Charter Hall

Charter Hall Group

Financial Report
For the year ended 30 June 2021

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 Charter Hall Group is incorporated and domiciled in Australia. The registered office of the Charter Hall Group is Level 20, No. 1 Martin Place, Sydney NSW 2000. 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 has 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 2021 unless otherwise stated. All references to dollars ($) or A$ are Australian dollars unless otherwise stated.

Cover photo: Midwest Logistics Hub, Truganina Vic.

Contents

Directors' report

For the year ended 30 June 2021

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 2021, 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) and CHPT and its controlled entities. 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 Independent Non-Executive Director
– Anne Brennan	– Independent Non-Executive Director (resigned 31 May 2021)
– Jacqueline Chow	– Independent Non-Executive Director (appointed 17 February 2021)
– Philip Garling	– Independent Non-Executive Director
– David Harrison	– Managing Director and Group CEO
– Karen Moses	– Independent Non-Executive Director
– Greg Paramor AO	– Independent Non-Executive Director
– David Ross	– Independent Non-Executive Director

Distributions/Dividends – Charter Hall Group

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

	2021 $'m
Final ordinary distribution of 11.61 cents and ordinary dividend of 7.7 cents per stapled security for the six months ended 30 June 2021 payable on 31 August 2021	**90.0**
Interim ordinary distribution of 11.10 cents and interim ordinary dividend of 7.45 cents per stapled security for the six months ended 31 December 2020 paid on 26 February 2021	**86.4**
Total Distributions/Dividends paid and payable to stapled securityholders	**176.4**

Operating and financial review

The Group recorded a statutory profit after tax attributable to stapled securityholders for the year to 30 June 2021 of $476.8 million compared to a profit of $345.9 million for the year ended 30 June 2020.

Operating earnings amounted to $284.3 million for the year to 30 June 2021, compared to $322.8 million for the year ended 30 June 2020, a decrease of 11.9%. Operating earnings is a financial measure which represents statutory profit after tax adjusted for the items in the table below. Operating earnings is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution to declare.

	2021 $'m	2020 $'m
Operating earnings attributable to stapled securityholders	**284.3**	322.8
Add: Net fair value movements on equity accounted investments[1]	**228.0**	67.8
Add: Net gain on disposal of property investments[1]	**0.5**	6.9
Less: Non-operating income tax benefit/(expense)	**(1.5)**	2.2
Less: Realised and unrealised net gains/(losses) on derivatives[1]	**7.2**	(14.9)
Less: Impairment of equity accounted investments	**(6.9)**	(13.6)
Less: Performance fees expense[1]	**(15.9)**	(6.0)
Less: Non-operating pursuit costs	**(4.6)**	(4.4)
Less: Amortisation of intangibles	**(1.5)**	(6.9)
Less: Other[1]	**(12.8)**	(8.0)
Statutory profit after tax attributable to stapled securityholders	**476.8**	345.9

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

Directors' report

For the year ended 30 June 2021

Operating and financial review continued

The 30 June 2021 financial results with comparatives are summarised as follows:

	Charter Hall Group		**Charter Hall Property Trust Group**	
	2021	2020	**2021**	2020
Revenue ($ million)[1]	**668.0**	553.8	**26.7**	31.1
Statutory profit after tax for stapled securityholders ($ million)	**476.8**	345.9	**310.5**	144.5
Statutory earnings per stapled security (EPS) (cents)	**102.4**	74.3	**66.7**	31.0
Operating earnings for stapled securityholders ($ million)	**284.3**	322.8	**n/a**	n/a
Operating earnings per stapled security (cents)	**61.0**	69.3	**n/a**	n/a
Distribution/dividend per stapled security (cents)	**37.9**	35.7	**22.7**	18.2
Property investment segment earnings ($ million)[2]	**123.0**	120.0	**n/a**	n/a
Development investment segment earnings ($ million)[2]	**34.2**	17.1	**n/a**	n/a
Property funds management segment revenue ($ million)[2]	**319.5**	412.3	**n/a**	n/a
Total assets ($ million)	**3,284.7**	2,759.7	**2,658.5**	2,217.3
Total liabilities ($ million)	**775.9**	614.0	**615.2**	435.6
Total net assets ($ million)	**2,508.8**	2,145.7	**2,043.3**	1,781.7
Net assets attributable to non-controlling interest ($ million)[3]	**137.5**	65.5	**137.5**	65.5
Net assets attributable to stapled securityholders ($ million)	**2,371.3**	2,080.2	**1,905.8**	1,716.2
Stapled securities on issue (million)	**465.8**	465.8	**465.8**	465.8
Net assets per stapled security ($)	**5.09**	4.47	**4.09**	3.68
Net tangible assets (NTA) attributable to stapled securityholders ($ million)[4]	**2,286.5**	1,992.4	**1,905.8**	1,716.2
NTA per stapled security ($)[4]	**4.91**	4.28	**4.09**	3.68
Balance sheet gearing[5]	**5.0%**	0.0%	**n/a**	n/a
Funds under management (FUM) ($ million)	**52,288.9**	40,549.3	**n/a**	n/a

1 Gross revenue does not include the Group's share of net profits of associates and joint ventures of $314.0 million (2020: $162.3 million).

2 Segment earnings and revenue is used by the Board in assessing the performance and allocating of resources to its operating segments.

3 Represents the 67.7% (2020: 60.4%) non-controlling interest share of the Charter Hall Direct Long WALE Fund (DLWF) formerly Charter Hall Direct Diversified Consumer Staples Fund (DCSF).

4 NTA attributable to stapled securityholders and NTA per stapled security ($) are calculated using assets less liabilities, net of intangible assets and related deferred tax and non-controlling interests in DLWF. NTA includes right of use assets.

5 Gearing is calculated as interest-bearing debt drawn (excluding hedged foreign exchange movements subsequent to the related debt drawing date and DLWF net of cash, divided by total assets net of cash, derivative assets and DLWF).

Property investment

Property investment provides the Group with yields from its co-investments in Group funds. During the year property investment contributed $123.0 million (2020: $120.0 million) in segment earnings to the Group.

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

- Industrial & Logistics;
- Long WALE Retail;
- Office;
- Social Infrastructure;
- Shopping Centre Retail; and
- Diversified.

Directors' report

For the year ended 30 June 2021

Operating and financial review continued

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

	Ownership stake (%)	Charter Hall investment ($m)	FY2021 Charter Hall investment income[1] ($m)	Weighted average lease expiry (years)	Weighted average market cap rate (%)	Weighted average discount rate (%)	Weighted average rental reviews (%)	FY2021 Charter Hall investment yield[2] (%)
Industrial & Logistics								
Charter Hall Prime Industrial Fund (CPIF)	1.8	118.8	6.0	10.8	4.3	5.7	2.9	4.8
Core Logistics Partnership Trust (CLP)	4.8	76.2	4.2	9.1	4.2	5.9	3.0	6.0
Charter Hall PGGM Industrial Partnership (CHPIP)	12.0	25.7	0.9	10.6	4.5	5.7	2.5	5.5
Long WALE Retail								
Long WALE Hardware Partnership (LWHP)	14.1	167.4	7.2	8.0	4.5	5.9	2.7	5.3
CH DJ Trust (CHDJT)	50.0	73.6	1.4	19.7	5.0	6.8	2.5	6.0
Charter Hall AP Fund (CHAPF)	5.0	39.7	1.1	18.6	4.7	5.2	1.0	4.8
Other Long WALE Retail investments		29.3	1.6	n/a	n/a	n/a	n/a	n/a
Office								
Charter Hall Office Trust (CHOT)	15.7	270.8	17.4	6.6	4.6	6.0	3.6	6.3
Charter Hall Prime Office Fund (CPOF)	5.1	270.6	14.4	6.8	4.7	6.0	3.7	4.8
Charter Hall Direct Office Fund (DOF)	7.7	141.1	0.6	8.2	4.9	6.0	3.5	4.7
Charter Hall Direct PFA Fund (PFA)	7.9	104.0	1.1	7.3	5.2	6.3	3.3	7.9
Brisbane Square Wholesale Fund (BSWF)	16.8	102.4	9.0	7.4	5.4	6.5	3.5	8.6
Other Office investments		61.4	4.6	n/a	n/a	n/a	n/a	n/a
Social infrastructure								
Charter Hall Social Infrastructure REIT (ASX: CQE)	8.8	98.9	5.1	15.2	5.5	n/a	2.9	5.6
Charter Hall Exchange Wholesale Trust (CHEWT)	13.9	59.4	3.3	19.1	3.8	5.6	3.1	6.6
Shopping Centre Retail								
Charter Hall Retail REIT (ASX: CQR)	10.6	238.5	15.6	7.5	5.8	6.5	4.1	7.4
Other Shopping Centre Retail investments		0.3	4.3	n/a	n/a	n/a	n/a	n/a
Diversified								
Charter Hall Long WALE REIT (ASX: CLW)	11.3	369.7	18.5	13.2	4.8	5.7	3.0	6.4
Charter Hall Direct Long WALE Fund (DLWF)[3]	32.3	51.3	3.4	6.8	5.4	6.2	2.6	6.1
Charter Hall DVP Fund (DVP)	11.5	49.0	1.5	6.6	4.9	5.9	3.4	4.0
Other investments		60.6	1.8	n/a	n/a	n/a	n/a	n/a
Property Investment Total		**2,408.7**	**123.0**	**9.1**	**4.9**	**6.0**	**3.1**	**6.1**

[1] Charter Hall Group property investment segment earnings per segment information in Note 1(b) of the financial report.

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

[3] DLWF adjusted for non-controlling interest share of 67.7%.

Development investment

Development investment provides the Group with development profits and interest income from its development assets held directly on balance sheet and through co-investments in development ventures. During the year development investment contributed $34.2 million (2020: $17.1 million) in segment earnings to the Group.

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 $52.3 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. During the year the property funds management business contributed $319.5 million (2020: $412.3 million) in segment revenue to the Group.

Directors' report

For the year ended 30 June 2021

Operating and financial review continued

Significant changes in the state of affairs

In preparing its financial statements the Group has considered the current and ongoing impact that the COVID-19 pandemic has had on its business operations.

A $6.9m impairment was recorded for the Group's investment in Charter Hall Long WALE REIT in the first half of FY21. Other than this impairment, the Group's strategic focus on resilient property investments and funds management revenue streams has contributed to the COVID-19 pandemic having no identifiable material adverse impact on the Group's financial result.

With the potential and uncertain economic impacts of COVID-19, future property valuations, investment and development activity and property funds management revenue could be adversely impacted.

Further disclosure is included in the following notes:

- Investment in associates Note 2(b);
- Revenue Note 4(a);
- Intangibles Note 12(b);
- Fair value measurement Note 23(d).

Directors' report

For the year ended 30 June 2021

Principal activities

During the year, the principal activities of the Group consisted of:

(a) Investment in property funds;
(b) Development investment; and
(c) Property funds management.

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

Matters subsequent to the end of the period

No matter or circumstance has arisen since 30 June 2021 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 office, industrial, retail, diversified and social infrastructure property portfolios. Charter Hall Group invests alongside equity partners to create value and provide superior returns for clients and the Group's securityholders. Growth is driven by a strong development capability that adds value for fund/partnership investors, whilst deployment through acquisitions complements the development capability to deploy the equity raised from investors in line with each property strategy.

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, and 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 (including climate change), social, governance and regulatory risks. The Group continues to progress its alignment with the Taskforce for Climate-related Financial Disclosures (TCFD) recommendations and in the reporting period management has created a dedicated ESG Committee to drive platform wide alignment and implementation against the TCFD. These frameworks and policies can be found at www.charterhall.com.au

Property investment portfolio

The property investment portfolio of the Group is primarily composed of co-investments in funds and partnerships where, typically, between 5-20% of the equity in a fund is contributed by Charter Hall. The percentage stake may be higher than the long-term target at origination of the fund or partnership but will fall toward the long-term target over time with external equity flows.

The Group regularly reviews the performance of its property investment portfolio and may reduce its investment in funds to reinvest into new partnerships or funds to align with new partners. Sector diversification, industry diversification and earnings growth of each fund/partnership co-investment together with associated funds management earnings derived from each fund/partnership combine to provide a matrix from which the balance sheet capital is allocated. 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.

Development investment portfolio

The development investment portfolio comprises development assets held directly on balance sheet and co-investments in development associates and joint ventures. Primarily, development investments will drive stabilised investment opportunities made available to our funds.

The Group regularly reviews the performance of its development investments and relevant economic drivers to actively manage performance of each development.

The business risks faced by the development investment portfolio that may have an effect on financial performance of the Group include interest rate risk, refinancing risk, development risk, construction risk, joint venture risk and changes in economic or industry factors impacting customers, 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 organisational 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

For the year ended 30 June 2021

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 Lendlease 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

AUB Group Limited

Former listed company directorships in last three years

Nil

Special responsibilities as at 30 June 2021

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.

Anne retired from the Board on 31 May 2021.

Other current listed company directorships

Argo Investments Limited
Nufarm Limited
Tabcorp Holdings Limited
Spark Infrastructure RE Limited

Former listed company directorships in last three years

Metcash Limited

Special responsibilities as at 31 May 2021

N/A

Interests in securities

N/A

Jacqueline Chow

Independent Non-Executive Director

Experience and expertise

An experienced Non-Executive Director, Jacqueline is currently a Non-Executive Director of Coles Group and nib Holdings Limited and also consults to McKinsey as a Senior Advisor in their Transformation Group. Prior to commencing her Non-Executive career, Ms Chow held senior positions at Accenture, the Kellogg Company, Campbell's and most recently, as the Chief Operating Officer, Global Consumer and Food Service for Fonterra.

Jacqueline holds a Bachelor of Science (Hons) from the University of NSW and holds a Master of Business Administration (Dean's Distinguished Service Award) from the Kellogg School of Management at Northwestern University.

Jacqueline joined the Board 17 February 2021.

Other current listed company directorships

Coles Group Limited
nib Holdings Limited

Special responsibilities as at 30 June 2021

Member of the Audit, Risk and Compliance Committee

Interests in securities

500 stapled securities in Charter Hall Group

Directors' report

For the year ended 30 June 2021

Information on Directors continued

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 Lendlease Corporation, including five years as CEO of Lendlease Capital Services.

Philip holds a Bachelor of Building from the University of NSW, and 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

Nil

Special responsibilities as at 30 June 2021

Member of the Nominations Committee
Member of the Remuneration and Human Resources Committee
Chair of the Investment Committee

Interests in securities

18,351 stapled securities in Charter Hall Group via a direct interest

David Harrison

Managing Director and Group CEO

Experience and expertise

David has over 30 years' 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 of 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, and 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 $52.3 billion of assets under management in 15 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 the National President of the Property Council of Australia and chair of the Nominations and Financial Management Committees.

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
Charter Hall Social Infrastructure REIT (Alternative Director)

Former listed company directorships in last three years

Nil

Special responsibilities as at 30 June 2021

Member of the Investment Committee

Interests in securities

571,690 stapled securities in Charter Hall Group via direct interests and 841,773 stapled securities in Charter Hall Group via indirect interests.

David also holds 797,386 performance rights,114,902 service rights in the Charter Hall Performance Rights and Options Plan as well as 176,181 STI Service Rights.

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
Boral Limited

Former listed company directorships in last three years

Nil

Special responsibilities as at 30 June 2021

Chair of the Audit, Risk and Compliance Committee
Member of the Remuneration and Human Resources Committee

Interests in securities

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

Directors’ report

For the year ended 30 June 2021

Information on Directors continued

Greg Paramor AO

Independent Non-Executive Director

Experience and expertise

Greg joined the Board of the Charter Hall Group on 30 November 2018.

Greg has been involved in the real estate and funds management industry for more than 40 years, and was the co-founder of Equity Real Estate Partners, Growth Equities Mutual, Paladin Australia and the James Fielding Group.

Greg was the CEO of Mirvac Group between 2004 and 2008. Greg is a past president of the Property Council of Australia and past president of Investment Funds Association, a Fellow of the Australian Property Institute and The Royal Institute of Chartered Surveyors. Greg is a board member of the Sydney Swans, the Sydney Swans Foundation and Eureka Group Holdings Limited. Greg was awarded an Officer in the General Division (AO) of the Order of Australia in January 2015 for his distinguished service to the community through executive roles in a range of fields, including breast cancer research, the not-for-profit sector and real estate and property investment industries.

Other current listed company directorships

Eureka Group Holdings Limited

Former listed company directorships in last three years

Folkestone Limited

Special responsibilities as at 30 June 2021

Member of the Remuneration and Human Resources Committee
Member of the Investment Committee

Interests in securities

14,300 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 Lendlease.

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, Lendlease 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 as at 30 June 2021

Chair of the Remuneration and Human Resources Committee
Member of the Nominations Committee
Member of the Investment Committee
Member of the Audit, Risk and Compliance Committee

Interests in securities

10,000 stapled securities in Charter Hall Group via indirect interests

Company Secretary

Mark Bryant was appointed as Company Secretary on 24 August 2015.

Mark holds a Bachelor of Business (Accounting), a Bachelor of Laws (Hons), a Graduate Certificate in Legal Practice, and is admitted as a lawyer of the Supreme Court of NSW. Mark has over 15 years’ experience as a lawyer, including advising on listed company governance, securities law, funds management, real estate and general corporate law.

Mark is the General Counsel and Company Secretary for the Charter Hall Group.

Directors’ report

For the year ended 30 June 2021

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 2021, 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
D Clarke	10	10	5	5	4	4	2	2	*	*
A Brennan[1]	9	9	4	4	*	*	*	*	5	5
J Chow[2]	2	2	1	1	*	*	*	*	*	*
P Garling	10	10	*	*	4	4	2	2	6	6
D Harrison	10	10	*	*	4	4	*	*	*	*
K Moses	10	10	5	5	*	*	*	*[7]	2	2[5]
G Paramor	10	10	4	4	4	4	*	*	2	2[3]
D Ross	10	10	1	1[4]	4	4	2	2[8]	6	6[6]

* 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.
1 Anne Brennan resigned 31 May 2021.
2 Jacqueline Chow appointed 17 February 2021.
3 Greg Paramor appointed to the committee 1 April 2021.
4 David Ross appointed to the committee 1 April 2021.
5 Karen Moses appointed to the committee 1 April 2021.
6 David Ross appointed as Chair to the committee 26 March 2021.
7 Karen Moses appointed to the committee 1 July 2021.
8 David Ross retired from the committee 1 July 2021.

Directors’ report

For the year ended 30 June 2021

Remuneration Report

Dear Securityholders,

On behalf of the Board, we are pleased to present this Remuneration Report for Charter Hall which focuses on our executive remuneration strategy and outcomes, in addition to Charter Hall’s people and culture highlights for the financial year ended 30 June 2021 (FY2021).

From early in calendar year 2020 the Covid-19 pandemic has impacted communities, the economy and businesses. While the Charter Hall business finished FY2020 in good shape, in light of this external environment, the Board determined there would be no changes to the structure or increases to remuneration for the Group’s Executives in FY2021.

Despite the backdrop of challenging operating conditions and uncertainty, the Board is proud of the way management has continued to focus on creating an inclusive culture where people are able to perform at their best, delivering strong returns for investors and working in partnership with tenant customers to navigate through this period of uncertainty.

In FY2021 the Group achieved outperformance of the target Group Operating Earnings Per Security (OEPS) and shared this success with all employees through full payout of the Short Term Incentive (STI). Assessment of individual performance scorecards has resulted in 138.5% of the total target STI amount being awarded to eligible employees across the Group, including the three Reported Executives who were awarded the maximum STI payout at 150% of the target.

In addition, the FY2019 Long Term Incentive (LTI) reached the end of its three-year performance period on 30 June 2021 and will fully vest on 31 August 2021 (subject to a further one-year holding lock) due to:

- the aggregate OEPS over the performance period equivalent to a 22.5% compound average growth rate (CAGR) exceeding the upper end of the required aggregate OEPS performance measure; and
- the Relative Total Shareholder Return (TSR) measure achieving the top rank against the 16 REITs in the comparator group from the S&P/ASX200 A-REIT Accumulation Index with a TSR of 155.9% (an equivalent CAGR of 36.8%) over the three year performance period.

