APPENDIX 4E

Financial Report
for the year ended 30 June 2018

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 financial report of the Charter Hall Group for the year ended 30 June 2018.

Results for announcement to the market

	Year Ended 30 June 2018 $m	Year Ended 30 June 2017 $m	Variance (%)
Revenue [1]	246.2	213.4	15.4
Profit after tax attributable to stapled securityholders of Charter Hall Group	250.2	257.6	(2.9)
Operating earnings attributable to stapled securityholders [2]	175.8	151.2	16.3

[1] Gross revenue does not include share of net profits of associates and joint ventures of $169.1 million (2017: $207.2 million).

[2] Operating earnings is a financial measure which represents statutory profit after tax adjusted for proportionately consolidated fair value adjustments, gains or losses on sale of investments, amortisation and/or impairment of intangible assets, performance fee expenses, non-operating tax expense and other unrealised or one-off items. Operating earnings is the primary measure of the Group's underlying and recurring earnings 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.

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

	Year Ended 30 June 2018 cps	Year Ended 30 June 2017 cps	Variance (%)
Basic statutory earnings per stapled security attributable to stapled securityholders	53.7	61.2	(12.3)
Diluted statutory earnings per stapled security attributable to stapled securityholders	53.4	60.7	(12.0)
Operating earnings per stapled security attributable to stapled securityholders	37.7	35.9	5.0

Dividends and distributions	**Year Ended 30 June 2018**	**Year Ended 30 June 2017**
Final franked dividend and distribution in respect of a:		
CHPT unit	10.7¢	15.6¢
CHL share	5.5¢	-
Interim franked dividend and distribution in respect of a:		
CHPT unit	9.4¢	14.4¢
CHL share	6.2¢	-
Total	31.8¢	30.0¢

Record date for determining entitlements to the dividend/distribution	29 June 2018
Payment date	31 August 2018

Results for announcement to the market (continued)

Net Tangible Assets

	As at 30 June 2018	As at 30 June 2017
Net tangible assets (NTA) per stapled security [1]	$3.82	$3.60

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

The number of securities on issue at 30 June 2018 is 465.8 million (30 June 2017: 465.8 million).

Control gained or lost over entities during the year

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

- Charter Hall Real Estate Europe Limited (wholly owned entity dissolved on 4 July 2017).
- Charter Hall International Office Pty Limited (wholly owned entity de-registered on 9 July 2017).
- Charter Hall Office Investments Pty Limited (wholly owned entity de-registered on 9 July 2017).
- 50 Franklin Street Trust (wholly owned entity established on 8 December 2017).
- Dorcasia Pty Limited (wholly owned entity acquired on 24 April 2018).
- Charter Hall Chester Hill Trust (wholly owned entity established on 10 May 2018).

Details of Associates and Joint Venture entities

Refer attached financial report (Note 13: Investments accounted for using the equity method).

Other significant information

For additional information regarding the results of Charter Hall Group for the year ended 30 June 2018 please refer to the Full Year Results – ASX Media Announcement and the 2018 Full Year Results Presentation lodged with the ASX. Attached with this Appendix 4E is a copy of the financial report for the year ended 30 June 2018.

Accounting standards used by foreign entities

International Financial Reporting Standards.

Segment results

Refer attached financial report (Note 3: Segment information).

Other Factors

Refer to other significant information (above).

Audit

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

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

Charter Hall Group

Financial Report and other information for the year ended 30 June 2018

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

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

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

Historical performance is not a reliable indicator of future performance. Due care and attention 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 30 June 2018 unless otherwise stated. All references to dollars ($) or A$ are Australian dollars unless otherwise stated.

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Cover photo: 2 Market Street, Sydney, NSW

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Directors' Report

for the year ended 30 June 2018

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 financial report of the Charter Hall Group (Group or CHC) and the consolidated financial report of the Charter Hall Property Trust Group (CHPT) for the year ended 30 June 2018, and the Independent Auditor's Report thereon. The 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 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 year and up to the date of this report.

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

Principal activities

During the year, 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 year.

Distributions/Dividends - Charter Hall Group

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

	2018 $'m	2017 $'m
Final ordinary dividend of 5.5 cents and ordinary distribution of 10.7 cents per stapled security for the six months ended 30 June 2018 payable on 31 August 2018	**75.5**	-
Interim ordinary dividend of 6.2 cents and interim ordinary distribution of 9.4 cents per stapled security for the six months ended 31 December 2017 paid on 28 February 2018	**72.6**	-
Final ordinary distribution for the six months ended 30 June 2017 of 15.6 cents per stapled security paid on 31 August 2017	**-**	72.7
Interim ordinary distribution for the six months ended 31 December 2016 of 14.4 cents per stapled security paid on 28 February 2017	**-**	59.4
Total distributions/dividends paid and payable to stapled securityholders	**148.1**	132.1

Review and results of operations

The Group recorded a statutory profit after tax attributable to stapled securityholders for the year to 30 June 2018 of $250.2 million compared to a profit of $257.6 million for the year ended 30 June 2017.

Operating earnings amounted to $175.8 million for the year to 30 June 2018, compared to $151.2 million for the year ended 30 June 2017, an increase of 16.3%. Operating earnings is split between property investments of $103.9 million (30 June 2017: $85.0 million) and property funds management of $71.9 million (30 June 2017: $66.2 million).

The operating earnings information included in the table below has not been subject to any specific audit procedures but has been extracted from Note 3: Segment information of the accompanying financial report.

Directors' Report (continued)

for the year ended 30 June 2018

	2018 $'m	2017 $'m
Operating earnings attributable to stapled securityholders	**175.8**	151.2
Realised and unrealised gains on derivatives [1]	**(2.5)**	8.2
Net fair value movements on investments and property [1]	**98.4**	118.3
Amortisation of intangibles	**(2.7)**	(4.3)
Reversal/(impairment) of investment in joint venture	**7.3**	(10.5)
Non-operating deferred income tax benefit/(expense)	**0.5**	(4.1)
Gain/(loss) on disposal of property investments [1]	**(1.5)**	3.9
Performance fees expense [1]	**(16.5)**	-
Other [1]	**(8.6)**	(5.1)
Statutory profit after tax attributable to stapled securityholders	**250.2**	257.6
Statutory profit attributable to Charter Hall Direct Diversified Consumer Staples Fund (non-controlling interest)	**1.0**	-
Statutory profit after tax	**251.2**	257.6

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

	2018	2017
Basic weighted average number of stapled securities per Note 8 ('000s)	**465,777**	420,838
Basic earnings per stapled security per Note 8 (cents)	**53.7**	61.2
Operating earnings per stapled security (OEPS) per Note 3 (cents)	**37.7**	35.9

The 30 June 2018 financial results with comparatives are summarised as follows:

	Charter Hall Group		Charter Hall Property Trust Group	
	2018	2017	**2018**	2017
Revenue ($ million) [1]	**246.2**	213.4	**24.3**	19.7
Statutory profit after tax for stapled securityholders ($ million)	**250.2**	257.6	**175.2**	218.0
Statutory earnings per stapled security (EPS) (cents)	**53.7**	61.2	**37.6**	51.8
Operating earnings for stapled securityholders ($ million) [2]	**175.8**	151.2	**n/a**	n/a
Operating earnings per stapled security (cents) [2]	**37.7**	35.9	**n/a**	n/a
Distributions/dividends to stapled securityholders ($ million)	**148.1**	132.1	**93.6**	132.1
Distribution/dividend per stapled security (cents)	**31.8**	30.0	**20.1**	30.0
Total assets ($ million)	**2,013.6**	1,873.1	**1,724.5**	1,612.9
Total liabilities ($ million)	**155.4**	150.8	**73.3**	76.9
Total net assets ($ million)	**1,858.2**	1,722.3	**1,651.2**	1,536.0
Net assets attributable to non-controlling interest ($ million)[3]	**35.6**	-	**35.6**	-
Net assets attributable to stapled securityholders ($ million)	**1,822.6**	1,722.3	**1,615.6**	1,536.0
Stapled securities on issue (million)	**465.8**	465.8	**465.8**	465.8
Net assets per stapled security ($)	**3.91**	3.70	**3.47**	3.30
Net tangible assets (NTA) attributable to stapled securityholders ($ million) [4]	**1,777.1**	1,674.9	**1,615.6**	1,536.0
NTA per stapled security ($) [4]	**3.82**	3.60	**3.47**	3.30
Balance sheet gearing [5]	**0.00%**	0.00%	**0.00%**	0.00%
Funds under management (FUM) ($ billion)	**23.2**	19.8	**n/a**	n/a

1 Gross revenue does not include share of net profits of associates and joint ventures of $169.1 million (30 June 2017: $207.2 million).
2 Excludes fair value adjustments, gains or losses on the sale of investments, amortisation and/or impairment of intangible assets, performance fees expense, non-operating deferred tax expense and other unrealised or one-off items.
3 Represents the 38.7% (30 June 2017: 0.0%) non-controlling interest share of the Charter Hall Direct Diversified Consumer Staples Fund.
4 Net tangible assets (NTA) attributable to stapled securityholders and NTA per stapled security ($) are calculated using assets less liabilities, net of intangible assets and related deferred tax.
5 Gearing is calculated by using debt drawn net of cash divided by total assets net of cash.

Operating earnings per stapled security (OEPS) has increased 5.0% from 35.9 cents for the year ended 30 June 2017 to 37.7 cents for the year ended 30 June 2018.

Directors' Report (continued)

for the year ended 30 June 2018

Annual distribution per stapled security (DPS) has increased 6.0% from 30.0 cents for the year ended 30 June 2017 to 31.8 cents for the year ended 30 June 2018.

Net Tangible Assets per stapled security (NTA) at 30 June 2018 is $3.82, an increase of 6.1% over $3.60 at 30 June 2017.

Funds Under Management (FUM) increased from $19.8 billion at 30 June 2017 to $23.2 billion at 30 June 2018 due to the establishment of a new fund, Charter Hall Direct Diversified Consumer Staples Fund, significant valuation uplifts, property acquisitions and developments in Charter Hall Office Trust, Charter Hall Prime Office Fund, Charter Hall Prime Industrial Fund, Core Logistics Partnership Trust and Charter Hall Counter Cyclical Trust.

Property Investment

Property Investment provides the Group with yields from its co-investments in Group funds. Property Investment contributed $103.9 million in operating earnings to the Group.

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

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

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

	Ownership stake (%)	Charter Hall investment ($m)	FY 2018 Charter Hall investment income [1] ($m)	Weighted average lease expiry (years)	Weighted average market cap rate (%)	Weighted average discount rate (%)	Weighted Average rental reviews (%)	FY 2018 Charter Hall investment yield [2] (%)
Office		**620.1**	**34.1**	**5.5**	**5.4**	**6.8**	**3.8**	**6.1**
Charter Hall Prime Office Fund (CPOF)	8.4	258.8	13.2	6.2	5.3	6.8	3.9	5.6
Charter Hall Office Trust (CHOT)	15.7	246.4	13.4	4.3	5.2	6.7	3.9	6.3
Brisbane Square Wholesale Fund (BSWF)	16.8	102.1	6.9	8.3	5.9	7.1	3.5	6.7
Charter Hall Counter Cyclical Trust (CCT)	5.0	11.2	0.5	5.3	5.6	7.0	3.7	8.9
Charter Hall Direct WorkZone Trust (WZF)	2.0	1.4	0.1	7.2	7.1	7.5	4.0	9.0
Charter Hall Direct PFA Fund (PFA) [3]	0.1	0.2	-	8.2	7.0	7.7	3.4	7.4
Industrial		**300.6**	**17.3**	**9.9**	**6.0**	**7.3**	**3.0**	**6.0**
Core Logistics Partnership Trust (CLP)	13.8	148.8	8.6	10.4	6.0	7.3	3.0	6.2
Charter Hall Prime Industrial Fund (CPIF)	5.9	121.0	6.5	8.9	6.0	7.2	3.1	5.5
Charter Hall Direct Industrial Fund No.4 (DIF4)	16.4	30.8	2.2	11.0	6.3	7.6	3.0	7.0
Retail		**533.6**	**34.1**	**6.5**	**6.0**	**7.3**	**3.9**	**6.7**
Charter Hall Retail REIT (CQR) [4]	18.7	327.6	23.0	6.6	6.2	7.3	4.2	7.2
BP Fund 1 (BP1) [6]	11.9	54.7	2.3	9.3	5.4	7.0	2.8	5.4
Charter Hall Prime Retail Fund (CPRF)	38.0	45.7	2.9	4.0	5.8	7.5	4.3	6.4
Retail Partnership No. 6 Trust (RP6) [4]	20.0	36.7	2.1	4.5	5.6	7.8	3.6	6.1
BP Fund 2 (BP2) [6]	17.6	25.4	0.9	10.4	5.6	7.0	2.7	4.0
Long WALE Investment Partnership (LWIP) [5]	5.0	21.1	1.4	16.3	5.9	7.2	2.0	7.1
Long WALE Investment Partnership 2 (LWIP2) [5]	10.0	10.5	0.7	17.0	5.9	7.3	2.0	7.0
TTP Wholesale Fund (TTP) [4,6]	10.0	5.4	0.4	4.1	6.0	7.5	4.0	5.2
Retail Partnership No. 2 (RP2) [4]	5.0	6.5	0.4	4.9	5.8	7.3	4.4	6.5
Diversified		**251.7**	**14.9**	**10.5**	**6.3**	**7.4**	**2.9**	**6.3**
Charter Hall Long WALE REIT (CLW)	20.4	195.2	11.8	10.8	6.1	7.3	2.9	6.5
Charter Hall Direct Diversified Consumer Staples Fund (DCSF) [7]	61.3	56.5	3.1	8.6	6.7	7.8	2.9	5.6
Property investment - subtotal		**1,706.0**	**100.4**	**7.2**	**5.8**	**7.1**	**3.6**	**6.3**
Commercial and Industrial Property Pty Limited (CIP) [8]	50.0	17.7	3.5	n/a	n/a	n/a	n/a	n/a
Total		**1,723.7**	**103.9**					

Directors' Report (continued)

for the year ended 30 June 2018

[1] Charter Hall Group property investment earnings per segment, Note 3(b) of the financial report.
[2] 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.
[3] Formerly PFA Diversified Property Trust.
[4] Average rent reviews is contracted weighted average rent increases of specialty tenants.
[5] The LWIP and LWIP2 rental increase is CPI, uncapped.
[6] These funds comprise the Long WALE Hardware Partnership (LWHP).
[7] DCSF adjusted for non-controlling interest share of 38.7%.
[8] CIP was reclassified as held for sale in June 2018.

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

(a) Office

Charter Hall Prime Office Fund (CPOF)

CPOF is a wholesale pooled fund that invests in high-quality office buildings located in Australia's major capital cities. CPOF owns an interest in 24 assets valued at $4.5 billion.

Charter Hall Office Trust (CHOT)

CHOT is an unlisted wholesale partnership that invests in a high-quality portfolio of CBD office properties with a mix of premium and A grade quality buildings. The CHOT portfolio comprises 10 office assets valued at $2.9 billion.

Brisbane Square Wholesale Fund (BSWF)

BSWF is an unlisted partnership that owns two prime buildings in Brisbane and Perth CBD's valued at $1.1 billion.

Charter Hall Counter Cyclical Trust (CCT)

CCT is an unlisted wholesale partnership designed to take advantage of counter-cyclical investment opportunities in the Perth and Brisbane office markets, currently comprising two assets with a portfolio value of $460 million.

Charter Hall Direct WorkZone Trust (WZF)

WZF is an unlisted single asset property syndicate investing in an A-grade office building located on the fringe of the Perth CBD, which was sold post balance date.

Charter Hall Direct PFA Fund (PFA)

PFA is an unlisted fund diversified across geographic locations, tenant profiles and lease expiries in Australia with a portfolio value of $360 million.

(b) Industrial

Core Logistics Partnership Trust (CLP)

CLP is a wholesale industrial partnership which owns 27 assets valued at $1.6 billion.

Charter Hall Prime Industrial Fund (CPIF)

CPIF is a wholesale open ended fund focused on industrial and logistics assets in major Australian capital cities. CPIF owns a portfolio of 55 assets valued at $3.0 billion.

Charter Hall Direct Industrial Fund No.4 (DIF4)

DIF4 is an unlisted property fund investing in quality Australian industrial properties with a total value of $210 million.

(c) Retail

Charter Hall Retail REIT (CQR)

CQR is an Australian Real Estate Investment Trust (A-REIT) listed on the Australian Securities Exchange (ASX) (ASX: CQR) and invests in convenience shopping centres anchored by Coles, Woolworths and Aldi supermarkets. CQR's portfolio comprises 59 properties valued at $2.8 billion.

Charter Hall Prime Retail Fund (CPRF)

CPRF is a wholesale fund which owns Campbelltown Shopping Centre and an interest in Gateway Plaza, which was acquired post balance date, with a total portfolio value of $270 million.

Retail Partnership No.6 Trust (RP6)

RP6 is a wholesale fund focusing on neighbourhood and sub-regional shopping centres. RP6 owns two assets valued at $280 million.

Long WALE Hardware Partnership (LWHP)

The combined BP Fund 1, BP Fund 2 and TTP Wholesale Fund are collectively referred to as the Long WALE Hardware Partnership (LWHP), which owns 23 assets valued at $1.0 billion predominantly leased to Bunnings.

Long WALE Investment Partnership (LWIP)

LWIP is a wholesale partnership which owns 57 retail and pub assets valued at $770 million. These assets are leased to Australian Leisure and Hospitality Group (ALH) under triple net leases.

Long WALE Investment Partnership 2 (LWIP2)

LWIP2 is a wholesale partnership which owns nine retail and pub assets valued at $160 million.

Directors' Report (continued)

for the year ended 30 June 2018

Retail Partnership No.2 (RP2)
RP2 is a wholesale retail fund which owns the Bateau Bay Square shopping centre valued at $230 million on the Central Coast of New South Wales.

(d) Diversified

Charter Hall Long WALE REIT (CLW)
CLW is a A-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. CLW's portfolio comprises 81 properties valued at $1.5 billion.

Charter Hall Direct Diversified Consumer Staples Fund (DCSF)
DCSF is an unlisted fund with a diversified and growing portfolio of properties leased to distributors and producers of consumer staples goods. DCSF owns six properties valued at $63 million.

(e) 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 $0.9 billion.

(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 $3.1 billion.

(g) Commercial and Industrial Property Pty Limited (CIP)

The Group had a 50% interest in CIP, an industrial development business, that was held for sale as at 30 June 2018 and subsequently sold post balance date.

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 $23.2 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 $71.9 million in operating earnings to the Group.

During the year, total funds under management increased by $3.4 billion to $23.2 billion. The growth comprised development capital expenditure, net valuation uplifts, along with the acquisition of approximately $2.5 billion and divestment of approximately $1.0 billion of property.

Significant changes in the state of affairs

In May 2018, the Group completed several key initiatives to restructure its debt funding platform:

- The Group's debt facility was refinanced with a new unsecured $200.0 million credit facility plus an additional $20.0 million unsecured facility to support the bank guarantees with the maturity date changing to May 2023.
- On 24 May 2018, the Group issued US Private Placement debt (USPP) for a 10-year fixed coupon with US$175.0 million principal. The Group simultaneously executed a cross currency interest rate swap to convert the US$175.0 million into A$231.5 million (exchange rate of $0.7559) and swapped the fixed coupon to an Australian floating rate. Receipt of the USPP proceeds is scheduled for 24 August 2018.

Matters subsequent to the end of the period

The following events have occurred subsequent to 30 June 2018:

- In July 2018, the Group entered into a binding agreement to sell its interest in joint venture Commercial and Industrial Property Pty Ltd (CIP) for net proceeds of $29.0 million. Other receivables from investments in CIP resulted in a total cash realisation from the transaction of $56.3 million. The sale completed on 10 August 2018.
- In July 2018, the Group entered into a binding agreement to purchase a three-building amalgamated holding on Queen Street Mall known as No. 1 Brisbane, located in Brisbane's CBD, for a net purchase price of $94.0 million.
- On 22 August 2018, Charter Hall and Folkestone Limited entered into a scheme implementation agreement for Charter Hall to acquire 100% of the shares in Folkestone Limited. Under the terms of the scheme, Folkestone shareholders will be entitled to receive from Charter Hall $1.354 cash per share, which equates to a $205.0 million outlay (excluding c.1.4 million

Directors' Report (continued)

for the year ended 30 June 2018

CHC service rights (subject to CHC share price) to be issued to FLK management, (excluding Greg Paramor) vesting over 3 years). If the proposal is approved by Folkestone shareholders, completion is anticipated to be early November 2018.

Except for the matters discussed above, no other matter or circumstance has arisen since 30 June 2018 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.

Likely developments and expected results of operations

Business strategy and prospects

The Group's strategy is to use its specialist property expertise to access, deploy and manage equity invested in Retail, Office, Industrial property and diversified property fund portfolios. Charter Hall Group invests alongside equity partners to create value and provide superior returns for clients and the Group's securityholders.

Charter Hall is well positioned to benefit from projected growth of capital inflows from investors seeking property investments driven by the attractive spreads between property yields and long-term interest rates. During the last 12 months, the Group has seen positive equity flows across all sectors from listed, wholesale and retail investors.

Various risks could impact the Group's financial performance, the potential nature and impact of these risks can change over time. The Group actively manages risks in line with the Group's Corporate Governance Framework and the Risk Management Policy. In addition to the business risks referenced below, key strategic and operational risks include breaches of cyber security and privacy, work, health and safety, as well as environmental, social, governance and regulatory risks. These frameworks and policies can be found at www.charterhall.com.au.

Property Investment portfolio

The property investment portfolio composition is primarily driven by co-investment requirements where, typically, between 10-20% of the equity in a fund is contributed by Charter Hall. In addition to these co-investments, the Group may invest a higher proportion in certain funds to reweight its investment portfolio and continues to review opportunities to optimise the proportion of office, retail and industrial investments and extend the overall WALE of its property investment portfolio.

The Group regularly reviews the performance of its property investment portfolio and relevant economic drivers to actively manage performance at an asset level in each fund.

The material business risks faced by the property investment portfolio that may have an effect on financial performance of the Group include interest rate risk, refinancing risk, lease defaults or extended vacancies, portfolio concentration risks, development risk, joint venture risk and changes in economic or industry factors impacting tenants, property values or the ability to source suitable investment opportunities.

Property funds management platform

The Group manages property investments on behalf of listed, wholesale and direct investors and has strict policies in place to ensure appropriate governance procedures are in place to meet fiduciary responsibilities and manage any conflicts of interest. Charter Hall provides a suite of services including investment management, asset management, property management, transaction services, development services, treasury, finance, legal and custodian services based on each fund's individual requirements.

The Group regularly reviews investor requirements and preferences for an investment partner in the Australian core real estate sectors and transaction structures that would meet their requirements.

The material business risks faced by the property funds management platform that may have an effect on the financial performance of the Group include not delivering on investor expectations or organizational conduct leading to loss of FUM or management rights, loss of key personnel impacting service delivery, economic factors impacting fee streams or property valuations, development risk and access to capital.

Directors' Report (continued)

for the year ended 30 June 2018

Information on Directors

David Clarke Chair/Independent Non-Executive Director

Experience and expertise

David joined the Board of Charter Hall Group on 10 April 2014, and was appointed Chair of the Board on 12 November 2014.

David has over 35 years' experience in investment banking, funds management, property finance and retail banking. David was Chief Executive Officer of Investec Bank (Australia) Limited from 2009 to 2013.

Prior to joining Investec Bank, David was the CEO of Allco Finance Group and a Director of AMP Limited, following five years at Westpac Banking Corporation where he held a number of senior roles including Chief Executive of the Wealth Management Business, BT Financial Group. David also was previously an Executive Director at Lend Lease Corporation Limited, Chief Executive of MLC Limited, and prior to this was Chief Executive Officer of Lloyds Merchant Bank in London.

David holds a Bachelor of Laws degree.

Other current listed company directorships

Austbrokers Holdings Limited

Former listed company directorships in last three years

Nil

Special responsibilities

Chair of the Nominations Committee

Member of the Audit, Risk and Compliance Committee

Member of the Investment Committee

Interests in securities

45,875 stapled securities in Charter Hall Group via an indirect interest

Anne Brennan Independent Non-Executive Director

Experience and expertise

Anne joined the Board of Charter Hall Group on 6 October 2010 and is on the board of a number of other companies. Anne is an experienced executive and has held senior management roles in both large corporates and professional services firms.

During her executive career, Anne was the CFO at CSR and the Finance Director of the Coates Group. Prior to her executive roles, Anne was a partner in three professional services firms: KPMG, Arthur Andersen and Ernst & Young. Anne has more than 35 years' experience in audit, corporate finance and transaction services. Anne was also a member of the national executive team and a board member of Ernst & Young.

Anne holds a Bachelor of Commerce (Honours) degree, is a Fellow of the Institute of Chartered Accountants in Australia and New Zealand and a Fellow of the Australian Institute of Company Directors.

Other current listed company directorships

Argo Investments Limited

Metcash Limited

Nufarm Limited

Former listed company directorships in last three years

The Star Entertainment Group Limited

Myer Holdings Limited

Special responsibilities

Chair of Remuneration and Human Resources Committee

Member of Audit, Risk and Compliance Committee

Interests in securities

30,000 stapled securities in Charter Hall Group via direct and indirect interests

Philip Garling Independent Non-Executive Director

Experience and expertise

Philip joined the Board of the Charter Hall Group on 25 February 2013.

Philip has over 35 years' experience in property and infrastructure, development, operations and asset and investment management. His executive career included nine years as Global Head of Infrastructure at AMP Capital Investors and 22 years at Lend Lease Corporation, including five years as CEO of Lend Lease Capital Services.

Directors' Report (continued)

for the year ended 30 June 2018

Philip holds a Bachelor of Building from the University of NSW, has completed the Advanced Management Program at the Australian Institute of Management and the Advanced Diploma at the Australian Institute of Company Directors. He is a Fellow of the Australian Institute of Company Directors, Australian Institute of Building and Institution of Engineers, Australia.

Other current listed company directorships
Downer EDI Limited

Former listed company directorships in last three years
Spotless Group Holdings Ltd

Special responsibilities
Member of the Nominations Committee

Member of the Remuneration and Human Resources Committee

Chair of the Investment Committee

Interests in securities
16,759 stapled securities in Charter Hall Group via a direct interest

David Harrison Managing Director and Group CEO

Experience and expertise
David has 32 years of property market experience across office, retail and industrial sectors in multiple geographies globally. As Charter Hall's Managing Director and Group CEO, David is responsible for all aspects of the Charter Hall business, with specific focus on strategy and continuing the momentum from building an Investment Manager recognised as a multi-core sector market leader. David is an executive member of various Fund Boards and Partnership Investment Committees, Chair of the Executive Property Valuation Committee and Executive Leadership Committee.

David has overseen the growth of the Charter Hall Group from $500 million to $23.2 billion of assets under management in 14 years.

David holds a Bachelor of Business Degree (Land Economy) from the University of Western Sydney, is a Fellow of the Australian Property Institute (FAPI) and holds a Graduate Diploma in Applied Finance from the Securities Institute of Australia.

David is a Director and Vice-President of the Property Council of Australia and chair of the Audit and Risk Committee.

David is also a member of the Property Male Champions of Change.

Other current listed company directorships
Charter Hall Retail REIT

Charter Hall Long WALE REIT

Former listed company directorships in last three years
Nil

Special responsibilities
Member of the Investment Committee

Interests in securities
207,026 stapled securities in Charter Hall Group via direct interests and 1,441,773 stapled securities in Charter Hall Group via indirect interests. 875,807 performance rights and 174,781 service rights in the Charter Hall Performance Rights and Options Plan; performance rights, service rights and options vest after performance and service conditions are met.

Karen Moses Independent Non-Executive Director

Experience and expertise
Karen joined the Board of Charter Hall Group on 1 September 2016 and was appointed Chair of the Audit, Risk and Compliance Committee on 9 November 2016. Karen has over 30 years' corporate experience in the energy industry spanning oil, gas, electricity and coal commodities, gaining her experience both within Australia and overseas. During her executive career, Karen was a senior executive at Origin Energy including the roles of Executive Director, Finance and Strategy and Chief Operating Officer.

Karen holds a Bachelor of Economics and a Diploma of Education from the University of Sydney.

Other current listed company directorships
Orica Ltd (ASX: ORI)

Boral Limited (ASX: BLD)

Directors' Report (continued)

for the year ended 30 June 2018

Former listed company directorships in last three years
Origin Energy Ltd (ASX: ORG)

Special responsibilities
Chair of Audit, Risk and Compliance Committee

Interests in securities
23,137 stapled securities in Charter Hall Group via indirect interests

David Ross Independent Non-Executive Director

Experience and expertise
David joined the Board of the Charter Hall Group on 20 December 2016.

