	(55)	(1,661)	<b>(1,716)</b>
Net interest expense	(14,597)	-	<b>(14,597)</b>
Income tax expense	(303)	(10,623)	<b>(10,926)</b>
<b>Operating earnings</b>	<b>41,331</b>	<b>39,433</b>	<b>80,764</b>
Basic weighted average number of stapled securities ('000)			412,718
<b>Operating earnings per stapled security (cents)</b>			<b>19.6 cps</b>
<b>Other Segment Items</b>			
Realised gains/(losses) on disposal of investments <sup>5</sup>	22,956		
<b>EBITDA as a % of total EBITDA, including realised gains/(losses) <sup>6</sup></b>	<b>67.6%</b>	<b>32.4%</b>	

<sup>1</sup> Property rental income and property expenses are calculated on a look through basis.

<sup>2</sup> Net property development EBITDA is the group's share of EBITDA from its investment in CIP, an industrial development business.

<sup>3</sup> Corporate expenses includes the costs to manage the listed stapled entity of CHC and non sector costs of managing the group wide platform including the Board, CEO, CFO, heads of group wide functions (People and IT), group finance, CHC investor relations, group marketing, corporate share of security-based benefits expense and restructuring costs.

<sup>4</sup> Inter-segment fees and expenses are made up of fees and expenses paid by the funds to the Group whether treated as expenses or capitalised by the fund.

<sup>5</sup> Realised gains/(losses) are calculated on property disposals based on sales price less historical acquisition costs plus capital expenditure on a look through basis, excluding fair value movements required under IFRS.

<sup>6</sup> This ratio is calculated by dividing the segment's EBITDA plus the realised gains/(losses) on disposal of investments by the total EBITDA plus realised gains/(losses) on disposal of investments.

## Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2016

### 3 Segment information (continued)

31 December 2015	Property Investments \$'000	Property Funds Management \$'000	Total \$'000
Property rental income <sup>1</sup>	72,285	-	72,285
Property expenses <sup>1</sup>	(14,439)	-	(14,439)
Management fee revenue	-	57,819	57,819
Net property development EBITDA <sup>2</sup>	3,311	-	3,311
Net operating expenses	(592)	(30,945)	(31,537)
Corporate expenses <sup>3</sup>	-	(10,060)	(10,060)
<b>EBITDA</b>	<b>60,565</b>	<b>16,814</b>	<b>77,379</b>
<b>EBITDA as a % of total EBITDA</b>	<b>78.3%</b>	<b>21.7%</b>	
Inter-segment fees and expenses <sup>4</sup>	(5,859)	8,170	2,311
Depreciation and amortisation expense	(454)	(1,380)	(1,834)
Net interest expense	(15,916)	-	(15,916)
Income tax expense	(753)	-	(753)
<b>Operating earnings</b>	<b>37,583</b>	<b>23,604</b>	<b>61,187</b>
Basic weighted average number of stapled securities ('000)			408,373
<b>Operating earnings per stapled security (cents)</b>			<b>15.0 cps</b>
<b>Other Segment Items</b>			
Realised gains/(losses) on disposal of investments <sup>5</sup>	13,605		
<b>EBITDA as a % of total EBITDA, including realised gains/(losses) <sup>6</sup></b>	<b>81.5%</b>	<b>18.5%</b>	

<sup>1</sup> Property rental income and property expenses are calculated on a look through basis.

<sup>2</sup> Net property development EBITDA is the group's share of EBITDA from its investment in CIP, an industrial development business.

<sup>3</sup> Corporate expenses includes the costs to manage the listed stapled entity of CHC and non sector costs of managing the group wide platform including the Board, CEO, CFO, heads of group wide functions (People and IT), group finance, CHC investor relations, group marketing, corporate share of security-based benefits expense and restructuring costs.

<sup>4</sup> Inter-segment fees and expenses are made up of fees and expenses paid by the funds to the Group whether treated as expenses or capitalised by the fund.

<sup>5</sup> Realised gains/(losses) are calculated on property disposals based on sales price less historical acquisition costs plus capital expenditure on a look through basis, excluding fair value movements required under IFRS.