Our people have shown extraordinary resilience through this challenging year, and we have continued to look for ways to improve wellbeing and build a culture that our people are proud of. This is reflected in our people and culture highlights for the year:

- 90% Engagement result with a 95% participation rate
- 97% of our people say ‘they would recommend Charter Hall as a good place to work”
- Recognised as a finalist in the 2021 AFR Boss Best Place to Work List
- Awarded an Employer of Choice for Gender Equality by the Workplace Gender Equality Agency (WGEA)
- One of the first organisations globally to achieve a WELL Portfolio Score from the International WELL Building Institute (IWBI) for the work on enhancing wellness in buildings for Charter Hall’s employees and tenants
- Recognised as a finalist in the Australian HR Awards for the 2021 Best Health and Wellbeing Program

Changes to FY2022 Remuneration

Due to the significant growth in the Charter Hall business over the last two years and with no increase to remuneration in FY2021, Ferguson Partners were engaged to conduct a targeted peer group remuneration benchmarking analysis for key senior roles to ensure that their remuneration is at market. Over this period, Charter Hall’s market capitalisation has increased by 43% from $5.04 billion (as at 30 June 2019) to $7.23 billion (as at 30 June 2021) and the Group’s Funds Under Management (FUM) has increased by 72% from $30.4 billion (as at 30 June 2019) to $52.3 billion (as at 30 June 2021).

As a result of the benchmarking data provided in the Ferguson Partners report, changes are being introduced in FY2022 both in terms of quantum and mix of the fixed and variable remuneration components for the Managing Director and CEO (Managing Director) and Other Reported Executives. While the increases are material they reflect the growth and current position of the Group and are necessary to bring remuneration into line with market. The increase for the Managing Director is all in ‘at risk’ components and for the Other Reported Executives on average 88% is in ‘at risk’ components. The overall increase in ‘on target’ Total Remuneration for all employees in the Group as at 1 July 2021 for FY2022 is approximately 10%, including all three Reported Executives. The details of the changes to take effect in FY2022 for the Managing Director and Other Reported Executives are included in this Remuneration Report.

As the Group embarks on the next period of growth, the Board has also considered the leadership, expertise and experience critical to the ongoing outperformance of Charter Hall. While the Board and the Committee believe that the current executive remuneration framework is sound based upon market comparators, continuity of leadership and a high performing team as well as succession planning are critical in what is currently a highly competitive landscape for executive leadership and talent.

Directors' report

For the year ended 30 June 2021

As a result, a Retention and Outperformance Plan is being introduced in FY2022, designed to enable meaningful participation in outperformance of returns to security holders, through Performance Rights earned over a 5 year period. Rewards will only be earned if Group TSR over the next five years strongly outperforms on a Relative TSR basis and achieves a minimum Absolute TSR and then vests for each participant only if they meet individual non-financial performance expectations and behaviour consistent with the Group's purpose and values, to the satisfaction of the Board. The FY2022 Retention and Outperformance Plan is a one-off award in addition to the regular annual total target remuneration for FY2022 only.

In designing this Plan the Board considered its desire for the Managing Director to continue his successful long-term leadership of Charter Hall and to retain and incentivise the high performing team of other key senior management roles critical to continuing to:

- partner with our tenant customers and communities to achieve their business objectives;
- provide investment opportunities and competitive investment returns to our investors; and
- deliver strong and competitive TSR outperformance for our Charter Hall securityholders.

Further details on the Retention and Outperformance Plan are included in this Remuneration Report and awards under this Plan proposed to be made to the Managing Director will be voted on by securityholders at the FY2021 AGM later this year. Details of the Plan will be included in the Notice of Meeting and Explanatory Memorandum.

Non-Executive Directors (NED) fees were last independently reviewed relative to market four years ago. Due to the growth of the Charter Hall Group since then, EY were engaged to provide market benchmarking data in relation to NED Board and Committee fees to assist with a review to take effect in FY2022. A summary of the changes is included in this Remuneration Report. Based upon the market data provided it is intended that the maximum aggregate NED fee pool of $1.7 million be increased to $2.0 million subject to the approval of securityholders at this year's 2021 AGM.

We invite you to read Charter Hall's Remuneration Report and trust you will find that it clearly articulates the links between the Group's strategy, performance, and executive remuneration outcomes. The directors believe that the Group has regularly outperformed its competitors and our people, including our executive team, have shown exceptional resilience, and delivered consistent FUM growth in these uncertain times. The Board believes that the FY2021 remuneration outcomes are fair and justified in light of our financial performance and the value delivered to our securityholders in security price increase and dividends. We welcome your feedback on Charter Hall's remuneration practices and disclosures and look forward to your continued support at the 2021 AGM.

DClarke

David Clarke
Chair - Board

David Ross

David Ross
Chair – Remuneration and Human Resources Committee

Directors' report

For the year ended 30 June 2021

Summary of Remuneration Changes for FY2022

Changes to Total Target Remuneration

Remuneration for Charter Hall's Group Executives was last independently reviewed, relative to the market, two years ago. Since then Charter Hall's market capitalisation has increased by 43% from $5.04 billion (as at 30 June 2019) to $7.23 billion (as at 30 June 2021) and the Group's FUM has increased by 72% from $30.4 billion (as at 30 June 2019) to $52.3 billion (as at 30 June 2021). Based on the findings of the remuneration benchmarking conducted by Ferguson Partners which included larger companies in the S&P/ASX 200 Australian Real Estate and Investment Trust (A-REIT) industry group, executive pay when compared to peer group companies does not reflect the growth in the Group and its current position. It should be noted that Ferguson Partners did not provide any remuneration recommendation for the purposes of the *Corporations Act 2001* (Cth) (**Act**).

The changes approved by the Board for implementation in FY2022 intend to bring the remuneration of Reported Executives in line with the market. These changes include:

- an increase in Total Target Remuneration (TTR) for the Managing Director of 28.6%, all of which is in 'at risk' components;
- an increase in TTR for the CIO and CFO of 24% and 20% respectively, including a restructure of the fixed and 'at risk' variable components to that of peers (one-third fixed, one-third STI and one-third LTI). On average 88% of the increases are in the 'at risk' components; and
- an overall increase of 10% in TTR for all employees in the Group as at 1 July 2021, effective FY2022, including the three Reported Executives.

The following table outlines the current and the approved FY2022 remuneration, at target, for the Reported Executives.

Name	Fixed Annual Remuneration (FAR) $	Short Term Incentive (STI) $	Long Term Incentive (LTI) $	Total Target Remuneration (TTR) $	% of TTR in 'at risk' components
Managing Director					
David Harrison					
2022	1,500,000	2,250,000	3,000,000	6,750,000	77.8%
2021	1,500,000	1,500,000	2,250,000	5,250,000	71.4%
Chief Investment Officer					
Sean McMahon					
2022	925,000	925,000	925,000	2,775,000	66.7%
2021	850,000	719,070	671,132	2,240,202	62.1%
Chief Financial Officer					
Russell Proutt					
2022	865,000	865,000	865,000	2,595,000	66.7%
2021	820,000	641,000	705,100	2,166,100	62.1%

Retention and Outperformance Plan Award in FY2022

In FY2022, a Retention and Outperformance Plan is being introduced as a one-off award and as an additional retention mechanism to reward participants if Group TSR over the next five years strongly outperforms on a Relative TSR basis and achieves a minimum Absolute TSR. This award vests, for each participant, only if they meet individual non-financial performance expectations and behaviours consistent with the Group's purpose and values, to the satisfaction of the Board.

The Retention and Outperformance Plan is in addition to regular annual remuneration.

The terms of the FY2022 Retention and Outperformance Plan are set out below and the purpose and rationale for elements of the Plan are provided following the table below.

Directors' report

For the year ended 30 June 2021

FY2022 Retention and Outperformance Plan Terms

<table>
<tr><td>Performance Rights Pool</td><td>5.0 million Performance Rights</td><td>Represents approximately 1% of issued and outstanding securities (465.8 million total securities outstanding as at 1 July 2021)</td></tr>
<tr><td>Participants</td><td colspan="2">Managing Director, Other Reported Executives and other senior executives across the Group</td></tr>
<tr><td>Performance Period</td><td colspan="2">5-year period commencing 1 July 2021 and ending 30 June 2026</td></tr>
<tr><td>Performance Measures</td><td colspan="2">Financial Performance Measures

Gateway Relative TSR performance measure: Top three TSR rank against the comparator group over the performance period. The comparator group consists of the S&P/ASX 200 A-REIT Accumulation Index constituents as at 1 July 2021 however, including Centuria Capital Group (which was added to the S&P/ASX 200 A-REIT Accumulation Index on 16 July 2021) and excluding Uniball-Rodamco-Westfield SE.
Absolute TSR performance measure: TSR performance range from a minimum TSR equivalent to a 12% CAGR to a TSR equivalent to a 15% CAGR over the performance period, with 40% vesting at a TSR equivalent to a 12% CAGR prorated straight-line to 100% vesting at a TSR equivalent to a 15% CAGR.

For example
<table>
<tr><td>TSR % Achieved (5-year CAGR)</td><td>12%</td><td>13%</td><td>14%</td><td>15%</td></tr>
<tr><td>Award % Achieved</td><td>40%</td><td>60%</td><td>80%</td><td>100%</td></tr>
</table>
Non-Financial Performance Measures
Gateway Non-Financial performance measure: for each participant vesting only occurs if they meet individual non-financial performance expectations and behaviour consistent with the Group's purpose and values, to the satisfaction of the Board.</td></tr>
<tr><td>Initial Price for determining TSR</td><td colspan="2">$15.21 representing the VWAP for the month of June 2021.</td></tr>
<tr><td>Vesting</td><td colspan="2">Subject to meeting the performance conditions (as noted above), the Performance Rights will vest following 30 June 2026, however, any securities allocated will remain subject to a holding lock for two years until 30 June 2028.</td></tr>
<tr><td>Distribution and Voting Rights</td><td colspan="2">The allocated Performance Rights will not have any rights to vote or receive any distributions during the performance period.
During the two-year holding lock period between 30 June 2026 and 30 June 2028, Plan participants will receive declared distributions on securities allocated to the participant on vesting of their Performance Rights.</td></tr>
<tr><td>Cessation of Employment</td><td colspan="2">In the event of resignation (other than genuine retirement) or termination for cause or termination for poor performance (as determined by the Board), prior to the end of the holding lock period, all unvested rights and restricted securities will lapse, unless the Board determines otherwise. In any other circumstances unless the Board determines otherwise, a pro rata portion of rights (calculated based on the portion of the performance period that has elapsed up until the date of termination) and all restricted securities will continue to remain on foot and, subject to the original terms of the offer, as though the Executive had not ceased employment.</td></tr>
<tr><td>Preventing Inappropriate Benefits</td><td colspan="2">The Board has discretion to reduce, including to nil, unvested rights in certain circumstances to ensure participants do not obtain any inappropriate benefit. The circumstances in which the Board may exercise this discretion include, for example, where the Board determines that an Executive has acted fraudulently, dishonestly, or has engaged in gross misconduct or has acted in a manner which brings the Group into disrepute.</td></tr>
<tr><td>Hedging</td><td colspan="2">In accordance with the Corporations Act 2001, all participants are prohibited from hedging or otherwise protecting the value of unvested stapled securities.</td></tr>
<tr><td>Change of Control Provisions</td><td colspan="2">The Board, in its absolute discretion, may determine the manner in which the rights will be dealt with.</td></tr>
</table>

Purpose of the Plan

As the Group embarks on the next period of growth continuity of leadership and retaining a high performing team are critical to the ongoing outperformance of Charter Hall in what is currently a highly competitive landscape for executive leadership and talent. The Plan is designed to complement the current annual remuneration framework by providing an additional retention mechanism and reward for outperformance.

It enables meaningful participation in outperformance of returns to security holders, through Performance Rights earned over a 5 year period. Rewards will only be earned if Group TSR performance over the next five years strongly outperforms on a Relative TSR basis and achieves a minimum Absolute TSR and then vests for each Participant only if they meet individual performance expectations and behaviours consistent with the Group's purpose and values, to the satisfaction of the Board.

Directors' report

For the year ended 30 June 2021

What is the average annual issue of Charter Hall securities under this Plan and the LTI Plan?

Under the FY2022 Retention & Outperformance Plan a maximum of 1.07% of securities on issue are issued at full vesting at the end of the 5-year performance period (or equivalent to 0.21% pa) and approximately 0.18% of securities on issue are currently issued at full vesting under the LTI Plan each year. This means on average approx. 0.39% of securities on issue are issued each year at 100% vesting across both plans.

Financial Performance Measures

The first performance measure is a **relative performance gateway** and requires a top-3 ranking in terms of TSR over the performance period against the comparator group. A top-3 position would be equivalent to an 89th percentile position. Across the peer group, for those REITs that have a Relative TSR measure in their LTI plans, 100% vesting typically occurs at a 75th percentile Relative TSR performance. The measure in this Retention and Outperformance Plan serves to ensure that the Absolute TSR performance (second measure) is sufficient on a Relative TSR performance basis.

If the first measure is achieved, the second performance measure has an **Absolute TSR performance gateway** measure equivalent to a 12% CAGR over the performance period. At this gateway threshold, 40% of the performance rights would vest (subject to holding lock period) with up to 100% vesting if the TSR over the performance period is equivalent to a 15% CAGR or greater; with vesting prorated between these performance hurdles based on actual TSR achieved.

The 12%-15% CAGR range for the TSR measure has been selected as it represents strong absolute performance and requires significant ongoing OEPS growth over the 5-year performance period, particularly in circumstances where there is no increase in Charter Hall's price earnings multiple. While Charter Hall has achieved higher TSR over the last five years this has been as a result of both strong OEPS growth and a significant increase in its price earnings multiple in an environment of declining interest rates and real asset appreciation. If there continues to be increases in price earnings multiples that contribute materially to the TSR performance of Charter Hall then the relative TSR performance gateway measure will establish whether Charter Hall's Absolute TSR is in the top three of the S&P/ASX 200 A-REIT Index constituents to qualify for vesting.

When considered in combination with the Relative TSR measure, the structure requires both sector leading performance and absolute returns in excess of long-term market averages as measured by the S&P/ASX200 A-REIT Index.

Why is this a 5-year Plan with a 2-year holding lock?

The Plan is designed to complement the existing Remuneration structure. The 5 year performance period of the Plan is intentionally longer than the LTI Plan period and the 2 year holding lock is designed to act as an additional retention mechanism with participants having additional Charter Hall equity ownership.

Changes to NED Fees and Maximum Aggregate NED Fee Pool

NED fees were last independently reviewed relative to market four years ago. Since then Charter Hall's market capitalisation has increased by 182% from $2.56 billion (as at 30 June 2017) to $7.23 billion (as at 30 June 2021) and the Group's FUM has increased by 164% from $19.8 billion (as at 30 June 2017) to $52.3 billion (as at 30 June 2021). This growth has increased the operational intensity, accountability (both legal and financial) and the responsibilities of Board members towards securityholders. Accordingly, EY were engaged to provide current market benchmarking data in relation to NED Board and Committee fees to assist with a review to align NED fees with market for comparable companies. This review took into account the Group's current market capitalisation, FUM, business complexity and intensity.

A summary of the current NED fees and the increased fees based upon the independent market benchmarking data review to take effect in FY2022 are set out below.

Directors’ report

For the year ended 30 June 2021

Current NED Fees and changes to take effect in FY2022	2021 $	2022 $
Board		
Chair	393,600	**465,000**
Member	157,590	**175,000**
Audit Risk and Compliance Committee		
Chair	42,025	**55,000**
Member	21,010	**25,000**
Remuneration and Human Resources Committee		
Chair	31,515	**40,000**
Member	15,755	**18,500**
Nomination Committee		
Chair	3,150	**5,000**
Member	3,150	**5,000**
Investment Committee		
Chair	15,755	**17,000**
Member	10,505	**12,000**

A review of the maximum aggregate NED fee pool was also undertaken relative to comparable companies. The current maximum aggregate NED fee pool is $1.7 million which was approved by securityholders at the 2017 AGM. Due to the increase in NED fees to take effect in FY2022 and to allow for future increases and the potential for an additional NED, it is intended that the current maximum aggregate NED fee pool of $1.7 million is increased to $2.0 million subject to the approval of securityholders at this year’s 2021 AGM.

Directors' report

For the year ended 30 June 2021

FY2021 Remuneration Outcome Summary

Charter Hall Limited is pleased to present its Remuneration Report (Report) for the year ended 30 June 2021 (FY2021). The table below outlines the key remuneration changes made in FY2021 and outcomes achieved in FY2021.

Remuneration at a Glance for FY2021

Delivery	Outcome
Fixed Annual Remuneration (FAR) (Section 3.3)	The FAR for the Managing Director and Other Reported Executives remained unchanged in FY2021 and no increases were awarded to any of the Reported Executives.
'On target' Total Remuneration and Remuneration Mix (Section 3.2)	No changes were made to the 'on target' Total Remuneration and 'at risk' components for the Managing Director and the Other Reported Executives.
Short Term Incentive (STI) (Section 3.4)	Group OEPS was 61 cents, which was approximately 20% above target FY2021 OEPS. Assessment of individual performance scorecards has resulted in 138.5% of the total target STI amount to be awarded to eligible employees across the Group. For all Group Executives (including the Reported Executives), STI is delivered in the form of cash (67%) and deferred service rights (33%).
Long Term Incentive (LTI) (Section 3.5)	The FY2018 grant vested in full on 31 August 2020 as a result of performance exceeding absolute and Relative TSR hurdles over the three years to 30 June 2020. The FY2019 LTI grant reached the end of its three-year performance period on 30 June 2021 and as a result of performance exceeding Relative TSR and aggregate OEPS hurdles over the three years to 30 June 2021 will vest at 100% on 31 August 2021 and will be subject to a further one-year holding lock.
Non-Executive Directors (NED) (Section 5)	There was no increase to the NED fee pool and individual NED fees in FY2021.

Directors’ report

For the year ended 30 June 2021

Remuneration Report Summary

Actual remuneration received in FY2021

The following table presents the actual remuneration that was received by Reported Executives during the financial year ended 30 June 2021. This voluntary disclosure is provided to increase transparency and includes:

- fixed pay and other benefits for FY2021;
- 2020 cash STI paid during FY2021; and
- the value of any LTI and STI award that vested during FY2021.

The actual remuneration presented in the table below is distinct from the disclosed remuneration (as required by section 308(C) of the *Corporations Act 2001* (Cth) (**Act**)) in section 4.1 of this Report, which is calculated in accordance with statutory obligations and accounting standards. The numbers in section 4.1 include accounting values for current and prior years’ LTI grants which have not been (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 %
Managing Director					
D Harrison	1,501,373	–	4,772,519	6,273,892	76.1
Other Reported Executives					
S McMahon	851,373	359,537	1,702,744	2,913,654	58.4
R Proutt	821,373	–	2,138,515	2,959,888	72.2
Totals	**3,174,119**	**359,537**	**8,613,778**	**12,147,434**	**70.9**

[1] Other benefits include superannuation and non-monetary benefits.

[2] Values relate to STI paid in FY2021 in cash for FY2020 performance; D Harrison elected to voluntarily defer 100% of the cash component of his FY2020 STI into rights; S McMahon elected to voluntarily defer 50% of the cash component of his FY2020 STI into rights and R Proutt elected to voluntarily defer 100% of the cash component of his FY2020 STI into rights.

[3] Values calculated using the two-day VWAP (volume-weighted average price) up until the vesting date applied to the number of rights vesting for LTI performance rights, STI deferred service rights and any sign-on service rights.

Directors’ report

For the year ended 30 June 2021

Remuneration Report

1. Key Management Personnel

This Report outlines the remuneration policies and practices that apply to Charter Hall’s Key Management Personnel (KMP) for the year ended 30 June 2021. The KMP include the Non-Executive Directors, Managing Director and Other Reported Executives.