David has over 30 years' corporate experience in the property industry and has gained his experience both within Australia and overseas, including a total of eight years as Chief Executive Officer of GPT and Global Chief Executive Officer, Real Estate Investments for Lend Lease.

David is the Chair of Arena REIT, which owns, manages and develops property in the childcare and healthcare sectors. Previously, David held executive positions at GPT, Lend Lease and Babcock & Brown. Prior board appointments include a non-executive directorship with Sydney Swans Foundation Limited.

David holds a Bachelor of Commerce from the University of Western Australia and an Associate Diploma in Valuation from Curtin University in Western Australia.

Other current listed company directorships
Arena REIT

Former listed company directorships in last three years
Nil

Special responsibilities
Member of Nominations Committee

Member of Investment Committee

Member of Remuneration and Human Resources Committee

Interests in securities
Nil

Company Secretary
Mark Bryant was appointed as joint Company Secretary for Charter Hall Group on 24 August 2015 and has been the sole Company Secretary since 1 March 2017.

Mark holds a Bachelor of Business (Accounting) and a Bachelor of Laws (Hons) and has over 14 years' experience as a lawyer, including advising on listed company governance, securities law, funds management, real estate and general corporate law. Mark is the Group General Counsel and Company Secretary for the Charter Hall Group.

Meetings of Directors
The number of meetings of the Group's Board of Directors and of each Committee of the Board held during the year ended 30 June 2018, and the number of meetings attended by each Director were:

	Full meetings of the Board of Directors		Audit, Risk and Compliance Committee		Investment Committee		Nomination Committee		Remuneration and HR Committee	
	A	B	A	B	A	B	A	B	A	B
A Brennan	11	12	6	6	*	*	*	*	4	4
D Clarke	12	12	6	6	2	2	2	2	*	*
P Garling	11	12	*	*	2	2	2	2	4	4
D Harrison	12	12	*	*	2	2	*	*	*	*
K Moses	12	12	6	6	*	*	*	*	*	*
D Ross	12	12	*	*	2	2	2	2	4	4

* Not a member of the stated Committee.

A = Number of meetings attended.

B = Number of meetings held during the time the Director held office or was a member of the stated Committee during the year.

Directors' Report (continued)

for the year ended 30 June 2018

Remuneration Report summary

Charter Hall Limited is pleased to present its Remuneration Report (Report) for the year ended 30 June 2018. The table below outlines the key changes made in 2018 and outcomes achieved in 2018.

COMPONENT	KEY CHANGES IN FY 2018
Key management personnel (KMP)	KMP changes included in the Report (section 1): • appointment of Russell Proutt as Chief Financial Officer; • departure of Paul Ford as Group Executive, Industrial; • Sean McMahon temporarily assuming the role of Industrial CEO along with his Chief Investment Officer role; and • Greg Chubb, Retail CEO, taking on the role of Fund Manager, CQR.
COMPONENT	**KEY REMUNERATION OUTCOMES IN FY 2018**
Fixed remuneration	Increased the Managing Director and Group CEO's (Managing Director) fixed annual remuneration (FAR) by 10% to $1,430,000, effective 1 July 2017 (section 3.3). Other Reported Executives' FAR remained flat during 2018, excluding increases for role changes.
'On target' total remuneration and remuneration mix	Increased the Managing Director's 'on target' total remuneration (inclusive of target 'at-risk' components) by 10% to $4,290,000, effective 1 July 2017 (section 3.2). Increased 'at-risk' components of 'on target' total remuneration for Other Reported Executives averaging 4.7%, excluding role changes.
Short term incentive (STI)	An above target STI pool (120%) was awarded across the Group (section 3.4) based on actual performance against budget Group OEPS and Board discretion.
Long term incentive (LTI)	100% of the FY 2015 grant vested as a result of the performance against absolute and relative TSR hurdles over the three years to 30 June 2017 (section 3.5).
Other security plans	Continued the General Employee Securities Plan ($1,000 grant) for eligible employees not participating in the LTI.
Non-Executive Directors	Increased the Fee Pool for Non-Executive Directors (NED) to $1.7 million per annum, as approved by the securityholders at the Annual General Meeting in November 2017 (section 5).

Directors' Report (continued)

for the year ended 30 June 2018

Remuneration Report - unaudited

Actual remuneration received in FY 2018 - unaudited

The following table presents the actual remuneration received by Reported Executives during the financial year ended 30 June 2018. This voluntary disclosure is provided to increase transparency and includes:

- fixed pay and other benefits for 2018;
- 2017 cash STI paid during 2018; and
- the value of any LTI and STI award that vested during 2018.

The actual remuneration presented is distinct from the audited disclosed remuneration (as required by section 308(C) of the *Corporations Act 2001* (Cth) (Act)) in the Financial Report on page 35, which is calculated in accordance with statutory obligations and accounting standards. The numbers in the audited disclosed remuneration include accounting values for current and prior years' LTI grants which have not been (have not or may not be) received, as they are dependent on performance hurdles and service conditions being met.

Name	Salary and other benefits[1] $	Short term incentive[2] $	Value of securities vested[3] $	Total $	% of remuneration consisting of rights %
Executive Director					
D Harrison	1,431,621	1,213,333	1,961,752	4,606,706	42.6
Other Reported Executives					
G Chubb[4]	644,575	268,667	704,606	1,617,848	43.6
S McMahon[5]	801,621	396,380	329,680	1,527,681	21.6
R Proutt[6]	760,351	-	-	760,351	-
A Taylor	704,457	377,406	454,488	1,536,351	29.6
Former Reported Executive					
P Ford[7]	264,882	173,333	86,250	524,465	16.4
Totals	**4,607,507**	**2,429,119**	**3,536,776**	**10,573,402**	**33.4**

1 Other benefits include superannuation and non-monetary benefits.
2 Values relate to STI paid in FY 2018 in cash for FY 2017 performance.
3 Values at vesting date for LTI performance rights, STI deferred rights and any sign on service rights, they predominantly relate to performance rights for the FY 2016 LTI and subsequent deferred service rights relating to deferred STI payments.
4 On 19 December 2014, G Chubb was awarded 197,370 sign on service rights vesting in three equal tranches; the final tranche of 65,790 vested.
5 On 25 November 2016, S McMahon was awarded 59,056 sign on service rights which all vested.
6 R Proutt commenced on 20 July 2017. His remuneration is reported pro-rata for this reporting period.
7 P Ford took leave of absence from 19 June 2017. He formally ceased being a KMP on 14 September 2017 and remained employed by the Group until 15 December 2017. As he continued to be employed, his remuneration is shown for the period until 15 December 2017. This table shows his remuneration whilst employed excluding separation arrangements.

Directors' Report (continued)

for the year ended 30 June 2018

Remuneration Report - audited

1. Key management personnel - audited

This Report outlines the remuneration policies and practices that apply to Charter Hall's KMP for the year ended 30 June 2018. The KMP include the Non-Executive Directors, Executive Directors and other Reported Executives who are responsible for the Group's strategy.

Name	Role	Term as KMP
Non-Executive Directors		
David Clarke	Chair	Full Year
Anne Brennan	Director	Full Year
Phil Garling	Director	Full Year
Karen Moses	Director	Full Year
David Ross	Director	Full Year
Executive Director		
David Harrison	Managing Director and Group CEO	Full Year
Other Reported Executives		
Greg Chubb	Retail CEO	Full Year
Sean McMahon	Chief Investment Officer and Industrial CEO	Full Year
Russell Proutt	Chief Financial Officer	Part Year (joined 20 July 2017)
Adrian Taylor	Office CEO	Full Year
Former Reported Executive		
Paul Ford	Group Executive, Industrial	Part Year (ceased 14 Sept 2017)

The Report has been prepared and audited in accordance with the requirements of the Act.

Directors' Report (continued)

for the year ended 30 June 2018

Remuneration Report - audited (continued)

2. Remuneration governance

Charter Hall's Board and the Remuneration and Human Resources Committee (the Committee) are responsible for setting and overseeing remuneration policy for the Group.

Members of the Committee	The Committee is appointed by the Board and comprised solely of NEDs: • Anne Brennan (Chair of the Committee) • Philip Garling • David Ross
Role of the Committee	Charter Hall's Board and the Committee are responsible for setting and overseeing remuneration policy for the Group. In summary, the Committee provides advice and recommendations to the Board for approval on: • the Group's remuneration and incentives framework; • fixed annual remuneration, total remuneration package for executives; • short term incentives and long term incentives for executives; • any other remuneration matters that relate to executives; • criteria for reviewing the performance of the Managing Director; • incentive plans for all employees; and • fees for NEDs of the Group and fund committees. The specific responsibilities of the Board and the Committee are detailed in their respective charters, which are available on the Group website at www.charterhall.com.au.
Attendance	Other Directors of the Board, the Managing Director and the Group Executive, People, Brand and Community attend Committee meetings by invitation. Importantly, executives (including the Managing Director), do not attend meetings, or sections of meetings, where agenda items for discussion relate to their own remuneration outcomes.
Remuneration and risk management	Risk is managed at various points in the executive remuneration framework through: • part deferral of STI awards into service rights over two years; • LTI performance hurdles that reflect the long-term performance of the business, measured over three years with an additional one year holding lock; • clawback on unvested deferred STI and unvested LTI for material misstatement and financial misrepresentation; • minimum shareholding for Independent Directors; and • Board discretion on performance outcomes.
External advisers and remuneration consultants	Where necessary, the Committee seeks support from independent experts and advisers. Remuneration consultants provide information on market trends in respect of KMP remuneration structures and benchmarking information on KMP remuneration levels. Other external advisers (including legal practitioners) assist with the administration of the Group's remuneration plans and ensure that the appropriate legal parameters are applied and employment contracts are in place. The Committee independently appoints its remuneration consultants and engages with them in a manner which ensures that any information provided is not subject to undue influence by management. The information provided by external advisers is used as an input only to the Committee's considerations and decision making. The Board has ultimate decision making authority over matters of remuneration structure and outcomes. During the FY 2018 period Egan Associates provided guidance to the Board in connection with Non-Executive Directors fees and Managing Director remuneration. Work undertaken during FY 2018 for the Managing Director remuneration was benchmarking and did not constitute a remuneration recommendation for the purposes of the *Corporations Act 2001*. Work undertaken during FY 2018 for the Non-Executive Director remuneration was a remuneration recommendation and Egan Associates was paid $28,875 for this advice. The Committee is satisfied that the advice received from Egan Associates is free from undue influence from the KMP to whom the remuneration recommendations relate. Egan Associates also confirmed in writing that the remuneration recommendation was made free from undue influence by KMP.

Directors' Report (continued)

for the year ended 30 June 2018

Remuneration Report - audited (continued)

3. Executive remuneration framework

3.1 Executive remuneration strategy

Charter Hall's remuneration philosophy is aimed at rewarding performance. This is achieved by attracting and retaining talented people who are motivated to achieve challenging performance targets aligned with both the business strategy and the long-term interests of securityholders.

The following illustrates the link between business strategy and remuneration outcomes:

Business strategy

To access, deploy, manage and co-invest equity to create value and provide superior income and capital returns for our clients and securityholders through:

- delivering outperformance for both managed fund/partnership investors and CHC securityholders
- optimising total return on invested capital
- growing sustainable earnings and maintaining resilience via long WALE portfolios and through strong customer relationships
- developing a scalable and efficient platform
- recruiting, retaining and motivating a high performance team

Remuneration strategy

Create sustainable securityholder value by:	Attract, retain and motivate talent by:
• assessing performance and STI outcomes against financial and non-financial key performance indicators (KPI) linked to strategy • deferring a portion of STI into equity for executives • aligning LTI performance hurdles with securityholders' expected returns • ensuring a significant 'at-risk' component of total remuneration	• rewarding superior performance • offering competitive total remuneration • creating retention mechanisms • ensuring remuneration strategy is simple, transparent and consistent

Remuneration components

FAR	Remuneration 'at risk' and subject to performance outcomes		
	STI • OEPS target, and • KPIs (50% financial and 50% non-financial)		LTI • equal measures of absolute TSR and relative TSR (comparator group) • three year performance measures • additional one year holding lock
	Cash (67%)	Deferred equity (33%) over two years	

Remuneration outcomes

FAR	Remuneration 'at risk' and subject to performance outcomes	
	STI	LTI
• Managing Director's FAR increased 10% 1 July 2017 (section 3.3) • Other Reported Executives' remained flat on average in FY 2018, excluding role changes	• STI pool of 120% of target STI pool based on FY 2018 OEPS performance above target and Board discretion • 100% of deferred equity STI due to vest in FY 2018 for FY 2015 (second tranche) and FY 2016 (first tranche) has vested	• 100% of FY 2015 LTI grant vested (31 August 2017) • FY 2016 LTI grant will fully vest (31 August 2018)

Directors' Report (continued)

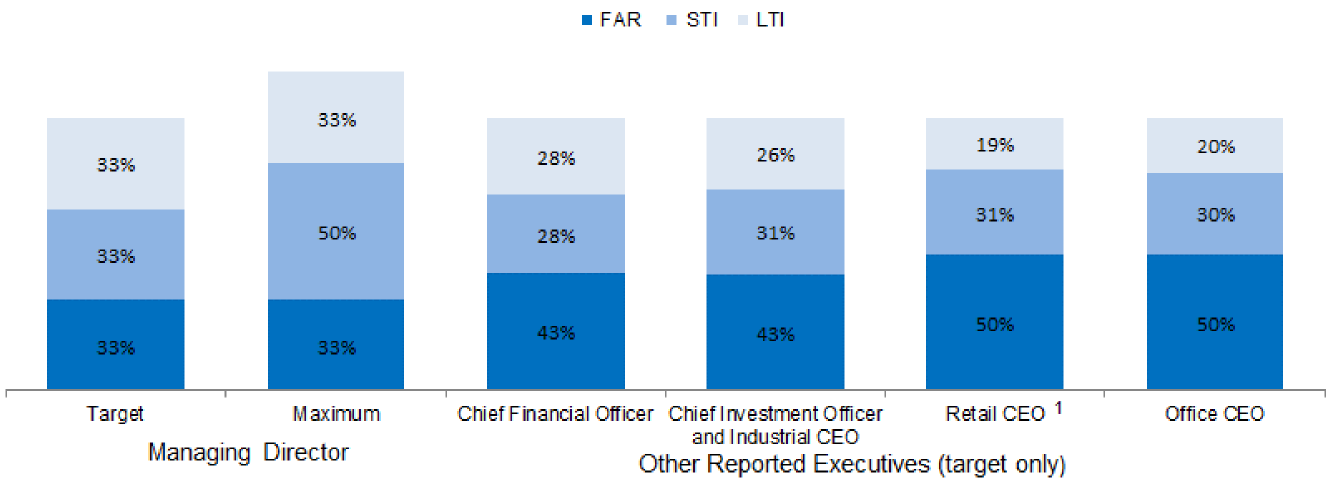
for the year ended 30 June 2018

Remuneration Report - audited (continued)

3.2 Remuneration mix

Executive remuneration is structured as a mixture of fixed and variable 'at-risk' STI and LTI components. While fixed remuneration is designed to provide a base level of remuneration, the 'at-risk' STI and LTI components reward executives when pre-agreed performance measures are met or exceeded.

The figures below for all Reported Executives show the percentage mix of fixed versus 'at-risk' for 'on target' total remuneration. The 'maximum' total remuneration for the Managing Director shows the mix of fixed versus 'at-risk' as a percentage of 'on target' remuneration. This reflects maximum STI of up to 150% of the target STI due to strong Company and executive outperformance. Other Reported Executives also have the potential to earn up to 150% of target STI.



[1] G Chubb's (Retail CEO) remuneration mix was changed in November 2017, when his position included the Fund Manager, CQR role. The above remuneration mix is effective November 2017.

3.3 Fixed remuneration

Composition	Fixed remuneration comprises cash base salary, statutory superannuation contributions and other nominated benefits.
Review process	Fixed remuneration is targeted at the median of the market and is reviewed annually, effective 1 July, benchmarked against equivalent roles in the market recognising: • individual performance; and • the market environment for each individual's skills and capabilities.
Benchmarking	The following comparator group is used when determining the Reported Executives' remuneration: • industry related companies: based on entities in the S&P/ASX 200 Australian Real Estate and Investment Trust (A-REIT) industry group.
Executive Director outcome	The fixed remuneration of the Managing Director, Mr Harrison, increased by 10% to $1,430,000 in the FY 2018 annual remuneration review (1 July 2017) such that his total package increased to $4,290,000. Mr Harrison's last review was 1 February 2016 when he was appointed single Managing Director and Group CEO, reflecting his change in role. In determining Mr Harrison's remuneration and appropriate remuneration mix, the Chair and the Remuneration and Human Resources Committee jointly commissioned an independent benchmarking by Egan Associates. The review had regard to: • 20 ASX listed entities ranked by market capitalisation on either side of the Charter Hall Group; • ASX listed entities ranked 20 positions either side of an assumed entity with an aggregate market capitalisation equal to the combined total of the Charter Hall Group, the Charter Hall Long WALE REIT and the Charter Hall Retail REIT; • Mr Harrison's current role; and • market for established CEOs among REITs with varying attributes, specifically considering the fixed CEO remuneration payable by nine industry specific comparator entities.
Other Reported Executives	Other Reported Executives' fixed remuneration remained flat on average in FY 2018, excluding increases for role changes.

Directors' Report (continued)

for the year ended 30 June 2018

Remuneration Report - audited (continued)

3.4 Short term incentive

Purpose	STI is an 'at-risk' incentive awarded annually, which is designed to reward executives, subject to performance against agreed financial and non-financial KPIs.
Gateway for STI	A Group financial gateway of 90% (95% for executives) of budgeted OEPS must be met before any STI entitlement is available, with the Board retaining overall discretion on performance achievement.
Determining and assessing the STI pool	The size of the pool is determined by the Board, upon advice from the Committee, based on achieving a budgeted OEPS target. The Board retains discretion to increase or decrease the overall STI pool available, based on its assessment of the overall performance throughout the year. In consultation with the Committee, the Board assesses the Group's financial performance and the performance of all Reported Executives against agreed KPIs.
Maximum STI potential	The maximum STI potential for all employees is 150% of their STI target, enabling recognition for outperformance.
Performance targets	STI measures are set to ensure appropriate focus on achievement of Group, divisional and individual performance targets that are aligned with implementation of Charter Hall's overall strategy. KPIs are typically split between 50% financial and 50% non-financial, based on a balanced scorecard approach, which encourages executives to take a holistic approach to enhancing and protecting securityholder value.
Delivery	For all executives, STI is delivered in the form of cash (67%) and deferred service rights (33%). For the Retail CEO, deferred service rights are issued as securities in CQR rather than CHC due to his joint role of Fund Manager, CQR. Service rights are deferred over two years, with 50% vesting at the end of year one and 50% at the end of year two. The number of rights granted to an executive is determined based on an independent fair value calculation reviewed by Deloitte using the Black-Scholes valuation method. If an executive's employment terminates prior to expiry of the relevant vesting period, the service rights will be forfeited or remain 'on foot', subject to the Board's discretion to determine 'good leaver' status.

Managing Director's KPIs

The Managing Director's scorecard is divided into three performance goals, Financial, Customer and Leadership and Collaboration. For each of these goals there will be performance measures aligned to our core strategic objectives of growth and resilience.

Below is a summary of the Managing Director's performance measures and KPIs for FY 2018 as assessed by the Board.

Performance goal	Measures	Status
Financial (50%)	Including Group OEPS; annuity revenue growth, growth in funds under management; maintain Group investment capacity.	Exceeded
Customer (25%)	Delivering exceptional customer experience with continuous improvement and innovation.	Exceeded
Leadership and Collaboration (25%)	Driving an engaged inclusive, diverse culture with strengthening leadership and succession.	Achieved

Other Reported Executives' KPIs

KPIs for other Reported Executives are broadly similar to that of the Managing Director and are focused on individual areas of accountability.

Performance goal	Measures	Status
Financial (50%)	Including Group and Divisional financials and investment earnings; growth in funds under management; and divisional specific financial initiatives.	Exceeded
Customer (25%)	Including customer experience, service and satisfaction measures for funds and tenants.	Exceeded
Leadership and Collaboration (25%)	Including leadership contribution, succession, talent and engagement.	Achieved

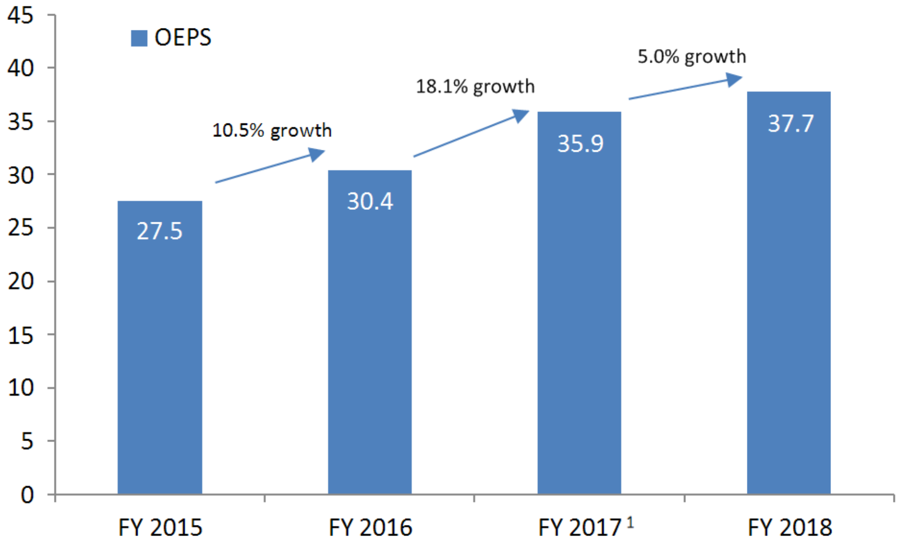
Directors' Report (continued)

for the year ended 30 June 2018

Remuneration Report - audited (continued)

Group FY 2018 performance outcomes

In FY 2018, Charter Hall's OEPS was 37.7 cents, which was 5.0% above the FY 2017 OEPS. The table below shows Charter Hall's OEPS (cps) over a four year period:



[1] The first year CHC recognised operating tax expense.

FY 2018 STI outcomes

In FY 2018, 120% of the target STI pool was awarded across the Group, recognising outperformance of the Group's OEPS against budget and as determined by the Board which we note compares to 129% in FY 2017 and 112.7% in FY 2016.

The below table shows the STI outcomes for Reported Executives for 2018.

All Reported Executives received 123% of STI target for FY 2018. This is based on a reflection of the executives' leadership as a group, achievements of KPIs and their overall leadership team contribution to the Group.

Name	STI earned $	Paid in cash $	Deferred into service rights $	Target STI of fixed pay %	STI earned compared to target %	% of target STI opportunity forfeited[1] %
Executive Director						
D Harrison	1,758,900	1,172,600	586,300	100%	123%	0%
Other Reported Executives						
G Chubb[2]	481,048	320,699	160,349	62%	123%	0%
S McMahon	710,940	473,960	236,980	72%	123%	0%
R Proutt[3]	612,136	408,091	204,045	66%	123%	0%
A Taylor	516,600	344,400	172,200	60%	123%	0%
Former Reported Executive						
P Ford	-	-	-	35%	0%	100%

[1] The STI was not earned; the Act requires this disclosure as forfeiture.
[2] STI earned is pro-rata for the year to reflect changes to remuneration in FY 2018.
[3] STI pro-rata for period employed.

Directors' Report (continued)

for the year ended 30 June 2018

Remuneration Report - audited (continued)

3.5 Long term incentive

Purpose	LTI aligns key employee rewards with sustainable growth in securityholder value over time. It also plays an important role in employee retention.
Participants	All Reported Executives, executives, Fund Managers and selected other managers, comprising approximately 5.5% of employees.
Type of equity awarded	The LTI is governed by the Performance Rights and Options Plan (PROP), under which rights to stapled securities are granted to participants. Each performance right entitles the participant to one stapled security in the Charter Hall Group for nil consideration at the time of vesting, subject to meeting the performance hurdles outlined below. For FY 2018 detail, see specific grant allocation (section 6.2).
Valuation	The number of rights granted to an executive is determined based on an independent fair value calculation by Deloitte using the Black-Scholes valuation method.
Performance measures, vesting schedule and holding lock	For the FY 2018 LTI allocation, the two performance hurdles that applied to the performance rights for vesting over a three year period commencing 1 July 2017 were: • Absolute TSR (50%) – with vesting occurring on a straight line basis if the compound total return is between 9% and 12% per annum, with 50% vesting at the lower end of the range and 100% vesting at the higher end of the range. • Relative TSR (50%) – with vesting occurring on a straight line basis if the total compounded return is between the 50th and the 75th percentile when Charter Hall's return is ranked against a comparator group of the S&P/ASX 200 A-REIT Accumulation Index (XPJAI). The comparator group for the relative TSR grant is: o Abacus Property Group (ABP) o BWP Trust (BWP) o Cromwell Property Group (CMW) o Charter Hall Retail REIT (CQR) o Dexus Property Group (DXS) o Goodman Group (GMG) o Growthpoint Properties Australia (GOZ) o GPT Group (GPT) o Iron Mountain Incorporated (INM) o Investa Office Fund (IOF) o Mirvac Group (MGR) o National Storage REIT (NSR) o SCentre Group (SCG) o Shopping Centres Australasia Property Group (SCP) o Stockland (SGP) o Vicinity Centres (VCX) The Board is able to determine the treatment of the companies in the comparator group at its discretion. Any performance rights that fail to meet these performance hurdles by 30 June 2020 will lapse. Performance rights which vest will be subject to a further one year holding lock.
Rationale for performance conditions	TSR measures the overall returns that a company has provided for its securityholders, reflecting share price movements and reinvestment of dividends over a specified period. Absolute TSR provides a strong link to Charter Hall's business strategy of co-investing in managed funds with absolute and total return hurdles. Relative TSR is the most widely used LTI hurdle adopted in Australia. It ensures that value is only delivered to participants if the investment return actually received by CHC securityholders is sufficiently high relative to the return they could have received by investing in a portfolio of alternative A-REIT sector stocks over the same period.

Directors' Report (continued)

for the year ended 30 June 2018

Remuneration Report - audited (continued)

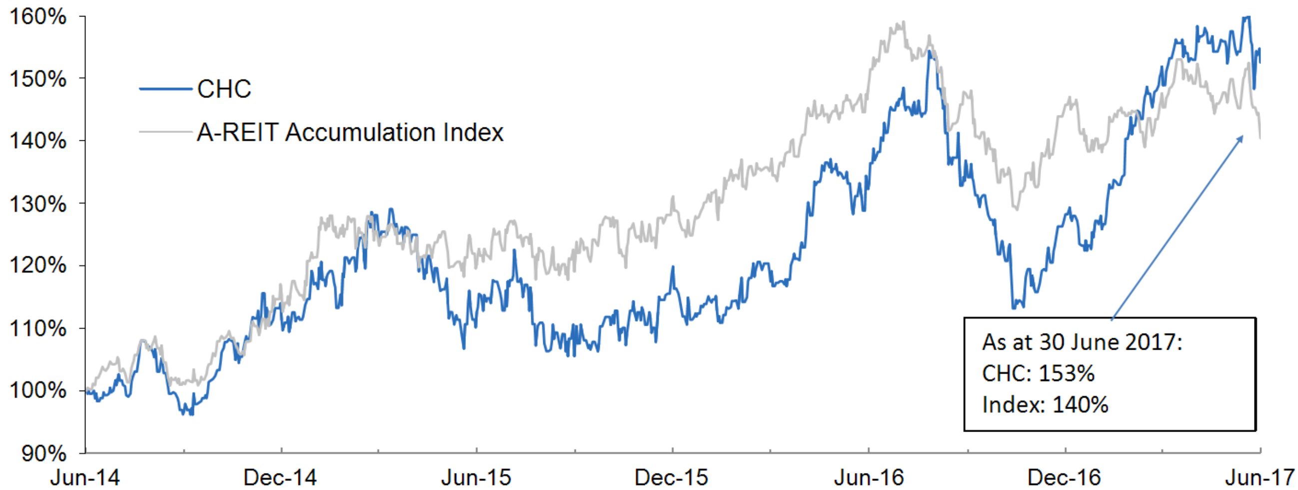
Cessation of employment provisions	For the FY 2018 LTI allocation, the following provisions apply in the case of cessation of a participant's employment: • Misconduct: all unvested performance rights are forfeited unless the Board determines otherwise; • Resignation or where a participant breaches a post-termination restriction in their employment contract: all unvested performance rights are forfeited unless the Board determines otherwise; and • All other leavers, including good leavers: all unvested performance rights lapse with effect from the date of cessation of employment, unless the Board allows part or all to vest early or remain on foot subject to the original terms of grant.
Change of control provisions	The Board, in its absolute discretion, may determine that all or a specified number of a participant's unvested performance rights vest. In doing so, the Board has regard to whether the performance is in line with the performance conditions over the period from the date of the grant of the performance right to the date of the relevant event.
Treatment of dividends	Participants who hold performance rights are not entitled to receive any distributions or dividends declared by the Group until the performance rights are exercised and held as stapled securities.
Hedging and margin lending prohibitions	In accordance with the *Corporations Act 2001*, all KMP are prohibited from hedging or otherwise protecting the value of unvested stapled securities.