<sup>6</sup> This ratio is calculated by dividing the segment's EBITDA plus the realised gains/(losses) on disposal of investments by the total EBITDA plus realised gains/(losses) on disposal of investments.

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

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

	31 Dec 2016 \$'000	31 Dec 2015 \$'000
<b>Operating earnings attributable to stapled securityholders</b>	<b>80,764</b>	61,187
Realised and unrealised losses on derivatives <sup>1</sup>	<b>10,024</b>	(1,791)
Net fair value movements on investments and property <sup>1</sup>	<b>90,119</b>	88,703
Amortisation and impairment of intangibles	<b>(3,776)</b>	(4,259)
Income tax expense	<b>(2,843)</b>	(4,026)
Gain on disposal of property investments and inventory <sup>1</sup>	<b>4,058</b>	6,008
Other <sup>1</sup>	<b>(5,055)</b>	(2,316)
<b>Statutory profit after tax attributable to stapled securityholders</b>	<b>173,291</b>	143,506

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

## Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2016

### 3 Segment information (continued)

(d) Reconciliation of operating earnings from the property investments segment to the share of net profit of investments accounted for using the equity method and the net gain on investment in associates at fair value in the statement of comprehensive income

	31 Dec 2016 \$'000	31 Dec 2015 \$'000
Operating earnings - property investments	41,331	37,583
Add: non-operating equity accounted profit	95,457	81,707
Less: fair value distributions in operating income	(28)	(2,795)
Add: net gain on investment in associates at fair value	8	4,006
Add: other operating expenses	371	592
Less: net operating interest income	(542)	(655)
	<b>136,597</b>	<b>120,438</b>
Share of net profit of investments accounted for using the equity method	136,589	116,433
Net gain on investment in associates at fair value	8	4,006
	<b>136,597</b>	<b>120,439</b>

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

	31 Dec 2016 \$'000	31 Dec 2015 \$'000
Management revenue	84,414	57,819
Inter-segment revenue	10,729	8,170
Less: recoveries eliminated against expenses	(1,438)	(1,128)
<b>Property funds management revenue</b>	<b>93,705</b>	<b>64,861</b>
Add: recovery of property and fund related expenses	15,796	12,175
Add: interest income	1,321	1,438
Add: distributions received for investments accounted for at fair value	28	2,796
<b>Revenue per statement of comprehensive income</b>	<b>110,850</b>	<b>81,270</b>

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

### 4 Distributions paid and payable

	Charter Hall Group		Charter Hall Property Trust Group	
	31 Dec 2016 \$'000	31 Dec 2015 \$'000	31 Dec 2016 \$'000	31 Dec 2015 \$'000
<b>Ordinary stapled securities</b>				
Interim ordinary distribution for the six months ended 31 December 2016 of 14.4 cents per stapled security payable on 28 February 2017	59,431	-	59,431	-
Interim ordinary distribution for the six months ended 31 December 2015 of 13.3 cents per stapled security paid on 26 February 2016	-	54,419	-	54,419
<b>Total distributions paid and payable</b>	<b>59,431</b>	<b>54,419</b>	<b>59,431</b>	<b>54,419</b>

## Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2016

### 5 Earnings per stapled security

	Charter Hall Group		Charter Hall Property Trust Group	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>
<b>(a) Basic earnings per security attributable to:</b>				
Equity holders of Charter Hall Limited	7.1	4.7	n/a	n/a
Equity holders of Charter Hall Property Trust (non-controlling interest)	34.9	30.4	34.9	30.4
Stapled securityholders of Charter Hall Group	42.0	35.1	n/a	n/a
<b>(b) Diluted earnings per security attributable to:</b>				
Equity holders of Charter Hall Limited	7.1	4.7	n/a	n/a
Equity holders of Charter Hall Property Trust (non-controlling interest)	34.6	30.1	34.6	30.1
Stapled securityholders of Charter Hall Group	41.7	34.8	n/a	n/a
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>(c) Reconciliations of earnings used in calculating earnings per stapled security</b>				
Equity holders of Charter Hall Limited	29,196	19,428	n/a	n/a
Profit attributable to the ordinary stapled securityholders of the Group used in calculating basic and diluted earnings per stapled security	173,291	143,506	144,095	124,078
	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>
<b>(d) Weighted average number of stapled securities used as the denominator</b>				
Weighted average number of ordinary stapled securities used as the denominator in calculating basic earnings per stapled security	412,717,802	408,372,981	412,717,802	408,372,981
<i>Adjustments for calculation of diluted earnings per stapled security:</i>				
Performance rights	2,804,669	3,217,763	2,804,669	3,217,763
Service rights	484,300	639,299	484,300	639,299
Weighted average number of ordinary stapled securities and potential ordinary stapled securities used as the denominator in calculating diluted earnings per stapled security	416,006,771	412,230,043	416,006,771	412,230,043

## Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2016

### 6 Investments in associates and joint ventures

		OWNERSHIP INTEREST			
Charter Hall Group		31 Dec	30 Jun	31 Dec	30 Jun
Name of entity		2016	2016	2016	2016
Principal Activity		%	%	\$'000	\$'000
<b>Accounted for at fair value through profit or loss:</b>					
<i>Associates - unlisted</i>					
Charter Hall Direct Industrial Fund 4 <sup>1</sup>	Property investment	16.5	-	6,400	-
PFA Diversified Property Trust	Property investment	0.1	0.1	216	208
<b>Total fair value through profit or loss investments</b>				<b>6,616</b>	<b>208</b>
<b>Equity accounted</b>					
<i>Associates - unlisted</i>					
Charter Hall Office Trust	Property investment	14.3	14.3	206,553	164,107
Charter Hall Prime Office Fund	Property investment	10.4	10.7	196,893	183,301
Core Logistics Partnership	Property investment	14.3	16.1	154,893	170,040
Charter Hall Prime Industrial Fund	Property investment	5.7	6.8	95,047	94,801
Long WALE Investment Partnership 2	Property investment	5.0	50.0	17,722	165,246
Charter Hall Opportunity Fund 5	Property development	16.7	16.7	7,330	6,337
Retail Partnership No. 2 Trust	Property investment	5.0	5.0	6,463	6,051
Charter Hall Opportunity Fund 4	Property development	3.0	3.0	18	18
<i>Associates - listed</i>					
Charter Hall Retail REIT 3	Property investment	18.3	14.3	317,681	226,716
Charter Hall Long WALE REIT 4	Property investment	19.7	-	161,094	-
<i>Joint ventures - unlisted</i>					
Charter Hall Prime Retail Fund	Property investment	38.0	-	46,809	-
Retail Partnership No. 6 Trust	Property investment	20.0	20.0	33,847	32,249
Commercial and Industrial Property Pty Ltd	Property development	50.0	50.0	29,152	28,463
BP Fund 5	Property investment	8.4	10.0	28,197	23,767
BP Fund 2 5	Property investment	13.2	13.2	13,820	14,992
Long WALE Investment Partnership 2	Property investment	10.0	10.0	9,949	8,433
TTP Wholesale Fund 5	Property investment	10.0	10.0	7,855	7,603
CH DC Fund	Property investment	-	26.0	-	4,603
<b>Total equity accounted investments</b>				<b>1,333,323</b>	<b>1,136,727</b>
<b>Total investments</b>				<b>1,339,939</b>	<b>1,136,935</b>

<sup>1</sup> Acquisition of units was settled in a single transaction involving the simultaneous sale of CLP units to DIF4 for \$20.0 million offset by advancing a loan to DIF4 of \$9.7 million and acquisition of units for \$6.4 million with the balance settled in cash.

<sup>2</sup> Reclassified from joint venture to associate on reduction of ownership to 5% and a change in voting arrangements. The reduction in ownership was settled by the sale of LWIP units to CLW for \$152.2 million offset by acquisition of CLW units for \$134.2 million with the balance settled in cash.

<sup>3</sup> Fair value at the ASX quoted price as at 31 December 2016 was \$315,073,000 (30 June 2016: \$274,475,000).

<sup>4</sup> Fair value at the ASX quoted price as at 31 December 2016 was \$163,608,000 (30 June 2016: n/a).

<sup>5</sup> These funds comprise the Long WALE Hardware Partnership. During the period there was a \$2.0 million capital distribution from BP Fund 2 which was settled by a simultaneous capital call in the BP Fund.

## Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2016

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

		OWNERSHIP INTEREST			
Charter Hall Property Trust Group		31 Dec	30 Jun	31 Dec	30 Jun
Name of entity		2016	2016	2016	2016
Principal Activity		%	%	\$'000	\$'000
<b>Accounted for at fair value through profit or loss:</b>					
<i>Associates - unlisted</i>					
Charter Hall Direct Industrial Fund 4 <sup>1</sup>	Property investment	16.5	-	6,400	-
PFA Diversified Property Trust	Property investment	0.1	0.1	216	208
<b>Total fair value through profit or loss investments</b>				<b>6,616</b>	<b>208</b>
<b>Equity accounted</b>					
<i>Associates - unlisted</i>					
Charter Hall Office Trust	Property investment	14.3	14.3	206,553	164,107
Core Logistics Partnership	Property investment	14.3	16.1	154,893	170,040
Charter Hall Prime Office Fund	Property investment	9.7	10.0	184,058	171,359
Charter Hall Prime Industrial Fund	Property investment	2.7	3.3	46,421	46,336
Long WALE Investment Partnership <sup>2</sup>	Property investment	5.0	50.0	17,722	165,246
Retail Partnership No. 2 Trust	Property investment	5.0	5.0	6,463	6,051
<i>Associates - listed</i>					
Charter Hall Retail REIT <sup>3</sup>	Property investment	18.3	14.3	317,681	226,716
Charter Hall Long WALE REIT <sup>4</sup>	Property investment	19.7	-	161,094	-
<i>Joint ventures - unlisted</i>					
Charter Hall Prime Retail Fund	Property investment	38.0	-	46,809	-
Retail Partnership No. 6 Trust	Property investment	20.0	20.0	33,847	32,249
BP Fund <sup>5</sup>	Property investment	8.4	10.0	28,197	23,767
BP Fund 2 <sup>5</sup>	Property investment	13.2	13.2	13,820	14,992
Long WALE Investment Partnership 2	Property investment	10.0	10.0	9,949	8,433
TTP Wholesale Fund <sup>5</sup>	Property investment	10.0	10.0	7,855	7,603
CH DC Fund	Property investment	-	26.0	-	4,603
<b>Total equity accounted investments</b>				<b>1,235,362</b>	<b>1,041,502</b>
<b>Total investments</b>				<b>1,241,978</b>	<b>1,041,710</b>

<sup>1</sup> Acquisition of units was settled in a single transaction involving the simultaneous sale of CLP units to DIF4 for \$20.0 million offset by advancing a loan to DIF4 of \$9.7 million and acquisition of units for \$6.4 million with the balance settled in cash.

<sup>2</sup> Reclassified from joint venture to associate on reduction of ownership to 5% and a change in voting arrangements. The reduction in ownership was settled by the sale of LWIP units to CLW for \$152.2 million offset by acquisition of CLW units for \$134.2 million with the balance settled in cash.

<sup>3</sup> Fair value at the ASX quoted price as at 31 December 2016 was \$315,073,000 (30 June 2016: \$274,475,000).

<sup>4</sup> Fair value at the ASX quoted price as at 31 December 2016 was \$163,608,000 (30 June 2016: n/a).

<sup>5</sup> These funds comprise the Long WALE Hardware Partnership. During the period there was a \$2.0 million capital distribution from BP Fund 2 which was settled by a simultaneous capital call in the BP Fund.

## Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2016

### 7 Intangible assets

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

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

CHOT is subject to a liquidity event every five years. In November 2016, CHOT's investors agreed to extend the life of the fund by three years to 30 April 2020. The amortisation period for the CHOT management rights has also been extended prospectively by three years. The Group is amortising the associated intangible assets over a nine year period from 1 May 2012, which includes an additional year to source liquidity were the fund to be wound up as a result of a liquidity review.