Name	Role	Term as KMP
Non-Executive Directors		
David Clarke	Chair	Full Year
Anne Brennan	Director	Part Year - retired 31 May 2021
Philip Garling	Director	Full Year
Karen Moses	Director	Full Year
David Ross	Director	Full Year
Greg Paramor AO	Director	Full Year
Jacqueline Chow	Director	Part Year - appointed 17 February 2021
Managing Director		
David Harrison	Managing Director and Group CEO	Full Year
Other Reported Executives		
Sean McMahon	Chief Investment Officer	Full Year
Russell Proutt	Chief Financial Officer	Full Year

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

Directors’ report

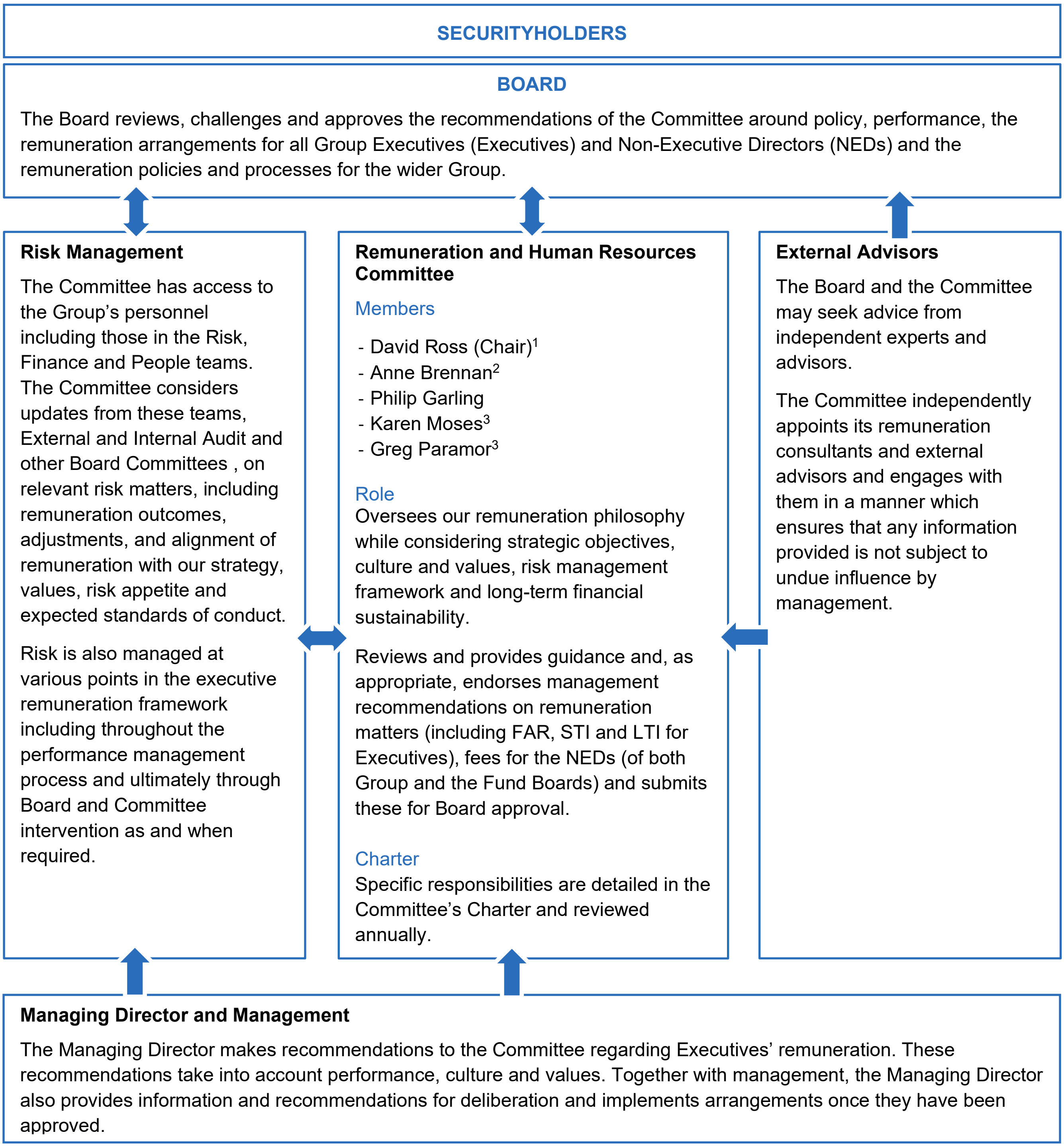
For the year ended 30 June 2021

Remuneration Report

2. Remuneration governance

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

The following diagram illustrates Charter Hall’s remuneration governance framework.



SECURITYHOLDERS

BOARD

The Board reviews, challenges and approves the recommendations of the Committee around policy, performance, the remuneration arrangements for all Group Executives (Executives) and Non-Executive Directors (NEDs) and the remuneration policies and processes for the wider Group.

Risk Management

The Committee has access to the Group’s personnel including those in the Risk, Finance and People teams. The Committee considers updates from these teams, External and Internal Audit and other Board Committees , on relevant risk matters, including remuneration outcomes, adjustments, and alignment of remuneration with our strategy, values, risk appetite and expected standards of conduct.

Risk is also managed at various points in the executive remuneration framework including throughout the performance management process and ultimately through Board and Committee intervention as and when required.

Remuneration and Human Resources Committee

Members

- David Ross (Chair)[1]
- Anne Brennan[2]
- Philip Garling
- Karen Moses[3]
- Greg Paramor[3]

Role

Oversees our remuneration philosophy while considering strategic objectives, culture and values, risk management framework and long-term financial sustainability.

Reviews and provides guidance and, as appropriate, endorses management recommendations on remuneration matters (including FAR, STI and LTI for Executives), fees for the NEDs (of both Group and the Fund Boards) and submits these for Board approval.

Charter

Specific responsibilities are detailed in the Committee’s Charter and reviewed annually.

External Advisors

The Board and the Committee may seek advice from independent experts and advisors.

The Committee independently appoints its remuneration consultants and external advisors and engages with them in a manner which ensures that any information provided is not subject to undue influence by management.

Managing Director and Management

The Managing Director makes recommendations to the Committee regarding Executives’ remuneration. These recommendations take into account performance, culture and values. Together with management, the Managing Director also provides information and recommendations for deliberation and implements arrangements once they have been approved.

[1] David Ross was appointed the Chair of the Remuneration and Human Resources Committee on 26 March 2021.

[2] Anne Brennan stepped down from the role of Chair of the Remuneration and Human Resources Committee effective 26 March 2021. She remained a member until her retirement from the Board effective 31 May 2021.

[3] Karen Moses and Greg Paramor were appointed to the Remuneration and Human Resources Committee effective 1 April 2021.

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.

Directors' report

For the year ended 30 June 2021

Remuneration Report

3. Executive remuneration framework

Charter Hall's remuneration framework is designed to attract and retain talented people by rewarding them for achieving performance outcomes that are aligned with our purpose, culture and values, business strategy, risk appetite and the long-term interests of our customers and securityholders.

3.1 Executive remuneration strategy

The below diagram illustrates the remuneration framework that applied to the Managing Director and Other Reported Executives in FY2021. It also outlines the link between Charter Hall's business and remuneration strategies.

OUR PURPOSE

We create better futures by bringing aspirations to life.

OUR VALUES

Active Partnership	Genuine Insight	Inventive Spirit	Powered by Drive
We believe that if everyone benefits, we benefit	We use expertise to unlock resilient growth	We create with purpose and discipline	We put our passion into action

OUR BUSINESS STRATEGY

To access, deploy, manage and invest equity in core real estate sectors, creating value and generating superior returns for our customers and securityholders through:

- 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; and recruiting, retaining and motivating a high performing team.

OUR REMUNERATION PRINCIPLES

Deliver long term results for securityholders

Attract, retain and motivate top talent

Be simple, transparent and consistent

Drive appropriate risk culture and employee conduct

Component	Delivery	Current Year	Year 1	Year 2	Year 3	Year 4
FAR	Fixed Annual Remuneration comprises of cash base salary, statutory superannuation contributions and other nominated benefits.					
STI	'At risk' and subject to performance outcomes (OEPS and financial and non-financial KPIs including evidence of behaviour in line with values). 67% is paid as cash and 33% is deferred as service rights.	STI cash delivered	Deferred STI vests in 2 equal tranches over 2 years			
LTI	'At risk' equity awards that are subject to long-term performance conditions. 100% is delivered as performance rights.		Vesting after 4 years, equal measures of Relative TSR and OEPS growth			

REMUNERATION OUTCOMES FY2021

FAR	There was no change to Managing Director's FAR in FY2021. FAR for Other Reported Executives did not change in FY2021. (Section 3.3).
STI	The outperformance of 20% above target FY2021 OEPS has resulted in 138.5% of the total target STI amount to be awarded to eligible employees across the Group, based on the assessment of individual performance scorecards. Vesting of FY2019 (second tranche) and FY2020 (first tranche) deferred service rights in full.
LTI	FY2018 LTI award reached the end of its three-year performance period on 30 June 2020 and vested at 100% on 31 August 2020 and was subject to a further one-year holding lock. FY2019 LTI award reached the end of its three-year performance period on 30 June 2021 and will vest at 100% on 31 August 2021 and will be subject to a further one-year holding lock.

Mandatory Security holding Requirement	CEO and other Executives must accumulate Charter Hall securities equal to 100% of pre-tax FAR over a four-year period from the date of adoption of this requirement or from the date of appointment as an Executive, as applicable and maintain it on an on-going basis.

Directors' report

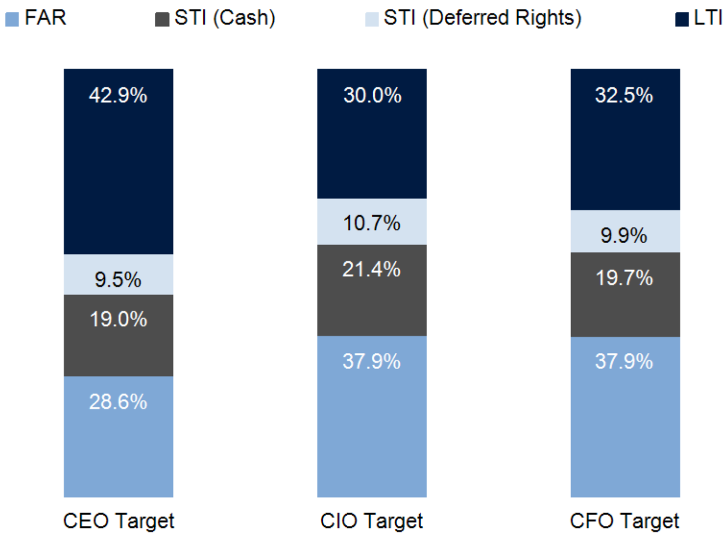
For the year ended 30 June 2021

Remuneration Report

3.2 Remuneration mix

Executive remuneration is structured as a mixture of fixed and variable 'at-risk' STI and LTI components. While fixed annual 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' remuneration components on target that apply for FY2021. All Reported Executives have the potential to earn up to 150% of target STI.



3.3 Fixed Annual Remuneration

Composition	FAR comprises cash base salary, statutory superannuation contributions and other nominated benefits.
Benchmarking and Review	FAR is targeted at the median of the property market and is reviewed regularly and, benchmarked against equivalent roles in the market recognising: - individual performance; and - the market environment for each individual's skills and capabilities.
Comparator Group	The entities in the S&P/ASX 200 Australian Real Estate and Investment Trust (A-REIT) industry group are included in the comparator Group used to determine the Reported Executives' remuneration.
Charter Hall Managing Director outcome	The Managing Director's FAR remained unchanged at $1,500,000 in FY2021.
Other Reported Executives	FAR for the CFO and the CIO remained unchanged in FY2021.

Directors' report

For the year ended 30 June 2021

Remuneration Report

3.4 Short Term Incentive

FY2021 STI Award – Key Features

<table>
<tr><th>Features</th><th>Approach</th></tr>
<tr><td>Purpose</td><td>STI is an 'at-risk' incentive awarded annually, subject to performance against agreed financial and non-financial Key Performance Indicators (KPIs) including evidence of behaviour in line with values.</td></tr>
<tr><td>Participants</td><td>All Executives</td></tr>
<tr><td>Gateway for STI</td><td>Group: A financial gateway of 95% of target OEPS must be met before any STI entitlement is available, with the Board retaining overall discretion on performance achievement.
Individual: To help us maintain an effective risk management culture, all Executives must complete risk and compliance training during the performance year (including Code of Conduct training) to ensure they fully understand their role and comply with relevant legislative requirements.
Both gateways need to be met for any STI to be awarded.</td></tr>
<tr><td>Determining and assessing achievement of STI Target</td><td>The percentage achievement of STI Target is determined by the Board, upon advice from the Committee, based on actual OEPS achieved relative to an OEPS target. The Board retains the discretion to increase or decrease the percentage of overall STI Target achieved, based on its assessment of the overall performance throughout the year.</td></tr>
<tr><td>Individual Opportunity</td><td>The maximum STI potential for all employees is 150% of their STI target, enabling recognition for outperformance.</td></tr>
<tr><td>Performance Targets</td><td>Individual STI outcomes are determined on the basis of Group and individual performance through a Balanced Scorecard. The Scorecard is split into three elements: Financial; Customer; and Culture/Leadership/Collaboration with 50% financial and 50% non-financial split between Customer and Culture/Leadership/Collaboration. For each of these elements there are KPIs aligned to our core strategic objectives of Growth and Resilience.

The Board believes that having a mix of financial and non-financial KPIs will provide measurable performance criteria strongly linked to year-on-year securityholder returns and encourage the achievement of individual goals consistent with the Group's overall objectives. The scorecard elements of financial, customer and culture, leadership and collaboration have been chosen as KPI categories because they represent important elements of Charter Hall's core strategic objectives. Each of these categories has measures of 'Growth' and 'Resilience'. Whilst 'Growth' measures are focused on building the Group's capability across all KPI categories, 'Resilience' measures drive sustainable growth and encourage risk management.

<table>
<tr><th>Role</th><th>Financial/Securityholder</th><th>Customer</th><th>Culture, Leadership and Collaboration</th></tr>
<tr><td>Managing Director</td><td>50%</td><td>30%</td><td>20%</td></tr>
<tr><td>CFO</td><td>50%</td><td>30%</td><td>20%</td></tr>
<tr><td>CIO</td><td>50%</td><td>25%</td><td>25%</td></tr>
</table></td></tr>
<tr><td>Determining and Assessing Performance</td><td>In consultation with the Committee, the Board assesses the Group's financial performance and the performance of all Reported Executives against agreed KPIs.

The Board applies the following general principles when determining and measuring performance goals and any STI incentive for the Executives:
- STI outcomes should always align with the market reported results, with any adjustments being consistent with business performance and behaviour aligned to Group values;
- 'on target' performance aligns with the Board approved target for the financial year; and
- payout above Gateway for STI is up to a maximum (150% of STI target).

These principles for assessing performance were chosen because they are, as far as practicable, objective and fair and the most appropriate way to assess the Executives' individual contribution and determine remuneration outcomes in alignment with the financial performance of the Group.</td></tr>
<tr><td>Board Discretion</td><td>Once the Balanced Scorecard has been assessed and performance against KPIs has been determined, the outcome is subject to Board discretion. The Board may modify the performance outcomes upwards or downwards taking into account risk related matters, behaviour in line with values and expected standards of conduct.</td></tr>
<tr><td>Delivery</td><td>For all Executives, STI is delivered in the form of cash (67%) and deferred service rights (33%).
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 value calculation prepared by Deloitte using the Black-Scholes-Merton valuation method, which discounts for dividends/distributions forgone during the deferral period.</td></tr>
</table>

Directors' report

For the year ended 30 June 2021

Remuneration Report

Features	Approach
Voluntary Deferral of Cash Component of STI	Under the FY2021 STI Plan Executives and certain senior managers had an option to elect to receive up to 100% of their cash STI payment in the form of rights to acquire CHC securities. These rights will vest based on the employee's elected deferral period of 3, 5 or 7 years from the date of grant. These rights will be subject to Charter Hall's Performance Rights and Options Plan (PROP) however, will not be subject to performance conditions or forfeiture on termination of employment. The number of rights granted to an Executive or a senior manager is determined based on an independent value calculation prepared by Deloitte using the Black-Scholes-Merton valuation method, which discounts for dividends/distributions forgone during the deferral period.
Cessation of Employment	In the event of resignation (other than genuine retirement) or termination for cause or termination for poor performance (as determined by the Board), all unvested mandatorily deferred STI in service rights will lapse, unless the Board determines otherwise. In any other circumstances unless the Board determines otherwise, the rights will continue to remain on foot and, subject to the original terms of the offer, as though the Executive had not ceased employment.
Preventing Inappropriate Benefits	For the mandatorily deferred STI component, the Board has discretion to reduce, including to nil, unvested rights in certain circumstances to ensure Executives do not obtain an inappropriate benefit. The circumstances in which the Board may exercise this discretion include, for example, where the Board determines that an Executive has acted fraudulently, dishonestly, or has engaged in gross misconduct or has acted in a manner which brings the Group into disrepute.

Directors' report

For the year ended 30 June 2021

Remuneration Report

STI Performance Outcomes for Financial Year Ending 30 June 2021 – Managing Director

Growth and resilience measures are assessed in each of the performance categories in the Managing Director's scorecard.

Performance Category and Weighting	Measure	Performance Outcome	Rating
Financial **50%**	- Group OEPS growth - Growth in funds under management - Outperformance of Funds to relevant indices - Maintaining Group investment capacity - Securing and exceeding budgeted net equity flows	- OEPS growth to 61cps - FUM growth of $11.8bn - Fund outperformance in relevant indices - Increase in investment capacity to $6.7bn - Equity flows achieved were more than 100% above Budget - Total platform return of 23.6%	Outstanding
Customer **30%**	- Customer and investor satisfaction surveys - ESG focus and resourcing strategies - Effectiveness of customer retention strategies	- Strong tenant and investor customer relationships as evidenced through survey results - 2020 PRI Leaders Group for climate reporting - Investment in the capability and number of resources in Group ESG	Outstanding
Culture, Leadership and Collaboration **20%**	- Succession planning - Diversity and Inclusion - Employee engagement and turnover - Fund NED engagement levels	- Key talent appointments and rotations at Executive and Executive-1 levels - WGEA Employer of choice for gender equality - 90% engagement result with 95% participation - Positive Fund NED feedback across all funds	Outstanding

STI Performance Outcomes for Financial Year Ending 30 June 2021 – Other Reported Executives

KPIs for other Reported Executives are aligned to that of the Managing Director. These are focused on growth and resilience measures in individual areas of accountability.

Scorecard	KPI	Performance Rating
Financial	Including Group and Divisional financials and investment earnings; growth in funds under management; and divisional specific financial initiatives.	Outstanding
Customer and Strategy	Including customer experience, service and satisfaction measures for funds and tenants.	Outstanding
Culture, Leadership and Collaboration	Including leadership contribution, succession, talent, diversity and engagement.	Outstanding

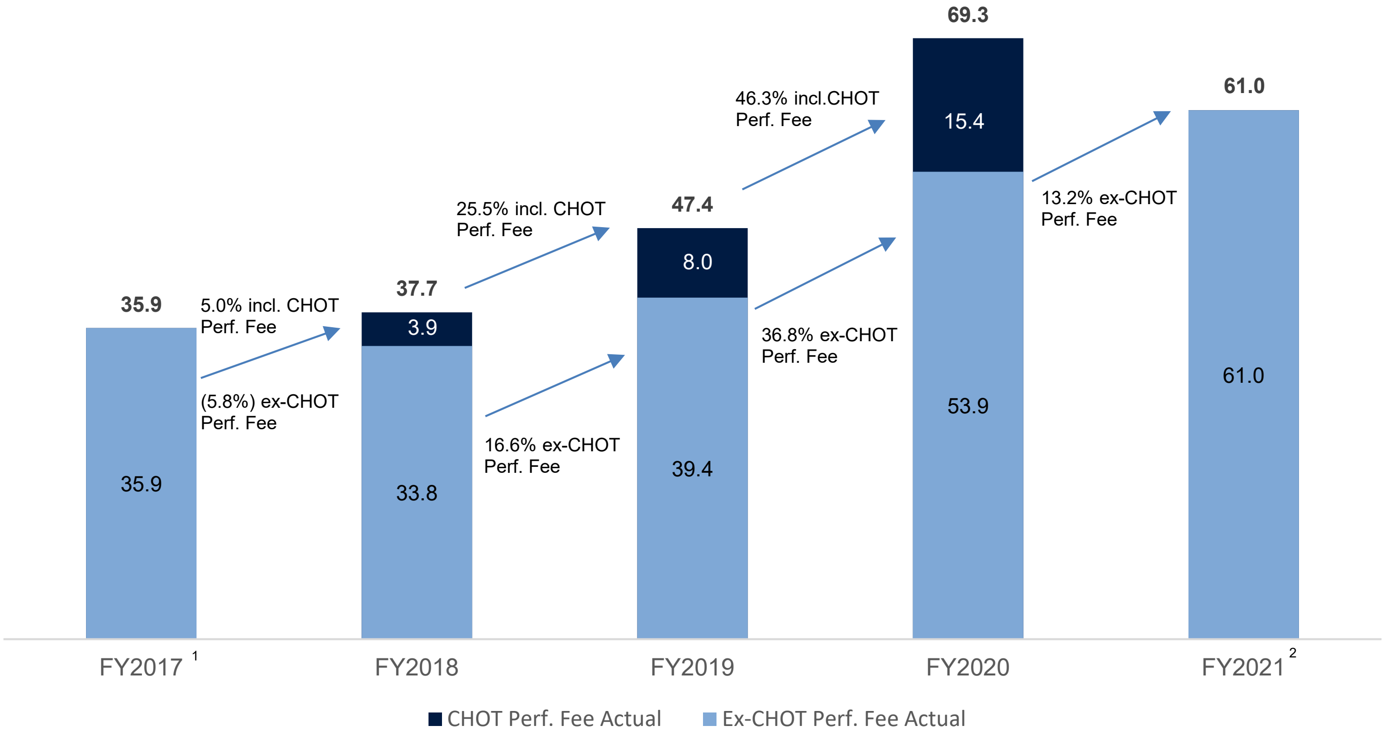
Directors' report

For the year ended 30 June 2021

Remuneration Report

Group FY2021 performance outcomes

In FY2021, Charter Hall's OEPS was 61 cents, which was 13.2% above the FY2020 OEPS (excluding the CHOT performance fee). The table below shows Charter Hall's OEPS (cps) over a five-year period:



1 The first year CHC recognised operating tax expense of 4.6 cps.
2 No CHOT Performance Fee recognised in FY2021

FY2021 STI outcomes

The outperformance of 20% above target FY2021 OEPS in FY2021 allows for 150% of the total target STI amount to be awarded similar to 150% in FY2020 and 128% in FY2019. Assessment of individual performance scorecards has resulted in 138.5% of the total target STI amount to be awarded, in September 2021, to eligible employees across the Group.