Group FY 2018 performance outcomes

The Group delivered a compound TSR (including stapled security price movements and distributions) over the three years to 30 June 2017 (FY 2015 performance period) of 14% per annum and three years to 30 June 2018 (FY 2016 performance period) of 18% per annum, both exceeding the absolute TSR stretch performance hurdle of 13% each year, respectively.

The following graphs demonstrate how the Group's TSR has performed relative to the ASX A-REIT Accumulation Index for the three years to 30 June 2017 (FY 2015 LTI performance period) and three years to 30 June 2018 (FY 2016 LTI performance period).

FY 2015 LTI period (vesting date 31 August 2017)

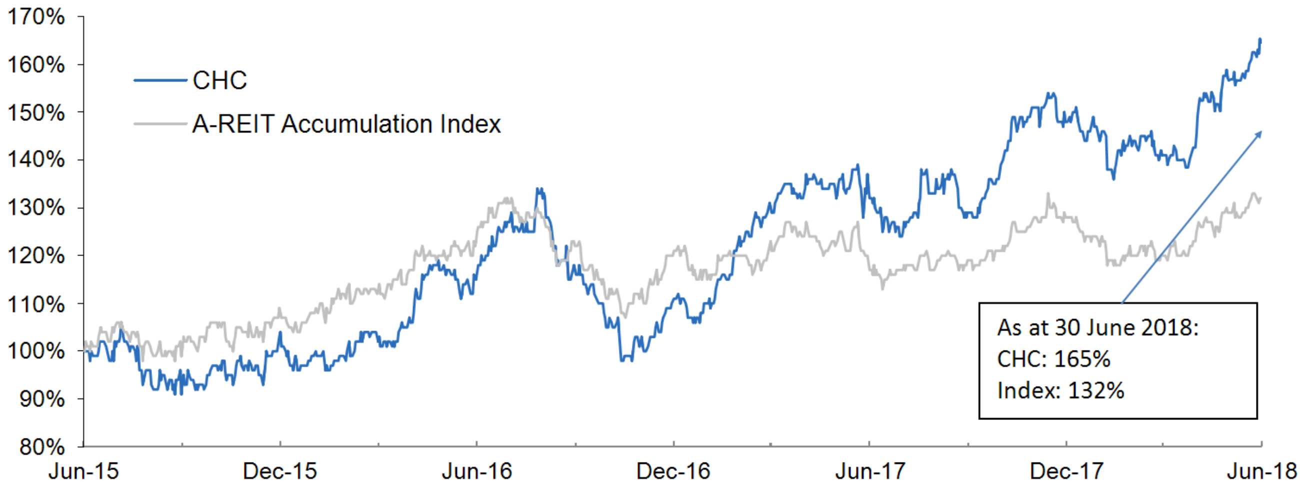


Directors' Report (continued)

for the year ended 30 June 2018

Remuneration Report - audited (continued)

FY 2016 LTI period (vesting date 31 August 2018)



Outcomes

- The FY 2015 LTI had a vesting date of 31 August 2017. As a result of the TSR performance over the three years to 30 June 2017, the performance hurdles were exceeded and 100% of the performance rights vested based on absolute and relative performance.
- The FY 2016 LTI has a vesting date of 31 August 2018. As a result of the TSR performance over the three years to 30 June 2018, the performance hurdles were exceeded and 100% of the performance rights will vest based on absolute and relative performance.

3.6 Group summary of performance and total remuneration outcomes

The tables below provide information on Charter Hall's performance against key metrics over the last five years and the relationship to Reported Executives' total remuneration, both fixed and 'at risk'. Charter Hall's STI is weighted towards growth in OEPS and the LTI provides an important link between remuneration and TSR.

Key performance metrics	2014	2015	2016	2017	2018
Statutory profit after tax for stapled securityholders ($m)	82.1	117.9	215.2	257.6	250.2
Operating earnings for stapled securityholders ($m)	81.2	98.8	124.7	151.2	175.8
Operating earnings per stapled security (cents)	25.3	27.5	30.4	35.9	37.7
Statutory earnings per stapled security (EPS) (cents)	25.6	32.8	52.5	61.2	53.7
Growth in OEPS %	10.4	8.7	10.5	18.1	5.0
Distribution per stapled security (cents)	22.3	24.2	26.9	30.0	31.8
Stapled security price at 30 June ($)	4.26	4.52	5.06	5.50	6.52
S&P/ASX 200 A-REIT Accumulation Index (XPJAI) - Jul - Jun (%)	11.1	20.3	23.2	-6.3	13.0
Total securityholder return – Jul - Jun (%)	16.3	11.8	18.3	15.2	24.6

Reported Executives total remuneration summary	2014	2015	2016[1]	2017[2]	2018[3]
Fixed payments ($)	6,122,898	4,776,471	6,774,805	4,120,280	4,685,414
STI accounting expense ($)	3,381,549	3,037,030	5,070,682	3,778,462	4,390,624
LTI accounting expense ($)[4]	2,169,193	1,746,018	1,761,639	931,165	1,203,735
Earned remuneration ($)[5]	11,673,640	9,559,519	13,607,126	8,829,907	10,279,773
On target total remuneration ($)	11,984,905	9,257,989	12,198,875	7,864,408	9,205,916
Earned remuneration relative to target remuneration – over/(under) (%)	(3%)	4%	12%	12%	12%

1 Includes remuneration for D Southon's 2017 notice period and excludes his redundancy payments.
2 Includes remuneration for P Altschwager for his period of KMP and excludes his separation arrangements and excludes the STI payment reported for D Southon in 2017.
3 Includes remuneration for P Ford for his period of employment and excludes his termination benefits.
4 The LTI expense attributed to the Reported Executives reflects the statutory accounting expense under AASB2.
5 Earned remuneration for the Reported Executives is the sum of their fixed payments, the STI accounting expense and the LTI accounting expense.

Directors' Report (continued)

for the year ended 30 June 2018

Remuneration Report - audited (continued)

4. Executive remuneration in detail

4.1 Total remuneration of Reported Executives

The following table details the total remuneration of the Reported Executives of the Group for FY 2017 and FY 2018.

	SHORT-TERM BENEFITS				POST-EMPLOYMENT BENEFITS	SECURITY-BASED PAYMENT		OTHER LONG-TERM BENEFITS	TERMINATION BENEFITS		
Name	Salary $	Cash short term incentive $	Annual leave[1] $	Non-monetary benefits[2] $	Super-annuation $	Security-based short term incentive $	Securities, options and perform-ance rights $	Long service leave[1] $	Termination benefits $	Total $	% of total remun-eration consisting of rights %
Executive Director											
D Harrison											
2018	**1,409,951**	**1,172,600**	**34,143**	**1,621**	**20,049**	**586,300**	**502,577**	**(55,970)**	**-**	**3,671,271**	**30**
2017	1,280,384	1,213,333	(147,108)	1,901	19,616	606,667	429,177	22,751	-	3,426,721	30
Other Reported Executives											
G Chubb											
2018	**622,906**	**320,699**	**13,037**	**1,621**	**20,049**	**160,349**	**59,608**	**12,320**	**-**	**1,210,589**	**18**
2017	610,384	268,667	(24,834)	1,901	19,616	134,333	161,457	11,561	-	1,183,084	25
S McMahon[3]											
2018	**779,951**	**473,960**	**(6,462)**	**1,621**	**20,049**	**547,980**	**226,745**	**14,001**	**-**	**2,057,845**	**38**
2017	677,820	396,380	14,118	1,901	19,616	198,190	209,733	12,213	-	1,529,971	27
R Proutt											
2018	**738,681**	**408,091**	**22,483**	**1,621**	**20,049**	**204,045**	**296,990**	**13,325**	**-**	**1,705,285**	**29**
A Taylor											
2018	**679,951**	**344,400**	**17,347**	**4,457**	**20,049**	**172,200**	**90,212**	**13,682**	**-**	**1,342,298**	**20**
2017	673,704	377,406	(17,057)	7,418	19,616	188,703	75,641	23,125	-	1,348,556	20
Former Reported Executive Director											
D Southon[4]											
2017	-	197,190	-	-	-	-	-	-	-	197,190	-
Former Other Reported Executives											
P Altschwager[5]											
2017	375,287	134,783	-	5,646	9,808	-	28,621	-	893,344	1,447,489	2
P Ford[6]											
2018	**254,658**	**-**	**-**	**200**	**10,024**	**-**	**27,603**	**-**	**417,099**	**709,584**	**4**
2017	448,754	173,333	11,988	5,188	19,616	86,667	26,536	15,348	-	787,430	14
Total 2018	**4,486,098**	**2,719,750**	**80,548**	**11,141**	**110,269**	**1,670,874**	**1,203,735**	**(2,642)**	**417,099**	**10,696,872**	**27**
Total 2017	**4,066,333**	**2,761,092**	**(162,893)**	**23,955**	**107,887**	**1,214,560**	**931,165**	**84,998**	**893,344**	**9,920,441**	**22**

Directors' Report (continued)

for the year ended 30 June 2018

Remuneration Report - audited (continued)

1 Shows the movement in leave accruals for the year.
2 Non-monetary benefits for FY 2018 is salary continuance insurance.
3 In recognition of the dual roles S McMahon has undertaken for the FY18 year, he has been allocated an extra grant of deferred service rights of $311,000 as approved by the Board. This is shown in the security-based short term incentive column. These service rights are to vest in full 31 August 2019.
4 D Southon ceased as KMP in his role as Joint Managing Director effective 1 February 2016.
The data for FY2017 shows the difference between the STI target amount (as shown in previous FY 2016 reporting) and the actual amount paid due to performance criteria that were met and exceeded. Previously, the STI opportunity was shown at target amount. The performance criteria were exceeded and the actual amount paid was $690,161. The difference to the previously reported amount is shown in the 2017 data. None of these benefits are termination benefits for the purposes of the Corporations Act termination benefits cap.
5 In accordance with P Altschwager's employment agreement, P Altschwager is entitled to a six months' notice period. The termination benefits value also includes the security-based expense for unvested incentives as at 31 December 2016 which remain on foot and may vest at the same time as all other participants and statutory leave entitlements. None of these benefits are termination benefits for the purposes of the Corporations Act termination benefits cap.
6 In accordance with P Ford's employment agreement, P Ford is entitled to a three months' notice period during which he remained employed by the Group. The termination benefits value also includes a six month ex-gratia payment which forms part of his termination benefits under the Corporations Act termination benefits cap. It also includes his statutory leave entitlements. The security options and performance rights column includes the expense for unvested incentives as at 15 December 2017 which remain on foot and may vest at the same time as all other participants. None of the security expense benefits are termination benefits for the purposes of the Corporations Act termination benefits cap.

4.2 Key terms of employment

The remuneration and other terms of employment for Reported Executives are formalised in employment contracts. Each of these contracts provides for participation in the Group's STI and LTI programs (as described above) and payment of other benefits.

The terms and conditions of employment of each executive reflect market conditions at the time of their contract. All Reported Executives' contracts are ongoing in duration. The material terms of the employment agreements for the Executive Directors and Reported Executives are summarised below:

		Minimum notice period [1]	
Name	Position	Employee	Charter Hall
Executive Director			
D Harrison	Managing Director	6 months	12 months
Other Reported Executives			
G Chubb	Retail CEO	3 months	3 months
S McMahon	Chief Investment Officer	6 months	6 months
R Proutt	Chief Financial Officer	6 months	6 months
A Taylor [2]	Office CEO	3 months	3 months
Former Reported Executive			
P Ford	Group Executive, Industrial	3 months	3 months

1 No notice period is required for termination by the Company for serious or wilful misconduct by the employee.
2 Termination payments under Adrian Taylor's contract equals nine months base salary plus one month per year of service to a maximum of 12 months' base salary.

Other than as described above, the Reported Executives' contracts do not provide for any termination benefits aside from payment in lieu of notice (where applicable). Treatment of unvested incentives is dealt with in accordance with the terms of the grant (refer to STI and LTI commentary in section 3).

Directors' Report (continued)

for the year ended 30 June 2018

Remuneration Report - audited (continued)

5. Non-Executive Director remuneration

Policy	The Committee makes recommendations to the Board on the total level of remuneration of the Chair and other Non-Executive Directors, including any additional fees payable to Directors for membership of Board committees.
Benchmarking	Fees are set by reference to the following considerations: • industry practice and best principles of corporate governance; • responsibilities and risks attaching to the role of NEDs; • the time commitment expected of NEDs on Group matters; and • reference to fees paid to NEDs of other comparable companies. NED fees are periodically reviewed to ensure they remain in line with general industry practice and reflect proper compensation for duties undertaken. External independent advice is sought in these circumstances.
Fee framework	NED fees, including committee fees, are set by the Board within the aggregate amount of $1.7 million per annum as approved by securityholders at the AGM in November 2017. Under the current framework, NEDs, other than the Chair, receive (inclusive of superannuation): • Board base fee; and • Committee fees. The Chair receives an all-inclusive fee. NEDs are also entitled to be reimbursed for all business-related expenses, including travel on Charter Hall business, incurred in the discharge of their duties in accordance with Charter Hall's Constitution. In accordance with principles of good corporate governance, NEDs do not receive any benefits upon retirement under any retirement benefits schemes (other than statutory superannuation) and NEDs are not eligible to participate in any of Charter Hall's employee incentive schemes.
Remuneration outcomes	As approved by the securityholders at the AGM in November 2017, the Fee Pool for NED fees increased to $1.7 million per annum (from $1.3 million). In June 2017, the Committee commissioned an independent remuneration benchmarking report from Egan Associates to determine, among other matters, appropriate NED fees and payments (Egan Report). The Egan Report recommended an increase to NED fees to reflect market practice and the accountabilities and workload of the Charter Hall Group Directors. The Egan Report is the most comprehensive Director fee review undertaken by the Board to date and the report's recommendations are reflective of the considerable growth of the Charter Hall Group business since 2014. In arriving at its recommendation, the Egan Report considered the revenue, assets and market capitalisation of the Charter Hall Group together with the accountability of the Board for the stewardship of approximately $19.8 billion (at the time) of funds under management. Based on the Egan Report effective 1 July 2017, the Board agreed to the following changes in NED fees: • The Board Chair's fee increased from $307,500 to $375,000; • Board member base fees increased from $123,000 to $150,000; and • Board Committees fees increased for both Chair and members.
Minimum shareholding guidelines	Minimum shareholding guidelines were implemented in FY 2016 requiring Independent Directors to hold CHC securities to the value of $50,000 (being approximately a year's base fee, net of tax) to be purchased over a three year period. The valuation is based on the value of the securities at the time of purchase.

Directors' Report (continued)

for the year ended 30 June 2018

Remuneration Report - audited (continued)

Summary of fee framework per annum	2018 $	2017 $
Board		
Chair	375,000	307,500
Member	150,000	123,000
Audit Risk and Compliance Committee		
Chair	40,000	30,000
Member	20,000	15,000
Remuneration and Human Resources Committee		
Chair	30,000	25,000
Member	15,000	13,879
Nomination Committee		
Chair	3,000	2,060
Member	3,000	2,060
Investment Committee[1]		
Chair	15,000	4,500
Member	10,000	-

[1] The Investment Committee members have previously received no remuneration for the Committee fees. In FY 2018, the Chair (P Garling) received a payment of $4,500 for FY 2017 Investment Committee meetings.

Non-Executive Director remuneration	2018 fees $	2017 fees $
Non-Executive Directors		
D Clarke	375,000	307,500
A Brennan	200,000	163,000
P Garling[1]	177,841	159,287
K Moses	190,000	124,659
D Ross	178,000	73,035
Former Non-Executive Directors		
P Kahan	-	72,004
C McGowan	-	49,256
Total	**1,120,841**	**948,741**

[1] Due to timing adjustments for Committee memberships, P Garling's actual remuneration shown is less than his fee entitlement of $183,000 for FY 2018.

Directors' Report (continued)

for the year ended 30 June 2018

Remuneration Report - audited (continued)

6. Appendix – further detail

6.1 Securityholdings

Key management personnel securityholdings

Name	Opening balance at 30 Jun 2017	Stapled securities acquired	Rights and options exercised	Stapled securities sold	Closing balance at 30 Jun 2018
Directors of Charter Hall Limited					
Ordinary stapled securities					
D Clarke	45,875	-	-	-	45,875
A Brennan	30,000	-	-	-	30,000
P Garling	16,759	-	-	-	16,759
K Moses	8,137	15,000	-	-	23,137
D Ross	-	-	-	-	-
Executive Director					
D Harrison	1,648,799	-	351,411	(351,411)	1,648,799
Other Reported Executives					
G Chubb	-	-	126,217	(126,217)	-
S McMahon	-	-	59,056	-	59,056
R Proutt	-	-	-	-	-
A Taylor	61,605	-	81,413	(81,413)	61,605
Former Reported Executive					
P Ford[1]	-	-	15,450	(15,450)	-

[1] Deemed disposal of all stapled securityholdings as no longer a KMP of the Group.

6.2 Performance Rights and Option Plan details

Performance rights and service rights outstanding under the PROP.

Performance rights			
Year of issue	Securities	Exercise price	Vesting conditions
2016	857,738	Nil	Absolute and relative performance criteria
2017	818,364	Nil	Absolute and relative performance criteria
2018	843,477	Nil	Absolute and relative performance criteria
Total performance rights outstanding	**2,519,579**		

Service rights			
Year of issue	Securities	Exercise price	Vesting conditions
2017	134,438	Nil	Service conditions - Deferred STI
2018	94,468	Nil	Service conditions
2018	258,623	Nil	Service conditions - Deferred STI
Total service rights issued	**487,529**		

Valuation model

The Black-Scholes methodology is used for allocation purposes while the Monte Carlo method is used for accounting purposes. The accounting value determined using a Monte Carlo simulation valuation is in accordance with AASB 2.

Directors' Report (continued)

for the year ended 30 June 2018

Remuneration Report - audited (continued)

Reported Executives rights - details by plan

Type of equity	Rights held at 30 June 2017	Rights granted during the year	Rights vested and exercised during the year	Rights forfeited during the year	Rights held at 30 June 2018	Grant date	Fair value per right at grant date ($)	Vesting date	Fair value to be expensed in future years($)[1]
Executive Director									
D Harrison									
LTI Performance Rights	248,371	-	248,371	-	-	19-Dec-14	2.09	31-Aug-17	-
LTI Performance Rights	250,965	-	-	-	250,965	30-Nov-15	1.41	31-Aug-18	18,962
LTI Performance Rights	330,178	-	-	-	330,178	25-Nov-16	1.39	31-Aug-19	169,525
LTI Performance Rights	-	294,664	-	-	294,664	23-Nov-17	2.65	31-Aug-20	536,004
STI Deferred Service Rights	43,420	-	43,420	-	-	30-Nov-15	4.16	31-Aug-17	-
STI Deferred Service Rights	59,620	-	59,620	-	-	25-Nov-16	4.37	31-Aug-17	-
STI Deferred Service Rights	59,620	-	-	-	59,620	25-Nov-16	4.15	31-Aug-18	-
STI Deferred Service Rights	-	57,581	-	-	57,581	23-Nov-17	5.93	31-Aug-18	-
STI Deferred Service Rights	-	57,580	-	-	57,580	23-Nov-17	5.65	31-Aug-19	-
Other Reported Executives									
G Chubb									
LTI Performance Rights	42,135	-	42,135	-	-	19-Dec-14	2.09	31-Aug-17	-
LTI Performance Rights	39,490	-	-	-	39,490	30-Nov-15	1.41	31-Aug-18	2,984
LTI Performance Rights	36,991	-	-	-	36,991	25-Nov-16	1.39	31-Aug-19	18,992
LTI Performance Rights	-	30,909	-	-	30,909	23-Nov-17	2.65	31-Aug-20	56,225
LTI Service Rights	65,790	-	65,790	-	-	19-Dec-14	4.03	30-Jun-17	-
STI Deferred Service Rights	6,791	-	6,791	-	-	30-Nov-15	4.16	31-Aug-17	-
STI Deferred Service Rights	11,501	-	11,501	-	-	25-Nov-16	4.37	31-Aug-17	-
STI Deferred Service Rights	11,501	-	-	-	11,501	25-Nov-16	4.15	31-Aug-18	-
STI Deferred Service Rights[2]	-	18,274	-	-	18,274	08-Nov-17	3.88	31-Aug-18	-
STI Deferred Service Rights[2]	-	18,274	-	-	18,274	08-Nov-17	3.62	31-Aug-19	-
S McMahon									
LTI Performance Rights	112,934	-	-	-	112,934	25-Nov-16	1.39	31-Aug-19	57,984
LTI Performance Rights	-	100,763	-	-	100,763	23-Nov-17	2.65	31-Aug-20	183,291
LTI Service Rights	59,056	-	59,056	-	-	25-Nov-16	4.29	31-Aug-17	-
STI Deferred Service Rights	-	18,811	-	-	18,811	23-Nov-17	5.93	31-Aug-18	-
STI Deferred Service Rights	-	18,811	-	-	18,811	23-Nov-17	5.65	31-Aug-19	-
R Proutt									
LTI Performance Rights	-	108,181	-	-	108,181	23-Nov-17	2.65	31-Aug-20	196,785
LTI Service Rights	-	62,979	-	-	62,979	23-Nov-17	5.68	20-Jul-19	200,318
LTI Service Rights	-	31,489	-	-	31,489	23-Nov-17	5.41	20-Jul-20	121,473
A Taylor									
LTI Performance Rights	48,315	-	48,315	-	-	19-Dec-14	2.09	31-Aug-17	-
LTI Performance Rights	49,099	-	-	-	49,099	30-Nov-15	1.41	31-Aug-18	3,710
LTI Performance Rights	46,018	-	-	-	46,018	25-Nov-16	1.39	31-Aug-19	23,627
LTI Performance Rights	-	57,697	-	-	57,697	23-Nov-17	2.65	31-Aug-20	104,953
STI Deferred Service Rights	17,522	-	17,522	-	-	30-Nov-15	4.16	31-Aug-17	-
STI Deferred Service Rights	15,576	-	15,576	-	-	25-Nov-16	4.37	31-Aug-17	-
STI Deferred Service Rights	15,576	-	-	-	15,576	25-Nov-16	4.15	31-Aug-18	-
STI Deferred Service Rights	-	17,911	-	-	17,911	23-Nov-17	5.93	31-Aug-18	-
STI Deferred Service Rights	-	17,910	-	-	17,910	23-Nov-17	5.65	31-Aug-19	-

Directors' Report (continued)

for the year ended 30 June 2018

Remuneration Report - audited (continued)

Reported Executives rights - details by plan (continued)

Type of equity	Rights held at 30 June 2017	Rights granted during the year	Rights vested and exercised during the year	Rights forfeited during the year	Rights held at 30 June 2018	Grant date	Fair value per right at grant date ($)	Vesting date	Fair value to be expensed in future years($)[1]
Former Reported Executives									
P Altschwager									
LTI Performance Rights	101,967	-	101,967	-	-	19-Dec-14	2.09	31-Aug-17	-
STI Deferred Service Rights	18,419	-	18,419	-	-	30-Nov-15	4.16	31-Aug-17	-
STI Deferred Service Rights	9,346	-	9,346	-	-	25-Nov-16	4.37	31-Aug-17	-
STI Deferred Service Rights	9,346	-	-	-	9,346	25-Nov-16	4.15	31-Aug-18	-
P Ford									
LTI Performance Rights	15,450	-	15,450	-	-	19-Dec-14	2.09	31-Aug-17	-
LTI Performance Rights	15,005	-	-	-	15,005	30-Nov-15	1.41	31-Aug-18	-
LTI Performance Rights	20,786	-	-	-	20,786	25-Nov-16	1.39	31-Aug-19	-
STI Deferred Service Rights	-	8,226	-	-	8,226	23-Nov-17	5.93	31-Aug-18	-
STI Deferred Service Rights	-	8,226	-	-	8,226	23-Nov-17	5.65	31-Aug-19	-

[1] The maximum value of the grants yet to vest is the fair value amount at the grant date yet to be reflected in the Group's consolidated income statement. The minimum future value is $nil as the future performance and service conditions may not be met.

[2] G Chubb will receive securities in CQR for these deferred STI rights.

Directors' Report (continued)

for the year ended 30 June 2018

Indemnification and insurance of directors, officers and auditor

During the year, the Charter Hall Group contributed to the premium for a contract insuring all directors, secretaries, executive officers and officers of the Charter Hall Group and of each related body corporate of the Group, with the balance of the premium paid by funds managed by members of the Charter Hall Group. The insurance does not provide any cover for the independent auditor of the Charter Hall Group or of a related party of the Charter Hall Group. In accordance with usual commercial practice, the insurance contract prohibits disclosure of details of the nature of the liabilities covered by the insurance, the limit of indemnity and the amount of the premium paid under the contract.

So long as the officers of the Responsible Entity act in accordance with the Charter Hall Property Trust's constitution and the *Corporations Act 2001*, the officers are indemnified out of the assets of the Charter Hall Property Trust against losses incurred while acting on behalf of the Charter Hall Property Trust. The Charter Hall Group indemnifies the auditor (PricewaterhouseCoopers Australia) against any liability (including legal costs) for third party claims arising from a breach by the Charter Hall Group of the auditor's engagement terms, except where prohibited by the *Corporations Act 2001*.

Non-audit services

The Company may decide to employ the auditor on assignments additional to its statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit, Risk and Compliance Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit, Risk and Compliance Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the year, the following fees were paid or payable for non-audit services provided by the auditor and its related practices by the Charter Hall Group and Charter Hall Property Trust Group:

	Charter Hall Group		Charter Hall Property Trust Group	
	2018	2017	**2018**	2017
	$	$	**$**	$
PricewaterhouseCoopers Australian firm				
Taxation services	**57,222**	135,781	**1,132**	-
Total remuneration for taxation services	**57,222**	135,781	**1,132**	-
Advisory services				
PricewaterhouseCoopers Australian firm				
Sustainability assurance	**76,698**	-	**-**	-
Accounting advice	**53,252**	-	**-**	-
Total remuneration for advisory services	**129,950**	-	**-**	-
Total remuneration for non-audit services	**187,172**	135,781	**1,132**	-

Directors' Report (continued)

for the year ended 30 June 2018

Environmental regulation

The Charter Hall Group recognises that sustainability is more than protecting the natural environment; it is about responding to the needs of our customers, achieving our long-term commercial goals and working in partnership with our stakeholders to improve environmental and social outcomes. Our Group Sustainability Policy outlines our commitments to achieving a leading role in a sustainable future and can be found at https://www.charterhall.com.au/About-Us/Corporate-Governance/.

The Group ensures compliance with applicable environmental standards and regulations and reports its greenhouse gas emissions and energy use on an annual basis under the National Greenhouse and Energy Reporting Act 2007. Charter Hall emissions reports are independently audited and in October 2018 the Group will report to the Clean Energy Regulator emissions for the measurement period 1 July 2017 to 30 June 2018. To mitigate its carbon emissions, the Group continues to implement resource efficiency measures across its portfolio of assets and is also exploring renewable energy generation opportunities within its office, retail and industrial portfolios.

Charter Hall also voluntarily reports annually to international organisations, such as the United Nations Principles for Responsible Investment (PRI), Dow Jones Sustainability Index (DJSI) and the Carbon Disclosure Project (CDP). Charter Hall has recently submitted its 2018 PRI Report and DJSI Report (along with DJSI Reports for CQR and CLW), which address Charter Hall's environment, social and governance (ESG) practices and emissions from 1 July 2016 to 30 June 2017. Charter Hall Group and CQR will report to CDP by August 2018 (due to changes in CDP reporting requirements), which will also demonstrate our environmental sustainability practices, initiatives and emissions from 1 July 2016 to 30 June 2017. Charter Hall funds (CQR, CHOT, CPOF, DOF, CPIF, CLP, CLW and BSWF) also voluntarily report to the Global Real Estate Sustainability Benchmark (GRESB). These funds have recently submitted their 2018 GRESB reports, which also address Charter Hall sustainability practices and emissions from 1 July 2016 to 30 June 2017.

Tax Governance Statement

Charter Hall Group has adopted the Board of Taxation's Tax Transparency Code (TTC) at 30 June 2017. As part of the TTC, Charter Hall has published a Tax Governance Statement (TGS) which details Charter Hall Group's corporate structure and tax corporate governance systems. Charter Hall Group's TGS can be found on our website at www.charterhall.com.au.