	Charter Hall Group		Charter Hall Property Trust Group	
	31 Dec 2016 \$'000	30 Jun 2016 \$'000	31 Dec 2016 \$'000	30 Jun 2016 \$'000
Opening balance	69,743	78,260	-	-
Amortisation	(3,777)	(8,517)	-	-
<b>Closing balance</b>	<b>65,966</b>	<b>69,743</b>	-	-

### 8 Interest-bearing liabilities

#### Charter Hall Property Trust loan

The \$100 million debt facility was increased to \$125 million in December 2016 with the maturity date unchanged at August 2018. At 31 December 2016, borrowings of \$nil (30 June 2016: \$nil) and bank guarantees of \$14.3 million (30 June 2016: \$26.0 million) had been drawn under this facility.



## Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2016

### 9 Contributed equity

#### (a) Security capital

	31 Dec 2016 Securities	30 Jun 2016 Securities	31 Dec 2016 \$'000	30 Jun 2016 \$'000
Charter Hall Limited			255,777	256,049
Charter Hall Property Trust			1,198,871	1,201,346
<b>Ordinary securities - stapled securities, fully paid</b>	<b>412,717,802</b>	412,717,802	<b>1,454,648</b>	1,457,395

#### (b) Movements in ordinary stapled security capital

Details	Number of securities <sup>1</sup>	Average issue price	Charter Hall Limited \$'000	Charter Hall Property Trust \$'000	Total \$'000
Opening balance at 1 July 2015	406,817,856		253,907	1,181,772	1,435,679
Buyback and issuance of securities for exercised performance and service rights <sup>1</sup>	-	\$ 2.26	(408)	(3,951)	(4,359)
Issuance under DRP <sup>2</sup>	5,899,946	\$ 4.45	2,563	23,669	26,232
Closing balance at 30 June 2016	412,717,802		256,062	1,201,490	1,457,552
Less: Transaction costs on stapled security issues			(13)	(144)	(157)
<b>Closing balance per accounts at 30 June 2016</b>	<b>412,717,802</b>		<b>256,049</b>	<b>1,201,346</b>	<b>1,457,395</b>
Buyback and issuance of securities for exercised performance and service rights <sup>3</sup>	-	\$ 2.61	(272)	(2,475)	(2,747)
Balance at 31 December 2016	412,717,802		255,777	1,198,871	1,454,648
Less: Transaction costs on stapled security issues			-	-	-
<b>Balance per accounts at 31 December 2016</b>	<b>412,717,802</b>		<b>255,777</b>	<b>1,198,871</b>	<b>1,454,648</b>

<sup>1</sup> 1,926,951 securities bought on market at an average value of \$4.37, offset by the exercise of 1,581,344 performance rights with a value of \$1.91 and 474,902 service rights with an average value of \$3.41.

<sup>2</sup> 2,345,435 issued in September 2015 with an issue price of \$4.60 and 3,554,511 issued in February 2016 with an issue price of \$4.34.

<sup>3</sup> 879,616 securities bought on market at an average value of \$5.74, offset by the exercise of 445,518 performance rights with a value of \$1.16 and 434,098 service rights with an average value of \$4.11.

### 10 Fair value measurement

#### (a) Recognised fair value measurement

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

- Investments in associates at fair value through profit and loss (refer to Note 6).

## Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2016

### 10 Fair Value Measurement (continued)

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

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

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Charter Hall Group</b>				
31 December 2016				
Investments in associates at fair value through profit and loss	-	-	6,616	6,616
<b>Total assets</b>	-	-	6,616	6,616
30 June 2016				
Investments in associates at fair value through profit and loss	-	-	208	208
<b>Total assets</b>	-	-	208	208
<b>Charter Hall Property Trust Group</b>				
31 December 2016				
Investments in associates at fair value through profit and loss	-	-	6,616	6,616
<b>Total assets</b>	-	-	6,616	6,616
30 June 2016				
Investments in associates at fair value through profit and loss	-	-	208	208
<b>Total assets</b>	-	-	208	208

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

#### (b) Disclosed fair values

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

#### (c) Valuation techniques used to derive Level 3 fair values

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

The fair value of investments in associates at fair value through profit or loss is impacted by the price per security of the investment. An increase to the price per security results in an increase to the fair value of the investment.