The below table shows the STI outcomes for Reported Executives for 2021.

Reported Executives on average received an outcome of 150% of STI target for FY2021. This is based on individual achievement against KPIs including evidence of behaviour in line with values and overall leadership team contribution to the Group.

Name	STI earned $	Paid in cash[1] $	Voluntary deferral into rights $	Mandatory deferral into service rights $	Target STI of fixed pay %	STI earned compared to target %	STI earned compared to maximum %
Managing Director							
D Harrison	2,250,000	1,500,000	–	750,000	100%	150%	100%
Other Reported Executives							
S McMahon[2]	1,078,605	539,303	179,768	359,535	85%	150%	100%
R Proutt[3]	961,500	–	641,000	320,500	78%	150%	100%

1 To be paid on 15 September 2021

2 S McMahon has elected to voluntarily defer 25% of the cash component of his FY21 STI into rights for a 3-year period

3 R Proutt has elected to voluntarily defer 100% of the cash component of his FY21 STI into rights for a 3-year period

Directors’ report

For the year ended 30 June 2021

Remuneration Report

3.5 Long Term Incentive

FY2021 LTI Plan – Key Features

<table>
<tr><th>Features</th><th>Approach</th></tr>
<tr><td>Purpose</td><td>LTI is ‘at risk’ and aligns with the long-term interests of securityholders and business performance. It also plays an important role in employee retention.</td></tr>
<tr><td>Participants</td><td>All Executives</td></tr>
<tr><td>Type of equity awarded</td><td>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.</td></tr>
<tr><td>Performance Period</td><td>Performance Rights are subject to a four-year performance period commencing on 1 July 2020 and ending on 30 June 2024.</td></tr>
<tr><td>Valuation</td><td>The number of rights granted to a participant is determined based on an independent value calculation prepared by Deloitte using the Black-Scholes-Merton valuation method, which discounts for dividends/distributions forgone during the deferral period.</td></tr>
<tr><td>Vesting Conditions</td><td>Performance Rights will vest subject to the satisfaction of the following performance conditions measured over the performance period:
- 50% of Performance Rights are subject to an aggregate operating earnings per security (OEPS) growth hurdle; and
- 50% of Performance Rights are subject to a relative total securityholder return (TSR) hurdle.</td></tr>
<tr><td>OEPS Performance Measure (50% of LTI Allocation)</td><td>The OEPS performance measure involves setting an aggregate total value of OEPS to be earned over the entire performance period (i.e. for a 4-year performance period, the aggregate total value of OEPS will be year one OEPS, plus year two OEPS, plus year three OEPS, plus year four OEPS). The aggregate OEPS performance measure has a minimum and stretch hurdle set by growing the commencement year OEPS (i.e. the actual OEPS for the financial year end prior to the performance period) by the OEPS growth rates of 5% per annum compound for the minimum aggregate OEPS hurdle and 7% per annum compound for the stretch aggregate OEPS hurdle. For FY2021 LTI, the Board has set the commencement OEPS as the FY2020 adjusted OEPS of 53.9 cps (after tax) which is the FY2020 actual OEPS result of 69.3 cps (after tax) less the Charter Hall Office Trust (CHOT) performance fee of 15.4 cps (after tax) recognised during the period.
<table>
<tr><th>If the aggregate OEPS achieved over the four-year performance period is:</th><th>Percentage of Performance Rights subject to the aggregate OEPS performance measure which may vest</th></tr>
<tr><td>Less than an aggregate OEPS (after tax) of 244.13 cps (based on a 5% CAGR)</td><td>0%</td></tr>
<tr><td>Equal to aggregate OEPS (after tax) of 244.13 cps (based on a 5% CAGR)</td><td>50%</td></tr>
<tr><td>More than an aggregate OEPS (after tax) of 244.13 cps (based on a 5% CAGR) but less than an aggregate OEPS (after tax) of 256.27 cps (based on a 7% CAGR)</td><td>Pro rata straight line vesting between 50% - 100%</td></tr>
<tr><td>Equal to or more than an aggregate OEPS (after tax) of 256.27 cps (based on a 7% CAGR)</td><td>100%</td></tr>
</table>
</td></tr>
</table>

Directors' report

For the year ended 30 June 2021

Remuneration Report

Relative TSR Performance Measure (50% of LTI Allocation)

Performance is determined based on the Group's total ASX shareholder return (assuming distributions are reinvested) ranking against the members of the comparator group over the performance measurement period. The Board determines who is included in that comparator group and how the companies in that group are to be treated.

The Board has determined the following comparator group for the FY2021 LTI:

Abacus Property Group (ABP)
BWP Trust (BWP)
Cromwell Property Group (CMW)
Charter Hall Retail REIT (CQR)
Charter Hall Long Wale REIT (CLW)
Dexus Property Group (DXS)
Goodman Group (GMG)
Growthpoint Properties Australia (GOZ)
Mirvac Group (MGR)
National Storage REIT (NSR)
Scentre Group (SCG)
GPT Group (GPT)
Stockland (SGP)
Vicinity Centres (VCX)
Waypoint REIT (WPR)
Shopping Centres Australasia Property Group (SCP)

If, over the relevant performance period the Charter Hall Group relative TSR when ranked to a comparator group of the S&P/ASX 200 A-REIT Accumulation Index is:	Percentage of Performance Rights subject to the relative TSR performance measure which may vest
Less than the comparator group 50th percentile	0%
Equal to the comparator group 50th percentile	50%
More than the comparator group 50th percentile and less than 75th percentile	Pro rata straight line vesting between 50% - 100%
Exceeds the comparator group 75th percentile	100%

Rationale for Performance Measures

During 2018, the Board reviewed the LTI performance measures to ensure they continue to align with securityholder expectations and with Charter Hall's current strategy. Following the review, the Board determined in FY2019 to retain the Relative TSR performance measure and replace the Absolute TSR performance measure with an aggregate OEPS performance measure.

For FY2020 and FY2021, the Board agreed the same performance hurdles for Relative TSR and OEPS growth would apply.

The aggregate OEPS performance measure was selected because it is within the Executive's ability to influence and is a key driver of securityholder returns and therefore aligns performance with returns to securityholders. The Board excluded the CHOT performance fee from the aggregate OEPS hurdles and actual OEPS performance in the FY2019, FY2020 and FY2021 LTI Plans, however, all other performance fees are included. The OEPS growth rates used to set the aggregate OEPS performance hurdles of 5% per annum compound for the minimum aggregate OEPS hurdle and 7% per annum compound for the stretch aggregate OEPS hurdle applied for the FY2019, FY2020 and FY2021 LTI plans and have been set with reference to:

- average EPS growth of the constituents of the comparator group;
- growth opportunities for the Group; and
- the risk appetite of the Group for resilient and achievable long-term earnings growth.

The aggregate OEPS performance measure was selected because Charter Hall's OEPS can fluctuate due to performance and transaction fee income, and the Board believes that aggregate OEPS allows for OEPS to be considered over the entire performance period.

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. Relative TSR is the most widely used LTI performance measure used 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 investment returns provided by the comparator group over the same period.

Directors’ report

For the year ended 30 June 2021

Remuneration Report

<table>
<tr><td>Voluntary Restriction Period</td><td>At the time of rights allocation, Executives can make an upfront election to apply a voluntary restricted period to 25%, 50%, 75% or 100% of stapled securities allocated to them on vesting of the Performance Rights. The following table sets out the three alternatives they can elect to apply as their voluntary restricted period. The periods identified below will commence at vesting date.
<table>
<tr><th></th><th>3 years</th><th>4 years</th><th>5 years</th><th>6 years</th><th>7 years</th></tr>
<tr><td>Option A</td><td>20%</td><td>20%</td><td>20%</td><td>20%</td><td>20%</td></tr>
<tr><td>Option B</td><td>25%</td><td>25%</td><td>25%</td><td>25%</td><td>-</td></tr>
<tr><td>Option C</td><td>33%</td><td>33%</td><td>34%</td><td>-</td><td>-</td></tr>
</table>
Following vesting of the Performance Rights, the restricted stapled securities allocated to participants will not be subject to forfeiture upon termination and participants will be entitled to receive declared distributions during the restricted period.</td></tr>
<tr><td>Distributions</td><td>Distributions are not provided on Performance Rights as the number of rights allocated to each participant takes into account distributions foregone during the performance period</td></tr>
<tr><td>Cessation of Employment</td><td>In the event of resignation (other than genuine retirement) or termination for cause or termination for poor performance, all unvested Performance Rights will lapse, unless the Board determines otherwise. In any other circumstances unless the Board determines otherwise, the Performance Rights will continue to remain on foot and, subject to the original terms of the offer, as though the Executive had not ceased employment.</td></tr>
<tr><td>Preventing Inappropriate Benefits</td><td>The Board has discretion to reduce, including to nil, unvested rights in certain circumstances to ensure Executives do not obtain an inappropriate benefit. The circumstances in which the Board may exercise this discretion include for example, if the Board determines that an Executive has acted fraudulently or dishonestly or engaged in gross misconduct, or has acted in a manner which brings the Group into disrepute.</td></tr>
</table>

Directors’ report

For the year ended 30 June 2021

Remuneration Report

Group performance outcomes

Absolute TSR (FY2018 LTI) – The Group delivered a TSR (including stapled security price movements and distributions) over the three years to 30 June 2020 (FY2018 LTI performance period) of 89% equivalent to a 24% CAGR exceeding the upper end of the Absolute TSR performance hurdle which required a 12% CAGR over the three year performance period.

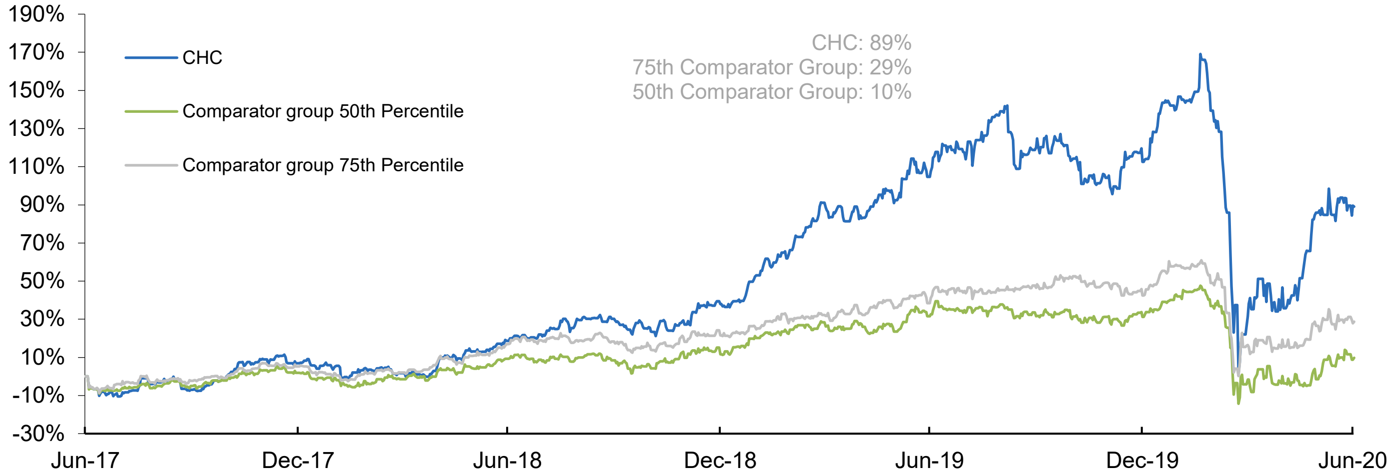
Relative TSR (FY2018 LTI) – The TSR for the three year performance period was 89% equivalent to a 23.6% CAGR achieving the 93rd percentile rank of the 16 REITs in the comparator group from the S&P/ASX200 A-REIT Accumulation Index.

OEPS (FY2019 LTI) – The Group delivered aggregate OEPS of 154.4 cents over the three years to 30 June 2021 (FY2019 LTI performance period) equivalent to a 22.5% CAGR exceeding the upper end of the performance hurdle aggregate OEPS of 116.4 cents based upon a 7% CAGR over the three year performance period.

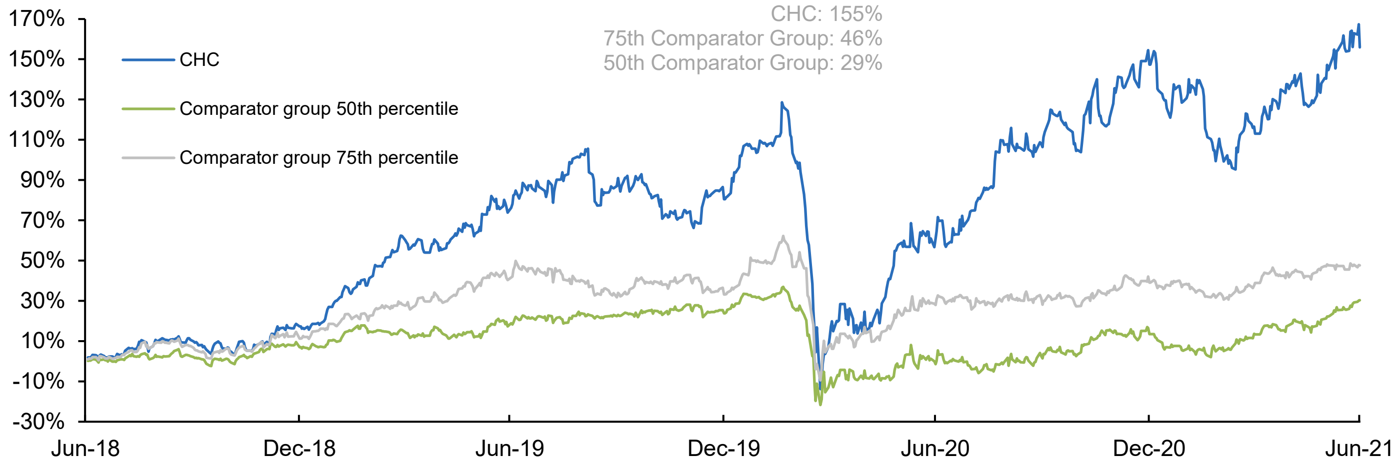
Relative TSR (FY2019 LTI) – The TSR for the three year performance period was 155.9% equivalent to a 36.8% CAGR achieving the top rank of the 16 REITs in the comparator group from the S&P/ASX200 A-REIT Accumulation Index.

The following graphs illustrate the Group’s TSR compared with the comparator group’s 50th and 75th percentile throughout the FY2018 and FY2019 LTI performance periods.

FY2018 LTI performance period



FY2019 LTI performance period



Directors' report

For the year ended 30 June 2021

Remuneration Report

Outcomes	– The FY2018 LTI had a vesting date of 31 August 2020. As a result of the TSR performance over the three years to 30 June 2020, the absolute and relative TSR performance hurdles were exceeded and 100% of the performance rights vested and was subject to a further one-year holding lock. – The FY2019 LTI has a vesting date of 31 August 2021. As a result of the TSR performance and aggregate OEPS achieved over the three years to 30 June 2021, the relative TSR performance hurdles and aggregate OEPS hurdles were exceeded and 100% of the performance rights will vest and be subject to a further one-year holding lock. – Further details of the terms of these awards are set out in the relevant prior year remuneration reports.

TSR for Charter Hall versus comparable indices is outlined below

Charter Hall has outperformed its peer group with significant outperformance over the longer term. The following table compares the total securityholder return for Charter Hall against various indices.

Annualised TSR (p.a. compound)	1 Year	3 Years	5 Years	10 Years
CHC[1]	64.1%	37.9%	30.3%	28.2%
S&P ASX 100	27.9%	9.9%	11.3%	9.5%
S&P ASX 200 A-REIT	33.2%	7.7%	5.8%	11.8%
MSCI World REITs	30.5%	9.6%	7.6%	8.2%

[1] Source UBS. Annualised TSR of 36.8% for LTI purposes is calculated using June VWAP as opening and closing prices

3.6 Deferred STI and LTI Rights Awarded – Additional Terms and Conditions

Deferred STI and LTI Awards are subject to some additional terms and conditions as per below:

Change of control provisions	The Board, in its absolute discretion, may determine the manner in which the rights will be dealt with.
Hedging and margin lending prohibitions	In accordance with the Corporations Act 2001, all participants are prohibited from hedging or otherwise protecting the value of unvested stapled securities.

3.7 Group summary of performance and total remuneration outcomes

The table below provides information on Charter Hall's performance against key metrics over the last five years.

Key performance metrics	2017	2018	2019	2020	2021
Statutory profit after tax for stapled securityholders ($m)	257.6	250.2	235.3	345.9	476.8
Statutory earnings per stapled security (EPS) (cents)	61.2	53.7	50.5	74.3	102.4
Operating earnings for stapled securityholders ($m)	151.2	175.8	220.7	322.8	284.3
Operating earnings per stapled security (cents)	35.9	37.7	47.4	69.3	61.0
Growth in OEPS %	18.1	5.0	25.5	46.3	-12.0
Operating earnings per stapled security (ex CHOT performance fee) (cents)	35.9	33.8	39.4	53.9	61.0
Growth in OEPS (ex CHOT performance fee) %	18.1	-6.0	16.6	36.8	13.2
Distribution per stapled security (cents)	30.0	31.8	33.7	35.7	37.9
Stapled security price at 30 June ($)[1]	5.50	6.52	10.83	9.69	15.52
CHC total securityholder return – Jul to Jun (%)	15.2	24.6	72.4	-7.4	64.1

[1] The opening share price at 1 July 2017 was $5.50.

The table below provides information on Reported Executives' total remuneration, both fixed and 'at risk' compared to target total remuneration. Charter Hall's STI is weighted towards growth in OEPS and the LTI provides an important link between remuneration and TSR.

Reported Executives total remuneration summary	2020	2021
Fixed payments ($)	3,075,536	3,175,847
STI accounting expense ($)	4,290,105	4,290,105
LTI accounting expense ($)[1]	2,012,321	2,742,462
Earned remuneration ($)[2]	9,377,962	10,208,414
On target total remuneration ($)	7,947,927	8,778,379
Earned remuneration relative to target remuneration – over/(under) (%)	18%	16%

[1] The LTI expense attributed to the Reported Executives reflects the statutory accounting expense under AASB2.

[2] Earned remuneration for the Reported Executives is the sum of their fixed payments, STI and LTI expenses recognised.

Directors’ report

For the year ended 30 June 2021

Remuneration Report

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 FY2020 and FY2021.

	Short-term benefits				Post-employment benefits	Security-based payments			Other long-term benefits		
Name	Salary $	Cash short-term incentive $	Annual leave[1] $	Non-monetary benefits[2] $	Superannuation $	Voluntarily deferred short-term incentive $	Mandatory security-based short-term incentive $	Securities options and performance rights $	Long service leave[1] $	Total $	% of total remuneration consisting of rights[6] %
Managing Director											
D Harrison[3]											
2021	**1,478,306**	**1,500,000**	**(30,413)**	**1,373**	**21,694**	**–**	**750,000**	**1,681,249**	**26,251**	**5,428,460**	**45**
2020	1,478,997	–	14,794	1,688	21,003	1,500,000	750,000	1,178,229	(161,106)	4,783,605	72
Other Reported Executives											
S McMahon[4]											
2021	**828,306**	**539,303**	**(3,458)**	**1,373**	**21,694**	**179,768**	**359,535**	**516,163**	**14,876**	**2,457,559**	**43**
2020	828,997	359,535	(9,391)	1,688	21,003	359,535	359,535	375,087	17,389	2,313,378	47
R Proutt[5]											
2021	**798,306**	**–**	**(19,879)**	**1,373**	**21,694**	**641,000**	**320,500**	**545,050**	**14,351**	**2,322,395**	**65**
2020	798,997	–	23,752	1,688	21,003	641,000	320,500	459,005	15,034	2,280,979	62
Total 2021	**3,104,918**	**2,039,303**	**(53,750)**	**4,119**	**65,082**	**820,768**	**1,430,035**	**2,742,462**	**55,478**	**10,208,414**	**49**
Total 2020	3,106,991	359,535	29,155	5,064	63,009	2,500,535	1,430,035	2,012,321	(128,683)	9,377,962	**63**

[1] Shows the movement in leave accruals for the year.