Proceedings on behalf of the Company

Section 237 of the *Corporations Act 2001* allows for a person to apply to the Court to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, in certain circumstances.

No person has made such an application and no proceedings have been brought or intervened in on behalf of the Company with the Court under this section.

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 34.

Rounding of amounts

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

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 22 August 2018. The Directors have the power to amend and re-issue the Financial Statements.

David Clarke
Chair
Sydney
22 August 2018

Auditor's Independence Declaration

As lead auditor for the audit of Charter Hall Limited and Charter Hall Property Trust for the year ended 30 June 2018, 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 audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Charter Hall Limited and the entities it controlled during the year and Charter Hall Property Trust and the entities it controlled during the year.

Wayne Andrews
Partner
PricewaterhouseCoopers

Sydney
22 August 2018

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Consolidated Statements of Comprehensive Income

for the year ended 30 June 2018

		Charter Hall Group		Charter Hall Property Trust Group	
	Note	2018 $'m	2017 $'m	2018 $'m	2017 $'m
Income					
Revenue	4	**246.2**	213.4	**24.3**	19.7
Share of net profit of investments accounted for using the equity method	31,32	**169.1**	207.2	**158.4**	198.0
Net gain on sale of investments		**-**	3.2	**-**	3.8
Net gain on investment in associates at fair value	31	**1.4**	-	**1.4**	-
Total income		**416.7**	423.8	**184.1**	221.5
Expenses					
Investment property expenses		**(0.9)**	-	**(1.0)**	-
Depreciation	5	**(3.5)**	(3.5)	**-**	-
Finance costs	5	**(3.2)**	(1.5)	**(3.5)**	(1.3)
Net losses from derivative financial instruments	5	**(0.3)**	-	**(0.3)**	-
Reversal/(impairment) of investments in joint ventures	32	**7.3**	(10.5)	**-**	-
Net fair value adjustments on investment properties	14	**(0.7)**	(0.7)	**(0.7)**	(0.7)
Amortisation of intangibles	5,15	**(2.7)**	(4.3)	**-**	-
Asset management fees		**-**	-	**(1.9)**	(1.4)
Employee costs	5	**(110.9)**	(100.9)	**-**	-
Administration and other expenses	5	**(24.1)**	(21.2)	**(0.5)**	(0.1)
Total expenses		**(139.0)**	(142.6)	**(7.9)**	(3.5)
Profit before tax		**277.7**	281.2	**176.2**	218.0
Income tax expense	6	**(26.5)**	(23.6)	**-**	-
Profit for the year		**251.2**	257.6	**176.2**	218.0
Profit for the year as attributable to:					
Equity holders of Charter Hall Limited		**75.0**	39.6	**-**	-
Equity holders of Charter Hall Property Trust (non-controlling interest)		**175.2**	218.0	**175.2**	218.0
Profit attributable to stapled securityholders of Charter Hall Group		**250.2**	257.6	**175.2**	218.0
Net profit attributable to Charter Hall Direct Diversified Consumer Staples Fund (non-controlling interest)		**1.0**	-	**1.0**	-
Profit for the year		**251.2**	257.6	**176.2**	218.0

Consolidated Statements of Comprehensive Income (continued)

for the year ended 30 June 2018

	Note	Charter Hall Group 2018 $'m	Charter Hall Group 2017 $'m	Charter Hall Property Trust Group 2018 $'m	Charter Hall Property Trust Group 2017 $'m
Profit for the year		**251.2**	257.6	**176.2**	218.0
Other comprehensive income					
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	23	**(0.5)**	-	**(0.5)**	-
Changes in the fair value of cash flow hedges	23	**1.2**	-	**1.2**	-
Equity accounted fair value movements in cash flow hedges	23	**0.3**	(0.5)	**0.3**	(0.5)
Other comprehensive income for the year		**1.0**	(0.5)	**1.0**	(0.5)
Total comprehensive income for the year		**252.2**	257.1	**177.2**	217.5
Total comprehensive income for the year is attributable to:					
Equity holders of Charter Hall Limited		**75.0**	39.6	**-**	-
Equity holders of Charter Hall Property Trust (non-controlling interest)		**176.2**	217.5	**176.2**	217.5
Total comprehensive income attributable to stapled securityholders of Charter Hall Group		**251.2**	257.1	**176.2**	217.5
Total comprehensive income attributable to Charter Hall Direct Diversified Consumer Staples Fund (non-controlling interest)		**1.0**	-	**1.0**	-
Total comprehensive income for the year		**252.2**	257.1	**177.2**	217.5
Basic earnings per security (cents) attributable to:					
Equity holders of Charter Hall Limited		**16.1**	9.4	**n/a**	n/a
Equity holders of Charter Hall Property Trust (non-controlling interest)		**37.6**	51.8	**37.6**	51.8
Basic earnings per stapled security (cents) attributable to stapled securityholders of Charter Hall Group	8(a)	**53.7**	61.2	**n/a**	n/a
Diluted earnings per security (cents) attributable to:					
Equity holders of Charter Hall Limited		**16.0**	9.3	**n/a**	n/a
Equity holders of Charter Hall Property Trust (non-controlling interest)		**37.4**	51.4	**37.4**	51.4
Diluted earnings per stapled security (cents) attributable to stapled securityholders of Charter Hall Group	8(b)	**53.4**	60.7	**n/a**	n/a

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

Consolidated Balance Sheets

as at 30 June 2018

		Charter Hall Group		Charter Hall Property Trust Group	
	Note	2018 $'m	2017 $'m	2018 $'m	2017 $'m
Assets					
Current assets					
Cash and cash equivalents	9	**94.9**	174.4	**32.8**	53.4
Receivables and other assets	10	**98.9**	66.2	**50.4**	29.9
Fair value of USPP commitment	20	**2.2**	-	**2.2**	-
Assets classified as held for sale	11	**17.7**	-	**-**	-
Total current assets		**213.7**	240.6	**85.4**	83.3
Non-current assets					
Receivables and other assets	10	**-**	-	**-**	73.2
Investments in associates at fair value through profit or loss	31	**32.4**	29.7	**32.4**	29.7
Inventories		**1.8**	-	**-**	-
Investments accounted for using the equity method	13	**1,617.1**	1,476.6	**1,543.3**	1,386.3
Investment properties	14	**63.4**	40.4	**63.4**	40.4
Intangible assets	15	**62.7**	65.4	**-**	-
Property, plant and equipment	16	**20.9**	18.8	**-**	-
Deferred tax assets	17	**1.6**	1.6	**-**	-
Total non-current assets		**1,799.9**	1,632.5	**1,639.1**	1,529.6
Total assets		**2,013.6**	1,873.1	**1,724.5**	1,612.9
Liabilities					
Current liabilities					
Trade and other payables	18	**112.7**	108.7	**50.6**	76.9
Current tax liabilities		**15.3**	18.7	**-**	-
Provisions	19	**1.5**	1.9	**-**	-
Total current liabilities		**129.5**	129.3	**50.6**	76.9
Non-current liabilities					
Trade and other payables	18	**5.3**	6.5	**17.7**	-
Provisions	19	**1.6**	1.3	**-**	-
Derivative financial instruments	12	**1.4**	-	**1.4**	-
Borrowings	20	**3.6**	-	**3.6**	-
Deferred tax liabilities	17	**14.0**	13.7	**-**	-
Total non-current liabilities		**25.9**	21.5	**22.7**	**-**
Total liabilities		**155.4**	150.8	**73.3**	76.9
Net assets		**1,858.2**	1,722.3	**1,651.2**	1,536.0
Equity					
Equity holders of Charter Hall Limited					
Contributed equity	21(a)	**285.7**	285.0	**-**	-
Reserves	23	**(45.1)**	(44.6)	**-**	-
Accumulated losses	24	**(33.6)**	(54.1)	**-**	-
Parent entity interest		**207.0**	186.3	**-**	-
Equity holders of Charter Hall Property Trust					
Contributed equity	21(a)	**1,453.5**	1,456.9	**1,453.5**	1,456.9
Reserves	23	**0.9**	(0.5)	**0.9**	(0.5)
Accumulated profit	24	**161.2**	79.6	**161.2**	79.6
Equity holders of Charter Hall Property Trust (non-controlling interest)		**1,615.6**	1,536.0	**1,615.6**	1,536.0
Non-controlling interest in Charter Hall Direct Diversified Consumer Staples Fund		**35.6**	-	**35.6**	-
Total equity		**1,858.2**	1,722.3	**1,651.2**	1,536.0

The above consolidated balance sheets should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity – Charter Hall Group

for the year ended 30 June 2018

	Note	Attributable to the owners of Charter Hall Limited					Charter Hall Group
		Contributed equity	Reserves $'m	Accumulated profit/(losses) $'m	Total $'m	Non-controlling interest $'m	Total equity $'m
Balance at 1 July 2016		256.1	(45.5)	(94.5)	116.1	1,195.0	1,311.1
Profit for the year		-	-	39.6	39.6	218.0	257.6
Other comprehensive income		-	-	-	-	(0.5)	(0.5)
Total comprehensive income		-	-	39.6	39.6	217.5	257.1
Transactions with equity holders in their capacity as equity holders:							
Contributions of equity, net of issue costs	21(b)	28.3	-	-	28.3	258.0	286.3
Buyback and issuance of securities for exercised performance rights		(0.3)	(2.4)	-	(2.7)	(2.4)	(5.1)
Tax recognised direct to equity	6(c)	0.9	1.7	(0.4)	2.2	-	2.2
Transfer due to deferred compensation payable in service rights		-	1.4	-	1.4	-	1.4
Distribution provided for or paid	7	-	-	-	-	(132.1)	(132.1)
Security-based benefit expense		-	1.4	-	1.4	-	1.4
Transfer unvested securities to accumulated losses		-	(1.2)	1.2	-	-	-
		28.9	0.9	0.8	30.6	123.5	154.1
Balance at 30 June 2017		**285.0**	**(44.6)**	**(54.1)**	**186.3**	**1,536.0**	**1,722.3**
Balance at 1 July 2017		**285.0**	**(44.6)**	**(54.1)**	**186.3**	**1,536.0**	**1,722.3**
Profit for the year		**-**	**-**	**75.0**	**75.0**	**176.2**	**251.2**
Other comprehensive income		**-**	**-**	**-**	**-**	**1.0**	**1.0**
Total comprehensive income		**-**	**-**	**75.0**	**75.0**	**177.2**	**252.2**
Transactions with equity holders in their capacity as equity holders:							
Contributions of equity, net of issue costs		**-**	**-**	**-**	**-**	**36.0**	**36.0**
Buyback and issuance of securities for exercised performance rights		**(0.4)**	**(3.9)**	**-**	**(4.3)**	**(3.3)**	**(7.6)**
Tax recognised direct to equity	6(c)	**1.1**	**0.3**	**-**	**1.4**	**-**	**1.4**
Transfer due to deferred compensation payable in service rights		**-**	**1.4**	**-**	**1.4**	**-**	**1.4**
Dividend/distribution provided for or paid	7	**-**	**-**	**(54.5)**	**(54.5)**	**(94.4)**	**(148.9)**
Security-based benefit expense		**-**	**1.7**	**-**	**1.7**	**-**	**1.7**
Transactions with non-controlling interests		**-**	**-**	**-**	**-**	**(0.3)**	**(0.3)**
		0.7	**(0.5)**	**(54.5)**	**(54.3)**	**(62.0)**	**(116.3)**
Balance at 30 June 2018		**285.7**	**(45.1)**	**(33.6)**	**207.0**	**1,651.2**	**1,858.2**

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 year ended 30 June 2018

		Attributable to the owners of the Charter Hall Property Trust Group					
	Note	Contributed equity $'m	Reserves $'m	Accumulated profit/(losses) $'m	Total $'m	Non-controlling interest $'m	Total equity $'m
Balance at 1 July 2016		1,201.3	-	(6.3)	1,195.0	-	1,195.0
Profit for the year		-	-	218.0	218.0	-	218.0
Other comprehensive income		-	(0.5)	-	(0.5)	-	(0.5)
Total comprehensive income/(loss)		-	(0.5)	218.0	217.5	-	217.5
Transactions with equity holders in their capacity as equity holders:							
Contributions of equity, net of issue costs	21(b)	258.0	-	-	258.0	-	258.0
Buyback and issuance of securities for exercised performance rights		(2.4)	-	-	(2.4)	-	(2.4)
Distribution provided for or paid	7	-	-	(132.1)	(132.1)	-	(132.1)
		255.6	-	(132.1)	123.5	-	123.5
Balance at 30 June 2017		**1,456.9**	**(0.5)**	**79.6**	**1,536.0**	**-**	**1,536.0**
Balance at 1 July 2017		**1,456.9**	**(0.5)**	**79.6**	**1,536.0**	**-**	**1,536.0**
Profit for the year		**-**	**-**	**175.2**	**175.2**	**1.0**	**176.2**
Other comprehensive income		**-**	**1.0**	**-**	**1.0**	**-**	**1.0**
Total comprehensive income		**-**	**1.0**	**175.2**	**176.2**	**1.0**	**177.2**
Transactions with equity holders in their capacity as equity holders:							
Contributions of equity, net of issue costs	21(b)	**(0.1)**	**-**	**-**	**(0.1)**	**36.1**	**36.0**
Buyback and issuance of securities for exercised performance rights		**(3.3)**	**-**	**-**	**(3.3)**	**-**	**(3.3)**
Distribution provided for or paid	7	**-**	**-**	**(93.6)**	**(93.6)**	**(0.8)**	**(94.4)**
Transactions with non-controlling interest		**-**	**0.4**	**-**	**0.4**	**(0.7)**	**(0.3)**
		(3.4)	**0.4**	**(93.6)**	**(96.6)**	**34.6**	**(62.0)**
Balance at 30 June 2018		**1,453.5**	**0.9**	**161.2**	**1,615.6**	**35.6**	**1,651.2**

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

Consolidated Cash Flow Statements

for the year ended 30 June 2018

		Charter Hall Group		Charter Hall Property Trust Group	
	Note	2018 $'m	2017 $'m	2018 $'m	2017 $'m
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		**259.5**	217.8	**14.1**	10.7
Payments to suppliers and employees (inclusive of GST)		**(153.5)**	(138.9)	**(2.1)**	(2.4)
Tax paid		**(28.2)**	-	**-**	-
Interest received		**3.7**	2.2	**0.5**	0.3
Interest paid		**(2.6)**	(1.3)	**(2.6)**	(1.2)
Distributions and dividends from investments		**90.2**	76.5	**86.9**	72.5
Net cash inflow from operating activities	26	**169.1**	156.3	**96.8**	79.9
Cash flows from investing activities					
Payments for property, plant and equipment (net of lease incentive received)		**(5.5)**	(4.6)	**-**	-
Proceeds on disposal of investment properties		**5.5**	67.2	**5.5**	(40.5)
Payments for inventory		**(1.8)**	-	**-**	-
Payments for investment properties		**(29.1)**	(40.5)	**(29.1)**	-
Payment for acquisition of subsidiary (net of cash acquired)		**-**	(25.2)	**-**	-
Investments in associates and joint ventures		**(98.5)**	(384.0)	**(98.5)**	(379.8)
Proceeds on disposal and return of capital from investments in associates and joint ventures		**14.3**	120.0	**10.9**	123.6
Loans to associates, joint ventures and related parties		**(17.8)**	(11.7)	**(176.7)**	(407.6)
Repayments of loans to associates, joint ventures and related parties		**1.3**	21.2	**257.7**	494.6
Net cash (outflow)/inflow from investing activities		**(131.6)**	(257.6)	**(30.2)**	(209.7)
Cash flows from financing activities					
Proceeds from issues/(buy back) of stapled securities		**(7.7)**	281.2	**(6.8)**	255.5
Proceeds from borrowings (net of borrowing costs)		**24.4**	88.8	**24.4**	88.8
Repayment of borrowings		**(21.1)**	(124.1)	**(21.1)**	(88.8)
Proceeds on disposal of partial interest in a subsidiary that does not involve loss of control		**33.9**	-	**33.9**	-
Distributions to non-controlling interests		**(0.8)**	-	**(0.8)**	-
Distributions paid to stapled securityholders		**(145.3)**	(115.6)	**(116.4)**	(115.6)
Net cash inflow/(outflow) from financing activities		**(116.6)**	130.3	**(86.8)**	139.9
Net increase/(decrease) in cash and cash equivalents		**(79.1)**	29.0	**(20.2)**	10.1
Cash and cash equivalents at the beginning of the year		**174.4**	145.4	**53.4**	43.3
Effects of exchange rate changes on cash and cash equivalents		**(0.4)**	-	**(0.4)**	-
Cash and cash equivalents at the end of the year	9	**94.9**	174.4	**32.8**	53.4

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

Notes to the consolidated financial statements

for the year ended 30 June 2018

1 Summary of significant accounting policies

The significant policies which have been adopted in the preparation of these consolidated financial statements for the year ended 30 June 2018 are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

(a) Basis of preparation

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

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

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

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. The Charter Hall Group and Charter Hall Property Trust Group are for-profit entities for the purpose of preparing the consolidated financial statements.

On 6 June 2005, CHL acquired Charter Hall Holdings Pty Ltd (CHH). Under the terms of AASB 3 *Business Combinations*, CHH was deemed to be the accounting acquirer in this business combination. This transaction was therefore accounted for as a reverse acquisition under AASB 3. Accordingly, the consolidated financial statements of the Group have been prepared as a continuation of the consolidated financial statements of CHH. CHH, as the deemed acquirer, acquisition accounted for CHL as at 6 June 2005.

Group references in accounting policies

The accounting policies in Note 1 apply to both the Group and Charter Hall Property Trust Group unless otherwise stated in the relevant policy.

Compliance with IFRS

The consolidated financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for the following:

- investments in associates at fair value through profit or loss – measured at fair value;
- investments in financial assets held at fair value - measured at fair value;
- Derivative financial instruments.

New and amended standards adopted

No new accounting standards or amendments have come into effect for the year ended 30 June 2018 that affect the Group's operations or reporting requirements.

(b) Principles of consolidation

(i) Controlled entities

The consolidated financial statements of the Charter Hall Group and the Charter Hall Property Trust Group incorporate the assets and liabilities of all controlled entities as at 30 June 2018 and their results for the year then ended.

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 to direct the activities of the entity. Controlled entities are fully

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

1 Summary of significant accounting policies (continued)

consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of controlled entities are shown separately in the consolidated statement of comprehensive income, consolidated balance sheet and consolidated statement of changes in equity respectively.

(ii) Investments in associates

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for in the consolidated balance sheet at either fair value through profit or loss (CHPT only) or by using the equity method (CHPT and CHL). On initial recognition, the Group elects to account for investments in associates at either fair value through profit or loss or using the equity method based on assessment of the expected strategy for the investment.

Under the equity accounted method, the Group's share of the associates' post acquisition net profit after income tax expense is recognised in the consolidated statement of comprehensive income. The cumulative post-acquisition movements in results and reserves are adjusted against the carrying amount of the investment. Distributions and dividends received from associates are recognised in the consolidated financial report as a reduction of the carrying amount of the investment.

Investments in associates at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated statement of comprehensive income.

(iii) Joint arrangements

Under AASB 11 *Joint Arrangements,* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Joint operations

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the consolidated financial statements under the appropriate headings.

Joint ventures

Interests in joint ventures are accounted for using the equity method, with investments initially recognised at cost and adjusted thereafter to recognise the Group's share of post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its equity accounted investees are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been aligned where necessary to ensure consistency with the policies adopted by the Group.

(iv) Changes in ownership interests

When the Group ceases to equity account for an investment because of a loss of joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a joint venture entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss. The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group.

If the ownership interest in a joint venture entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

1 Summary of significant accounting policies (continued)

(c) Segment reporting

Segment information is reported in a manner that is consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments.

(d) Foreign currency translation

(i) Functional and presentation currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars, which is CHL's and CHPT's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(iii) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each consolidated balance sheet presented are translated at the closing rate at the date of that consolidated balance sheet;
- income and expenses for each income statement and consolidated statement of comprehensive income are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

(iv) Foreign currency translation

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. On disposal of interests in foreign controlled entities, the cumulative foreign exchange gains/losses relating to these investments are transferred to the consolidated statement of comprehensive income in accordance with the requirements of AASB 121 *The Effect of Changes in Foreign Exchange Rates*.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

(i) Investment management revenue

Investment management fees are brought to account on an accruals basis when the services have been performed and, if not received at the reporting date, are reflected in the consolidated balance sheet as a receivable.

Performance fees are only recognised when the services have been performed and the amount can be reliably measured and it is probable the performance fee criteria will be met.

Transaction fees are recognised when the services have been performed and the fee 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. Further information is provided in the critical accounting estimates and judgements in Note 2.

(ii) Property services revenue

Property services revenue is brought to account on an accruals basis when the services have been performed and, if not received at the reporting date, are reflected in the consolidated balance sheet as a receivable.

Where property services revenue is derived in respect of an acquisition or disposal of property, the revenue is recognised when services have been performed and the fee can be reliably estimated.

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

1 Summary of significant accounting policies (continued)

(iii) Gross rental income

Gross rental income represents income earned from the rental of properties (inclusive of outgoings recovered from tenants) and is recognised on a straight line basis over the lease term. The portion of rental income relating to fixed increases in operating lease rentals in future years is recognised as a separate component of investment properties. Turnover rent is recognised on an accruals basis.

(iv) Recovery of property related expenses

Expense recoveries are brought to account on an accruals basis when the services have been performed and, if not received at the reporting date, are reflected in the consolidated balance sheet as a receivable.

(v) Interest income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(vi) Distributions

Distributions are recognised as revenue when the right to receive payment is established.

(vii) Other investment-related revenue

Other investment-related revenue represents amounts received in relation to investment commitments and rebates relating to investments and is recognised where the right to receive payment is established.

(f) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, any non-controlling interest in the acquiree is recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree’s net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the acquirer’s share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity’s incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(g) Income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group’s controlled entities and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

1 Summary of significant accounting policies (continued)

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(h) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets that suffered impairment in prior years are reviewed for possible reversal of the impairment at each reporting date.

(i) Cash and cash equivalents

For the purpose of presentation in the cash flow statement, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated balance sheet.

(j) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off in the year in which they are identified. A provision for doubtful debts is raised where there is objective evidence that the Group will not collect all amounts due. The amount of the provision is the difference between the carrying amount and estimated future cash flows. Cash flows relating to current receivables are not discounted.

(k) Non-current assets classified as held for sale

Non-current assets are classified as held for sale and carried as current assets if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs of disposal, except for assets such as deferred tax assets and investment properties carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets classified as held for sale are presented separately from the other assets in the consolidated balance sheet. The liabilities directly associated with assets classified as held for sale are also presented separately from other liabilities in the consolidated balance sheet.

(l) Derivative financial instruments

The Group uses derivatives to hedge its exposure to interest rates and foreign currency on foreign denominated borrowings. Derivative financial instruments are measured and recognised at fair value on a recurring basis.

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

1 Summary of significant accounting policies (continued)

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either fair value hedges or cash flow hedges.

Fair value hedges

The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in profit or loss within finance costs. Changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk are recognised within 'Net gains/(losses) from derivative financial instruments'. The gain or loss relating to the ineffective portion is also recognised in profit or loss within 'Net gains/(losses) from derivative financial instruments'.

Cash flow hedges

The effective portion of changes in the fair value of derivatives is recognised in other comprehensive income and accumulated in the cash flow hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within 'Net gains/(losses) from derivative financial instruments'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast transaction that is hedged takes place). The gain or loss relating to the effective portion of cross currency interest rate swaps hedging fixed rate borrowings is recognised in profit or loss within 'Finance costs'.

(m) Other financial assets

Classification

The Group classifies its other financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held to maturity, re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset held for trading is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting date.

(iii) Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity.

(iv) Available for sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Recognition and derecognition

Regular way purchases and sales of investments are recognised at trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Subsequent measurement

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest method. Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss, excluding interest and distribution income, are presented in the consolidated statement of comprehensive income in the year in which they arise.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

1 Summary of significant accounting policies (continued)

transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity specific inputs. Further details on how the fair value of financial instruments is determined are disclosed in Note 1(y) and Note 28.

Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated statement of comprehensive income – is removed from equity and recognised in the consolidated statement of comprehensive income. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments classified as available for sale are not reversed through the consolidated statement of comprehensive income.

(n) Plant and equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial year in which they are incurred.

Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Furniture, fittings and equipment 3 to 10 years
- Fixtures 5 to 10 years
- Software 3 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1(h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of comprehensive income.

(o) Investment properties

Investment properties comprise investment interests in land and buildings (including integral plant and equipment) held for the purpose of producing rental income, including properties that are under construction for future use as investment properties.

Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition, the investment properties are stated at fair value. Fair value of investment property is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition. Gains and losses arising from changes in the fair values of investment properties are included in the consolidated statement of comprehensive income in the year in which they arise.

At each balance date, the fair values of the investment properties are assessed by the Responsible Entity with reference to independent valuation reports or through appropriate valuation techniques adopted by the Responsible Entity. Specific circumstances of the owner are not taken into account. Further information relating to valuation techniques can be found in Note 28(d).

Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the consolidated statement of comprehensive income within net fair value gain/(loss) on investment property.

The carrying amount of investment properties recorded in the consolidated balance sheet takes into consideration components relating to lease incentives, leasing costs and fixed increases in operating lease rentals in future years.

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

1 Summary of significant accounting policies (continued)

(p) Intangibles

(i) Intangibles – indefinite life assets

Intangibles with no fixed life are not amortised as they have an indefinite life. Intangibles with an indefinite life are tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired, and are carried at cost less accumulated impairment losses. Intangibles are allocated to cash generating units for the purpose of impairment testing.

(ii) Management Rights – finite life assets

Management rights with a fixed life are amortised using the straight line method over their useful life. Management rights of Charter Hall Office Trust (CHOT) are amortised over nine years.

(q) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Group. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(r) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of comprehensive income over the period of the borrowing using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down unless there is an effective fair value hedge of the borrowings, in which case a fair value adjustment will be applied based on the mark to market movement in the benchmark component of the borrowings and this movement is recognised in profit or loss. If the facility has not been drawn down the fee is capitalised as a prepayment and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(s) Borrowing costs

Borrowing costs associated with the acquisition or construction of a qualifying asset, including interest expense, are capitalised as part of the cost of that asset during the period that is required to complete and prepare the asset for its intended use. Borrowing costs not associated with qualifying assets are expensed.

(t) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

(u) Goods and Services Tax (GST)

Revenues, expenses and assets (with the exception of receivables) are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are inclusive of GST. The net amount of GST recoverable from or payable to the tax authority is included in receivables or payables in the consolidated balance sheet.

Cash flows relating to GST are included in the consolidated statement of cash flows on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

1 Summary of significant accounting policies (continued)

(v) Employee benefits

(i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date, are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

Liabilities for other employee entitlements which are not expected to be paid or settled within 12 months of reporting date are accrued in respect of all employees at present values of future amounts expected to be paid, based on a projected weighted average increase in wage and salary rates. Expected future payments are discounted using a corporate bond rate with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(iii) Retirement benefit obligations

Contributions to employee defined contribution superannuation funds are recognised as an expense as they become payable.

(iv) Security-based benefits

Security-based compensation benefits are provided to employees via the Charter Hall Performance Rights and Options Plan (PROP) and the General Employee Security Plan (GESP). Information relating to these schemes is set out in Note 36. For PROP, the fair value at grant date is independently valued using a Monte Carlo simulation pricing model that takes into account the exercise price, the term of the option, impact of dilution, stapled security price at grant date, expected price volatility of the underlying stapled security, expected dividend yield and the risk-free interest rate for the term of the option and market vesting conditions but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of stapled securities that are expected to vest. At each reporting date, the entity revises its estimate of the number of stapled securities that are expected to vest. The employee benefits expense recognised each year takes into account the most recent estimate.

Upon the vesting of stapled securities, the balance of the stapled security-based benefits reserve relating to those stapled securities is transferred to equity, net of any directly attributable transaction costs.

For GESP, eligible employees are entitled to receive up to $1,000 in stapled securities based on the stapled security price on the grant date. The cost of the stapled securities bought on market to settle the award liability is included in employee benefits expense. The stapled securities are held in trust on behalf of eligible employees until the earlier of the completion of three years' service or termination.

(v) Bonus plans

Charter Hall recognises a liability and an expense for amounts payable to employees. Charter Hall recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(vi) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates:

(a) when the Group can no longer withdraw the offer of those benefits; and

(b) when the entity recognises costs for a restructuring that is within the scope of AASB 137 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(w) Contributed equity

Ordinary stapled securities are classified as equity. Incremental costs directly attributable to the issue of new stapled securities or options are shown in equity as a deduction, net of tax, from the proceeds.