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

	Charter Hall Group		Charter Hall Property Trust Group	
	31 Dec 2016 \$'000	30 Jun 2016 \$'000	31 Dec 2016 \$'000	30 Jun 2016 \$'000
Opening balance	208	65,535	208	65,535
Investment	6,400	-	6,400	-
Net gain on investment in associates at fair value	8	4,016	8	4,016
Disposal of units	-	(70,321)	-	(70,321)
Gain on disposal	-	978	-	978
<b>Closing balance</b>	<b>6,616</b>	<b>208</b>	<b>6,616</b>	<b>208</b>

## Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2016

### 11 Commitments

Capital commitments

#### Charter Hall Group

The Group had no contracted capital commitments as at 31 December 2016 (30 June 2016: \$nil).

#### Charter Hall Property Trust Group

The Trust Group had no contracted capital commitments as at 31 December 2016 (30 June 2016: \$nil).

### 12 Contingent liabilities

The Group did not have any contingent liabilities as at 31 December 2016 (30 June 2016: \$nil) other than the bank guarantees of \$14.3 million provided for under the bank facility (refer to Note 8(a)).

### 13 Events occurring after the reporting date

The following events have occurred subsequent to 31 December 2016:

- On 16 January 2017 DIF4 repaid a further \$1.5 million of its loan to CHL and on 25 January DIF4 repaid a further \$1.2 million. The loan is now fully repaid.
- On 25 January 2017 CHL acquired 500 units of CHOF5 for \$35.2 million to increase the Group's ownership to 100%. On 27 January 2017 the sale of Workzone East, Perth settled with proceeds of \$68.3 million. The proceeds were partly used to repay the CHOF5 debt and the balance remaining in cash.
- On 30 January 2017 CHC received a capital return distribution on its investment in CHOT of \$7.9 million.
- On 2 February 2017 DIF4 redeemed 4.1 million acquisition units for consideration of \$4.1 million and on 8 February 2017 DIF4 redeemed CHC's remaining 2.3 million acquisition units for consideration of \$2.3 million, reducing its unitholding to nil.

Except for the matters discussed above, no other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect:

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

## Directors' declaration to securityholders

for the half year ended 31 December 2016

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

- (a) the interim financial statements and notes of Charter Hall Limited and its controlled entities including Charter Hall Property Trust and its controlled entities (Charter Hall Group) and Charter Hall Property Trust and its controlled entities (Charter Hall Property Trust Group) set out on pages 11 to 27 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of Charter Hall Group's and Charter Hall Property Trust Group's financial position as at 31 December 2016 and of their performance for the half year ended on that date; and
- (b) there are reasonable grounds to believe that both Charter Hall Limited and the Charter Hall Property Trust will be able to pay their debts as and when they become due and payable; and

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



David Clarke  
Chairman  
Sydney  
24 February 2017



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

### ***Report on the Interim Financial Reports***

We have reviewed the accompanying interim financial report of:

- Charter Hall Limited, which comprises the consolidated balance sheet as at 31 December 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity – Charter Hall Group and consolidated cash flow statement for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Charter Hall Group. The Charter Hall 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;
- Charter Hall Property Trust, which comprises the consolidated balance sheet as at 31 December 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity – Charter Hall Property Trust Group and consolidated cash flow statement for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Charter Hall Property Trust Group. The Charter Hall Property Trust Group comprises Charter Hall Property Trust and the entities it controlled during the half-year.

### ***Directors' responsibility for the interim financial reports***

The directors of Charter Hall Limited and the directors of Charter Hall Funds Management Limited, the responsible entity of Charter Hall Property Trust (collectively referred to as "the directors") are responsible for the preparation of interim financial reports that give a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of interim financial reports that are free from material misstatement whether due to fraud or error.

### ***Auditor's responsibility***

Our responsibility is to express a conclusion on the interim financial reports based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial reports are not in accordance with the *Corporations Act 2001* including giving a true and fair view of the financial positions of the Charter Hall Group and the Charter Hall Property Trust Group as at 31 December 2016 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

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substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Independence*

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

### *Conclusion*

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

1. giving a true and fair view of Charter Hall Group's and Charter Hall Property Trust Group's financial positions as at 31 December 2016 and of their performance for the half-year ended on that date; and
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

  
PricewaterhouseCoopers

  
Wayne Andrews  
Partner

Sydney  
24 February 2017