[2] Non-monetary benefits for FY2021 is salary continuance insurance.

[3] D Harrison had elected to voluntarily defer 100% of the cash component of his FY2020 STI into rights; 50% is being deferred for a 3-year period and 50% for a 5-year period.

[4] S McMahon has elected to voluntarily defer 25% of the cash component of his FY2021 STI into rights for a 3-year period; in FY2020 he had elected to defer 50% of the cash component of his FY2020 STI into rights for a 3-year period

[5] R Proutt has elected to voluntarily defer 100% of the cash component of his FY2021 STI into rights for a 3-year period; in FY2020 he had elected to defer 100% of his FY2020 cash STI into rights (50% deferred for a 3-year period and 50% for a 5-year period).

[6] Includes Voluntarily deferred short term incentive, Mandatory security based short term incentive and Securities options and performance rights.

Directors' report

For the year ended 30 June 2021

Remuneration Report - continued

4. Executive remuneration in detail continued

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 and payment of other benefits.

All Reported Executives' contracts are ongoing in duration. The notice period for the Managing Director and Other Reported Executives are summarised below:

		Minimum Notice Period[1]	
Name	Position	Employee	Charter Hall
Managing Director			
David Harrison[2]	Managing Director and Group CEO	6 months	12 months
Other Reported Executives			
Sean McMahon	Chief Investment Officer	6 months	6 months
Russell Proutt	Chief Financial Officer	6 months	6 months

[1] No notice period is required for termination by the Company for serious or wilful misconduct by the employee.

[2] Where the Managing Director gives notice of his cessation of employment, he is entitled to a restraint payment of a maximum of six month equivalent fixed remuneration so long as he complies with the terms of his employment agreement for the period of six months following his cessation.

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).

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	The Chair and member committee fees remained unchanged in FY2021.
Minimum shareholding guidelines	Minimum shareholding guidelines were increased in FY2019 requiring Independent Directors to hold CHC securities to the value of $90,000 (previously $50,000). This minimum shareholding guideline is approximately a year's base fee (net of tax) and is 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

For the year ended 30 June 2021

Remuneration Report - continued

5. Non-Executive Director remuneration continued

Summary of fee framework per annum	2021 $	2020 $
Board		
Chair	**393,600**	393,600
Member	**157,590**	157,590
Audit Risk and Compliance Committee		
Chair	**42,025**	42,025
Member	**21,010**	21,010
Remuneration and Human Resources Committee		
Chair	**31,515**	31,515
Member	**15,755**	15,755
Nomination Committee		
Chair	**3,150**	3,150
Member	**3,150**	3,150
Investment Committee		
Chair	**15,755**	15,755
Member	**10,505**	10,505

Non-Executive Director remuneration	2021 fees $	2020 fees $
Non-Executive Directors		
D Clarke	**393,600**	393,600
A Brennan[1]	**189,998**	210,115
P Garling	**192,250**	192,250
K Moses[2]	**203,554**	199,615
D Ross[3]	**196,421**	187,000
G Paramor[4]	**187,791**	189,105
Jacqueline Chow[5]	**65,454**	–
Total	**1,429,068**	1,371,685

1 Anne Brennan retired from the Board effective 31 May 2021.

2 Karen Moses was appointed as a member to the Remuneration and Human Resources Committee effective 1 April 2021 and the Nomination Committee effective 1 July 2021, in addition to her current committee memberships.

3 David Ross was appointed the Chair of the Remuneration and Human Resources Committee and a member to the Audit, Risk and Compliance Committee effective 26 March 2021 and 1 April 2021 respectively, in addition to his current committee memberships, and retired from the Nomination Committee effective 1 July 2021.

4 Greg Paramor retired from the Audit, Risk and Compliance Committee and was appointed as a member to the Remuneration and Human Resources Committee effective 1 April 2021, in addition to his current committee memberships.

5 Jacqueline Chow was appointed to the Board and as a member to the Audit, Risk and Compliance Committee effective 17 February 2021.

Directors' report

For the year ended 30 June 2021

Remuneration Report

6. Appendix – further detail

6.1 Securityholdings

Key management personnel securityholdings

Name	Opening balance at 30 Jun 2020	Stapled securities acquired	Rights and options exercised	Stapled securities sold	Closing balance at 30 Jun 2021
Directors of Charter Hall Limited					
Ordinary stapled securities					
D Clarke	45,875	–	–	–	**45,875**
A Brennan[1]	30,000	–	–	–	**–**
P Garling	16,759	1,592	–	–	**18,351**
K Moses	23,137	–	–	–	**23,137**
D Ross	10,000	–	–	–	**10,000**
G Paramor	14,300	–	–	–	**14,300**
J Chow[2]	–	500	–	–	**500**
Managing Director					
D Harrison	1,378,977	70,000	377,764	(413,278)	**1,413,463**
Other Reported Executives					
S McMahon	261,530	–	134,779	(84,016)	**312,293**
R Proutt	69,979	–	169,272	(61,091)	**178,160**

[1] Anne Brennan retired from the Board on 31 May 2021

[2] Jacqueline Chow was appointed to the Board on 17 February 2021

6.2 Performance Rights and Option Plan details

Performance rights and service rights outstanding under the PROP

Performance rights

Financial year of grant	Securities	Exercise price	Vesting conditions
2019	979,346	Nil	OEPS and relative performance criteria
2020	698,325	Nil	OEPS and relative performance criteria
2021	838,798	Nil	OEPS and relative performance criteria
Total performance rights outstanding	2,516,469		

Service rights

Financial year of grant	Securities	Exercise price	Vesting conditions
2019	387,596	Nil	Service conditions
2020	89,448	Nil	Service conditions - Deferred STI
2020	260,000	Nil	Service conditions
2021	219,856	Nil	Service conditions - Deferred STI
2021	672,282	Nil	Voluntary Deferred STI
2021	100,000	Nil	Service conditions
Total service rights issued	1,729,182		

Directors’ report

For the year ended 30 June 2021

Remuneration Report - audited continued

6. Appendix – further detail continued

Valuation model

The Black-Scholes-Merton methodology which discounts for dividends/distributions foregone is used for allocation purposes for all rights and accounting purposes for non-market based performance rights. The Monte Carlo method is used for accounting purposes for market based performance rights. The accounting value determined using a Monte Carlo simulation valuation is in accordance with AASB 2.

Reported Executive rights – details by plan

Type of equity	Rights held at 30 June 2020	Rights granted during the year	Rights vested and exercised during the year	Rights forfeited during the year	Rights held at 30 June 2021	Grant date	Fair value per right at grant date ($)	Vesting date	Fair value to be expensed in future years ($)[1]
Managing Director									
D Harrison									
LTI Performance Rights	294,664	-	294,664	-	–	23-Nov-17	2.65	31-Aug-20	–
LTI Performance Rights	304,238	-	–	-	304,238	28-Nov-18	5.09	31-Aug-21	81,534
LTI Performance Rights	113,706	-	-	-	113,706	25-Nov-19	7.10	31-Aug-22	297,012
LTI Performance Rights	113,705	-	-	-	113,705	25-Nov-19	7.01	31-Aug-23	413,711
LTI Performance Rights	-	265,737	-	-	265,737	26-Nov-20	10.33	31-Aug-24	2,084,374
STI Deferred Service Rights	49,120	-	49,120	-	–	28-Nov-18	6.54	31-Aug-20	-
STI Deferred Service Rights	33,980	-	33,980	-	–	25-Nov-19	10.44	31-Aug-20	-
STI Deferred Service Rights	33,980	-	-	-	33,980	25-Nov-19	10.11	31-Aug-21	-
STI Deferred Service Rights	-	40,461	-	-	40,461	26-Nov-20	12.85	31-Aug-21	-
STI Deferred Service Rights	-	40,461	-	-	40,461	26-Nov-20	12.51	31-Aug-22	-
STI Deferred Service Rights	-	84,918	-	-	84,918	15-Sep-20	11.37	31-Aug-23	-
STI Deferred Service Rights	-	91,263	-	-	91,263	15-Sep-20	10.73	31-Aug-25	-
Other Reported Executives									
S McMahon									
LTI Performance Rights	100,763	-	100,763	-	–	23-Nov-17	2.65	31-Aug-20	–
LTI Performance Rights	98,287	-	-	-	98,287	28-Nov-18	5.09	31-Aug-21	26,340
LTI Performance Rights	33,917	–	-	-	33,917	25-Nov-19	7.10	31-Aug-22	88,596
LTI Performance Rights	33,916	–	-	-	33,916	25-Nov-19	7.01	31-Aug-23	123,401
LTI Performance Rights	-	79,264	-	-	79,264	26-Nov-20	10.33	31-Aug-24	621,727
STI Deferred Service Rights	19,854	-	19,854	-	–	28-Nov-18	6.54	31-Aug-20	-
STI Deferred Service Rights	14,162	-	14,162	-	–	25-Nov-19	10.44	31-Aug-20	-
STI Deferred Service Rights	14,161	–	-	-	14,161	25-Nov-19	10.11	31-Aug-21	-
STI Deferred Service Rights	-	19,396	-	-	19,396	26-Nov-20	12.85	31-Aug-21	-
STI Deferred Service Rights	-	19,396	-	-	19,396	26-Nov-20	12.51	31-Aug-22	-
STI Deferred Service Rights	-	40,708	-	-	40,708	15-Sep-20	11.37	31-Aug-23	-
R Proutt									
LTI Performance Rights	108,181	-	108,181	-	–	23-Nov-17	2.65	31-Aug-20	
LTI Performance Rights	104,689	-	-	-	104,689	28-Nov-18	5.09	31-Aug-21	28,056
LTI Performance Rights	35,633	-	-	-	35,633	25-Nov-19	7.10	31-Aug-22	93,078
LTI Performance Rights	35,633	-	-	-	35,633	25-Nov-19	7.01	31-Aug-23	129,650
LTI Performance Rights	-	83,276	-	-	83,276	26-Nov-20	10.33	31-Aug-24	653,196
LTI Service Rights	31,489	-	31,489	-	–	23-Nov-17	5.41	20-Jul-20	-
STI Deferred Service Rights	17,095	-	17,095	-	–	28-Nov-18	6.54	31-Aug-20	-
STI Deferred Service Rights	12,507	-	12,507	-	–	25-Nov-19	10.44	31-Aug-20	-
STI Deferred Service Rights	12,506	-	-	-	12,506	25-Nov-19	10.11	31-Aug-21	-
STI Deferred Service Rights	-	17,290	-	-	17,290	26-Nov-20	12.85	31-Aug-21	-
STI Deferred Service Rights	-	17,290	-	-	17,290	26-Nov-20	12.51	31-Aug-22	-
STI Deferred Service Rights	-	36,288	-	-	36,288	15-Sep-20	11.37	31-Aug-23	-
STI Deferred Service Rights	-	38,999	-	-	38,999	15-Sep-20	10.73	31-Aug-25	-

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[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.

6.3 Other Transactions with KMP

There were no loans made, guaranteed or secured, directly or indirectly, by the Company and any of its subsidiaries to KMP or their related parties during the year. There were no other transactions between the Company or any of its subsidiaries and any KMP or their related parties during the year.

Directors' report

For the year ended 30 June 2021

Directors' report – continued

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**	
	2021	2020	**2021**	2020
	$	$	**$**	$
PricewaterhouseCoopers – Australian Firm				
Taxation services	**9,300**	98,800	**–**	9,100
PricewaterhouseCoopers – New Zealand Firm				
Taxation services for DLWF	**1,472**	5,944	**1,472**	5,944
Total remuneration for taxation services	**10,772**	104,744	**1,472**	15,044
Advisory services				
PricewaterhouseCoopers Australian firm				
Accounting advice	**–**	60,000	**–**	–
Total remuneration for advisory services	**–**	60,000	**–**	–
Total remuneration for non-audit services	**10,772**	164,744	**1,472**	15,044

Directors' report

For the year ended 30 June 2021

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/corporate-governance-charter-hall-group.

The Group has processes in place to comply with applicable environmental standards and regulations. The Group reports its greenhouse gas emissions and energy use on an annual basis under the National Greenhouse and Energy Reporting Act 2007. The Group is actively addressing and managing environmental impacts to achieve the following commitments:

- Net Zero Scope 1 and 2 emissions by 2030
- 50% diversion of waste from landfill by 2025
- 4.5 Star National Australian Built Environment Rating System (NABERS) Water weighted average portfolio rating for Office and Retail by 2030
- 5 Star NABERS Energy weighted average portfolio rating for Office by 2025
- 4.5 Star NABERS Energy weighted average portfolio rating for Retail by 2025

Charter Hall actively benchmarks our environmental performance through Green Star Performance, WELL portfolio and NABERS.

Charter Hall voluntarily reports annually to international organisations, such as the United Nations Principles for Responsible Investment (PRI), Dow Jones Sustainability Index (DJSI), and Global Real Estate Sustainability Benchmark (GRESB). This year we submitted the Annual Transparency Report to the PRI, responded to the DJSI Reports for the CHC, CQR and CLW Funds, GRESB Real Estate Asset Reports for CQR, RP1, RP2, RP6, CPOF, DOF, CHOT, PFA, BSWF,CHAIT, CCT, DIF4, DVP, CLW, CHPIP, CPIF, CPRF, CLP, DLWF and LWHP and GRESB Public Disclosure Statements for CLW, CQR, CHC, and CQE.

Labour practices

Charter Hall Group became a signatory to the UN Global Compact on 8 March 2019. The Human Rights Policy and the Charter Hall Supplier Code of Conduct can be found at https://www.charterhall.com.au/About-Us/corporate-governance/corporate-governance-charter-hall-group and outline our commitment to manage our operations in line with the UN Guiding Principles, the UN Global Compact and international and Australian Modern Slavery legislation, which reflects both our business needs and the expectations of our customers and key stakeholders.

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 40.

Rounding of amounts

The Company and the Trust 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.

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 23 August 2021. The Directors have the power to amend and re-issue the Financial Statements.

DClarke

David Clarke
Chair

Sydney
23 August 2021

Auditor's independence declaration

Auditor's Independence Declaration

As lead auditor for the audit of Charter Hall Limited and its controlled entities and Charter Hall Property Trust and its controlled entities (together "Charter Hall Group") and Charter Hall Property Trust and its controlled entities (together "Charter Hall Property Trust Group") for the year ended 30 June 2021, 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 period and Charter Hall Property Trust and the entities it controlled during the period.

E A Barron
Partner
PricewaterhouseCoopers

Sydney
23 August 2021

Consolidated statements of comprehensive income

For the year ended 30 June 2021

		Charter Hall Group		Charter Hall Property Trust Group	
	Note	**2021 $'m**	2020 $'m	**2021 $'m**	2020 $'m
Income					
Revenue	4	**668.0**	553.8	**26.7**	31.1
Share of net profit from equity accounted investments method	2,3	**314.0**	162.3	**297.1**	145.0
Net gain on sale of investments		**0.4**	15.5	**0.4**	15.5
Other net fair value adjustments		**29.0**	–	**29.0**	–
Total income		**1,011.4**	731.6	**353.2**	191.6
Expenses					
Employee costs	5	**(148.0)**	(152.3)	**–**	–
Development costs		**(245.5)**	(66.1)	**–**	–
Administration and other expenses	5	**(31.0)**	(29.3)	**(7.4)**	(6.2)
Finance costs		**(9.9)**	(14.5)	**(9.6)**	(13.5)
Depreciation, amortisation and impairment	5	**(16.2)**	(31.1)	**(6.9)**	(13.6)
Fair value losses from derivative financial instruments		**–**	(2.8)	**–**	(2.8)
Other net losses		**(2.6)**	(8.8)	**–**	(8.8)
Total expenses		**(453.2)**	(304.9)	**(23.9)**	(44.9)
Profit before tax		**558.2**	426.7	**329.3**	146.7
Income tax expense	6	**(62.6)**	(78.6)	**–**	–
Profit for the year		**495.6**	348.1	**329.3**	146.7
Profit for the year attributable to:					
Equity holders of Charter Hall Limited		**166.3**	201.4	**–**	–
Equity holders of Charter Hall Property Trust (non-controlling interest)		**310.5**	144.5	**310.5**	144.5
Profit attributable to stapled securityholders of Charter Hall Group		**476.8**	345.9	**310.5**	144.5
Net profit attributable to Charter Hall Direct Long WALE Fund (non-controlling interest)	19	**18.8**	2.2	**18.8**	2.2
Profit for the year		**495.6**	348.1	**329.3**	146.7

Consolidated statements of comprehensive income continued

For the year ended 30 June 2021

	Note	Charter Hall Group **2021** **$'m**	 2020 $'m	Charter Hall Property Trust Group **2021** **$'m**	 2020 $'m
Profit for the year		**495.6**	348.1	**329.3**	146.7
Other comprehensive income					
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations		**0.1**	(0.2)	**0.1**	(0.1)
Changes in the fair value of cash flow hedges		**(4.4)**	1.5	**(4.4)**	1.5
Equity accounted fair value movements		**–**	(1.3)	**–**	(1.3)
Other comprehensive income/(loss) for the year		**(4.3)**	–	**(4.3)**	0.1
Total comprehensive income for the year		**491.3**	348.1	**325.0**	146.8
Total comprehensive income for the year is attributable to:					
Equity holders of Charter Hall Limited		**166.3**	201.3	**–**	–
Equity holders of Charter Hall Property Trust (non-controlling interest)		**306.2**	144.6	**306.2**	144.6
Total comprehensive income attributable to stapled securityholders of Charter Hall Group		**472.5**	345.9	**306.2**	144.6
Total comprehensive income attributable to Charter Hall Direct Long WALE Fund (non-controlling interest)	19	**18.8**	2.2	**18.8**	2.2
Total comprehensive income for the year		**491.3**	348.1	**325.0**	146.8
Basic earnings per security (cents) attributable to:					
Equity holders of Charter Hall Limited		**35.7**	43.3	**n/a**	n/a
Equity holders of Charter Hall Property Trust (non-controlling interest)		**66.7**	31.0	**66.7**	31.0
Basic earnings per stapled security (cents) attributable to stapled securityholders of Charter Hall Group	8(a)	**102.4**	74.3	**n/a**	n/a
Diluted earnings per security (cents) attributable to:					
Equity holders of Charter Hall Limited		**35.4**	42.9	**n/a**	n/a
Equity holders of Charter Hall Property Trust (non-controlling interest)		**66.1**	30.8	**66.1**	30.8
Diluted earnings per stapled security (cents) attributable to stapled securityholders of Charter Hall Group	8(b)	**101.5**	73.7	**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 2021

		Charter Hall Group		Charter Hall Property Trust Group	
	Note	**2021** **$'m**	2020 $'m	**2021** **$'m**	2020 $'m
Assets					
Current assets					
Cash and cash equivalents		**351.9**	238.9	**71.3**	12.7
Receivables and other assets	9	**119.3**	79.3	**42.9**	36.6
Development assets		**0.4**	–	**–**	–
Derivative financial instruments	16	**4.4**	3.6	**4.4**	3.6
Assets classified as held for sale	10	**23.1**	–	**23.1**	–
Total current assets		**499.1**	321.8	**141.7**	52.9
Non-current assets					
Receivables and other assets	9	**5.9**	12.3	**12.3**	–
Derivative financial instruments	16	**30.5**	70.0	**30.5**	70.0
Financial assets at fair value through profit or loss		**–**	101.2	**–**	101.2
Investments in associates at fair value through profit or loss	2	**46.2**	25.9	**46.2**	25.9
Development assets		**49.8**	29.6	**–**	–
Investments accounted for using the equity method	2,3	**2,321.6**	1,875.4	**2,234.6**	1,793.5
Investment properties	11	**193.2**	173.8	**193.2**	173.8
Intangible assets	12	**114.7**	118.9	**–**	–
Property, plant and equipment		**14.4**	20.8	**–**	–
Right-of-use assets		**9.3**	8.5	**–**	–
Deferred tax assets	13	**–**	1.5	**–**	–
Total non-current assets		**2,785.6**	2,437.9	**2,516.8**	2,164.4
Total assets		**3,284.7**	2,759.7	**2,658.5**	2,217.3
Liabilities					
Current liabilities					
Trade and other liabilities	14	**170.4**	150.1	**66.0**	43.0
Development liabilities		**1.4**	–	**–**	–
Current tax liabilities		**17.6**	38.9	**–**	–
Borrowings	15	**–**	15.9	**–**	–
Lease liabilities		**4.5**	4.0	**–**	–
Derivative financial instruments	16	**–**	0.1	**–**	0.1
Total current liabilities		**193.9**	209.0	**66.0**	43.1
Non-current liabilities					
Trade and other liabilities	14	**3.8**	3.8	**–**	20.6
Derivative financial instruments	16	**–**	7.7	**–**	7.7
Borrowings	15	**549.2**	364.2	**549.2**	364.2
Lease liabilities		**10.7**	11.1	**–**	–
Deferred tax liabilities	13	**18.3**	18.2	**–**	–
Total non-current liabilities		**582.0**	405.0	**549.2**	392.5
Total liabilities		**775.9**	614.0	**615.2**	435.6
Net assets		**2,508.8**	2,145.7	**2,043.3**	1,781.7
Equity					
Equity holders of Charter Hall Limited					
Contributed equity	17(a)	**290.8**	289.1	**–**	–
Reserves	18	**(24.4)**	(33.3)	**–**	–
Accumulated profit		**199.1**	108.2	**–**	–
Parent entity interest		**465.5**	364.0	**–**	–
Equity holders of Charter Hall Property Trust					
Contributed equity	17(a)	**1,426.0**	1,436.8	**1,426.0**	1,436.8
Reserves	18	**(1.5)**	2.8	**(1.5)**	2.8
Accumulated profit		**481.3**	276.6	**481.3**	276.6
Equity holders of Charter Hall Property Trust (non-controlling interest)		**1,905.8**	1,716.2	**1,905.8**	1,716.2
Non-controlling interest in Charter Hall Direct Long WALE Fund	19	**137.5**	65.5	**137.5**	65.5
Total equity		**2,508.8**	2,145.7	**2,043.3**	1,781.7