(x) Distributions/dividends paid and payable

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

(y) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

1 Summary of significant accounting policies (continued)

A fair value measurement of a non-financial asset takes into account the Group's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value of financial instruments traded in active markets is determined using quoted market prices at the balance date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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

Certain unlisted property securities have been designated on initial recognition to be treated at fair value through profit or loss. Movements in fair value during the period have been recognised in the consolidated statement of comprehensive income. These assets have been acquired with the intention of being long-term investments. Where the assets in this category are expected to be sold within 12 months, they are classified as current assets; otherwise they are classified as non-current.

The nominal value less estimated credit adjustments of trade receivables and payables approximate their fair values. 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 Group for similar financial instruments.

(z) Earnings per stapled security

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

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

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

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

(aa) Parent entity financial information

The financial information for the parent entity of the Charter Hall Group, Charter Hall Limited, and for the parent entity of the Charter Hall Property Trust Group, Charter Hall Property Trust, disclosed in Note 37, has been prepared on the same basis as the Group's financial statements except as set out below:

(i) Investments in controlled entities

Investments in controlled entities, associates and joint ventures are accounted for at cost or fair value through profit or loss in the financial statements of the parent entity. Such investments include both investments in equity securities issued by the controlled entity and other parent entity interests that in substance form part of the parent entity's investment in the controlled entity. These include investments in the form of interest-free loans which have no fixed contractual term and which have been provided to the controlled entity as an additional source of long-term capital.

Dividends and distributions received from controlled entities, associates and joint ventures are recognised in the parent entity's statement of comprehensive income, rather than deducted from the carrying amount of these investments.

(ii) Receivables and payables

Trade amounts receivable from controlled entities in the normal course of business and other amounts advanced on commercial terms and conditions are included in receivables. Similarly, amounts payable to controlled entities are included in payables.

(iii) Recoverable amount of assets

The carrying amounts of investments in controlled entities, associates and joint ventures valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying value exceeds their recoverable amount, the assets are written down to the lower value. The write-down is expensed in the year in which it occurs.

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

1 Summary of significant accounting policies (continued)

(iv) Tax consolidation legislation

The head entity, Charter Hall Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Charter Hall Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under a tax funding agreement with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in Note 6.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

(ab) Impact of new standards and interpretations issued but not yet adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 30 June 2018 but are available for early adoption. The impact of these new standards and interpretations (to the extent relevant to the Group) is set out below:

(i) AASB 9 *Financial Instruments* (applicable for financial periods starting on or after 1 January 2018)

AASB 9 addresses the recognition, classification, measurement and derecognition of financial assets and liabilities and sets out new rules for hedge accounting.

The Group has reviewed its financial assets and liabilities and is not expecting significant impacts from the adoption of the new standard on 1 July 2018:

- equity investments currently measured at fair value through profit or loss (FVPL) will continue to be measured on the same basis under AASB 9, and

- debt instruments currently classified as held-to-maturity and measured at amortised cost meet the conditions for classification at amortised cost under AASB 9.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under AASB 139. It applies to financial assets classified at amortised cost, contract assets under AASB 15 *Revenue from Contracts with Customers*, loan commitments and certain financial guarantee contracts. Based on its assessments undertaken to date, management does not expect any additional material loss allowance relating to any of its financial assets to be recognised on initial adoption of AASB 9.

The Group's current hedge relationship for its cross-currency interest rate swaps will continue under AASB 9.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The Group will apply the new standard retrospectively from 1 July 2018, with the practical expedients permitted under the standard. Comparatives for 2018 will not be restated.

(ii) AASB 15 *Revenue from Contracts with Customers* (applicable for financial periods starting on or after 1 January 2018)

The standard is based on the principle that revenue is recognised when control of a good or service is transferred to a customer, so the notion of control replaces the notion of risks and rewards. It applies to all contracts with customers, excluding leases, financial instruments and insurance contracts.

AASB 15 requires reporting entities to provide users of financial statements with more informative, relevant disclosures. The Group has assessed the effects of applying the new standard on the Group's financial statements and has not identified any material changes in the pattern of revenue recognition. The AASB 15 requirement to present contract assets and contract liabilities separately in the balance sheet, will result in the reclassification of any accrued performance fees from trade and other receivables to contract assets in the Group's balance sheet.

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

1 Summary of significant accounting policies (continued)

The Group will adopt the standard in the financial year beginning 1 July 2018, applying the modified retrospective approach which will not require the restatement of comparatives. The Group does not expect any material adjustment to retained earnings as a result of adopting AASB 15.

(iii) AASB 16 Leases (applicable for financial periods starting on or after 1 January 2019 - early adoption allowed if AASB 15 is adopted at the same time)

The standard will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset and liability in relation to most operating leases. The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key financial metrics may change. The accounting by lessors will not significantly change. Management's assessment identified that the impact on the Group's office operating lease commitments will be the recognition of a right-of-use asset and a corresponding lease liability, Management is progressing with its transition plans.

(ac) Comparative information

Where necessary, comparative information has been adjusted to conform with changes in presentation in the current year.

(ad) Rounding of amounts

Under the option provided by ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission relating to the 'rounding off' of amounts in the financial statements, amounts in the Company and the Trust's consolidated financial statements have been rounded to the nearest hundred thousand in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

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. When a recoverable amount is estimated through a value in use calculation, critical judgements and estimates are made regarding future cash flows and an appropriate discount rate. When a fair value is estimated through an earnings valuation, critical judgements and estimates are made in relation to the earnings measure and appropriate multiple.

(b) Performance fee recognition

Critical judgements and estimates are made by the Group in respect of recognising performance fee revenue. Performance fees are only recognised when services have been performed and they can be reliably estimated and are probable. Detailed calculations are completed and the risks associated with the fee are assessed when deciding when it is appropriate to recognise revenue. Key risks include the period remaining from balance sheet date to performance fee crystallisation date and the degree of probability that any potential fee may unwind during that period. Key drivers of performance fees are assessed based on historic data and prevailing economic conditions to inform judgements on the extent to which the fee can be reliably estimated.

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

2 Critical accounting estimates and judgements (continued)

(c) Intangible assets

Critical judgements and estimates are made by the Group in assessing the recoverable amount of intangibles acquired, where the funds to which those intangibles relate have an indefinite life. Intangibles are considered to have an indefinite useful life if there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. Refer to Note 15 for further details.

Critical judgements are also made in assessing the manner in which the cost of indefinite life intangible assets is expected to be recovered and in recognising a corresponding deferred tax liability.

(d) Deferred tax assets

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

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 after tax adjusted for proportionately consolidated fair value adjustments, gains or losses on sale of investments, amortisation and/or impairment of intangible assets, performance fee expenses, non-operating tax expense and other unrealised or one-off items. Operating earnings is the primary measure of the Group's underlying and recurring earnings 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.

Segment operating earnings reviewed by the Board ceased to include the gross up of proportionately consolidated income and expenses. This focus has been reflected in an update to the tables in this note, including restating the comparatives. It should be noted that this change did not impact the segment operating earnings reported from previous periods.

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 investment management services and property management services.

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

3 Segment information (continued)

(b) Operating segments

The operating segments provided to the Board for the reportable segments for the year ended 30 June 2018 are as follows:

30 June 2018	Property Investments $'m	Property Funds Management $'m	Total $'m
Property Investment earnings	103.8	-	103.8
Investment management revenue	-	144.3	144.3
Property services revenue	-	56.7	56.7
Total income	**103.8**	**201.0**	**304.8**
Net operating expenses	(1.0)	(71.6)	(72.6)
Corporate expenses	-	(27.0)	(27.0)
EBITDA	**102.8**	**102.4**	**205.2**
Depreciation	-	(3.5)	(3.5)
Net interest income	1.1	-	1.1
Operating earnings before tax	**103.9**	**98.9**	**202.8**
Income tax expense	-	(27.0)	(27.0)
Operating earnings attributable to stapled securityholders	**103.9**	**71.9**	**175.8**
Basic weighted average number of securities ('m)			465.8
Operating earnings per stapled security (cents)			**37.7**

30 June 2017 – Restated	Property Investments $'m	Property Funds Management $'m	Total $'m
Property Investment earnings	84.8	-	84.8
Investment management revenue	-	131.7	131.7
Property services revenue	-	46.8	46.8
Total income	**84.8**	**178.5**	**263.3**
Net operating expenses	(1.0)	(65.1)	(66.1)
Corporate expenses	-	(24.2)	(24.2)
EBITDA	**83.8**	**89.2**	**173.0**
Depreciation	-	(3.5)	(3.5)
Net interest income	1.2	-	1.2
Operating earnings before tax	**85.0**	**85.7**	**170.7**
Income tax expense	-	(19.5)	(19.5)
Operating earnings attributable to stapled securityholders	**85.0**	**66.2**	**151.2**
Basic weighted average number of securities ('m)			420.8
Operating earnings per stapled security (cents)			**35.9**

Refer to Note 8 for statutory earnings per stapled security figures.

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

3 Segment information (continued)

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

	2018 $'m	2017 $'m
Operating earnings attributable to stapled securityholders	**175.8**	151.2
Realised and unrealised gains on derivatives [1]	**(2.5)**	8.2
Net fair value movements on equity accounted investments [1]	**98.4**	118.3
Amortisation of intangibles	**(2.7)**	(4.3)
Reversal/(impairment) of investment in joint venture	**7.3**	(10.5)
Non-operating income tax benefit/(expense)	**0.5**	(4.1)
Gain/(loss) on disposal of property investments [1]	**(1.5)**	3.9
Performance fees expense [1]	**(16.5)**	-
Other [1]	**(8.6)**	(5.1)
Statutory profit after tax attributable to stapled securityholders	**250.2**	257.6

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

(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

	2018 $'m	2017 $'m
Operating earnings – investments	**103.9**	85.0
Add: non-operating equity accounted profit	**70.7**	122.8
Less: distributions in operating income	**(2.2)**	(0.4)
Add: net gain on investment in associates at fair value	**1.4**	-
Add: net operating expenses	**1.0**	1.0
Less: net interest income	**(1.1)**	(1.2)
Less: net rental income	**(3.2)**	-
	170.5	207.2
Share of net profit of investments accounted for using the equity method	**169.1**	207.2
Net gain/(loss) on investment in associates at fair value	**1.4**	-
	170.5	207.2

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

	2018 $'m	2017 $'m
Property funds management revenue	**201.0**	178.5
Add: recovery of property and fund-related expenses	**33.6**	31.7
Add: interest income	**4.0**	2.7
Add: distributions received for investments accounted for at fair value	**2.2**	0.4
Add: rental income	**5.4**	0.1
Revenue per statement of comprehensive income	**246.2**	213.4

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

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

4 Revenue

	Charter Hall Group		Charter Hall Property Trust Group	
	2018 $'m	2017 $'m	**2018 $'m**	2017 $'m
Gross rental income	**5.4**	0.1	**5.4**	0.1
Investment management revenue [1]	**144.3**	131.7	**-**	-
Property services revenue [1]	**56.7**	46.8	**-**	-
	206.4	178.6	**5.4**	**0.1**
Other revenue				
Recovery of property and fund-related expenses	**33.6**	31.8	**-**	-
Interest	**4.0**	2.7	**4.2**	9.0
Distributions/Dividends [2]	**2.2**	0.3	**3.1**	0.4
Other investment-related revenue	**-**	-	**11.6**	10.2
Total other revenue	**39.8**	34.8	**18.9**	19.6
Total revenue [3]	**246.2**	213.4	**24.3**	19.7

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

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

[3] Revenue excludes share of net profits of equity accounted associates and joint ventures.

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

5 Expenses

	Charter Hall Group		Charter Hall Property Trust Group	
	2018 $'m	2017 $'m	**2018 $'m**	2017 $'m
Profit before income tax includes the following specific expenses:				
Depreciation				
Plant and equipment	**3.5**	3.5	**-**	-
Impairment of investments				
(Reversal)/impairment of investments	**(7.3)**	10.5	**-**	-
Amortisation and impairment of intangibles				
Intangibles – amortisation	**2.7**	5.1	**-**	-
Intangibles – reversal of impairment	**-**	(0.8)	**-**	-
Total amortisation and impairment	**2.7**	4.3	**-**	-
Finance costs				
Interest and finance charges paid/payable	**3.2**	1.5	**3.5**	1.3
Net losses from derivative financial instruments				
Loss on derivative financial instruments designated as a fair value hedge – unrealised	**0.3**	-	**0.3**	-
Employee costs				
Employee benefit expenses	**101.6**	94.5	**-**	-
Restructuring costs	**1.3**	0.3	**-**	-
Security-based benefits expense	**1.7**	1.4	**-**	-
Payroll tax	**6.3**	4.7	**-**	-
Total employee costs	**110.9**	100.9	**-**	-
Administration and other expenses				
Advertising, marketing and promotion	**3.0**	2.8	**-**	
Occupancy costs	**3.5**	3.3	**-**	
Accounting, professional and other costs	**6.4**	5.4	**0.3**	
Communication and IT expenses	**6.0**	5.5	**0.1**	
Administration expenses	**5.2**	4.2	**0.1**	0.1
Total administration and other expenses	**24.1**	21.2	**0.5**	0.1

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

6 Income tax expense

	Note	Charter Hall Group 2018 $'m	Charter Hall Group 2017 $'m	Charter Hall Property Trust Group 2018 $'m	Charter Hall Property Trust Group 2017 $'m
(a) Income tax expense					
Current tax expense		**25.6**	19.5	**-**	-
Deferred income tax expense		**0.6**	4.1	**-**	-
Under provided in prior years		**0.3**	-	**-**	-
		26.5	23.6	**-**	-
Deferred income tax expense					
(Increase)/decrease in deferred tax assets for the tax consolidated group	17	**(1.1)**	0.8	**-**	-
Increase in deferred tax liabilities for the tax consolidated group	17	**1.7**	4.9	**-**	-
Increase in deferred tax assets for entities outside the tax consolidated group	17	**-**	(1.6)	**-**	-
		0.6	4.1	**-**	-
(b) Reconciliation of income tax expense/(benefit) to prima facie tax payable					
Profit before income tax expense		**277.7**	281.2	**176.2**	218.0
Prima facie tax expense at the Australian tax rate of 30%		**83.3**	84.3	**53.0**	65.4
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:					
Charter Hall Property Trust income		**(53.0)**	(65.4)	**(53.0)**	(65.4)
Non-allowable expenses		**0.2**	0.1	**-**	-
Other allowable deductions		**(0.1)**	(0.1)	**-**	-
Foreign losses not recognised		**0.1**	0.1	**-**	-
Sundry items		**-**	(0.1)	**-**	-
Non-taxable dividends, net of equity accounted profit		**(1.0)**	(1.2)	**-**	-
(Reversal)/impairment of equity accounted investment		**(2.2)**	3.1	**-**	-
Recognition of deferred tax asset on previously unrecognised income tax losses		**-**	(1.6)	**-**	-
Income sheltered by previously unrecognised losses in subsidiary outside of the tax consolidated group		**(1.0)**	(0.3)	**-**	-
Amounts under provided in respect of prior years		**0.2**	4.7	**-**	-
Income tax expense		**26.5**	23.6	**-**	-
(c) Amounts recognised directly in equity					
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:					
Current tax: Deduction for rights vesting in excess of the cumulative fair value expense		**(1.1)**	(0.9)	**-**	-
Deferred tax: Estimated future deduction for rights vesting, in excess of the cumulative fair value expense		**(0.3)**	(1.7)	**-**	-
Deferred tax: Unwind of deferred tax assets on rights which failed to meet vesting conditions		**-**	0.4	**-**	-
		(1.4)	(2.2)	**-**	-

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

6 Income tax expense (continued)

(d) Tax consolidation legislation

Charter Hall Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation with effect from 1 July 2003. The accounting policy in relation to this legislation is set out in Note 1(g).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly owned entities in the case of a default by the head entity, Charter Hall Limited.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate Charter Hall Limited for any current tax payable assumed and are compensated by Charter Hall Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Charter Hall Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

(e) Charter Hall Property Trust

Under current Australian income tax legislation, the Trust is not liable for income tax on its taxable income (including any assessable component of capital gains) provided that the unitholders are presently entitled to the income of the Trust.

(f) Tax losses – Charter Hall Group

At 30 June 2018, the Group has approximately $12.5 million (2017: $13.6 million) of tax effected unrecognised income tax losses.

At 30 June 2018, the Group has approximately $12.7 million (2017: $13.0 million) of tax effected unrecognised capital tax losses.

7 Distributions/Dividends paid and payable

	Charter Hall Group		Charter Hall Property Trust Group	
	2018 $'m	2017 $'m	**2018 $'m**	2017 $'m
Ordinary stapled securities				
Final ordinary dividend of 5.5 cents and ordinary distribution of 10.7 cents per stapled security for the six months ended 30 June 2018 payable on 31 August 2018	**75.5**	-	**49.8**	-
Interim ordinary dividend of 6.2 cents and interim ordinary distribution of 9.4 cents per stapled security for the six months ended 31 December 2017 paid on 28 February 2018	**72.6**	-	**43.8**	-
Final ordinary distribution for the six months ended 30 June 2017 of 15.6 cents per stapled security paid on 31 August 2017	**-**	72.7	**-**	72.7
Interim ordinary distribution for the six months ended 31 December 2016 of 14.4 cents per stapled security paid on 28 February 2017	**-**	59.4	**-**	59.4
Total distributions/dividends paid and payable to stapled securityholders	**148.1**	132.1	**93.6**	132.1
Distributions paid and payable to DCSF non-controlling interests	**0.8**	-	**0.8**	-
Total distributions/dividends paid and payable	**148.9**	132.1	**94.4**	132.1

Franking credits available in the parent entity (Charter Hall Limited) for dividends payable in subsequent financial years based on a tax rate of 30% (2017: 30%) are $35.7 million (2017: $29.0 million). These amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the year.

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

8 Earnings per stapled security

	Charter Hall Group		Charter Hall Property Trust Group	
	2018	2017	**2018**	2017
	Cents	Cents	**Cents**	Cents
(a) Basic earnings per security attributable to:				
Equity holders of Charter Hall Limited	**16.1**	9.4	**n/a**	n/a
Equity holders of Charter Hall Property Trust (non-controlling interest)	**37.6**	51.8	**37.6**	51.8
Stapled securityholders of Charter Hall Group	**53.7**	61.2	**n/a**	n/a
(b) Diluted earnings per security attributable to:				
Equity holders of Charter Hall Limited	**16.0**	9.3	**n/a**	n/a
Equity holders of Charter Hall Property Trust (non-controlling interest)	**37.4**	51.4	**37.4**	51.4
Stapled securityholders of Charter Hall Group	**53.4**	60.7	**n/a**	n/a
	$'m	$'m	**$'m**	$'m
(c) Reconciliations of earnings used in calculating earnings per stapled security				
Equity holders of Charter Hall Limited	**75.0**	39.6	**n/a**	n/a
Profit attributable to the ordinary stapled securityholders of the Group used in calculating basic and diluted earnings per stapled security	**250.2**	257.6	**175.2**	218.0
	Number	Number	**Number**	Number
(d) Weighted average number of stapled securities used as the denominator				
Weighted average number of ordinary stapled securities used as the denominator in calculating basic earnings per stapled security	**465,777,131**	420,838,262	**465,777,131**	420,838,262
Adjustments for calculation of diluted earnings per stapled security:				
Performance rights	**2,381,990**	2,881,070	**2,381,990**	2,881,070
Service rights	**420,802**	546,854	**420,802**	546,854
Weighted average number of ordinary stapled securities and potential ordinary stapled securities used as the denominator in calculating diluted earnings per stapled security	**468,579,923**	424,266,186	**468,579,923**	424,266,186

(e) Information concerning the classification of securities

Performance rights, service rights issued under the Charter Hall Performance Rights and Options Plan

The performance and service rights are unquoted securities. Conversion to stapled securities and vesting to executives is subject to performance and/or service conditions.

Stapled securities issued under the General Employee Securities Plan (GESP)

Stapled securities issued under the GESP are purchased on market on behalf of eligible employees but held in trust until the earlier of the completion of three years' service or termination. No adjustment to diluted earnings per stapled security is required under the GESP.

9 Cash and cash equivalents

	Charter Hall Group		Charter Hall Property Trust Group	
	2018 $'m	2017 $'m	**2018 $'m**	2017 $'m
Cash at bank and on hand	**94.9**	174.4	**32.8**	53.4

These amounts earn fixed and floating interest rates of between 1.6% and 1.8% (2017: 1.6% and 2.5%).

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

10 Receivables and other assets

		Charter Hall Group		Charter Hall Property Trust Group	
	Note	**2018 $'m**	2017 $'m	**2018 $'m**	2017 $'m
Current					
Trade receivables		**29.7**	27.9	**5.9**	2.7
Loans to joint ventures	29(e)	**25.8**	8.5	**16.3**	-
Loans to associates	29(e)	**-**	0.8	**-**	0.8
Distributions receivable		**41.0**	27.4	**27.4**	26.3
Other receivables		**1.7**	0.9	**0.8**	0.1
Prepayments		**0.7**	0.7	**-**	-
		98.9	66.2	**50.4**	29.9
Non-current					
Loan receivable from Charter Hall Limited		**-**	-	-	73.2
		-	-	**-**	73.2

(a) Bad and doubtful trade receivables

During the year, the Charter Hall Group and Charter Hall Property Trust Group incurred $nil expense (2017: $nil) in respect of provisioning for bad and doubtful trade receivables.

(b) Fair values

Receivables are carried at amounts that approximate their fair value.

(c) Credit risk

There is a limited concentration of credit risk as the majority of current and non-current receivables are due from related parties of Charter Hall Group and Charter Hall Property Trust Group. Refer to Note 27 for more information on the risk management policy of the Charter Hall Group and Charter Hall Property Trust Group.

The ageing of trade receivables at the reporting date was as follows:

	Charter Hall Group		Charter Hall Property Trust Group	
	2018 $'m	2017 $'m	**2018 $'m**	2017 $'m
Current	**29.7**	27.8	**5.9**	2.7
1 to 3 months	**-**	-	**-**	-
3 to 6 months	**-**	0.1	**-**	-
More than 6 months	**-**	-	**-**	-
	29.7	27.9	**5.9**	**2.7**

As at 30 June 2018, Charter Hall Group had trade receivables of $nil (2017: $0.1 million) past due but not impaired. Charter Hall Property Trust had $nil receivables past due (2017: $nil).

11 Assets classified as held for sale

In June 2018, the Group's interest in Commercial and Industrial Property Pty Ltd (CIP), a property development company, met the criteria to be reclassified as a held for sale asset. Immediately prior to the reclassification, $7.3 million of accumulated impairment losses were reversed to reflect its fair value less costs to sell.

	Charter Hall Group		Charter Hall Property Trust Group	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
CIP	**17.7**	-	**-**	-

Valuation basis

Assets held for sale are carried at the lower of book value and fair value less costs to sell, representing the amount at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of valuation.

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

12 Derivative financial instruments

	Charter Hall Group		Charter Hall Property Trust Group	
	2018 $'m	2017 $'m	**2018 $'m**	2017 $'m
Non-current liabilities				
Cross currency interest rate swaps	**1.4**	-	**1.4**	-

Cross currency interest rate swaps
In May 2018, the Group entered into A$/US$ cross currency interest rate swap agreements that hedge the Group's exposure to foreign currency and interest rate fluctuations arising from a US Private Placement (USPP) note issuance to be funded in August 2018. The swap agreements entitle the Group to receive interest, at semi-annual intervals, at a fixed rate on a notional principal amount of US$175.0 million and oblige it to pay, at quarterly intervals, at a floating rate on a notional principal amount of A$231.5 million. The swap agreements mature in May 2028.

13 Investments accounted for using the equity method

		Charter Hall Group		Charter Hall Property Trust Group	
	Note	**2018 $'m**	2017 $'m	**2018 $'m**	2017 $'m
Investments in associates	31	**1,336.6**	1,218.1	**1,262.8**	1,147.3
Investments in joint venture entities	32	**280.5**	258.5	**280.5**	239.0
		1,617.1	1,476.6	**1,543.3**	1,386.3

Investments in associates represent units in listed and unlisted Charter Hall managed funds which are accounted for using the equity method. Refer to Note 31(a) for carrying value of investments in associates. Investments in joint venture entities represent joint venture interests in Australia which are accounted for using the equity method. Refer to Note 32(a) for carrying value of investments in joint venture entities.

14 Investment properties

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

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

	Charter Hall Group		Charter Hall Property Trust Group	
	2018 $'m	2017 $'m	**2018 $'m**	2017 $'m
Opening balance	**40.4**	-	**40.4**	-
Additions	**27.5**	108.3	**27.5**	41.1
Acquisition costs incurred	**1.4**	-	**1.4**	-
Revaluation decrement attributable to acquisition costs	**(1.4)**	-	**(1.4)**	-
Gain/(loss) on property revaluation	**0.7**	(0.7)	**0.7**	(0.7)
Straightlining of rental income	**0.3**	-	**0.3**	-
Disposals	**(5.5)**	(67.2)	**(5.5)**	-
Closing balance	**63.4**	40.4	**63.4**	40.4

Key valuation assumptions used in the determination of the investment properties' fair value and the Group's valuation policy are disclosed in Note 28.

Leasing arrangements

The investment properties, excluding development properties, are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

14 Investment properties (continued)

	Charter Hall Group		Charter Hall Property Trust Group	
	2018	2017	**2018**	2017
	$'m	$'m	**$'m**	$'m
Due within one year	**4.4**	2.4	**4.4**	2.4
Due between one and five years	**17.8**	7.2	**17.8**	7.2
Over five years	**20.0**	12.7	**20.0**	12.7
	42.2	22.3	**42.2**	22.3

15 Intangible assets

In March 2010, the Charter Hall Group completed a transaction to acquire the majority of Macquarie Group's core real estate management platform. This transaction was structured to secure the management rights (i.e. future management fee revenue) of Macquarie Office Trust (now Charter Hall Office Trust), Macquarie CountryWide Trust (now Charter Hall Retail REIT) and Macquarie Direct Property Fund (now Charter Hall Direct Office Fund). The excess of consideration paid over net tangible assets acquired represents the value of these management rights.

With the exception of management rights held over Charter Hall Office Trust (CHOT), management considers that the management rights have an indefinite life as there are no finite terms in the underlying agreements and the Charter Hall Group has no intention to cease managing these funds. On 1 May 2012, Charter Hall Office REIT (CQO) was privatised and CQO changed from a listed REIT to a wholesale unit trust (CHOT) with liquidity reviews 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.

On 15 August 2012, a subsidiary of the Group paid the previous manager of Charter Hall Direct PFA Fund (PFA) to facilitate the appointment of a Group subsidiary as the responsible entity of PFA. As PFA is an open ended fund with no termination date or review event contemplated in its constitution, these facilitation payments have been treated as an intangible asset which is considered to have an indefinite useful life.

	Charter Hall Group		Charter Hall Property Trust Group	
	2018	2017	**2018**	2017
	$'m	$'m	**$'m**	$'m
Indefinite life intangibles				
Charter Hall Retail REIT				
Opening and closing balance	**42.3**	42.3	**-**	-
Charter Hall Direct Office Fund				
Opening and closing balance	**7.4**	7.4	**-**	-
Charter Hall Direct PFA Fund				
Opening balance	**5.2**	4.4	**-**	-
Reversal of impairment	**-**	0.8	**-**	-
Closing balance	**5.2**	5.2	-	-
Total indefinite life intangibles	**54.9**	54.9	**-**	-
Finite life intangibles				
Charter Hall Office Trust				
Opening balance	**10.5**	15.6	**-**	-
Amortisation charge	**(2.7)**	(5.1)	**-**	-
Closing balance	**7.8**	10.5	**-**	-
At balance date				
Cost	**50.3**	50.3	**-**	-
Accumulated amortisation	**(42.5)**	(39.8)	**-**	-
Total finite life intangibles	**7.8**	10.5		
Total intangible assets	**62.7**	65.4	**-**	-

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

15 Intangible assets (continued)

All indefinite life intangible assets recognised on the consolidated balance sheet are subject to an annual impairment assessment. The impairment assessments support the carrying values and the methodology applied is an assessment of value in use based on discounted cash flows.

Key assumptions used for the indefinite life intangible impairment calculations are as follows:

- cash flow projections covering a three year period based on financial budgets approved by management. Cash flows beyond the three year period are extrapolated using estimated growth rates appropriate for the business;
- pre-tax discount rate range of 14–16% (2017: 14–16%) which is in excess of the Group's weighted average cost of capital;
- growth after three years of 2–3% (2017: 2–3%) per annum; and
- terminal value multiple of 7.0–8.0 times earnings (2017: 7.0–8.0 times).

Impairment is tested at the cash generating unit (CGU) level being each fund which generates management fee income.

16 Property, plant and equipment

	Charter Hall Group		Charter Hall Property Trust Group	
	2018 $m	2017 $m	**2018 $m**	2017 $m
Opening net book amount	**18.8**	14.9	**-**	-
Additions	**5.6**	7.4	**-**	-
Depreciation charge	**(3.5)**	(3.5)	**-**	-
Closing net book amount	**20.9**	18.8	**-**	-
At balance date				
Cost	**33.4**	29.3	**-**	-
Accumulated depreciation	**(12.5)**	(10.5)	**-**	-
Net book amount	**20.9**	18.8	**-**	-

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

17 Deferred tax assets and liabilities

	Charter Hall Group		Charter Hall Property Trust Group	
	2018 $'m	2017 $'m	**2018 $'m**	2017 $'m
Deferred tax assets comprises temporary differences attributable to:				
Tax losses carried forward [1]	**1.6**	1.6	**-**	-
Deferred tax assets comprises temporary differences attributable to:				
Employee benefits	**12.9**	11.9	**-**	-
Other	**0.9**	0.5	**-**	-
	13.8	12.4	**-**	-
Deferred tax liabilities comprises temporary differences attributable to:				
Intangible assets	**17.2**	18.1	**-**	-
Investment in associates	**8.1**	6.4	**-**	-
Other	**2.5**	1.6	**-**	-
	27.8	26.1	**-**	-
Net deferred tax liabilities	**(14.0)**	(13.7)	**-**	-

[1] Tax losses carried forward in 2017 were acquired following the acquisition of Charter Hall Opportunity Fund No. 5 (CHOF5) as a wholly owned entity. CHOF5 does not form part of the Charter Hall tax consolidated group and therefore is not included in the net deferred tax liability balance on the balance sheet.

A reconciliation of the carrying amount of deferred tax assets for the tax consolidated group at the beginning and end of the current and previous years is set out below:

	Note	Tax losses carried forward $'m	Employee benefits $'m	Other $'m	Total $'m
Charter Hall Group					
Balance at 1 July 2016		1.5	9.1	1.3	11.9
(Charged)/credited to income statement	6	(1.5)	1.5	(0.8)	(0.8)
(Charged)/credited to directly to equity		-	1.3	-	1.3
Balance at 30 June 2017		-	11.9	0.5	12.4
(Charged)/credited to income statement	6	**-**	**0.7**	**0.4**	**1.1**
(Charged)/credited directly to equity		**-**	**0.3**	**-**	**0.3**
Balance at 30 June 2018		**-**	**12.9**	**0.9**	**13.8**

A reconciliation of the carrying amount of deferred tax liabilities for the tax consolidated group at the beginning and end of the current and previous years is set out below:

	Note	Intangible assets $'m	Investment in associate $'m	Other $'m	Total $'m
Charter Hall Group					
Balance at 1 July 2016		14.9	5.4	0.9	21.2
Charged/(credited) to income statement	6	3.2	1.0	0.7	4.9
Balance at 30 June 2017		18.1	6.4	1.6	26.1
Charged/(credited) to income statement	6	**(0.9)**	**1.7**	**0.9**	**1.7**
Balance at 30 June 2018		**17.2**	**8.1**	**2.5**	**27.8**

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

18 Trade and other payables

	Charter Hall Group		Charter Hall Property Trust Group	
	2018 $'m	2017 $'m	**2018 $'m**	2017 $'m
Current				
Trade payables	**1.3**	1.1	**-**	-
Accruals	**3.0**	3.3	**0.8**	0.5
Distribution payable	**75.5**	72.7	**49.8**	72.7
GST payable	**1.8**	0.8	**(0.1)**	(0.2)
Annual leave liability	**4.1**	3.5	**-**	-
Employee benefits liability	**24.1**	21.7	**-**	-
Other payables	**1.6**	4.5	**0.1**	3.9
Lease incentive liability	**1.3**	1.1	**-**	-
	112.7	108.7	**50.6**	76.9
Non-current				
Loan payable to Charter Hall Limited	**-**	-	**17.7**	-
Lease incentive liability	**5.3**	6.5	**-**	-
	5.3	6.5	**17.7**	-

All current liabilities are expected to be settled within 12 months.

19 Provisions

	Charter Hall Group		Charter Hall Property Trust Group	
	2018 $m	2017 $m	**2018 $m**	2017 $m
Current				
Employee benefits – long service leave	**1.5**	1.9	**-**	-
Non-current				
Employee benefits – long service leave	**1.6**	1.3	**-**	-

20 Borrowings

	Charter Hall Group		Charter Hall Property Trust Group	
	30 Jun 2018 $'m	30 Jun 2017 $'m	**30 Jun 2018 $'m**	30 Jun 2017 $'m
Current assets				
Movement in fair value of USPP commitment attributable to the hedged position	**2.2**	-	**2.2**	-
	2.2	-	**2.2**	-
Non-current liabilities				
Cash advance facilities (DCSF)	**5.4**	-	**5.4**	-
Less: unamortised transaction costs	**(1.8)**	-	**(1.8)**	-
	3.6	-	**3.6**	-

Charter Hall Property Trust Group

In May 2018, the Group completed several key initiatives to restructure its debt platform:

- Debt facility was refinanced with a new unsecured $200 million credit facility plus an additional $20 million unsecured facility to support the bank guarantees with the maturity date changing to May 2023.

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

20 Borrowings (continued)

- US$175 million (A$231.5 million) US Private Placement (USPP) issuance:
  - 10 year duration.
  - Funding to occur on 24 August 2018.
  - Fixed US$ coupon of 4.61% which is 100% hedged in Australian dollars (principal plus interest), with A$ interest payable of BBSW + 2.05% margin.

At 30 June 2018, drawn borrowings of $nil (30 June 2018: $nil) and bank guarantees of $14.3 million (30 June 2018: $14.3 million) had been utilised under these facilities, which under the terms of the agreements reduce the available facilities. No liability is recognised for bank guarantees.

Movement in fair value of USPP commitment attributable to the hedged position

This adjustment reflects movement in the fair value of an unrecognised firm commitment to issue USPP notes which offsets the change in fair value of cross currency swaps designated as a fair value hedge.

DCSF Facility

The fund has two revolving debt facilities of A$25.0 million and NZ$7.0 million. The facilities were established in November 2017 with a maturity date of November 2020. At 30 June 2018, drawn borrowings of NZ$6.0 million had been utilised under this facility.

The NZ$6.0 million drawn borrowings translated into A$5.4 million are presented on the balance sheet net of A$1.8 million of unamortised transaction costs under the CHPT facility.

The carrying amounts of assets pledged as security for borrowings are:

	Charter Hall Group		Charter Hall Property Trust Group	
	2018 $'m	2017 $'m	**2018 $'m**	2017 $'m
Non-current				
First ranking security				
Investments in associates – Charter Hall Property Trust	**-**	1,416.0	**-**	1,416.0
Investment properties – DCSF	**63.4**	-	**63.4**	-
Total non-current assets pledged as security	**63.4**	1,416.0	**63.4**	1,416.0

(a) Financial arrangements

The Charter Hall Group and Charter Hall Property Trust Group had unrestricted access at reporting date to the following lines of credit:

	Charter Hall Group		Charter Hall Property Trust Group	
	2018 $m	2017 $m	**2018 $m**	2017 $m
Charter Hall Property Trust (CHPT)				
Total facilities	**220.0**	125.0	**220.0**	125.0
Drawn balance for bank guarantees	**(14.3)**	(14.3)	**(14.3)**	(14.3)
Balance available for drawing	**205.7**	110.7	**205.7**	110.7
Charter Hall Direct Diversified Consumer Staples Fund (DCSF)				
Cash advance facilities	**31.3**	-	**31.3**	**-**
Drawn balance	**(5.4)**	-	**(5.4)**	**-**
Balance available for drawing	**25.9**	-	**25.9**	**-**
Total balance available for drawing	**231.6**	110.7	**231.6**	110.7

(b) Gearing

Gearing is a measure used to monitor levels of debt capital used by the business to fund its operations. This ratio is calculated as interest bearing debt divided by total assets with both net of cash and cash equivalents.

The gearing ratio of the Charter Hall Group at 30 June 2018 was nil % (30 June 2017: nil %) and Charter Hall Property Trust Group nil % (30 June 2017: nil %). Debt covenants are monitored regularly to ensure compliance and reported to the debt provider on a six monthly basis. The Group Treasurer is responsible for negotiating new debt facilities and monitoring compliance with covenants.

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

20 Borrowings (continued)

(c) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	Opening balance $'m	Movement in derivatives and foreign exchange $'m	Movement in borrowing costs $'m	Movement in cash $'m	Closing balance $'m
Charter Hall Group					
2018					
Bank debt	-	-	-	5.4	5.4
Borrowing costs	-	-	(1.8)	-	(1.8)
Fair value of USPP commitment	-	(2.2)	-	-	(2.2)
Cash	(174.4)	-	-	79.5	(94.9)
	(174.4)	**(2.2)**	**(1.8)**	**84.9**	**(93.5)**

	Opening balance $'m	Movement in derivatives and foreign exchange $'m	Movement in borrowing costs $'m	Movement in cash $'m	Closing balance $'m
Charter Hall Property Trust Group					
2018					
Bank debt	-	-	-	5.4	5.4
Borrowing costs	-	-	(1.8)	-	(1.8)
Funding received from CHL	(73.2)	-	-	90.9	17.7
Fair value of USPP commitment	-	(2.2)	-	-	(2.2)
Cash	(53.4)	-	-	20.6	(32.8)
	(126.6)	**(2.2)**	**(1.8)**	**116.9**	**(13.7)**

21 Contributed equity

(a) Security capital

	2018 Securities	2017 Securities	**2018 $'m**	2017 $'m
Charter Hall Limited			**285.7**	285.0
Charter Hall Property Trust			**1,453.5**	1,456.9
Ordinary securities – stapled securities, fully paid	**465,777,131**	465,777,131	**1,739.2**	1,741.9

(b) Movements in ordinary stapled security capital

Details	Number of securities [1]	Weighted average issue price	Charter Hall Limited $'m	Charter Hall Property Trust $'m	Total $'m
Opening balance at 1 July 2016	412,717,802		256.1	1,201.4	1,457.5
Buyback and issuance of securities for exercised performance and service rights [1]	-	$2.63	(0.3)	(2.5)	(2.8)
Tax recognised directly in equity	-		0.9	-	0.9
Issued under institutional placement [2]	53,059,329	$5.48	28.7	262.0	290.7
Closing balance at 30 June 2017	465,777,131		285.4	1,460.9	1,746.3
Less: transaction costs on stapled security issues			(0.4)	(4.0)	(4.4)
Closing balance per accounts at 30 June 2017	**465,777,131**		**285.0**	**1,456.9**	**1,741.9**
Buyback and issuance of securities for exercised performance and service rights [3]	**-**	**$2.83**	**(0.4)**	**(3.3)**	**(3.7)**
Tax recognised directly in equity	**-**		**1.1**	**-**	**1.1**
Balance at 30 June 2018	**465,777,131**		**285.7**	**1,453.6**	**1,739.3**
Less: transaction costs on stapled security issues			**-**	**(0.1)**	**(0.1)**
Balance per accounts at 30 June 2018	**465,777,131**		**285.7**	**1,453.5**	**1,739.2**

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

21 Contributed equity (continued)

1 879,616 stapled securities bought on market at an average value of $5.74, offset by the exercise of 445,518 performance rights with a fair value of $1.16 and 434,098 service rights with an average value of $4.11.

2 53,059,329 stapled securities issued under Institutional Placement and Security Purchase Plan in May 2017 with an issue price of $5.48.

3 1,356,889 stapled securities bought on market at an average value of $5.58, offset by the exercise of 918,240 performance rights with a fair value of $2.09 and 438,649 service rights with an average value of $4.37.

(c) Ordinary stapled securities

Ordinary stapled securities entitle the holder to participate in distributions/dividends and the proceeds on winding up of the Company/Trust in proportion to the number of and amounts paid on the stapled securities held.

On a show of hands, every holder of ordinary stapled securities present at a meeting in person or by proxy is entitled to one vote and upon a poll, each holder is entitled to one vote per security that they hold.

(d) Distribution Re-investment Plan

The Group has established a Distribution Re-investment Plan (DRP) under which holders of ordinary stapled securities may elect to have all or part of their distribution satisfied by the issue of new ordinary stapled securities rather than by being paid in cash. The DRP was suspended for the distribution paid on 25 August 2016 and subsequent distributions.

22 Non-controlling interests

During the period, the Group reduced its holding in the Charter Hall Direct Diversified Consumer Staples Fund from 100% to 61.3%. The proceeds on redemption were $12.4 million, received in cash.

The difference between the redemption proceeds and amount transferred to non-controlling interests of $0.3 million has been recognised directly in equity.

	Charter Hall Group		Charter Hall Property Trust Group	
	2018	2017	**2018**	2017
Summarised balance sheet	**$'m**	$'m	**$'m**	$'m
Current assets	**34.4**	-	**34.4**	-
Current liabilities	**0.4**	-	**0.4**	-
Current net assets	**34.0**	-	**34.0**	-
Non-current assets	**63.4**	39.9	**63.4**	39.9
Non-current liabilities	**5.3**	-	**5.3**	-
Non-current net assets	**58.1**	39.9	**58.1**	39.9
Net assets	**92.1**	39.9	**92.1**	39.9
Accumulated non-controlling interest	**35.6**	-	**35.6**	-

	2018	2017	**2018**	2017
Summarised statement of comprehensive income	**$'m**	$'m	**$'m**	$'m
Revenue	**4.2**	-	**4.2**	-
Profit for the period	**3.3**	-	**3.3**	-
Other comprehensive loss	**(0.5)**	-	**(0.5)**	-
Total comprehensive income	**2.8**	-	**2.8**	-
Comprehensive income allocated to non-controlling interest	**1.0**	-	**1.0**	-

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

23 Reserves

	Charter Hall Group		Charter Hall Property Trust Group	
	2018	2017	**2018**	2017
	$'m	$'m	**$'m**	$'m
Business combination reserve	**(52.0)**	(52.0)	**-**	-
Security-based benefits reserve	**4.9**	5.7	**-**	-
Cash flow hedge reserve	**1.2**	-	**1.2**	-
Transactions with non-controlling interests	**0.4**	-	**0.4**	-
Other reserves	**1.3**	1.2	**(0.7)**	(0.5)
	(44.2)	(45.1)	**0.9**	(0.5)
Charter Hall Limited	**(45.1)**	(44.6)	**-**	-
Charter Hall Property Trust	**0.9**	(0.5)	**0.9**	(0.5)
	(44.2)	(45.1)	**0.9**	(0.5)

Movements:

	Charter Hall Group		Charter Hall Property Trust Group	
	2018	2017	**2018**	2017
	$'m	$'m	**$'m**	$'m
Business combination reserve				
Opening and closing balance	**(52.0)**	(52.0)	**-**	-
Security-based benefits reserve				
Opening balance	**5.7**	6.5	**-**	-
Security-based benefits expense	**1.7**	1.4		
Transfer due to deferred compensation payable in performance rights	**1.4**	1.4	**-**	-
Transferred to equity on options and performance rights exercised	**(3.9)**	(2.4)	**-**	-
Transfer unvested securities to accumulated losses	**-**	(1.2)	**-**	-
Closing balance	**4.9**	5.7	**-**	-
Cash flow hedge reserve				
Opening balance	**-**	-	**-**	-
Changes in the fair value of cash flow hedges	**1.2**	-	**1.2**	-
Closing balance	**1.2**	-	**1.2**	-
Transactions with non-controlling interests				
Opening balance	**-**	-	**-**	-
Disposal of DCSF units at premium	**0.4**	-	**0.4**	-
Closing balance	**0.4**	-	**0.4**	-
Other reserves				
Opening balance	**1.2**	-	**(0.5)**	-
Exchange differences on translation of foreign operations	**(0.5)**	-	**(0.5)**	-
Equity accounted fair value movements in cash flow hedges	**0.3**	(0.5)	**0.3**	(0.5)
Deferred tax asset recognised directly in equity	**0.3**	1.7	**-**	-
Closing balance	**1.3**	1.2	**(0.7)**	(0.5)

(a) Business combination reserve

This reserve relates to the reverse acquisition at the initial public offering (IPO) in 2005. This is the amount that relates to the investment in CHH that is not eliminated by paid in capital. No goodwill is recognised as this transaction is the result of a reverse acquisition.

(b) Security-based benefits reserve

The security-based benefits reserve is used to recognise the fair value of rights and options issued under the PROP.

(c) Cash flow hedge reserve

The cash flow hedge reserve is used to record gains or losses on derivatives that are designated and qualify as cash flow hedges and that are recognised in other comprehensive income. Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

23 Reserves (continued)

(d) Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in loss of control are treated as transactions with equity owners of the Charter Hall Group and Charter Hall Property Trust Group.

A change in ownership interest results in an adjustment between the carrying amounts of controlling and non-controlling interests to reflect their relative interests in the controlled entity. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within this reserve.

(e) Other reserves

Exchange differences arising on translation of foreign controlled entities and the Charter Hall Group's and Charter Hall Property Trust Group's share of foreign exchange differences arising from the equity accounted investments are recognised in other comprehensive income as described in Note 1(d) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Equity accounted fair value movements in cash flow hedges is the equity accounted portion of the gains or losses on hedging instruments in cash flow hedges that are determined to be an effective hedge relationship.

Deferred tax credits recognised directly in equity relate to the excess of the expected future tax deduction on performance and service rights on issue over the cumulative fair value expensed to date.

24 Accumulated profits/(losses)

	Charter Hall Group		Charter Hall Property Trust Group	
	2018	2017	**2018**	2017
	$'m	$'m	**$'m**	$'m
Opening balance	**25.5**	(100.8)	**79.6**	(6.3)
Profit for the year	**250.2**	257.6	**175.2**	218.0
Distributions	**(148.1)**	(132.1)	**(93.6)**	(132.1)
Transfer unvested securities to accumulated losses	**-**	1.2	**-**	-
Deferred tax asset recognised directly to equity	**-**	(0.4)	**-**	-
Closing balance	**127.6**	25.5	**161.2**	79.6
Charter Hall Limited	**(33.6)**	(54.1)	**-**	-
Charter Hall Property Trust	**161.2**	79.6	**161.2**	79.6
Closing balance	**127.6**	25.5	**161.2**	79.6

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

25 Remuneration of auditors

During the year, the following fees were paid or payable for services provided by the auditors of the Charter Hall Group and Charter Hall Property Trust Group, their related practices and non-related audit firms:

	Charter Hall Group		Charter Hall Property Trust Group	
	2018	2017	**2018**	2017
	$	$	**$**	$
(a) Audit services				
PricewaterhouseCoopers – Australian Firm				
Audit and review of financial reports	**290,829**	304,750	**6,961**	7,000
Other assurance services	**10,000**	18,000	**-**	-
Total remuneration for audit services	**300,829**	322,750	**6,961**	7,000
(b) Taxation services				
PricewaterhouseCoopers – Australian Firm				
Taxation services	**57,222**	135,781	**1,132**	-
Total remuneration for taxation services	**57,222**	135,781	**1,132**	-
(c) Advisory services				
PricewaterhouseCoopers – Australian Firm				
Sustainability	**76,698**	-	**-**	-
Accounting advice	**53,252**	-	**-**	-
Total remuneration for advisory services	**129,950**	-	**-**	-

26 Reconciliation of profit after tax to net cash inflow from operating activities

	Charter Hall Group		Charter Hall Property Trust Group	
	2018	2017	**2018**	2017
	$'m	$'m	**$'m**	$'m
Profit after tax for the year	**251.2**	257.6	**176.2**	218.0
Non-cash items:				
Amortisation and impairment of intangibles	**2.7**	4.3	**-**	-
(Reversal)/impairment of joint ventures	**(7.3)**	10.5	**-**	-
Depreciation and amortisation	**4.6**	3.6	**0.3**	0.1
Non-cash security-based benefits expense	**1.8**	1.4	**-**	-
Net gain on sale of investments, property and derivatives	**-**	(3.2)	**-**	(3.7)
Fair value adjustments	**(0.8)**	0.7	**(0.8)**	0.7
Straightlining of rental income	**(0.3)**	-	**(0.3)**	-
Unrealised net loss on derivative financial instruments	**0.4**	-	**0.4**	-
Change in assets and liabilities, net of effects from purchase of controlled entity:				
Increase in trade debtors and other receivables	**(3.8)**	(11.5)	**(3.5)**	(9.4)
Increase/(decrease) in trade creditors and accruals	**4.7**	20.1	**(0.9)**	0.1
Share of net profits from equity accounted investments in associates and joint ventures	**(81.1)**	(129.9)	**(74.6)**	(125.9)
(Increase)/decrease for net deferred income tax	**(3.0)**	2.7	**-**	-
Net cash inflow from operating activities	**169.1**	156.3	**96.8**	79.9

Distribution and interest income received on investments has been classified as cash flow from operating activities.

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

27 Capital and financial risk management

(a) Capital risk management

The key capital risk management objective of the Charter Hall Group and Charter Hall Property Trust Group is to optimise returns through the mix of available capital sources whilst complying with statutory and constitutional capital requirements, and complying with the covenant requirements of the finance facility. The capital management approach is regularly reviewed by management and the Board as part of the overall strategy. The capital mix can be altered by issuing new units, electing to have the DRP underwritten, adjusting the amount of distributions paid, activating a stapled security buyback program or selling assets.

(b) Financial risk management

Both the Charter Hall Group and Charter Hall Property Trust Group activities expose it to a variety of financial risks: market risk (price risk, interest rate risk and foreign exchange risk), credit risk and liquidity risk. The Group's overall risk management framework focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. From time to time, the Group uses derivative financial instruments such as interest rate swaps and option contracts to hedge certain risk exposures.

Risk management is carried out by the Group Treasurer, the Chief Financial Officer and the Managing Director and Group CEO in consultation with senior management, the Audit, Risk and Compliance Committee and the Board of Directors. The Group Treasurer identifies, evaluates and hedges financial risks in close co-operation with the Chief Financial Officer. The Board provides guidance for overall risk management, as well as covering specific areas, such as mitigating price, interest rate and credit risks, the use of derivative financial instruments and investing excess liquidity.

(i) Market risk

Unlisted unit price risk

The Group is exposed to unlisted unit price risk. This arises from investments in unlisted property funds managed by the Group. These funds invest in direct property. Charter Hall manages all the funds that the Group invests in and its executives have a sound understanding of the underlying property values and trends that give rise to price risk. The carrying value of investments in associates at fair value through profit or loss is measured with reference to the funds' unit prices which are determined in accordance with the funds' respective constitutions. The key determinant of the unit price is the underlying property values which are approved by the respective fund board or investment committee and the Executive Property Valuation Committee.

The following table illustrates the potential impact a change in unlisted unit prices by +/-10% would have on the Charter Hall Group and Charter Hall Property Trust Group's profit and equity. The movement in the price variable has been determined based on management's best estimate, having regard to a number of factors, including historical levels of price movement, historical correlation of the Group's investments with the relevant benchmark and market volatility. However, actual movements in the price may be greater or less than anticipated due to a number of factors. As a result, historic price variations are not a definitive indicator of future price variations.

		-10%		+10%	
	Carrying amount $'m	Profit $'m	Equity $'m	Profit $'m	Equity $'m
Charter Hall Group					
2018					
Assets – Charter Hall Group					
Investments in associates at fair value through profit or loss	**32.4**	**(3.2)**	**(3.2)**	**3.2**	**3.2**
2017					
Assets – Charter Hall Group					
Investments in associates at fair value through profit or loss	29.7	(3.0)	(3.0)	3.0	3.0
Charter Hall Property Trust Group					
2018					
Assets – Charter Hall Property Trust Group					
Investments in associates at fair value through profit or loss	**32.4**	**(3.2)**	**(3.2)**	**3.2**	**3.2**
2017					
Assets – Charter Hall Property Trust Group					
Investments in associates at fair value through profit or loss	29.7	(3.0)	(3.0)	3.0	3.0

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

27 Capital and financial risk management (continued)

Cash flow and fair value interest rate risk

The Charter Hall Group has no long-term interest bearing assets.

Charter Hall Property Trust has a loan payable to Charter Hall Limited which is an unsecured stapled loan maturing on 30 June 2021 with interest charged on an arm's length basis. Refer to Note 29(e) for further details.

The Charter Hall Group's and Charter Hall Property Trust Group's external interest rate risk arises from the $220 million loan facilities and the cross-currency interest rate swaps that convert its USPP interest rate exposure from fixed to variable. At 30 June 2018 no borrowings were drawn on these facilities (2017: $nil). Borrowings drawn at variable rates expose both Groups to cash flow interest rate risk. Borrowings drawn at fixed rates expose both Groups to fair value interest rate risk. The Charter Hall Group and Charter Hall Property Trust Group's policy is to mitigate interest rate risk by ensuring that interest rates on core borrowings for the anticipated debt term match the use of those funds. Core borrowings are defined as being the level of borrowings that are expected to be held for a period of more than two years.

(ii) Interest rate risk exposure

The Group's controlled subsidiary, Charter Hall Direct Diversified Consumer Staples Fund, has drawn debt of $5.4 million. This exposure is not considered to be material to the Group. The Group has no other drawn debt.

The Charter Hall Property Trust's exposure arises predominantly from an unsecured stapled loan maturing on 30 June 2021 payable to Charter Hall Limited bearing a variable interest rate.

Interest rate sensitivity analysis

The following tables illustrate the potential impact a change in interest rates of +/-1% would have on the Charter Hall Group and Charter Hall Property Trust Group's profit and equity.

				-1%		+1%	
	Effective interest rate	Fair value $'m	Carrying amount $'m	Profit $'m	Equity $'m	Profit $'m	Equity $'m
Charter Hall Group							
2018							
Financial assets							
Cash and cash equivalents	**1.8%**	**94.9**	**94.9**	**(0.9)**	**(0.9)**	**0.9**	**0.9**
Financial liabilities							
Interest bearing liabilities	**4.7%**	**5.4**	**5.4**	**0.1**	**0.1**	**(0.1)**	**(0.1)**
Total increase/(decrease)				**(0.8)**	**(0.8)**	**0.8**	**0.8**
2017							
Financial assets							
Cash and cash equivalents	2.5%	174.4	174.4	(1.7)	(1.7)	1.7	1.7
Charter Hall Property Trust Group							
2018							
Financial assets							
Cash and cash equivalents	**1.8%**	**32.8**	**32.8**	**(0.3)**	**(0.3)**	**0.3**	**0.3**
Financial liabilities							
Loan payable to Charter Hall Ltd	**7.8%**	**17.7**	**17.7**	**0.2**	**0.2**	**(0.2)**	**(0.2)**
Interest bearing liabilities	**4.7%**	**5.4**	**5.4**	**0.1**	**0.1**	**(0.1)**	**(0.1)**
Total increase/(decrease)				**-**	**-**	**-**	**-**
2017							
Financial assets							
Cash and cash equivalents	2.5%	53.4	53.4	(0.5)	(0.5)	0.5	0.5
Loan receivable from Charter Hall Ltd	9.3%	73.2	73.2	(0.7)	(0.7)	0.7	0.7
Total increase/(decrease)				(1.2)	(1.2)	1.2	1.2

The fair value of interest bearing liabilities is inclusive of costs which would be incurred on settlement of a liability, and is based upon market prices, where a market exists, or by discounting the expected future cash flows by the current interest rates for liabilities with similar risk profiles.

(iii) Foreign exchange risk

The Charter Hall Group's principal exposure to foreign exchange risk arises from its investments in foreign subsidiaries and exposure to US Private Placement issuances denominated in US dollars. The major asset held by foreign subsidiaries is cash in

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

27 Capital and financial risk management (continued)

foreign denominated bank accounts. Cross currency swaps are used to convert US dollar borrowings into Australian dollar exposure.

(c) Credit risk

The Charter Hall Group and Charter Hall Property Trust Group have policies in place to ensure that sales of services are made to customers with appropriate credit histories.

56.8% of the Charter Hall Group's income is derived from management fees, transaction and other fees from related parties. 40.6% of the Charter Hall Group's income is derived from equity accounted investments in property funds and distributions from investments in property funds held at fair value through the profit and loss. The balance relates to interest income and gross rental income.

87.2% of the Charter Hall Property Trust Group's income is derived from equity accounted investments in property funds and distributions from investments in property funds held at fair value through profit and loss.

Where appropriate, tenants in the underlying property funds for Charter Hall Group and the Charter Hall Property Trust Group are assessed for creditworthiness, taking into account their financial position, past experience and other factors. Refer to Note 10(c) for more information on credit risk.

Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Charter Hall Group and Charter Hall Property Trust Group have policies that limit the amount of credit exposure to any one financial institution.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Charter Hall Group and Charter Hall Property Trust Group aim at maintaining flexibility in funding by keeping committed credit lines available.

Maturities of financial liabilities

The following table provides the contractual maturity of Charter Hall Group's and Charter Hall Property Trust Group's financial liabilities. The amounts presented represent the future contractual undiscounted principal and interest cash flows and therefore do not equate to the value shown in the balance sheet. Repayments which are subject to notice are treated as if notice were given immediately.

	Carrying amount $'m	Less than one year $'m	Between one and five years $'m	Over five years $'m	Total cash flows $'m
Charter Hall Group					
2018					
Trade and other payables	**118.0**	**112.7**	**2.3**	**3.0**	**118.0**
Derivative financial instruments					
Net contractual amounts payable/(receivable)	**1.4**	**6.4**	**(2.9)**	**5.2**	**8.7**
Total financial liabilities	**119.4**	**119.1**	**(0.6)**	**8.2**	**126.7**
2017					
Trade and other payables	115.2	108.7	1.1	5.3	115.2
Total financial liabilities	115.2	108.7	1.1	5.3	115.2
Charter Hall Property Trust Group					
2018					
Trade and other payables	**68.3**	**68.3**	**-**	**-**	**68.3**
Derivative financial instruments					
Net contractual amounts payable/(receivable)	**1.4**	**6.4**	**(2.9)**	**5.2**	**8.7**
Total financial liabilities	**69.7**	**74.7**	**(2.9)**	**5.2**	**77.0**
2017					
Trade and other payables	76.9	76.9	-	-	76.9
Total financial liabilities	76.9	76.9	-	-	76.9

Offsetting financial assets and liabilities

The Group is a party to the master franchise agreement as published by International Swaps and Derivative Associates, Inc. (ISDA) which allows the Group's counterparties, under certain conditions (i.e. event of default), to set off the position

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

27 Capital and financial risk management (continued)

owing/receivable under a derivative contract to a net position outstanding. As at 30 June 2018, there was a gross liability position of $1.4 million with no amounts subject to offset.

As the Group does not have a legally enforceable right to set off, none of the financial assets or financial liabilities are offset on the balance sheet of the Group.

28 Fair value measurement

(a) Recognised fair value measurement

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

- Investments in associates at fair value through profit and loss (refer to Note 7).
- Derivatives.
- Investment properties.

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 $'m	Level 2 $'m	Level 3 $'m	Total $'m
Charter Hall Group				
30 June 2018				
Investments in associates at fair value through profit and loss	**-**	**-**	**32.4**	**32.4**
Investment properties	**-**	**-**	**63.4**	**63.4**
Total assets	**-**	**-**	**95.8**	**95.8**
Cross currency interest rate swaps	**-**	**(1.4)**	**-**	**(1.4)**
Total liabilities	**-**	**(1.4)**	**-**	**(1.4)**
30 June 2017				
Investments in associates at fair value through profit and loss	**-**	**-**	29.7	29.7
Investment properties	**-**	**-**	40.4	40.4
Total assets	-	-	70.1	70.1
Charter Hall Property Trust Group				
30 June 2018				
Investments in associates at fair value through profit and loss	**-**	**-**	**32.4**	**32.4**
Investment properties	**-**	**-**	**63.4**	**63.4**
Total assets	**-**	**-**	**95.8**	**95.8**
Cross currency interest rate swaps	**-**	**(1.4)**	**-**	**(1.4)**
Total liabilities	**-**	**(1.4)**	**-**	**(1.4)**
30 June 2017				
Investments in associates at fair value through profit and loss	-	-	29.7	29.7
Investment properties	-	-	40.4	40.4
Total assets	-	-	70.1	70.1

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

(b) Disclosed fair values

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

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

28 Fair value measurement (continued)

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

Derivatives

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

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

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

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

Investments in associates

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

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

Investment property

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

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

Where an independent valuation is not obtained, the fair value is determined using Discounted Cash Flow and income capitalisation methods. The table below identifies the inputs, which are not based on observable market data, used to measure the fair value (Level 3) of the investment properties:

	Fair value $'m	Adopted capitalisation rate (% p.a.)	Adopted terminal yield (% p.a.)	Adopted discount rate (% p.a.)
2018	**63.4**	**6.0–7.8**	**6.3–9.9**	**6.8–9.5**
2017	40.4	6.8–8.5	7.0–9.0	7.5–9.3

Term	Definition
Discounted Cash Flow (DCF) method	A method in which a discount rate is applied to future expected income streams to estimate the present value.
Income capitalisation method	A valuation approach that provides an indication of value by converting future cash flows to a single current capital value.
Gross market rent	The estimated amount for which an interest in real property should be leased to a major tenant on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.
Capitalisation rate	The return represented by the income produced by an investment, expressed as a percentage.
Terminal yield	A percentage return applied to the expected net income following a hypothetical sale at the end of the cash flow period.
Discount rate	A rate of return used to convert a future monetary sum or cash flow into present value.

Movement in the inputs are likely to have an impact on the fair value of investment properties. An increase in gross market rent will likely lead to an increase in fair value. A decrease in adopted capitalisation rate, adopted terminal yield or adopted discount rate will likely lead to an increase in fair value.

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

29 Related parties

(a) Parent entity

The parent entity of the Charter Hall Group is Charter Hall Limited. The parent entity of the Charter Hall Property Trust Group is the Charter Hall Property Trust.

(b) Controlled entities

Interests in controlled entities are set out in Note 30.

(c) Key management personnel

The following persons were considered key management personnel (excluding Non-Executive Directors) during the year:

Executive Director

D Harrison

Other key management personnel

G Chubb

S McMahon

R Proutt

A Taylor

Former key management personnel

P Ford [1]

[1] Ceased being key management personnel on 14 September 2017.

Below are the aggregate amounts paid or payable to key management personnel (including Non-Executive Directors):

	Charter Hall Group		Charter Hall Property Trust Group	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Salary and fees	**4,564**	3,988	**-**	-
Non-Executive Director remuneration	**1,121**	949	**-**	-
Short-term incentives	**4,391**	3,976	**-**	-
Superannuation	**110**	108	**-**	-
Value of securities vested	**1,204**	931	**-**	-
Non-monetary benefits	**11**	24	**-**	-
Termination benefits	**417**	893	**-**	-
	11,818	10,869	**-**	-

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

29 Related parties (continued)

(d) Transactions with related parties

The following income was earned from related parties during the year:

	Charter Hall Group		Charter Hall Property Trust Group	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Associates				
Accounting cost recoveries	**8,043**	7,321	**-**	-
Marketing cost recoveries	**2,281**	2,342	**-**	-
Transaction and performance fees	**41,011**	44,597	**-**	-
Management and development fees	**84,312**	63,450	**-**	-
Property management fees and cost recoveries	**49,068**	48,558	**-**	-
Joint ventures				
Accounting cost recoveries	**676**	658	**-**	-
Marketing cost recoveries	**210**	205	**-**	-
Transaction and performance fees	**7,280**	3,901	**-**	-
Management and development fees	**10,241**	11,005	**-**	-
Property management fees and cost recoveries	**6,444**	4,217	**-**	-
Other				
Accounting cost recoveries	**1,680**	1,604	**-**	-
Marketing cost recoveries	**98**	50	**-**	-
Transaction and performance fees	**7,977**	8,079	**-**	-
Management and development fees	**12,512**	10,620	**-**	-
Property management fees and cost recoveries	**2,813**	1,976	**-**	-
Investment-related revenue	**-**	-	**11,599**	10,200
	234,646	208,583	**11,599**	10,200

The following balances arising through the normal course of business were due from related parties at balance date:

	Charter Hall Group		Charter Hall Property Trust Group	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Associates				
Management fee receivables	**8,535**	8,369	-	-
Other receivables	**11,570**	13,518	-	-
Joint ventures				
Management fee receivables	**636**	2,282	-	-
Other receivables	**3,067**	1,181	-	-
Other				
Management fee receivables	**924**	682	-	-
Other receivables	**1,301**	1,413	-	-
	26,033	27,445	-	-

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

29 Related parties (continued)

(e) Loans to/(from) related parties

	Charter Hall Group		Charter Hall Property Trust Group	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Loans to joint ventures				
Opening balances	**8,500**	6,500	**-**	-
Loans advanced	**17,800**	2,000	**16,300**	-
Loan repayments received	**(500)**	-	**-**	-
Closing balance	**25,800**	8,500	**16,300**	-
Loans to other related parties				
Opening balances	**750**	2,586	**750**	2,586
Loans advanced	**-**	19,398	**-**	19,398
Loan repayments received	**(750)**	(21,234)	**(750)**	(21,234)
Closing balance	**-**	750	**-**	750
Loans to/(from) Charter Hall Limited				
Opening balance	**-**	-	**73,175**	139,860
Loans advanced	**-**	-	**163,688**	397,897
Loan repayments received	**-**	-	**(256,952)**	(473,321)
Net interest charged	**-**	-	**2,403**	8,739
Closing balance	**-**	-	**(17,686)**	73,175

No provisions for doubtful debts have been raised in relation to any outstanding balances.

The loan to/(from) CHL comprises an unsecured stapled loan maturing on 30 June 2021. Interest is charged on an arm's length basis which, at 30 June 2018, amounted to a weighted average rate of 8.3% (June 2017: 9.3%).

(f) Fees paid to the Responsible Entity or its associates

Fees paid to the Responsible Entity of the Charter Hall Property Trust, and its associates, by the Charter Hall Property Trust Group amounted to $1,917,000 (2017: $1,382,000). At 30 June 2018, related fees payable amounted to $471,000 (2017: $414,000).

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

30 Controlled entities

The consolidated financial statements of the Charter Hall Group incorporate the assets, liabilities and results of the following controlled entities in accordance with the accounting policy described in Note 1(b):

(a) Details of controlled entities of the Charter Hall Group

Name of entity	Country of incorporation	Principal activity	Class of securities	2018 %	2017 %
Controlled entities of Charter Hall Limited					
Charter Hall Holdings Pty Limited	Australia	Property management	Ordinary	**100**	100
CH La Trobe Trust	Australia	Property investment	Ordinary	**100**	100
Controlled entities of Charter Hall Holdings Pty Ltd					
Bieson Pty Limited	Australia	Trustee company	Ordinary	**100**	100
Brisbane Square Holdings Pty Limited	Australia	Trustee company	Ordinary	**100**	100
Brisbane Square Pty Limited	Australia	Trustee company	Ordinary	**100**	100
Charter Hall (NZ) Pty Limited	Australia	Property management	Ordinary	**100**	100
Charter Hall Asset Services Pty Limited	Australia	Property management	Ordinary	**100**	100
Charter Hall Development Services Pty Ltd	Australia	Property management	Ordinary	**100**	100
Charter Hall Direct Property Management Limited	Australia	Responsible entity	Ordinary	**100**	100
Charter Hall Escrow Agent Pty Limited	Australia	Holding company	Ordinary	**100**	100
Charter Hall Funds Management Limited	Australia	Responsible entity	Ordinary	**100**	100
Charter Hall Holdings Investment Trust	Australia	Holding company	Ordinary	**100**	100
Charter Hall Holdings Real Estate Pty Limited	Australia	Holding company	Ordinary	**100**	100
Charter Hall International Office Pty Limited [1]	Australia	Holding company	Ordinary	**-**	100
Charter Hall Investment Management Limited	Australia	Responsible entity	Ordinary	**100**	100
Charter Hall Nominees Pty Limited	Australia	Trustee company	Ordinary	**100**	100
Charter Hall Office Collins Street Pty Limited	Australia	Holding company	Ordinary	**100**	100
Charter Hall Office Investments Pty Limited [1]	Australia	Holding company	Ordinary	**-**	100
Charter Hall Opportunity Fund No. 5	Australia	Property development	Ordinary	**100**	100
Charter Hall Opportunity Fund No. 5 Bringelly Trust	Australia	Property development	Ordinary	**100**	100
Charter Hall Real Estate Europe Limited [2]	UK	Property management	Ordinary	**-**	100
Charter Hall Real Estate Inc	USA	Property management	Ordinary	**100**	100
Charter Hall Real Estate Management Services (ACT) Pty Limited	Australia	Property management	Ordinary	**100**	100
Charter Hall Real Estate Management Services (NSW) Pty Limited	Australia	Property management	Ordinary	**100**	100
Charter Hall Real Estate Management Services (QLD and NT) Pty Limited	Australia	Property management	Ordinary	**100**	100
Charter Hall Real Estate Management Services (SA) Pty Limited	Australia	Property management	Ordinary	**100**	100
Charter Hall Real Estate Management Services (TAS) Pty Limited	Australia	Property management	Ordinary	**100**	100
Charter Hall Real Estate Management Services (VIC) Pty Limited	Australia	Property management	Ordinary	**100**	100
Charter Hall Real Estate Management Services (WA) Pty Limited	Australia	Property management	Ordinary	**100**	100
Charter Hall Retail Management Limited	Australia	Responsible entity	Ordinary	**100**	100
Charter Hall WALE Limited	Australia	Responsible entity	Ordinary	**100**	100
Charter Hall Wholesale Management Limited	Australia	Responsible entity	Ordinary	**100**	100
CHLWR No. 1 Pty Ltd	Australia	Holding company	Ordinary	**100**	100
CHLWR No. 2 Pty Ltd	Australia	Holding company	Ordinary	**100**	100
CHREI US Office LLC	USA	Property management	Ordinary	**100**	100
CHREI US Retail LLC	USA	Property management	Ordinary	**100**	100
Dorcasia Pty Limited [3]	Australia	Trustee company	Ordinary	**100**	-
Visokoi Pty Limited	Australia	Trustee company	Ordinary	**100**	100
Votraint No. 1622 Pty Limited	Australia	Trustee company	Ordinary	**100**	100

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

30 Controlled entities (continued)

[1] Charter Hall International Office Pty Limited and Charter Hall Office Investments Pty Limited were de-registered in July 2017.

[2] Charter Hall Real Estate Europe Limited was dissolved in July 2017.

[3] Dorcasia Pty Limited was acquired in April 2018.

Name of entity	Country of incorporation	Principal activity	Class of securities	2018 %	2017 %
Controlled entities of Charter Hall Property Trust					
Charter Hall Chester Hill Trust [4]	Australia	Property investment	Ordinary	**100**	-
Charter Hall Co-Investment Trust [5]	Australia	Property investment	Ordinary	**100**	100
Charter Hall Co-Investment Trust 2 [6]	Australia	Property investment	Ordinary	**100**	-
Charter Hall Direct Diversified Consumer Staples Fund	Australia	Property investment	Ordinary	**61**	100
CHC CDC Holding Trust	Australia	Property investment	Ordinary	**100**	100
CHPT RP2 Trust	Australia	Property investment	Ordinary	**100**	100
DCSF NZ Trust	New Zealand	Property investment	Ordinary	**61**	100
50 Franklin Street Trust [7]	Australia	Property investment	Ordinary	**100**	-

[4] Charter Hall Chester Hill Trust was established in May 2018.

[5] Charter Hall Co-Investment Trust is an entity which was set up by Charter Hall Property Trust to hold its investments in Charter Hall Retail REIT (CQR), Charter Hall Office Trust (CHOT), BP Fund 1 (BP1), BP Fund 2 (BP2), Core Logistics Partnership (CLP), TTP Wholesale Fund (TTP), Retail Partnership No. 6 Trust (RP6), Charter Hall Prime Retail Fund (CPRF), Brisbane Square Wholesale Fund (BSWF) and Charter Hall Long WALE REIT (CLW).

[6] Charter Hall Co-Investment Trust 2 is an entity which was set up by Charter Hall Property Trust to hold its investment in Charter Hall Prime Office Fund (CPOF).

[7] 50 Franklin Street Trust was established in December 2017.

(b) Details of controlled entities of the Charter Hall Property Trust Group

Name of entity	Country of incorporation	Principal activity	Class of securities	2018 %	2017 %
Controlled entities of Charter Hall Property Trust					
Charter Hall Chester Hill Trust [1]	Australia	Property investment	Ordinary	**100**	-
Charter Hall Co-Investment Trust [2]	Australia	Property investment	Ordinary	**100**	100
Charter Hall Co-Investment Trust 2 [3]	Australia	Property investment	Ordinary	**100**	-
Charter Hall Direct Diversified Consumer Staples Fund	Australia	Property investment	Ordinary	**61**	100
CHC CDC Holding Trust	Australia	Property investment	Ordinary	**100**	100
CHPT RP2 Trust	Australia	Property investment	Ordinary	**100**	100
DCSF NZ Trust	New Zealand	Property investment	Ordinary	**61**	100
50 Franklin Street Trust [4]	Australia	Property investment	Ordinary	**100**	-

[1] Charter Hall Chester Hill Trust was established in May 2018.

[2] Charter Hall Co-Investment Trust is an entity which was set up by Charter Hall Property Trust to hold its investments in Charter Hall Retail REIT (CQR), Charter Hall Office Trust (CHOT), BP Fund 1 (BP1), BP Fund 2 (BP2), Core Logistics Partnership (CLP), TTP Wholesale Fund (TTP), Retail Partnership No. 6 Trust (RP6), Charter Hall Prime Retail Fund (CPRF), Brisbane Square Wholesale Fund (BSWF) and Charter Hall Long WALE REIT (CLW).

[3] Charter Hall Co-Investment Trust 2 is an entity which was set up by Charter Hall Property Trust to hold its investment in Charter Hall Prime Office Fund (CPOF).

[4] 50 Franklin Street Trust was established in December 2017.

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

31 Investments in associates

(a) Carrying amounts

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

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

CHARTER HALL GROUP		Ownership interest		Carrying amount	
Name of entity	Principal activity	**2018 %**	2017 %	**2018 $'m**	2017 $'m
Accounted for at fair value through profit or loss: [1]					
Unlisted					
Charter Hall Direct Industrial Fund No. 4	Property investment	**16.4**	21.2	**30.8**	29.5
Charter Hall Direct WorkZone Trust	Property investment	**2.0**	-	**1.4**	-
Charter Hall Direct PFA Fund	Property investment	**0.1**	0.1	**0.2**	0.2
				32.4	29.7
Equity accounted					
Unlisted					
Charter Hall Prime Office Fund	Property investment	**8.4**	10.5	**258.8**	236.4
Charter Hall Office Trust [2]	Property investment	**15.7**	14.3	**246.4**	212.9
Core Logistics Partnership	Property investment	**13.8**	13.8	**148.8**	139.2
Charter Hall Prime Industrial Fund	Property investment	**5.9**	6.0	**121.0**	117.1
Long WALE Investment Partnership	Property investment	**5.0**	5.0	**21.1**	19.0
Charter Hall Counter Cyclical Trust	Property investment	**5.0**	-	**11.2**	-
Retail Partnership No. 2 Trust	Property investment	**5.0**	5.0	**6.5**	6.3
Listed					
Charter Hall Retail REIT [3]	Property investment	**18.7**	18.6	**327.6**	321.2
Charter Hall Long WALE REIT [4]	Property investment	**20.4**	20.0	**195.2**	166.0
				1,336.6	1,218.1
Total investments in associates				**1,369.0**	1,247.8

1 These investments comprise units in certain unlisted Charter Hall managed funds which have been designated at fair value through profit or loss. Changes in fair values of investments in associates at fair value through profit or loss are recorded in fair value adjustments in the consolidated statement of comprehensive income. Information about the Charter Hall Group and Charter Hall Property Trust Group's material exposure to share and unit price risk is provided in Note 27 Capital and financial risk management.

2 The entity has a 31 December balance date.

3 Fair value at the ASX closing price as at 30 June 2018 was $315.6 million (30 June 2017: $306.6 million).

4 Fair value at the ASX closing price as at 30 June 2018 was $208.6 million (30 June 2017: $171.2 million).

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

31 Investments in associates (continued)

CHARTER HALL PROPERTY TRUST GROUP		Ownership interest		Carrying amount	
Name of entity	Principal activity	**2018 %**	2017 %	**2018 $'m**	2017 $'m
Accounted for at fair value through profit or loss:					
Unlisted					
Charter Hall Direct Industrial Fund No. 4 [1]	Property investment	**16.4**	21.2	**30.8**	29.5
Charter Hall Direct WorkZone Trust	Property investment	**2.0**	-	**1.4**	-
Charter Hall Direct PFA Fund	Property investment	**0.1**	0.1	**0.2**	0.2
				32.4	29.7
Equity accounted					
Unlisted					
Charter Hall Office Trust [2]	Property investment	**15.7**	14.3	**246.4**	212.9
Charter Hall Prime Office Fund	Property investment	**7.9**	10.0	**244.1**	223.0
Core Logistics Partnership	Property investment	**13.8**	13.8	**148.8**	139.2
Charter Hall Prime Industrial Fund	Property investment	**2.8**	2.9	**58.3**	56.4
Long WALE Investment Partnership	Property investment	**5.0**	5.0	**21.1**	19.0
Charter Hall Counter Cyclical Trust	Property investment	**5.0**	-	**11.2**	-
Retail Partnership No. 2 Trust	Property investment	**5.0**	5.0	**6.5**	6.3
Charter Hall Opportunity Fund No. 5	Property development	**7.5**	7.5	**3.6**	3.3
Listed					
Charter Hall Retail REIT [3]	Property investment	**18.7**	18.6	**327.6**	321.2
Charter Hall Long WALE REIT [4]	Property investment	**20.4**	20.0	**195.2**	166.0
				1,262.8	1,147.3
Total investments in associates				**1,295.2**	1,177.0

[1] These investments comprise units in certain unlisted Charter Hall managed funds which have been designated at fair value through profit or loss. Changes in fair values of investments in associates at fair value through profit or loss are recorded in fair value adjustments in the consolidated statement of comprehensive income. Information about the Charter Hall Group and Charter Hall Property Trust Group's material exposure to share and unit price risk is provided in Note 27 Capital and financial risk management.

[2] The entity has a 31 December balance date.

[3] Fair value at the ASX closing price as at 30 June 2018 was $315.6 million (30 June 2017: $306.6 million).

[4] Fair value at the ASX closing price as at 30 June 2018 was $208.6 million (30 June 2017: $171.2 million).

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

	Charter Hall Group		Charter Hall Property Trust Group	
	2018 $'m	2017 $'m	**2018 $'m**	2017 $'m
Opening balance	**29.7**	0.2	**29.7**	0.2
Investment	**1.3**	35.9	**1.3**	35.9
Net (loss)/gain on investment in associates at fair value	**1.4**	-	**1.4**	-
Disposal of units	**-**	(6.4)	**-**	(6.4)
Closing balance	**32.4**	**29.7**	**32.4**	29.7

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

31 Investments in associates (continued)

(c) Summarised movements in carrying amounts of equity accounted associates

	Charter Hall Group		Charter Hall Property Trust Group	
	2018	2017	**2018**	2017
	$'m	$'m	**$'m**	$'m
Opening balance	**1,218.1**	851.3	**1,147.3**	784.6
Investment	**62.5**	288.8	**62.5**	280.9
Share of profit after income tax	**140.5**	192.8	**133.3**	185.1
Distributions received/receivable	**(74.1)**	(72.3)	**(69.9)**	(68.2)
Share of movement in reserves	**0.3**	(0.5)	**0.3**	(0.5)
Return of capital	**(10.7)**	(32.7)	**(10.7)**	(32.7)
Disposal of units	**-**	(19.1)	**-**	(19.1)
Transfer of associate acquired as subsidiary [1]	**-**	(7.4)	**-**	-
Transfer from investment in joint ventures	**-**	17.2	**-**	17.2
Closing balance	**1,336.6**	1,218.1	**1,262.8**	1,147.3

[1] CHOF5 was reclassified in 2017 from associate to controlled entity on increase of ownership to 100%.

(d) Summarised financial information for material associates

The tables below provide summarised financial information for the associates that are material to CHC and CHPT. Materiality is assessed on the investments' contribution to Group income and net assets. The information presented reflects the amounts in the financial statements of the associates, not the Group's proportionate share.

2018	Charter Hall Office Trust $'m	Charter Hall Retail REIT $'m	Charter Hall Prime Office Fund $'m	Core Logistics Partnership $'m	Charter Hall Long WALE REIT $'m
Summarised balance sheet:					
Current assets	**23.4**	**117.2**	**178.8**	**15.3**	**49.5**
Non-current assets	**2,860.7**	**2,652.3**	**4,239.8**	**1,413.0**	**1,345.5**
Current liabilities	**45.9**	**93.6**	**83.4**	**32.4**	**24.4**
Non-current liabilities	**1,274.1**	**979.4**	**1,211.9**	**324.3**	**430.3**
Net assets	**1,564.1**	**1,696.5**	**3,123.3**	**1,071.6**	**940.4**
Summarised statement of comprehensive income:					
Revenue	**140.8**	**226.9**	**238.7**	**97.8**	**69.0**
Profit for the year from continuing operations	**206.5**	**146.3**	**386.6**	**132.3**	**83.3**
Profit from discontinued operations	**(12.4)**	**-**	**-**	**-**	**-**
Total comprehensive income	**194.1**	**148.6**	**385.5**	**132.3**	**83.3**
2017					
Summarised balance sheet:					
Current assets	53.8	245.0	128.3	33.5	12.2
Non-current assets	2,589.3	2,462.2	2,986.3	1,318.4	1,180.5
Current liabilities	57.0	96.3	105.8	28.4	17.7
Non-current liabilities	1,099.1	936.4	742.8	321.6	357.6
Net assets	1,487.0	1,674.5	2,266.0	1,001.9	817.4
Summarised statement of comprehensive income:					
Revenue	146.9	215.5	202.2	97.8	45.6
Profit for the year from continuing operations	523.1	251.3	333.7	101.7	34.6
Other comprehensive income	-	(2.2)	-	-	-
Total comprehensive income	523.1	249.1	333.7	101.7	34.6

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

31 Investments in associates (continued)

(e) Reconciliation of net assets of associates to carrying amounts of equity accounted investments

Charter Hall Group	Charter Hall Office Trust	Charter Hall Retail REIT	Charter Hall Prime Office Fund	Core Logistics Partnership	Charter Hall Long WALE REIT
2018	**$'m**	**$'m**	**$'m**	**$'m**	**$'m**
Net assets of associate	**1,564.1**	**1,696.5**	**3,123.3**	**1,071.6**	**940.4**
Group's share in %	**15.7**	**18.7**	**8.4**	**13.8**	**20.4**
Group's share in $	**245.6**	**317.2**	**262.4**	**147.9**	**191.8**
Other movements not accounted for under the equity method [1]	**0.8**	**10.4**	**(3.6)**	**0.9**	**3.4**
Carrying amount	**246.4**	**327.6**	**258.8**	**148.8**	**195.2**
Movements in carrying amounts:					
Opening balance	**212.9**	**321.2**	**236.4**	**139.2**	**166.0**
Investment	**25.0**	**-**	**-**	**-**	**24.6**
Share of profit after income tax	**29.2**	**27.3**	**35.7**	**18.3**	**16.8**
Other comprehensive gain/(loss)	**-**	**0.4**	**(0.1)**	**-**	**-**
Distributions received/receivable	**(10.0)**	**(21.3)**	**(13.2)**	**(8.7)**	**(12.2)**
Return of capital	**(10.7)**	**-**	**-**	**-**	**-**
Closing balance	**246.4**	**327.6**	**258.8**	**148.8**	**195.2**
2017					
Net assets of associate	1,487.0	1,674.5	2,266.0	1,001.9	817.4
Group's share in %	14.3	18.6	10.5	13.8	20.0
Group's share in $	212.6	311.5	237.9	138.3	163.5
Other movements not accounted for under the equity method [1]	0.3	9.7	(1.5)	0.9	2.5
Carrying amount	212.9	321.2	236.4	139.2	166.0
Movements in carrying amounts:					
Opening balance	164.1	226.7	183.3	170.0	-
Investment	-	73.3	30.0	-	165.4
Disposal	-	-	-	(19.2)	-
Share of profit after income tax	74.8	42.6	34.8	15.2	7.2
Other comprehensive income/(loss)	-	(0.4)	-	-	-
Distributions received/receivable	(10.3)	(21.0)	(11.7)	(9.8)	(6.6)
Return on capital	(15.7)	-	-	(17.0)	-
Closing balance	212.9	321.2	236.4	139.2	166.0

[1] Other movements are primarily due to the funds issuing new units to external investors at a price above or below the underlying net assets of the fund or, for listed investments, where the Group has acquired units on market at a price different to the fund's NTA.