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 2021

		Attributable to the owners of Charter Hall Limited					Charter Hall Group
	Note	Contributed equity $'m	Reserves $'m	Accumulated profit/(losses) $'m	Total $'m	Non-controlling interest $'m	Total equity $'m
Balance at 1 July 2019		286.7	(34.8)	(11.0)	240.9	1,719.0	1,959.9
Change in accounting policy		–	–	(0.7)	(0.7)	–	(0.7)
Adjusted balance at 1 July 2019		286.7	(34.8)	(11.7)	240.2	1,719.0	1,959.2
Profit for the year		–	–	201.4	201.4	146.7	348.1
Other comprehensive income/(loss)		–	(0.1)	–	(0.1)	0.1	–
Total comprehensive income/(loss)		–	(0.1)	201.4	201.3	146.8	348.1
Transactions with equity holders in their capacity as equity holders:							
Contributions of equity, net of issue costs		–	–	–	–	17.1	17.1
Buyback and issuance of securities for exercised performance rights		(1.6)	(6.7)	–	(8.3)	(11.7)	(20.0)
Tax recognised direct to equity	6(c)	4.0	(3.5)	–	0.5	–	0.5
Transfer due to deferred compensation payable in service rights		–	2.1	–	2.1	–	2.1
Security-based benefit expense		–	9.7	–	9.7	–	9.7
Dividend/distribution provided for or paid	7	–	–	(81.5)	(81.5)	(89.1)	(170.6)
Transactions with non-controlling interests		–	–	–	–	(0.4)	(0.4)
		2.4	1.6	(81.5)	(77.5)	(84.1)	(161.6)
Balance at 30 June 2020		**289.1**	**(33.3)**	**108.2**	**364.0**	**1,781.7**	**2,145.7**
Balance at 1 July 2020		**289.1**	**(33.3)**	**108.2**	**364.0**	**1,781.7**	**2,145.7**
Change in accounting policy	33(a)	–	–	(4.8)	(4.8)	–	(4.8)
Adjusted balance at 1 July 2020		289.1	(33.3)	103.4	359.2	1,781.7	2,140.9
Profit for the year		**–**	**–**	**166.3**	**166.3**	**329.3**	**495.6**
Other comprehensive loss		**–**	**–**	**–**	**–**	**(4.3)**	**(4.3)**
Total comprehensive income		**–**	**–**	**166.3**	**166.3**	**325.0**	**491.3**
Transactions with equity holders in their capacity as equity holders:							
Contributions of equity, net of issue costs		**–**	**–**	**–**	**–**	**58.6**	**58.6**
Buyback and issuance of securities for exercised performance rights		**(2.3)**	**(7.3)**	**–**	**(9.6)**	**(10.8)**	**(20.4)**
Tax recognised direct to equity	6(c)	**4.0**	**1.2**	**–**	**5.2**	**–**	**5.2**
Transfer due to deferred compensation payable in service rights		**–**	**8.0**	**–**	**8.0**	**–**	**8.0**
Security-based benefit expense		**–**	**7.0**	**–**	**7.0**	**–**	**7.0**
Dividend/distribution provided for or paid	7	**–**	**–**	**(70.6)**	**(70.6)**	**(110.8)**	**(181.4)**
Transactions with non-controlling interests		**–**	**–**	**–**	**–**	**(0.4)**	**(0.4)**
		1.7	**8.9**	**(70.6)**	**(60.0)**	**(63.4)**	**(123.4)**
Balance at 30 June 2021		**290.8**	**(24.4)**	**199.1**	**465.5**	**2,043.3**	**2,508.8**

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 2021

		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 2019		1,448.5	3.2	217.0	1,668.7	50.3	1,719.0
Profit for the year		–	–	144.5	144.5	2.2	146.7
Other comprehensive income		–	0.1	–	0.1	–	0.1
Total comprehensive income		–	0.1	144.5	144.6	2.2	146.8
Transactions with equity holders in their capacity as equity holders:							
Contributions of equity, net of issue costs	17(b)	–	–	–	–	17.1	17.1
Buyback and issuance of securities for exercised performance rights		(11.7)	–	–	(11.7)	–	(11.7)
Dividend/distribution provided for or paid	7	–	–	(84.9)	(84.9)	(4.2)	(89.1)
Transactions with non-controlling interests		–	(0.5)	–	(0.5)	0.1	(0.4)
		(11.7)	(0.5)	(84.9)	(97.1)	13.0	(84.1)
Balance at 30 June 2020		**1,436.8**	**2.8**	**276.6**	**1,716.2**	**65.5**	**1,781.7**
Balance at 1 July 2020		**1,436.8**	**2.8**	**276.6**	**1,716.2**	**65.5**	**1,781.7**
Profit for the year		**–**	**–**	**310.5**	**310.5**	**18.8**	**329.3**
Other comprehensive loss		**–**	**(4.3)**	**–**	**(4.3)**	**–**	**(4.3)**
Total comprehensive income/(loss)		**–**	**(4.3)**	**310.5**	**306.2**	**18.8**	**325.0**
Transactions with equity holders in their capacity as equity holders:							
Contributions of equity, net of issue costs		**–**	**–**	**–**	**–**	**58.6**	**58.6**
Buyback and issuance of securities for exercised performance rights		**(10.8)**	**–**	**–**	**(10.8)**	**–**	**(10.8)**
Dividend/distribution provided for or paid	7	**–**	**–**	**(105.8)**	**(105.8)**	**(5.0)**	**(110.8)**
Transactions with non-controlling interests		**–**	**–**	**–**	**–**	**(0.4)**	**(0.4)**
		(10.8)	**–**	**(105.8)**	**(116.6)**	**53.2**	**(63.4)**
Balance at 30 June 2021		**1,426.0**	**(1.5)**	**481.3**	**1,905.8**	**137.5**	**2,043.3**

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 2021

		Charter Hall Group		Charter Hall Property Trust Group	
	Note	**2021 $'m**	2020 $'m	**2021 $'m**	2020 $'m
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		**700.5**	650.3	**28.5**	21.8
Payments to suppliers and employees (inclusive of GST)		**(497.1)**	(293.9)	**(10.9)**	(8.5)
Tax paid		**(75.1)**	(57.7)	**0.4**	–
Interest received		**1.0**	2.1	**0.1**	1.1
Interest paid		**(7.8)**	(12.6)	**(7.1)**	(12.2)
Distributions and dividends from investments		**104.1**	114.4	**98.7**	102.5
Net cash inflow from operating activities	21	**225.6**	402.6	**109.7**	104.7
Cash flows from investing activities					
Payments for property, plant and equipment (net of lease incentive received)		**(5.6)**	(6.9)	**–**	–
Payments for investment properties		**(22.7)**	(55.9)	**(22.7)**	(55.9)
Investments in associates, joint ventures and financial assets		**(557.7)**	(529.0)	**(553.2)**	(514.8)
Proceeds on disposal and return of capital from investments in associates and joint ventures		**401.5**	400.1	**391.7**	390.4
Loans to associates, joint ventures and related parties		**(1.7)**	(4.3)	**(612.5)**	(375.1)
Repayments of loans from associates, joint ventures and related parties		**5.9**	51.4	**587.3**	485.2
Net cash outflow from investing activities		**(180.3)**	(144.6)	**(209.4)**	(70.2)
Buy back of stapled securities		**(20.5)**	(20.1)	**(16.7)**	(17.4)
Borrowing costs paid		**(1.7)**	(0.9)	**(1.7)**	(0.8)
Proceeds from borrowings (net of borrowing costs)		**269.0**	331.1	**269.0**	321.0
Repayment of borrowings		**(45.5)**	(290.3)	**(45.5)**	(286.7)
Payment for settlement of derivatives		**(8.3)**	(1.6)	**(8.3)**	(1.6)
Principal elements of lease payments		**(3.3)**	(1.9)	**(0.1)**	–
Proceeds on disposal of partial interest in a subsidiary that does not involve loss of control		**54.3**	16.5	**54.3**	16.5
Distributions to non-controlling interests		**(5.0)**	(4.2)	**(5.0)**	(4.2)
Dividends/distributions paid to stapled securityholders		**(171.3)**	(161.6)	**(87.7)**	(98.6)
Net cash inflow/(outflow) from financing activities		**67.7**	(133.0)	**158.3**	(71.8)
Net increase/(decrease) in cash and cash equivalents		**113.0**	125.0	**58.6**	(37.3)
Cash and cash equivalents at the beginning of the year		**238.9**	113.9	**12.7**	50.0
Cash and cash equivalents at the end of the year		**351.9**	238.9	**71.3**	12.7

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 2021

The notes to these consolidated financial statements include additional information to assist the reader in understanding the operations, performance and financial position of the Charter Hall Group and the Charter Hall Property Trust Group.

Critical accounting estimates and judgements

The preparation of the consolidated financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates and judgements in the process of applying accounting policies.

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 estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are described in their respective notes:

– Note 2	Investments in associates
– Note 3	Investments in joint ventures
– Note 4	Revenue
– Note 12	Intangible assets
– Note 25	Controlled entities

In preparing its financial statements the Group has considered the current and ongoing impact that the COVID-19 pandemic has had on its business operations. A $6.9m impairment was recorded for the Group’s investment in Charter Hall Long WALE REIT. Other than this impairment, the Group’s strategic focus on resilient property investments and funds management revenue streams has contributed to the COVID-19 pandemic having no identifiable material adverse impact on the Group’s financial result.

With the potential and uncertain economic impacts of COVID-19, future property valuations, investment and development activity and property funds management revenue could be adversely impacted.

Further disclosure is included in the following notes;

- Investments in associates Note 2(b);
- Revenue Note 4(a);
- Intangibles Note 12(b);
- Fair value measurement Note 23(d).

1 Segment information

(a) Description of segments

Charter Hall Group

The operating segments disclosed are based on the reports reviewed by the Board 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 the items in Note 1(c). Operating earnings is the primary measure of the Group’s underlying and recurring earnings. Operating earnings is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution to declare.

Net operating expenses excluding costs of sales are primarily related to the Property Funds Management segment.

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

Property investments

This segment comprises investments in property funds.

Development investments

This segment comprises investments in developments.

Property funds management

This segment comprises investment management services and property management services.

Charter Hall Property Trust Group

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

Notes to the consolidated financial statements

For the year ended 30 June 2021

1 Segment information continued

(b) Operating segments

The operating segments reported to the Board for the year ended 30 June 2021 are as follows:

	2021 **$'m**	2020 $'m
Property investment segment earnings	**123.0**	**120.0**
Development Investment		
Development investment revenue	275.2	70.2
Development costs	(245.5)	(66.1)
Other	4.5	13.0
Total development investment segment earnings	**34.2**	**17.1**
Property funds management		
Investment management revenue	254.6	357.1
Property services revenue	64.9	55.2
Total property funds management segment revenue	**319.5**	**412.3**
Total segment income	**476.7**	**549.4**
Net operating expenses	(85.3)	(90.1)
Corporate expenses	(29.8)	(33.2)
EBITDA	**361.6**	**426.1**
Depreciation	(7.8)	(10.6)
Net interest expense	(8.4)	(11.9)
Operating earnings before tax	**345.4**	**403.6**
Income tax expense	(61.1)	(80.8)
Operating earnings attributable to stapled securityholders	**284.3**	**322.8**
Basic weighted average number of securities ('m)	465.8	465.8
Operating earnings per stapled security (cents)	**61.0**	**69.3**

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

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

	2021 **$'m**	2020 $'m
Operating earnings attributable to stapled securityholders	**284.3**	322.8
Add: Net fair value movements on equity accounted investments[1]	**228.0**	67.8
Add: Net gain on disposal of property investments[1]	**0.5**	6.9
Less: Non-operating income tax benefit/(expense)	**(1.5)**	2.2
Less: Realised and unrealised net gains/(losses) on derivatives[1]	**7.2**	(14.9)
Less: Impairment of equity accounted investments	**(6.9)**	(13.6)
Less: Performance fees expense[1]	**(15.9)**	(6.0)
Less: Non-operating pursuit costs	**(4.6)**	(4.4)
Less: Amortisation of intangibles	**(1.5)**	(6.9)
Less: Other[1]	**(12.8)**	(8.0)
Statutory profit after tax attributable to stapled securityholders	**476.8**	345.9

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

Notes to the consolidated financial statements

For the year ended 30 June 2021

1 Segment information continued

(d) Reconciliation of earnings from the property and development investment segments to the share of net profit of equity accounted investments

	2021 $'m	2020 $'m
Segment earnings – property investments	**123.0**	120.0
Add: Non-operating equity accounted profit	**191.9**	38.9
Less: Net rental income	**(3.5)**	(3.3)
Less: Distributions in operating income	**(0.9)**	(3.6)
	310.5	152.0
Segment earnings – development investments	**34.2**	17.1
Less: Development revenue	**(275.2)**	(70.2)
Add: Development costs	**245.5**	66.1
Less: Interest income on development investments	**(1.0)**	(2.7)
	3.5	10.3
Share of net profit of investments accounted for using the equity method	**314.0**	162.3

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

	2021 $'m	2020 $'m
Investment management revenue	**254.6**	357.1
Property services revenue	**64.9**	55.2
Segment revenue – property funds management	**319.5**	412.3
Add: recovery of property and fund-related expenses	**57.5**	53.4
Add: development revenue	**275.2**	70.2
Add: rental income	**12.9**	10.9
Add: interest income	**2.0**	3.4
Add: distributions received for investments accounted for at fair value	**0.9**	3.6
Revenue per statement of comprehensive income	**668.0**	553.8

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

For the year ended 30 June 2021

2 Investment in associates

(a) Carrying amounts

All associates are incorporated and operate in Australia. Refer to Note 33(e) for accounting policy information relating to associates.

Charter Hall Group Name of entity	Principal activity	**Ownership interest** **2021** **%**	 2020 %	**Carrying amount** **2021** **$'m**	 2020 $'m
Accounted for at fair value through profit or loss:[1]					
Unlisted					
Charter Hall Maxim Property Securities Fund	Property investment	**12.5**	15.1	**27.3**	20.4
CH Deep Value AREIT Partnership Trust	Property investment	**9.0**	9.0	**18.5**	5.0
Other associates				**0.4**	0.5
				46.2	25.9
Equity accounted					
Unlisted					
Charter Hall Prime Office Fund	Property investment	**5.1**	6.2	**270.6**	312.9
Charter Hall Office Trust[2]	Property investment	**15.7**	15.7	**270.8**	293.5
Charter Hall Prime Industrial Fund	Property investment	**1.8**	3.6	**118.8**	131.4
Core Logistics Partnership	Property investment	**4.8**	6.9	**76.2**	85.0
Charter Hall Exchange Wholesale Trust	Property investment	**13.9**	21.8	**59.4**	70.1
Charter Hall AP Fund	Property investment	**5.0**	–	**39.7**	–
Deep Value Partnership	Property investment	**11.5**	13.0	**49.0**	35.5
Charter Hall Direct PFA Fund	Property investment	**7.9**	–	**104.0**	–
Charter Hall Direct Office Fund	Property investment	**7.7**	–	**141.1**	–
Other associates				**63.2**	50.1
Listed					
Charter Hall Retail REIT[3]	Property investment	**10.6**	9.9	**238.5**	207.9
Charter Hall Long WALE REIT[4]	Property investment	**11.3**	12.2	**369.7**	271.4
Charter Hall Social Infrastructure REIT[5]	Property investment	**8.8**	8.9	**98.9**	90.8
				1,899.9	1,548.6
Total investments in associates				**1,946.1**	1,574.5

[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's material exposure to share and unit price risk is provided in Note 22.

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

[3] Fair value at the ASX closing price as at 30 June 2021 was $230.3 million (30 June 2020: $189.3 million).

[4] Fair value at the ASX closing price as at 30 June 2021 was $335.8 million (30 June 2020: $255.5 million).

[5] Fair value at the ASX closing price as at 30 June 2021 was $111.2 million (30 June 2020: $75.1 million).

Notes to the consolidated financial statements

For the year ended 30 June 2021

2 Investment in associates continued

Charter Hall Property Trust Group Name of entity	Principal activity	**Ownership interest** **2021** **%**	2020 %	**Carrying amount** **2021** **$'m**	2020 $'m
Accounted for at fair value through profit or loss:[1]					
Unlisted					
Charter Hall Maxim Property Securities Fund	Property investment	**12.5**	15.1	**27.3**	20.4
CH Deep Value AREIT Partnership Trust	Property investment	**9.0**	9.0	**18.5**	5.0
Other associates				**0.4**	0.5
				46.2	25.9
Equity accounted					
Unlisted					
Charter Hall Prime Office Fund	Property investment	**4.8**	5.9	**254.0**	297.1
Charter Hall Office Trust[2]	Property investment	**15.7**	15.7	**270.8**	293.5
Core Logistics Partnership	Property investment	**4.8**	6.9	**76.2**	85.0
Charter Hall Exchange Wholesale Trust	Property investment	**13.9**	21.8	**59.4**	70.1
Charter Hall AP Fund	Property investment	**5.0**	–	**39.7**	–
Charter Hall Prime Industrial Fund	Property investment	**0.6**	1.7	**37.3**	62.2
Deep Value Partnership	Property investment	**11.5**	13.0	**49.0**	35.5
Charter Hall Direct PFA Fund	Property investment	**7.9**	–	**104.0**	–
Charter Hall Direct Office Fund	Property investment	**7.7**	–	**141.1**	–
Other associates				**67.4**	48.5
Listed					
Charter Hall Retail REIT[3]	Property investment	**10.6**	9.9	**238.5**	207.9
Charter Hall Long WALE REIT[4]	Property investment	**11.3**	12.2	**369.7**	271.4
Charter Hall Social Infrastructure REIT[5]	Property investment	**8.8**	8.9	**123.8**	115.7
				1,830.9	1,486.9
Total investments in associates				**1,877.1**	1,512.8

[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 Property Trust Group's material exposure to share and unit price risk is provided in Note 22.
[2] The entity has a 31 December balance date.
[3] Fair value at the ASX closing price as at 30 June 2021 was $230.3 million (30 June 2020: $189.3 million).
[4] Fair value at the ASX closing price as at 30 June 2021 was $335.8 million (30 June 2020: $255.5 million).
[5] Fair value at the ASX closing price as at 30 June 2021 was $111.2 million (30 June 2020: $75.1 million).

(b) Critical judgements

Investments in associates are accounted for at either fair value through profit or loss or by using the equity method. 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.

Due to the difference in the fair value and carrying amounts, the recoverable amount for the Charter Hall Long WALE REIT investment was estimated through a value in use calculation with the following critical judgements and estimates:

- base case cash flow projections covering a 3-5 year period based on financial budgets approved by management. Cash flows beyond the 3-5 year period are extrapolated using estimated growth rates appropriate for the business;
- pre-tax discount rate 11%;
- growth after 5 years of 1% per annum; and
- terminal value multiple of 14 times earnings.

As a result of these estimates, impairment of $6.9m was recorded for Charter Hall Long WALE REIT in the first half of FY21. If the terminal value multiplier assumptions were to increase/decrease by 1x, value in use would increase/decrease by 5.1%.

With the potential and uncertain economic impacts of COVID-19, future equity accounted investment values are sensitive to future property valuations of the underlying investment properties, and could be adversely impacted. The impacts of the estimates and assumptions for investments in associates are outlined in Note 23(d).

Notes to the consolidated financial statements

For the year ended 30 June 2021

2 Investment in associates continued

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

	Charter Hall Group		Charter Hall Property Trust Group	
	2021 **$'m**	2020 $'m	**2021** **$'m**	2020 $'m
Opening balance	**25.9**	26.0	**25.9**	26.0
Investment	**10.0**	5.2	**10.0**	5.2
Net gain/(loss) on investment in associates at fair value	**10.3**	(5.1)	**10.3**	(5.1)
Disposal of units	**–**	(0.2)	**–**	(0.2)
Closing balance	**46.2**	25.9	**46.2**	25.9

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

	Charter Hall Group		Charter Hall Property Trust Group	
	2021 **$'m**	2020 $'m	**2021** **$'m**	2020 $'m
Opening balance	**1,548.6**	1,438.5	**1,486.9**	1,376.5
Investment	**404.2**	293.5	**404.2**	293.4
Share of profit after income tax	**263.8**	146.4	**249.1**	137.8
Distributions received/receivable	**(92.0)**	(84.9)	**(85.3)**	(79.9)
Share of movement in reserves	**(0.6)**	(0.6)	**(0.6)**	(0.6)
Impairment of carrying amount	**(6.9)**	(13.6)	**(6.9)**	(13.6)
Divestments	**(183.8)**	(203.7)	**(183.1)**	(199.7)
Return of Capital	**(33.4)**	(27.0)	**(33.4)**	(27.0)
Closing balance	**1,899.9**	1,548.6	**1,830.9**	1,486.9

(e) 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.

	Charter Hall Office Trust $'m	Charter Hall Retail REIT $'m	Charter Hall Prime Office Fund $'m	Charter Hall Long WALE REIT $'m
2021				
Summarised balance sheet:				
Current assets	**50.6**	**46.9**	**419.7**	**113.2**
Non-current assets	**3,409.0**	**3,294.1**	**6,537.4**	**4,574.2**
Current liabilities	**51.0**	**113.8**	**117.2**	**71.4**
Non-current liabilities	**1,688.9**	**922.0**	**1,504.0**	**1,336.9**
Net assets	**1,719.7**	**2,305.2**	**5,335.9**	**3,279.1**
Summarised statement of comprehensive income:				
Revenue	**100.0**	**191.6**	**345.4**	**154.6**
Profit for the year from continuing operations	**151.8**	**291.2**	**527.8**	**618.3**
Other comprehensive loss	**–**	**(5.9)**	**(4.6)**	**(0.4)**
Total comprehensive income	**151.8**	**285.3**	**523.2**	**617.9**
2020				
Summarised balance sheet:				
Current assets	143.0	104.7	165.4	59.6
Non-current assets	3,463.9	3,005.4	6,641.9	3,026.9
Current liabilities	43.1	98.4	101.2	50.6
Non-current liabilities	1,700.1	869.6	1,655.9	850.0
Net assets	1,863.7	2,142.1	5,050.2	2,185.9
Summarised statement of comprehensive income:				
Revenue	110.5	206.1	310.9	126.7
Profit for the year from continuing operations	377.3	44.2	283.5	122.4
Other comprehensive income	–	1.2	1.0	–
Total comprehensive income	377.3	45.4	284.5	122.4

Notes to the consolidated financial statements

For the year ended 30 June 2021

2 Investment in associates continued

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

Charter Hall Group	Charter Hall Office Trust $'m	Charter Hall Retail REIT $'m	Charter Hall Prime Office Fund $'m	Charter Hall Long WALE REIT $'m
2021				
Net assets of associate	**1,719.7**	**2,305.2**	**5,335.9**	**3,279.1**
Group's share in %	**15.7%**	**10.6%**	**5.1%**	**11.3%**
Group's share in $	**270.0**	**244.4**	**272.1**	**370.5**
Other movements not accounted for under the equity method[1]	**0.8**	**(5.9)**	**(1.5)**	**(0.8)**
Carrying amount	**270.8**	**238.5**	**270.6**	**369.7**
Movements in carrying amounts:				
Opening balance	**293.5**	**207.9**	**312.9**	**271.4**
Investment	**–**	**15.1**	**9.8**	**53.6**
Share of profit after income tax	**23.8**	**29.8**	**29.1**	**70.8**
Other comprehensive income/(loss)	**–**	**(0.4)**	**(0.3)**	**0.1**
Distributions received/receivable	**(13.1)**	**(13.8)**	**(14.4)**	**(18.8)**
Divestment	**–**	**(0.1)**	**(66.5)**	**(7.4)**
Return of capital	**(33.4)**	**–**	**–**	**–**
Closing balance	**270.8**	**238.5**	**270.6**	**369.7**
2020				
Net assets of associate	1,863.7	2,142.1	5,050.2	2,185.9
Group's share in %	15.7%	9.9%	6.2%	12.2%
Group's share in $	292.6	212.1	313.1	266.7
Other movements not accounted for under the equity method[1]	0.9	(4.2)	(0.2)	4.7
Carrying amount	293.5	207.9	312.9	271.4
Movements in carrying amounts:				
Opening balance	263.7	299.6	291.1	200.8
Investment	–	2.5	17.5	56.7
Share of profit after income tax	59.3	8.8	19.6	20.4
Other comprehensive income	–	0.5	0.2	–
Impairment of carrying amount	–	(9.5)	–	–
Distributions received/receivable	(12.2)	(15.5)	(14.5)	(16.2)
Divestment	–	(78.5)	(1.0)	9.7
Return of capital	(17.3)	–	–	–
Closing balance	293.5	207.9	312.9	271.4

[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 where the Group has acquired units on-market at a price different to the fund's NTA (for listed investments), or where the Group has recorded an impairment to the investment in associate.

Notes to the consolidated financial statements

For the year ended 30 June 2021

2 Investment in associates continued

Charter Hall Property Trust Group	Charter Hall Office Trust $'m	Charter Hall Retail REIT $'m	Charter Hall Prime Office Fund $'m	Charter Hall Long WALE REIT $'m
2021				
Net assets of associate	**1,719.7**	**2,305.2**	**5,335.9**	**3,279.1**
Group's share in %	**15.7%**	**10.6%**	**4.8%**	**11.3%**
Group's share in $	**270.0**	**244.4**	**256.1**	**370.5**
Other movements not accounted for under the equity method[1]	**0.8**	**(5.9)**	**(2.1)**	**(0.8)**
Carrying amount	**270.8**	**238.5**	**254.0**	**369.7**
Movements in carrying amounts:				
Opening balance	**293.5**	**207.9**	**297.1**	**271.4**
Investment	**–**	**15.1**	**9.8**	**53.6**
Share of profit after income tax	**23.8**	**29.8**	**27.4**	**70.8**
Other comprehensive income/(loss)	**–**	**(0.4)**	**(0.2)**	**0.1**
Distributions received/receivable	**(13.1)**	**(13.8)**	**(13.6)**	**(18.8)**
Divestment	**–**	**(0.1)**	**–**	**(7.4)**
Return of capital	**(33.4)**	**–**	**(66.5)**	**–**
Closing balance	**270.8**	**238.5**	**254.0**	**369.7**
2020				
Net assets of associate	1,863.7	2,142.1	5,050.2	2,185.9
Group's share in %	15.7%	9.9%	5.9%	12.2%
Group's share in $	292.6	212.1	298.0	266.7
Other movements not accounted for under the equity method[1]	0.9	(4.2)	(0.9)	4.7
Carrying amount	293.5	207.9	297.1	271.4
Movements in carrying amounts:				
Opening balance	263.7	299.6	275.6	200.8
Investment	–	2.5	17.5	56.7
Share of profit after income tax	59.3	8.8	18.6	20.4
Other comprehensive income	–	0.5	0.2	–
Impairment of carrying amount	–	(9.5)	–	–
Distributions received/receivable	(12.2)	(15.5)	(13.8)	(16.2)
Divestment	–	(78.5)	1.4	9.7
Return of capital	(17.3)	–	(2.4)	–
Closing balance	293.5	207.9	297.1	271.4

[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 where the Group has acquired units on-market at a price different to the fund's NTA (for listed investments), or where the Group has recorded an impairment to the investment in associate.

(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 capital expenditure contracted for at the reporting date but not recognised as liabilities was $602.6 million (2020: $129.5 million) relating to investment properties and development commitments.

Charter Hall Office Trust's (CHOT) capital expenditure contracted for at the reporting date but not recognised as liabilities was $187.9 million (2020: $199.1 million) relating to investment properties and development commitments.

Notes to the consolidated financial statements

For the year ended 30 June 2021

3 Investments in joint ventures

(a) Carrying amounts

All joint ventures are incorporated and operate in Australia. Refer to Note 33(c) for accounting policy information relating to joint ventures.

Unless otherwise noted all joint ventures have a 30 June year end.

Charter Hall Group		**Ownership interest**		**Carrying amount**	
		2021	2020	**2021**	2020
Name of entity	Principal activity	**%**	%	**$'m**	$'m
Equity accounted					
Unlisted					
Brisbane Square Wholesale Fund	Property investment	**16.8**	16.8	**102.4**	101.8
Long WALE Hardware Partnership[1]	Property investment	**14.1**	13.4	**167.4**	123.6
Charter Hall Prime Retail Fund	Property investment	**–**	29.4	**–**	47.3
Charter Hall PGGM Industrial Partnership	Property investment	**12.0**	12.0	**25.7**	6.1
CH DJ Trust	Property investment	**50.0**	–	**73.6**	–
Other joint ventures				**52.6**	48.0
				421.7	326.8
Total investments in joint ventures				**421.7**	326.8

[1] Ownership interest as at 30 June 2021 is calculated as the weighted average holding of BP Fund 1 and BP Fund 2 (2020: calculated as the weighted average holding of BP Fund 1, BP Fund 2 and TTP Wholesale Fund).

Charter Hall Property Trust Group		**Ownership interest**		**Carrying amount**	
		2021	2020	**2021**	2020
Name of entity	Principal activity	**%**	%	**$'m**	$'m
Equity accounted					
Unlisted					
Brisbane Square Wholesale Fund	Property investment	**16.8**	16.8	**102.4**	101.8
Long WALE Hardware Partnership[1]	Property investment	**14.1**	13.4	**167.4**	123.6
Charter Hall Prime Retail Fund	Property investment	**–**	29.4	**–**	47.3
Charter Hall PGGM Industrial Partnership	Property investment	**12.0**	12.0	**25.7**	6.1
CH DJ Trust	Property investment	**50.0**	–	**73.6**	–
Other joint ventures				**34.6**	27.8
				403.7	306.6
Total investments in joint ventures				**403.7**	306.6

[1] Ownership interest as at 30 June 2021 is calculated as the weighted average holding of BP Fund 1 and BP Fund 2 (2020: calculated as the weighted average holding of BP Fund 1, BP Fund 2 and TTP Wholesale Fund).

Notes to the consolidated financial statements

For the year ended 30 June 2021

3 Investments in joint ventures continued

(b) Critical judgements

Investments in joint ventures are accounted for at either fair value through profit or loss or by using the equity method. CHPT designates investments in joint ventures 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.

(c) Summarised financial information and movements in carrying amounts

	Charter Hall Group		Charter Hall Property Trust Group	
	2021	2020	**2021**	2020
	$'m	$'m	**$'m**	$'m
Movements in aggregate carrying amount:				
Opening balance	**326.8**	315.8	**306.6**	304.7
Investment	**148.6**	73.0	**145.6**	60.0
Share of profit after income tax	**50.2**	15.0	**48.0**	7.3
Distributions received/receivable	**(22.9)**	(28.0)	**(22.9)**	(18.0)
Return of capital	**(81.0)**	(49.0)	**(73.6)**	(47.4)
Closing balance	**421.7**	326.8	**403.7**	306.6

(d) Commitments and contingent liabilities of joint ventures

There are no commitments and contingent liabilities of joint ventures material to the Group's balance sheet.

Notes to the consolidated financial statements

For the year ended 30 June 2021

4 Revenue

	Charter Hall Group		Charter Hall Property Trust Group	
	2021 $'m	2020 $'m	**2021 $'m**	2020 $'m
Investment management revenue[1,2]	**254.6**	357.1	**–**	–
Property services revenue[1]	**64.9**	55.2	**0.1**	(0.1)
Development revenue[3]	**275.2**	70.2	**–**	–
Gross rental income	**12.9**	10.9	**12.9**	10.9
	607.6	493.4	**13.0**	10.8
Other revenue				
Recovery of property and fund-related expenses	**57.5**	53.4	**–**	–
Interest	**2.0**	3.4	**2.0**	4.2
Distributions/Dividends[4]	**0.9**	3.6	**1.0**	4.7
Other investment-related revenue	**–**	–	**10.7**	11.4
Total other revenue	**60.4**	60.4	**13.7**	20.3
Total revenue[5]	**668.0**	553.8	**26.7**	31.1

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 Investment management revenue in the year ended 30 June 2020 includes $98.2 million for CHOT performance fee.

3 Revenue from the Group's development investments forms part of the development segment earnings.

4 Represents the distribution of income from investments accounted for at fair value by the Group and Charter Hall Property Trust Group.

5 Revenue excludes share of net profits of equity accounted associates and joint ventures.

(a) Critical judgements

Critical judgements and estimates are made by the Group in respect of recognising performance fee revenue. Detailed calculations and an assessment of the risks associated with the recognition of the fee are completed to inform the assessment of the appropriate revenue to recognise. 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.

Critical judgements are also made by the Group in respect of recognising development revenue. Detailed forecasts of total development costs are inputs that are used to estimate the satisfaction of the development performance obligation over time.

5 Expenses

	Charter Hall Group		Charter Hall Property Trust Group	
	2021 $'m	2020 $'m	**2021 $'m**	2020 $'m
Profit before income tax includes the following specific expenses:				
Employee costs				
Employee benefit expenses	**133.7**	134.5	**–**	–
Security-based benefits expense	**6.8**	9.7	**–**	–
Payroll tax	**7.5**	8.1	**–**	–
Total employee costs	**148.0**	152.3	**–**	–
Administration and other expenses				
Advertising, marketing and promotion	**3.7**	3.4	**–**	–
Occupancy costs	**2.0**	1.5	**–**	–
Accounting, professional and other costs	**10.7**	10.1	**4.8**	3.7
Communication and IT expenses	**8.9**	8.5	**–**	–
Administration expenses	**5.7**	5.8	**2.6**	2.5
Total administration and other expenses	**31.0**	29.3	**7.4**	6.2
Depreciation, amortisation and impairment				
Depreciation	**7.8**	10.6	**–**	–
Amortisation	**1.5**	6.9	**–**	–
Impairment	**6.9**	13.6	**6.9**	13.6
Total depreciation, amortisation and impairment	**16.2**	31.1	**6.9**	13.6

Notes to the consolidated financial statements

For the year ended 30 June 2021

6 Income tax expense

		Charter Hall Group		Charter Hall Property Trust Group	
	Note	**2021** **$'m**	2020 $'m	**2021** **$'m**	2020 $'m
(a) Income tax expense					
Current tax expense		**57.8**	99.4	**–**	–
Deferred income tax expense/(benefit)		**4.9**	(20.8)	**–**	–
Under-provided in prior years		**(0.1)**	–	**–**	–
		62.6	78.6	**–**	–
Deferred income tax expense/(benefit)					
(Increase)/decrease in deferred tax assets for the tax consolidated group		**(2.1)**	(3.8)	**–**	–
Decrease/(increase) in deferred tax liabilities for the tax consolidated group		**5.5**	(17.0)	**–**	–
Decrease in deferred tax assets for entities outside the tax consolidated group		**1.5**	–	**–**	–
		4.9	(20.8)	**–**	–
(b) Reconciliation of income tax expense to prima facie tax payable					
Profit before income tax expense		**558.2**	426.7	**329.3**	146.7
Prima facie tax expense at the Australian tax rate of 30%		**167.5**	128.0	**98.8**	44.0
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:					
Charter Hall Property Trust income		**(98.8)**	(44.0)	**(98.8)**	(44.0)
Recognition of previously unrecognised tax losses		**(7.7)**	–	**–**	–
Other adjustments		**1.6**	**(5.4)**	**–**	–
Income tax expense		**62.6**	78.6	**–**	–
(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		**(4.0)**	(4.0)	**–**	–
Deferred tax: Estimated future deduction for rights vesting, in excess of the cumulative fair value expense		**(1.2)**	3.5	**–**	–
		(5.2)	(0.5)	**–**	–

(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 below in Note 6(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 2021, the Group has nil (2020: $7.7 million) tax effected unrecognised income tax losses.

At 30 June 2021, the Group has approximately $22.9 million (2020: $21.5 million) of tax effected unrecognised capital tax losses.

Notes to the consolidated financial statements

For the year ended 30 June 2021

6 **Income tax expense** continued

(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. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and 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.

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.

7 Distributions/Dividends paid and payable

	Charter Hall Group		Charter Hall Property Trust Group	
	2021 $'m	2020 $'m	**2021 $'m**	2020 $'m
Ordinary stapled securities				
Final ordinary distribution of 11.61 cents and ordinary dividend of 7.7 cents per stapled security for the six months ended 30 June 2021 payable on 31 August 2021	**90.0**	–	**54.1**	–
Interim ordinary distribution of 11.10 cents and interim ordinary dividend of 7.45 cents per stapled security for the six months ended 31 December 2020 paid on 26 February 2021	**86.4**	–	**51.7**	–
Final ordinary distribution of 7.72 cents and ordinary dividend of 10.5 cents per stapled security for the six months ended 30 June 2020 paid on 31 August 2020	**–**	84.9	**–**	36.0
Interim ordinary distribution of 10.5 cents and interim ordinary dividend of 7 cents per stapled security for the six months ended 31 December 2019 paid on 28 February 2020	**–**	81.5	**–**	48.9
Total Distributions/Dividends paid and payable to stapled securityholders	**176.4**	166.4	**105.8**	84.9
Distributions paid and payable to Charter Hall Direct Long WALE Fund non-controlling interests	**5.0**	4.2	**5.0**	4.2
Total Distributions/Dividends paid and payable	**181.4**	170.6	**110.8**	89.1

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.

Franking credits available in the parent entity (Charter Hall Limited) for dividends payable in subsequent financial years based on a tax rate of 30% (2020: 30%) are $137.1 million (2020: $112.6 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.

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8 Earnings per stapled security

	Charter Hall Group 2021 Cents	Charter Hall Group 2020 Cents	Charter Hall Property Trust Group 2021 Cents	Charter Hall Property Trust Group 2020 Cents
(a) Basic earnings per security attributable to:				
Equity holders of Charter Hall Limited	**35.7**	43.3	**n/a**	n/a
Equity holders of Charter Hall Property Trust (non-controlling interest)	**66.7**	31.0	**66.7**	31.0
Stapled securityholders of Charter Hall Group	**102.4**	74.3	**n/a**	n/a
(b) Diluted earnings per security attributable to:				
Equity holders of Charter Hall Limited	**35.4**	42.9	**n/a**	n/a
Equity holders of Charter Hall Property Trust (non-controlling interest)	**66.1**	30.8	**66.1**	30.8
Stapled securityholders of Charter Hall Group	**101.5**	73.7	**n/a**	n/a

Basic earnings per stapled security is determined by dividing profit attributable to the stapled security holders by the weighted 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.

	2021 $'m	2020 $'m	2021 $'m	2020 $'m
(c) Reconciliations of earnings used in calculating earnings per stapled security				
Equity holders of Charter Hall Limited	**166.3**	**201.3**	**n/a**	n/a
Profit attributable to the ordinary stapled securityholders of the Group used in calculating basic and diluted earnings per stapled security	**476.8**	345.9	**310.5**	144.5

	2021 Number	2020 Number	2021 Number	2020 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**	465,777,131	**465,777,131**	465,777,131
Adjustments for calculation of diluted earnings per stapled security:				
Performance rights	**2,313,656**	2,366,433	**2,313,656**	2,366,433
Service rights	**1,683,436**	1,471,057	**1,683,436**	1,471,057
Weighted average number of ordinary stapled securities and potential ordinary stapled securities used as the denominator in calculating diluted earnings per stapled security	**469,774,223**	469,614,621	**469,774,223**	469,614,621

(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.