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

31 Investments in associates (continued)

Charter Hall Property Trust	Charter Hall Office Trust	Charter Hall Retail REIT	Charter Hall Prime Office Fund	Core Logistics Partnership	Charter Hall Long WALE REIT
2018	**$'m**	**$'m**	**$'m**	**$'m**	**$'m**
Net assets of associate	**1,564.1**	**1,696.5**	**3,123.3**	**1,071.6**	**940.4**
Group's share in %	**15.7**	**18.7**	**7.9**	**13.8**	**20.4**
Group's share in $	**245.6**	**317.2**	**246.7**	**147.9**	**191.8**
Other movements not accounted for under the equity method [1]	**0.8**	**10.4**	**(2.6)**	**0.9**	**3.4**
Carrying amount	**246.4**	**327.6**	**244.1**	**148.8**	**195.2**
Movements in carrying amounts:					
Opening balance	**212.9**	**321.2**	**223.0**	**139.2**	**166.0**
Investment	**25.0**	**-**	**-**	**-**	**24.6**
Share of profit after income tax	**29.2**	**27.3**	**33.7**	**18.3**	**16.8**
Other comprehensive gain/(loss)	**-**	**0.4**	**(0.1)**	**-**	**-**
Distributions received/receivable	**(10.0)**	**(21.3)**	**(12.5)**	**(8.7)**	**(12.2)**
Return of capital	**(10.7)**	**-**	**-**	**-**	**-**
Closing balance	**246.4**	**327.6**	**244.1**	**148.8**	**195.2**

2017					
Net assets of associate	1,487.1	1,674.5	2,266.0	1,001.9	817.4
Group's share in %	14.3	18.6	9.9	13.8	20.0
Group's share in $	212.7	311.5	224.3	138.3	163.5
Other movements not accounted for under the equity method [1]	0.2	9.7	(1.3)	0.9	2.5
Carrying amount	212.9	321.2	223.0	139.2	166.0
Movements in carrying amounts:					
Opening balance	164.1	226.7	171.4	170.0	-
Investment	-	73.3	30.0	-	165.4
Disposal	-	-	-	(19.2)	-
Share of profit after income tax	74.8	42.6	32.6	15.2	7.2
Other comprehensive income/(loss)	-	(0.4)	-	-	-
Distributions received/receivable	(10.3)	(21.0)	(11.0)	(9.8)	(6.6)
Disposal	(15.7)	-	-	(17.0)	-
Closing balance	212.9	321.2	223.0	139.2	166.0

[1] Other movements are primarily due to the funds issuing new units to external investors at a price above or below the underlying net assets of the fund or, for listed investments, where the Group has acquired units on market at a price different to the fund's NTA.

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

31 Investments in associates (continued)

(f) Summarised financial information and movement in carrying amounts of other equity accounted associates

The following table shows the Group's share of the summarised profit and loss of equity accounted associates that are not material to the Group, and a reconciliation of the movement in the aggregated carrying amount of these investments.

	Charter Hall Group		Charter Hall Property Trust Group	
	2018 $'m	2017 $'m	**2018 $'m**	2017 $'m
Movements in aggregate carrying amount:				
Opening balance	**142.4**	12.5	**85.0**	6.3
Reclassification from material associates [1]	**-**	94.7	**-**	46.1
Investment	**12.9**	20.1	**12.9**	12.2
Share of profit after income tax	**13.2**	18.2	**8.0**	12.7
Distributions received/receivable	**(8.7)**	(12.9)	**(5.2)**	(9.5)
Return of capital	**-**	(7.4)	**-**	-
Transfer from investments in joint ventures	**-**	17.2	**-**	17.2
Closing balance	**159.8**	142.4	**100.7**	**85.0**

[1] Charter Hall Prime Industrial Fund was reclassified from material associates during the year ended 30 June 2017, as a result of the listing of the Charter Hall Long WALE REIT in 2017.

(g) Commitments and contingent liabilities of associates

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

Charter Hall Prime Office Fund's (CPOF) capital expenditure contracted for at the reporting date but not recognised as liabilities was $604.1 million (2017: $85.2 million) relating to investment properties.

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

32 Investments in joint ventures

(a) Carrying amounts

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

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

		Ownership interest		Carrying amount	
Charter Hall Group Name of entity	Principal activity	**2018 %**	2017 %	**2018 $'m**	2017 $'m
Unlisted					
Brisbane Square Wholesale Fund	Property investment	**16.8**	16.8	**102.1**	99.6
BP Fund 1 [1]	Property investment	**11.9**	8.4	**54.7**	28.4
Charter Hall Prime Retail Fund	Property investment	**38.0**	38.0	**45.7**	44.8
Retail Partnership No. 6 Trust	Property investment	**20.0**	20.0	**36.7**	34.3
Commercial and Industrial Property Pty Ltd [2]	Property development	**50.0**	50.0	**-**	19.5
BP Fund 2 [1]	Property investment	**17.6**	13.2	**25.4**	13.8
Long WALE Investment Partnership 2	Property investment	**10.0**	10.0	**10.5**	10.1
TTP Wholesale Fund (TTP) [1]	Property investment	**10.0**	10.0	**5.4**	8.0
				280.5	258.5

1 These funds comprise the Long WALE Hardware Partnership. During the year ended 30 June 2017 there was a $2.0 million capital distribution from BP Fund 2 which was settled by a simultaneous capital call in the BP Fund 1.

2 Commercial and Industrial Property Pty Ltd met the criteria to be reclassified as a held for sale asset in June 2018, see Note 11.

		Ownership interest		Carrying amount	
Charter Hall Property Trust Group Name of entity	Principal activity	**2018 %**	2017 %	**2018 $'m**	2017 $'m
Unlisted					
Brisbane Square Wholesale Fund	Property investment	**16.8**	16.8	**102.1**	99.6
BP Fund 1 [1]	Property investment	**11.9**	8.4	**54.7**	28.4
Charter Hall Prime Retail Fund	Property investment	**38.0**	38.0	**45.7**	44.8
Retail Partnership No. 6 Trust	Property investment	**20.0**	20.0	**36.7**	34.3
BP Fund 2 [1]	Property investment	**17.6**	13.2	**25.4**	13.8
Long WALE Investment Partnership 2	Property investment	**10.0**	10.0	**10.5**	10.1
TTP Wholesale Fund (TTP) [1]	Property investment	**10.0**	10.0	**5.4**	8.0
				280.5	239.0

1 These funds comprise the Long WALE Hardware Partnership. During the year ended 30 June 2017 there was a $2.0 million capital distribution from BP Fund 2 which was settled by a simultaneous capital call in the BP Fund 1.

(b) Summarised financial information and movements in carrying amounts

	Charter Hall Group		Charter Hall Property Trust Group	
	2018 $'m	2017 $'m	**2018 $'m**	2017 $'m
Movements in aggregate carrying amount:				
Opening balance	**258.5**	285.4	**239.0**	256.9
Investment	**34.1**	149.7	**34.2**	149.7
Share of profit after income tax	**28.6**	14.4	**25.1**	12.9
Distributions received/receivable	**(27.6)**	(8.5)	**(15.1)**	(8.5)
Reversal/(impairment) of carrying amount	**7.3**	(10.5)	**-**	-
Return of capital	**(2.7)**	(2.0)	**(2.7)**	(2.0)
Disposal of units	**-**	(152.8)	**-**	(152.8)
Transfer to held for sale	**(17.7)**	-	**-**	-
Transfer to investments in associates	**-**	(17.2)	**-**	(17.2)
Closing balance	**280.5**	258.5	**280.5**	239.0

(c) Commitments and contingent liabilities of joint ventures

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

Charter Hall Prime Retail Fund's capital commitments contracted for at the reporting date but not recognised as liabilities was $58.5 million (2017: $nil).

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

32 Investments in joint ventures (continued)

Brisbane Square Wholesale Fund's (BSWF) capital expenditure contracted for at the reporting date but not recognised as liabilities was $28.6 million (2017: $nil). BSWF had contingent liabilities at the reporting date of $83.4 million (2017: $nil) relating to potential capital works.

33 Interests in unconsolidated structured entities

The Charter Hall Group considers its investments in associates and joint ventures to be unconsolidated structured entities, on the basis that the Group's voting rights are not the sole factor in determining whether control over an entity exists. Where the Group determines that control over an entity does not exist, the entity is recognised as an associate or joint venture of the Group for reporting purposes.

The activity and objective of the unconsolidated structured entities of the Group include property investment for annuity income and medium to long-term capital growth and/or development profit.

The aggregate of all the Group's interests and maximum exposure to loss in unconsolidated structured entities, being the Group's interests in associates and joint ventures, are included in the table below:

	Charter Hall Group		Charter Hall Property Trust Group	
	2018	2017	**2018**	2017
	$'m	$'m	**$'m**	$'m
Current assets				
Trade receivables	**1.1**	1.0	**-**	-
Distributions receivable	**41.0**	27.5	**27.4**	26.4
Loans to associates and joint ventures	**25.8**	9.3	**-**	-
Assets classified as held for sale	**17.7**	-	**-**	-
Total current assets	**85.6**	37.8	**27.4**	26.4
Non-current assets				
Investments in associates at fair value through profit or loss	**32.4**	29.7	**32.4**	29.7
Investments accounted for using the equity method	**1,617.2**	1,477.3	**1,543.2**	1,376.4
Total non-current assets	**1,649.6**	1,507.0	**1,575.6**	1,406.1
Total carrying amount of interests in unconsolidated structured entities	**1,735.2**	1,544.8	**1,603.0**	1,432.5
Total funds under management in unconsolidated structured entities	**21,457.2**	18,388.7	**21,457.2**	18,375.7

There are no additional arrangements that would expose the Charter Hall Group or Charter Hall Property Trust Group to losses beyond the carrying amounts.

During the year, the Charter Hall Group earned fees from structured entities in its capacity as investment manager. Refer to Note 29 for further information.

No financial support has been provided to the funds beyond the loans disclosed in the above table.

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

34 Commitments

(a) Lease commitments – Group as lessee

	Charter Hall Group		Charter Hall Property Trust Group	
	2018 $'m	2017 $'m	**2018 $'m**	2017 $'m
Due within one year	**4.1**	3.4	**-**	-
Due between one and five years	**15.0**	14.4	**-**	-
Over five years	**2.4**	6.4	**-**	-
	21.5	24.2	**-**	-

Commitments are payable in relation to non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities.

(b) US Private Placement (USPP)

In May 2018, the Group committed to issue US$175 million (A$231.5 million) of USPP notes. Refer to Note 20 for details.

Capital commitments

Charter Hall Group

The Group had no contracted capital commitments as at 30 June 2018 (30 June 2017: $nil).

Charter Hall Property Trust Group

The Trust Group had no contracted capital commitments as at 30 June 2018 (30 June 2017: $nil).

35 Contingent liabilities

The Group did not have any material contingent liabilities as at 30 June 2018 (30 June 2017: $nil) other than the bank guarantees of $14.3 million (30 June 2017: $14.3 million) provided for under the bank facility (refer to Note 20).

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

36 Security-based benefits expense

(a) Charter Hall – Performance Rights and Options Plan (PROP)

The performance rights and options are unquoted securities and conversion to stapled securities and vesting to executives are subject to service and performance conditions which are discussed in the Remuneration Report.

Charter Hall Group and Charter Hall Property Trust Group	2015 Number	2016 Number	2017 Number	**2018 Number**	**Total Number**
Performance rights					
Rights issued 19/12/14	1,051,804	-	-	**-**	**1,051,804**
Rights issued 30/11/15	-	1,085,276	-	**-**	**1,085,276**
Rights issued 25/11/16	-	-	998,453	**-**	**998,453**
Rights issued 23/11/17	-	-		**871,739**	**871,739**
Performance rights issued	1,051,804	1,085,276	998,453	**871,739**	**4,007,272**
Number of rights forfeited/lapsed					
Prior years	(133,564)	(205,581)	(121,270)	**-**	**(460,415)**
Current year	-	(21,957)	(58,819)	**(28,262)**	**(109,038)**
Number of rights vested					
Prior years	-	-	-	**-**	**-**
Current year	(918,240)	-	-	**-**	**(918,240)**
Closing balance	-	857,738	818,364	**843,477**	**2,519,579**
Service rights					
Rights issued 19/12/14	554,401	-	-	**-**	**554,401**
Rights issued 30/11/15	-	409,195	-	**-**	**409,195**
Rights issued 25/11/16	-	-	344,548	**-**	**344,548**
Rights issued 23/11/17	-	-	-	**353,091**	**353,091**
Service rights issued	554,401	409,195	344,548	**353,091**	**1,661,235**
Number of rights forfeited/lapsed					
Prior years	-	(10,422)	(16,616)	**-**	**(27,038)**
Current year	-	-	-	**-**	**-**
Number of rights vested					
Prior years	(488,611)	(219,409)	-	**-**	**(708,020)**
Current year	(65,790)	(179,364)	(193,494)	**-**	**(438,648)**
Closing balance	-	-	134,438	**353,091**	**487,529**

(b) PROP expense

Total expenses related to the PROP recognised during the year as part of employee benefit expense were as follows:

	Charter Hall Group		**Charter Hall Property Trust Group**	
	2018 $'m	2017 $'m	**2018 $'m**	2017 $'m
Performance rights and option plan	**1.7**	1.4	**-**	-

All PROP expenses were recognised in operating expenses during the current and prior year.

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

36 Security-based benefits expense (continued)

(c) Option inputs

The Black-Scholes or Monte Carlo method, as applicable, is utilised for valuation and accounting purposes. The model inputs to assess the fair value of the PROP rights granted during FY2018 are as follows:

	CHC Performance rights	CHC Service rights - Deferred STI	CHC Service rights - Sign on	CQR Service rights - Deferred STI
Grant date	23/11/2017	23/11/2017	23/11/2017	8/11/2017
Stapled security price at grant date[1]	$6.16	$6.16	$6.16	$4.10
Fair value of right	$2.65	$5.79	$5.59	$3.75
Expected volatility[2]	21.2%	18.3%	19.9%	13.4%
Dividend yield	4.9%	4.9%	4.9%	6.9%
Risk-free interest rate	1.9%	1.9%	1.9%	2.0%

[1] The grant date reflects the date the rights were allocated. Participants are eligible and performance period commences from 1 July of the relevant financial year for performance rights.

[2] Expected volatility takes into account historical market price volatility.

(d) Charter Hall General Employee Security Plan (GESP)

During the year, eligible employees received up to $1,000 (2017: $1,000) in stapled securities which vested immediately on issue but are held in trust until the earlier of the completion of three years' service or termination. An expense of $371,000 (2017: $350,000) was recognised in relation to this plan during the year.

37 Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity of the Charter Hall Group, being Charter Hall Limited, and the parent entity of the Charter Hall Property Trust Group, being the Charter Hall Property Trust, show the following aggregate amounts:

	Charter Hall Limited		Charter Hall Property Trust	
	2018	2017	**2018**	2017
Balance sheet	**$'m**	$'m	**$'m**	$'m
Current assets	**139.2**	9.0	**8.8**	62.6
Total assets	**151.1**	177.5	**1,297.6**	1,300.9
Current liabilities	**45.7**	85.9	**48.0**	73.1
Total liabilities	**66.6**	85.9	**51.4**	73.1
Shareholders' equity				
Issued capital	**285.7**	285.0	**1,453.5**	1,456.9
Other reserves	**(53.6)**	(52.9)	**1.2**	-
Accumulated losses	**(147.6)**	(140.5)	**(208.5)**	(229.1)
Net equity	**84.5**	91.6	**1,246.2**	1,227.8
Profit for the year	**68.0**	20.0	**50.7**	52.7
Total comprehensive income for the year	**68.0**	20.0	**50.7**	52.7

Notwithstanding the net current liability, Charter Hall Property Trust has total net assets of $1.2 billion and liquidity through the inter-staple loan with Charter Hall Limited.

(b) Contingent liabilities of the parent entity

Charter Hall Limited and Charter Hall Property Trust had no contingent liabilities as at 30 June 2018 (30 June 2017: $nil) other than the bank guarantees of $14.3 million provided for under the bank facility held by Charter Hall Property Trust (refer to Note 20(a)).

(c) Contractual commitments

As at 30 June 2018, Charter Hall Limited had no contractual commitments (2017: $nil). As at 30 June 2018, Charter Hall Property Trust was committed to issue US$175 million (A$231.5 million) of USPP notes as disclosed in Note 34 (2017: $nil).

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

38 Deed of cross guarantee

Charter Hall Group

Charter Hall Limited and its wholly owned subsidiary, Charter Hall Holdings Pty Ltd (CHH), are parties to a deed of cross guarantee under which each company guarantees the debts of the other. By entering into the deed, CHH has been relieved from the requirement to prepare financial statements and a directors' report under ASIC Instrument 2016/785 issued by the Australian Securities and Investments Commission.

(a) Consolidated statement of comprehensive income and summary of movements in consolidated accumulated losses

The above companies represent a 'closed group' for the purposes of the Instrument and, as there are no other parties to the deed of cross guarantee that are controlled by Charter Hall Limited, they also represent the 'extended closed group'.

Set out as follows is a consolidated statement of comprehensive income and a summary of movements in consolidated accumulated losses for the year of the closed group consisting of Charter Hall Limited and Charter Hall Holdings Pty Ltd.

	2018 $'000	2017 $'000
Statement of comprehensive income		
Revenue	**233.0**	205.7
Depreciation	**(3.5)**	(3.5)
Finance costs	**(6.6)**	(9.9)
Foreign exchange (loss)/gain	**0.2**	(0.2)
Share of net profit of associates accounted for using the equity method	**3.5**	2.5
Amortisation and impairment of intangibles	**(2.7)**	(5.1)
Other expenses	**(127.6)**	(131.2)
Profit before income tax	**96.3**	58.3
Income tax expense	**(24.6)**	(23.6)
Profit for the year	**71.7**	34.7
Summary of movements in consolidated accumulated losses		
Accumulated losses at the beginning of the financial year	**(64.8)**	(99.5)
Profit for the year	**71.7**	34.7
Dividends paid/payable	**(54.5)**	-
Accumulated losses at the end of the financial year	**(47.6)**	(64.8)

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

38 Deed of cross guarantee (continued)

(b) Balance sheet

Set out below is a consolidated balance sheet of the closed group consisting of Charter Hall Limited and Charter Hall Holdings Pty Ltd.

	2018 $'m	2017 $'m
Assets		
Current assets		
Cash and cash equivalents	**60.6**	117.4
Trade and other receivables	**61.6**	44.8
Assets held for sale	**17.7**	-
Total current assets	**139.9**	162.2
Non-current assets		
Trade and other receivables	**2.4**	0.8
Loans due from Charter Hall Property Trust	**17.7**	-
Investment in associates at fair value through profit or loss	**15.1**	15.1
Investments in controlled entities	**95.3**	114.7
Property, plant and equipment	**20.9**	18.8
Intangible assets	**62.7**	65.4
Total non-current assets	**214.1**	214.8
Total assets	**354.0**	377.0
Liabilities		
Current liabilities		
Trade and other payables	**86.4**	46.7
Provisions	**1.5**	1.9
Total current liabilities	**87.9**	48.6
Non-current liabilities		
Trade and other payables	**5.3**	6.3
Loans due to Charter Hall Property Trust	**-**	129.7
Net loans due to related entities	**60.0**	-
Deferred tax liabilities	**6.0**	7.4
Provisions	**1.6**	1.3
Total non-current liabilities	**72.9**	144.7
Total liabilities	**160.8**	193.3
Net assets	**193.2**	183.7
Equity		
Contributed equity	**285.7**	285.0
Reserves	**(45.0)**	(36.5)
Accumulated losses	**(47.6)**	(64.8)
Total equity	**193.1**	183.7

Notes to the consolidated financial statements (continued)

for the year ended 30 June 2018

39 Events occurring after the reporting date

The following events have occurred subsequent to 30 June 2018:

- In July 2018, the Group entered into a binding agreement to sell its interest in joint venture Commercial and Industrial Property Pty Ltd (CIP) for net proceeds of $29.0 million. Other receivables from investments in CIP resulted in a total cash realisation from the transaction of $56.3 million. The sale completed on 10 August 2018.
- In July 2018, the Group entered into a binding agreement to purchase a three-building amalgamated holding on Queen Street Mall known as No. 1 Brisbane, located in Brisbane's CBD, for a net purchase price of $94.0 million.
- On 22 August 2018, Charter Hall and Folkestone Limited entered into a scheme implementation agreement for Charter Hall to acquire 100% of the shares in Folkestone Limited. Under the terms of the scheme, Folkestone shareholders will be entitled to receive from Charter Hall $1.354 cash per share, which equates to a $205.0 million outlay (excluding c.1.4 million CHC service rights (subject to CHC share price) to be issued to FLK management, (excluding Greg Paramor) vesting over 3 years). If the proposal is approved by Folkestone shareholders, completion is anticipated to be early November 2018.

Except for the matters discussed above, no other matter or circumstance has arisen since 30 June 2018 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 year ended 30 June 2018

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 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 35 to 96 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 positions as at 30 June 2018 and of their performance for the financial 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

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in Note 38 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 38.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Managing Director and Group CEO and Chief Financial Officer required by section 295A of the *Corporations Act 2001.*

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

David Clarke
Chairman

Sydney
22 August 2018

Independent auditor's report

To the stapled securityholders of Charter Hall Limited and Charter Hall Property Trust

Report on the audit of the financial reports

Our opinion

In our opinion:

The accompanying financial reports of Charter Hall Group and Charter Hall Property Trust Group are in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of Charter Hall Group's and Charter Hall Property Trust Group's financial positions as at 30 June 2018 and of their financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

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

- the consolidated balance sheets as at 30 June 2018
- the consolidated statements of comprehensive income for the year then ended
- the consolidated statement of changes in equity – Charter Hall Group for the year then ended
- the consolidated statement of changes in equity – Charter Hall Property Trust Group for the year then ended
- the consolidated cash flow statements for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration for Charter Hall Group and Charter Hall Property Trust Group.

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

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial reports* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Liability limited by a scheme approved under Professional Standards Legislation.

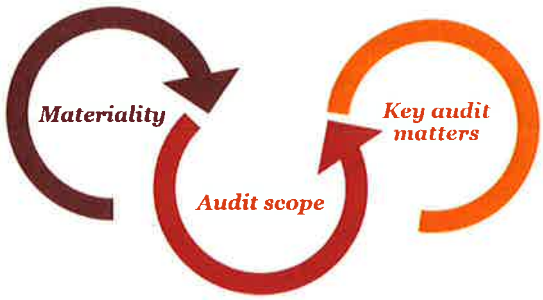
Independence

We are independent of Charter Hall Group and Charter Hall Property Trust Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial reports in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial reports as a whole, taking into account the operational and management structure of Charter Hall Group and Charter Hall Property Trust Group, their accounting processes and controls and the industry in which they operate.



Materiality

- For the purpose of our audit of Charter Hall Group we used overall materiality of $8.8 million, which represents approximately 5% of Charter Hall Group's operating earnings.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose operating earnings (an adjusted profit metric) as the benchmark because, in our view, it is a generally accepted industry metric against which the performance of Charter Hall Group is regularly measured.
- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable profit-related materiality thresholds.

Audit Scope

- Our audit focused on where the directors made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The group audit team identified separate components of Charter Hall Group and Charter Hall Property Trust Group representing individually financially significant equity accounted investments and instructed component audit teams to perform an audit of those components.
- At the group level, audit procedures were performed over group transactions and financial report disclosures.
- The work performed by component audit teams, together with the additional audit procedures performed at the group level provided us with sufficient evidence for our opinion on the financial reports as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial reports for the current period. The key audit matters were addressed in the context of our audit of the Charter Hall Group and Charter Hall Property Trust Group financial reports as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit, Risk and Compliance Committee.

Key audit matter	*How our audit addressed the key audit matter*
Investments accounted for using the equity method *(Refer to note 13)* Charter Hall Group and Charter Hall Property Trust Group invest in certain underlying funds managed by the Charter Hall Group. These funds comprise listed and unlisted funds which invest across a range of office, industrial, retail and diversified property portfolios. These investments are typically classified as Associates or Joint Ventures as the investor is considered to have significant influence or joint control. Investments in Associates and Joint Ventures contribute a significant proportion of total income and total assets. Given the significance of these investments to the results and balance sheets, we consider this to be a key audit matter. These investments are presented in the Consolidated Statements of Comprehensive Income and Consolidated Balance Sheets respectively as follows: • *Share of net profit of investments accounted for using the equity method* (Charter Hall Group $169.1 million and Charter Hall	To assess the carrying amount and classification of *Investments accounted for using the equity method* our audit included the following procedures: • Updating our understanding of market conditions relating to the investments and discussing with management the particular circumstances affecting the investments where required • Instructing component audit teams to perform an audit of those equity accounted investments identified as individually financially significant • Reperforming the equity method of accounting calculations for a sample of material investments by reference to underlying investee financial information • For a sample of material acquisitions made during the year, agreeing transaction details to appropriate source documents and considering the relevant accounting classification of the investment in accordance with Australian

Key audit matter	*How our audit addressed the key audit matter*
Property Trust Group $158.4 million) • *Investments accounted for using the equity method* (Charter Hall Group $1,617.1 million and Charter Hall Property Trust Group $1,543.3 million). Australian Accounting Standards require that these investments are initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's total comprehensive income and distributions.	Accounting Standards • Assessing the carrying value of a sample of equity accounted investments for impairment indicators by reference to the investor's share of the investee's net assets or market capitalisation for listed investments as appropriate.
Revenue recognition - Charter Hall Group *(Refer to note 4)*	
Charter Hall Group revenue for the year ended 30 June 2018 was $246.2 million. This revenue is substantially derived from funds management activities and includes investment management fees, performance fees, transaction fees and property services revenue. We considered revenue recognition to be a key audit matter due to the: • increased judgement and complexity in relation to the recognition and measurement of certain revenue streams including performance fees within investment management revenue and development management fees within property services revenue • financial significance of revenue to the Charter Hall Group results.	Our audit procedures included evaluating the design and implementation of a sample of relevant controls relating to the recognition and measurement of revenue. We recalculated revenue for a sample of fees based on relevant agreements, including investment management agreements and trust constitutions, and traced a sample of receipts to bank statements as appropriate. Through inquiry with management and the audit work performed above over calculations and agreements, we considered and assessed the appropriateness of revenue recognition for a sample of fees including performance fees and development management fees.
Intangible assets – Charter Hall Group *(Refer to note 15)*	
Charter Hall Group's intangible assets comprise management rights in relation to four managed funds. These assets had a carrying value of $62.7 million at 30 June 2018. Other than the Charter Hall Office Trust management rights, these management rights are considered to have indefinite useful lives and accordingly an annual impairment test is required by Australian Accounting Standards. Charter Hall Group performed an impairment test for each of the management rights assets with indefinite useful lives by calculating the value in use of each asset.	For a sample of impairment tests performed by the Charter Hall Group, our audit included the following procedures: • We evaluated cash flow forecasts and the process by which they were developed, including performing tests over the mathematical accuracy of the underlying calculations and comparing forecasts to approved budgets on a sample basis • We compared the current year (2018) results with figures included in the forecasts made in the prior period (2017) to assess the historical reliability of management's forecasting process • We considered the methodology applied and

Key audit matter	*How our audit addressed the key audit matter*
These tests require judgement in relation to key assumptions which are applied to future revenue forecasts. The key assumptions used include growth rates, discount rates and terminal value multiples. As a result of the judgement required of the Charter Hall Group in determining key assumptions, we considered this a key audit matter. The impairment tests performed by Charter Hall Group at 30 June 2018 supported the carrying value of each management rights asset. The Charter Hall Group also performed an assessment of the carrying amount of the management rights in relation to Charter Hall Office Trust for impairment indicators at 30 June 2018 and determined that there were no impairment indicators.	assessed the appropriateness of key assumptions used in light of Australian Accounting Standards, general industry valuation practice and factors specific to the underlying cashflows. We also considered whether there were any impairment indicators in relation to the management rights held over the Charter Hall Office Trust by reference to the underlying performance of the fund and related fee revenue.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report for the year ended 30 June 2018, (but does not include the financial reports and our auditor's report thereon), which we obtained prior to the date of this auditor's report. We also expect other information which will be included in the Annual Report to be made available to us after the date of this auditor's report, including the Chair's Report, MD and Group CEO's Letter, Securityholder Analysis and other information on the performance of Charter Hall Group and Charter Hall Property Trust Group for the year.

Our opinion on the financial reports does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial reports, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial reports or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received as identified above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the 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 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 financial reports that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial reports, the directors are responsible for assessing the ability of the Charter Hall Group and Charter Hall Property Trust Group to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial reports

Our objectives are to obtain reasonable assurance about whether the financial reports as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial reports is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 16 to 31 of the Directors' Report for the year ended 30 June 2018.

In our opinion, the remuneration report of Charter Hall Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of Charter Hall Limited are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Wayne Andrews

Wayne Andrews
Partner

Sydney
22 August 2018

Contact details

Registry

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Investor relations

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Corporate directory

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Company Secretary
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ASX Code
Charter Hall Group stapled securities are listed on the Australian Securities Exchange (code CHC).

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