Notes to the consolidated financial statements

For the year ended 30 June 2021

9 Receivables and other assets

		Charter Hall Group		Charter Hall Property Trust Group	
	Note	**2021** **$'m**	2020 $'m	**2021** **$'m**	2020 $'m
Current					
Trade receivables		**59.4**	35.4	**6.6**	7.8
Contract assets		**6.7**	–	**–**	–
Loans to associates and joint ventures	24(e)	**4.3**	7.3	**–**	–
Distributions receivable		**35.4**	30.2	**34.1**	28.8
Other receivables and assets		**13.5**	6.4	**2.2**	–
		119.3	79.3	**42.9**	36.6
Non-current					
Loans to associates and joint ventures	24(e)	**5.8**	10.2	**–**	–
Loan receivable from Charter Hall Limited	24(e)	**–**	–	**12.3**	–
Other receivables and assets		**0.1**	2.1	**–**	–
		5.9	12.3	**12.3**	–

(a) Bad and doubtful trade receivables

During the year, the Charter Hall Group and Charter Hall Property Trust Group incurred $nil expense (2020: $nil) in respect of provisions for expected credit losses.

(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 22 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	
	2021 **$'m**	2020 $'m	**2021** **$'m**	2020 $'m
Current	**58.4**	34.9	**6.6**	7.8
1 to 3 months	**1.0**	0.5	**–**	–
3 to 6 months	**–**	–	**–**	–
More than 6 months	**–**	–	**–**	–
	59.4	35.4	**6.6**	7.8

As at 30 June 2021, Charter Hall Group had trade receivables of $nil (2020: $nil) past due but not impaired. Charter Hall Property Trust Group had $nil (2020: $nil) receivables past due but not impaired.

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 expected credit losses is processed based on historical default percentages and current observable data including forecasts of economic conditions. 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.

Notes to the consolidated financial statements

For the year ended 30 June 2021

10 Assets classified as held for sale

In June 2021, two investment properties with a combined carrying amount of $23.1m held by Charter Hall Direct Long WALE Fund (DLWF), met the criteria to be reclassified as held for sale assets. Sale of these properties is expected to occur in August 2021.

	Charter Hall Group		Charter Hall Property Trust Group	
	2021 $'m	2020 $'m	**2021 $'m**	2020 $'m
DLWF Properties	**23.1**	–	**23.1**	–
	23.1	–	**23.1**	–

11 Investment properties

(a) Carrying amounts

The Group's controlled entity investment fund, Charter Hall Direct Long WALE Fund (DLWF), 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	
	2021 $'m	2020 $'m	**2021 $'m**	2020 $'m
Opening balance	**173.8**	118.5	**173.8**	118.5
Additions including acquisition costs	**22.1**	55.8	**22.1**	55.8
Fair value and other adjustments	**20.4**	(0.5)	**20.4**	(0.5)
Reclass to assets held for sale	**(23.1)**	–	**(23.1)**	–
Closing balance	**193.2**	173.8	**193.2**	173.8

Key valuation assumptions used in the determination of the investment properties' fair value and the Group's valuation policy are disclosed Note 23(d).

(b) 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:

	Charter Hall Group		Charter Hall Property Trust Group	
	2021 $'m	2020 $'m	**2021 $'m**	2020 $'m
Due within one year	**13.0**	9.3	**13.0**	9.3
Due between one and five years	**54.2**	37.1	**54.2**	37.1
Over five years	**23.6**	30.8	**23.6**	30.8
	90.8	77.2	**90.8**	77.2

Notes to the consolidated financial statements

For the year ended 30 June 2021

12 Intangible assets

	Charter Hall Group		Charter Hall Property Trust Group	
	2021 **$'m**	2020 $'m	**2021** **$'m**	2020 $'m
Indefinite life intangibles – management rights				
Charter Hall Retail REIT	**42.3**	42.3	**–**	–
Charter Hall Social Infrastructure REIT	**46.4**	46.4	**–**	–
Other indefinite life intangibles	**15.3**	15.3	**–**	–
Disposals	**(2.7)**	–	**–**	–
Total closing indefinite life intangibles	**101.3**	104.0	**–**	–
Finite life intangibles – management rights				
Opening balance	**5.0**	11.9	**–**	–
Amortisation charge	**(1.5)**	(6.9)	**–**	–
Closing balance	**3.5**	5.0	**–**	–
At balance date – finite life intangibles				
Cost	**58.5**	58.5	**–**	–
Accumulated amortisation	**(55.0)**	(53.5)	**–**	–
Total finite life intangibles	**3.5**	5.0	**–**	–
Goodwill				
Opening and closing balance	**9.9**	9.9	**–**	–
Total intangible assets	**114.7**	118.9	**–**	–

(a) Critical judgements

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.

(b) 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.

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:

- base case 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 of 12.5% (2020: 8.5-11.5%);
- growth after three years of 2.0% (2020: 1.9-2.3%) per annum;
- terminal value multiple of 10 times earnings (2020: 7.5 times).

With the potential and uncertain economic impacts of COVID-19, future property valuations, cash flow projections, and estimates of recoverable amounts could be adversely impacted.

(c) Management Rights – finite life assets

Management rights with a fixed life are amortised using the straight line method over their useful life ranging from one to ten years.

Notes to the consolidated financial statements

For the year ended 30 June 2021

13 Deferred tax assets and liabilities

	Charter Hall Group		Charter Hall Property Trust Group	
	2021 **$'m**	2020 $'m	**2021** **$'m**	2020 $'m
Deferred tax assets comprises temporary differences attributable to:				
Tax losses carried forward[1]	**–**	1.5	**–**	–
Deferred tax assets comprises temporary differences attributable to:				
Employee benefits	**24.8**	21.5	**–**	–
Other	**6.0**	4.0	**–**	–
	30.8	25.5	**–**	–
Deferred tax liabilities comprises temporary differences attributable to:				
Intangible assets	**29.9**	31.1	**–**	–
Investment in associates	**16.4**	11.9	**–**	–
Other	**2.8**	0.7	**–**	–
	49.1	43.7	**–**	–
Net deferred tax liabilities	**(18.3)**	(18.2)	**–**	–

[1] 30 June 2020: Tax losses are held by Charter Hall Opportunity Fund No. 5 (CHOF5), 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.

Notes to the consolidated financial statements

For the year ended 30 June 2021

14 Trade and other liabilities

		Charter Hall Group		Charter Hall Property Trust Group	
		2021 $'m	2020 $'m	**2021 $'m**	2020 $'m
Current					
Trade and other liabilities		**35.1**	19.2	**11.9**	7.0
Long service leave provision		**2.7**	2.3	**–**	–
Dividend/Distribution payable		**90.0**	84.9	**54.1**	36.0
Employee benefits liability		**42.6**	43.7	**–**	–
		170.4	150.1	**66.0**	43.0
Non-current					
Loan payable to Charter Hall Limited	24(e)	**–**	–	**–**	20.6
Long service leave provision		**2.5**	2.6	**–**	–
Lease incentive liability		**1.3**	1.2	**–**	–
		3.8	3.8	**–**	20.6

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 or expected to be settled 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.

15 Borrowings

	Charter Hall Group		Charter Hall Property Trust Group	
	2021 $'m	2020 $'m	**2021 $'m**	2020 $'m
Current liabilities				
Loans – related parties	**–**	15.9	**–**	–
Non-current liabilities				
Bonds	**259.3**	300.2	**259.3**	300.2
Cash advance facilities (DLWF)	**40.0**	66.5	**40.0**	66.5
Medium term notes	**253.5**	–	**253.5**	–
Less: unamortised transaction costs	**(3.6)**	(2.5)	**(3.6)**	(2.5)
	549.2	364.2	**549.2**	364.2

Notes to the consolidated financial statements

For the year ended 30 June 2021

15 Borrowings continued

(a) Borrowings

Charter Hall Group

The Group's debt platform includes the following:

- An unsecured $200.0 million credit facility plus an additional $30.0 million (2020: $20.0 million) unsecured facility to support the bank guarantees with maturity in May 2026. At 30 June 2021, drawn borrowings of $nil (2020: $nil) and bank guarantees of $22.6 million (2020: $19.3 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.

- US$175 million (A$231.5 million at issue date) bonds issued through a US Private Placement which was fully funded in August 2018 and matures in August 2028.
  - The Group has entered into A$/US$ cross currency interest rate swap agreements that hedge the Group's exposure to foreign currency. The swap agreements entitle the Group to repay the bonds at A$231.5 million in August 2028. At 30 June 2021, the carrying amount of the bonds at the prevailing spot rate was A$259.3 million (2020: A$300.2 million) including a fair value adjustment of A$25.9 million (2020: A$46.8 million). The carrying amount is offset by the fair value of the swap.
  - The swap agreements also 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 August 2028.

- A$250 million fixed rate unsecured medium term note (MTN) was issued in April 2021 and matures in April 2031.
  - The Group has entered into an interest rate swap agreement that hedges the Group's exposure to changes in fair value of the MTN due to interest rate movements. The swap agreement entitles the Group to receive a fixed coupon rate equal to the fixed coupon rate payable and pays a rate at the Bank Bill Swap Rate plus a margin. At 30 June 2021, the carrying amount of the note was A$253.5 million, including a fair value adjustment of A$3.5 million. The carrying amount is offset by the fair value of the swap.

DLWF Facility

The fund has two revolving debt facilities of A$80.0 million (2020: A$80.0 million) and NZ$7.0 million (2020: NZ$7.0 million), secured against the fund's investment properties (see Note 11). The facilities have a maturity date of July 2024. At 30 June 2021, drawn borrowings of A$33.5 million (2020: A$61.0 million) and NZ$7.0 million (2020: NZ$6.0 million) had been utilised under these facilities respectively.

(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 drawn (excluding hedged foreign exchange movements subsequent to the related debt drawing date and DLWF) net of cash, divided by total assets net of cash, derivative assets and DLWF.

The gearing ratio of the Charter Hall Group and Charter Hall Property Trust Group at 30 June 2021 was 5.0% (30 June 2020: 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

For the year ended 30 June 2021

15 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 derivates and foreign exchange $'m	Movement in borrowing costs $'m	Movement in cash $'m	Closing balance $'m
Charter Hall Group					
2021					
Borrowings	**366.7**	**–**	**–**	**186.1**	**552.8**
Loans – related parties	**15.9**	**–**	**–**	**(15.9)**	**–**
Derivative financial instruments hedging debt	**(65.8)**	**30.9**	**–**	**–**	**(34.9)**
Borrowing costs	**(2.5)**	**–**	**(1.1)**	**–**	**(3.6)**
Cash	**(238.9)**	**–**	**–**	**(113.0)**	**(351.9)**
	75.4	**30.9**	**(1.1)**	**57.2**	**162.4**
2020					
Borrowings	300.5	–	–	66.2	366.7
Loans - related parties	7.5	–	–	8.4	15.9
Derivative financial instruments hedging debt	(34.2)	(31.6)	–	–	(65.8)
Borrowing costs	(3.0)	–	0.5	–	(2.5)
Cash	(113.9)	–	–	(125.0)	(238.9)
	156.9	(31.6)	0.5	(50.4)	75.4
Charter Hall Property Trust Group					
2021					
Borrowings	**366.7**	**–**	**–**	**186.1**	**552.8**
Derivative financial instruments hedging debt	**(65.8)**	**30.9**	**–**	**–**	**(34.9)**
Borrowing costs	**(2.5)**	**–**	**(1.1)**	**–**	**(3.6)**
Funding received from/(paid) to Charter Hall Limited	**20.6**	**–**	**–**	**(32.9)**	**(12.3)**
Cash	**(12.7)**	**–**	**–**	**(58.6)**	**(71.3)**
	306.3	**30.9**	**(1.1)**	**94.6**	**430.7**
2020					
Borrowings	300.5	–	–	66.2	366.7
Derivative financial instruments hedging debt	(34.2)	(31.6)	–	–	(65.8)
Borrowing costs	(3.0)	–	0.5	–	(2.5)
Funding to (paid)/received from Charter Hall Limited	(42.1)	–	–	62.7	20.6
Cash	(50.0)	–	–	37.3	(12.7)
	171.2	(31.6)	0.5	166.2	306.3

Notes to the consolidated financial statements

For the year ended 30 June 2021

16 Derivative financial instruments

	Charter Hall Group		Charter Hall Property Trust Group	
	2021	2020	**2021**	2020
	$'m	$'m	**$'m**	$'m
Current assets				
Cross currency interest rate swaps - cash flow hedge	**3.3**	3.6	**3.3**	3.6
Interest rate swaps - fair value hedge	**1.1**	–	**1.1**	–
	4.4	3.6	**4.4**	3.6
Non-current assets				
Cross currency interest rate swaps - cash flow hedge	**27.9**	70.0	**27.9**	70.0
Interest rate swaps - fair value hedge	**2.6**	–	**2.6**	–
	30.5	70.0	**30.5**	70.0
Current liabilities				
Interest rate swaps - fair value hedge	**–**	0.1	**–**	0.1
	–	0.1	**–**	0.1
Non-current liabilities				
Interest rate swaps - non-hedge accounting	**–**	7.7	**–**	7.7
	–	7.7	**–**	7.7

Key valuation assumptions used in the determination of the fair value of derivative financial instruments and the Group's valuation policy are disclosed note 23(c).

17 Contributed equity

(a) Movements in ordinary stapled security capital

Details	Number of securities	Weighted average issue price	Charter Hall Limited $'m	Charter Hall Property Trust $'m	Total $'m
Opening balance at 1 July 2019	465,777,131		286.7	1,448.5	1,735.2
Buyback and issuance of securities for exercised performance and service rights[1]	–	$3.98	(1.6)	(11.7)	(13.3)
Tax recognised directly in equity	–		4.0	–	4.0
Closing balance at 30 June 2020	465,777,131		289.1	1,436.8	1,725.9
Closing balance per accounts at 30 June 2020	**465,777,131**		**289.1**	**1,436.8**	**1,725.9**
Buyback and issuance of securities for exercised performance and service rights[2]	**–**	**$4.63**	**(2.3)**	**(10.8)**	**(13.1)**
Tax recognised directly in equity	**–**		**4.0**	**–**	**4.0**
Closing balance at 30 June 2021	**465,777,131**		**290.8**	**1,426.0**	**1,716.8**
Closing balance per accounts at 30 June 2021	**465,777,131**		**290.8**	**1,426.0**	**1,716.8**

[1] 1,641,582 stapled securities bought on-market at an average value of $12.11, offset by the exercise of 797,578 performance rights with a fair value of $1.41 and 844,004 service rights with an average value of $6.40.

[2] 1,549,587 stapled securities bought on-market at an average value of $13.11, offset by the exercise of 821,840 performance rights with a fair value of $2.65 and 727,747 service rights with an average value of $6.85.

(b) Ordinary stapled securities

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.

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.

(c) 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.

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For the year ended 30 June 2021

18 Reserves

	Charter Hall Group		Charter Hall Property Trust Group	
	2021 **$'m**	2020 $'m	**2021** **$'m**	2020 $'m
Business combination reserve	**(52.0)**	(52.0)	**–**	–
Security-based benefits reserve	**24.0**	16.2	**–**	–
Cash flow hedge reserve	**0.8**	4.8	**0.8**	4.8
Foreign currency basis reserve	**(1.4)**	(1.0)	**(1.4)**	(1.0)
Transactions with non-controlling interests	**0.3**	0.3	**0.3**	0.3
Other reserves	**2.4**	1.2	**(1.2)**	(1.3)
	(25.9)	(30.5)	**(1.5)**	2.8
Charter Hall Limited	**(24.4)**	(33.3)	**–**	–
Charter Hall Property Trust	**(1.5)**	2.8	**(1.5)**	2.8
	(25.9)	(30.5)	**(1.5)**	2.8

(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.

19 Non-controlling interests

During the year, the Group decreased its holding in the Charter Hall Direct Long WALE Fund, formerly Charter Hall Direct Diversified Consumer Staples Fund (DCSF), from 39.6% to 32.3% (2020: from 41.9% to 39.6%), increasing the non-controlling interest from 60.4% to 67.7%. The net subscriptions for units were $14.5 million (2020: $2.0 million proceeds on redemption), paid in cash. There is no difference between the redemption proceeds and amount transferred to non-controlling interests (2020: $0.5 million has been recognised directly in equity).

	Charter Hall Group		Charter Hall Property Trust Group	
Summarised balance sheet	**2021** **$'m**	2020 $'m	**2021** **$'m**	2020 $'m
Current assets	**36.9**	3.0	**36.9**	3.0
Current liabilities	**4.0**	1.0	**4.0**	1.0
Current net assets	**32.9**	2.0	**32.9**	2.0
Non-current assets	**209.9**	173.8	**209.9**	173.8
Non-current liabilities	**39.7**	67.3	**39.7**	67.3
Non-current net assets	**170.2**	106.5	**170.2**	106.5
Net assets	**203.1**	108.5	**203.1**	108.5
Accumulated non-controlling interest	**137.5**	65.5	**137.5**	65.5

Summarised statement of comprehensive income	**2021** **$'m**	2020 $'m	**2021** **$'m**	2020 $'m
Revenue	**13.6**	10.9	**13.6**	10.9
Profit for the period	**30.1**	3.2	**30.1**	3.2
Other comprehensive loss	**–**	(0.1)	**–**	(0.1)
Total comprehensive income	**30.1**	3.1	**30.1**	3.1
Comprehensive income allocated to non-controlling	**18.8**	2.2	**18.8**	2.2

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20 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	
	2021 **$**	2020 $	**2021** **$**	2020 $
(a) Audit services				
PricewaterhouseCoopers – Australian Firm				
Audit and review of financial reports	**457,970**	585,126	**11,310**	8,529
Audit and review of financial reports for DLWF	**48,153**	30,259	**48,153**	30,259
Other assurance services	**12,550**	7,721	**–**	–
Total remuneration for audit services	**518,673**	623,106	**59,463**	38,788
(b) Taxation services				
PricewaterhouseCoopers – Australian Firm				
Taxation services	**9,300**	98,800	**–**	9,100
PricewaterhouseCoopers – New Zealand Firm				
Taxation services for DLWF	**1,472**	5,944	**1,472**	5,944
Total remuneration for taxation services	**10,772**	104,744	**1,472**	15,044
(c) Advisory services				
PricewaterhouseCoopers – Australian Firm				
Accounting advice	**–**	60,000	**–**	–
Total remuneration for advisory services	**–**	60,000	**–**	–

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

	Charter Hall Group		Charter Hall Property Trust Group	
	2021 **$'m**	2020 $'m	**2021** **$'m**	2020 $'m
Profit after tax for the year	**495.6**	348.1	**329.3**	146.7
Non-cash items:				
Amortisation of intangibles	**1.5**	6.9	**–**	–
Impairment of associates	**6.9**	13.6	**6.9**	13.6
Depreciation and amortisation	**7.8**	11.9	**1.5**	1.3
Non-cash security-based benefits expense	**7.0**	9.9	**–**	–
Net gain on sale of investments, property and derivatives	**(0.4)**	(15.5)	**(0.4)**	(15.5)
Fair value adjustments	**(30.9)**	8.5	**(30.9)**	8.5
Unrealised net loss on derivative financial instruments	**2.0**	2.8	**2.0**	2.8
Foreign exchange movements	**–**	0.3	**(0.9)**	0.3
Change in assets and liabilities, net of effects from purchase of controlled entity:				
(Increase)/decrease in trade debtors and other receivables	**(16.6)**	48.4	**0.2**	(6.4)
Increase/(decrease) in trade creditors and accruals	**26.2**	13.9	**1.0**	(0.6)
Increase in development assets	**(42.8)**	(11.8)	**–**	–
Share of net profits from equity accounted investments in associates and joint ventures	**(211.2)**	(51.4)	**(199.0)**	(46.0)
(Increase)/decrease for net deferred income tax	**(19.5)**	17.0	**–**	–
Net cash inflow from operating activities	**225.6**	402.6	**109.7**	104.7

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

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22 Capital and financial risk management

(a) Capital risk management

The key capital risk management objective of the Group and CHPT 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 Group and CHPT 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.

Notes to the consolidated financial statements

For the year ended 30 June 2021

22 Capital and financial risk management continued

The following table illustrates the potential impact a change in unlisted unit prices by +/–10% would have on the Group and CHPT'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.

	Carrying amount $'m	10% Impact on Profit and Equity $'m
Charter Hall Group		
2021		
Assets – Charter Hall Group		
Investments in associates at fair value through profit or loss	**46.2**	**4.6**
Investments in financial assets at fair value through profit or loss	**–**	**–**
2020		
Assets – Charter Hall Group		
Investments in associates at fair value through profit or loss	25.9	2.6
Investments in financial assets at fair value through profit or loss	101.2	10.1
Charter Hall Property Trust Group		
2021		
Assets – Charter Hall Property Trust Group		
Investments in associates at fair value through profit or loss	**46.2**	**4.6**
Investments in financial assets at fair value through profit or loss	**–**	**–**
2020		
Assets – Charter Hall Property Trust Group		
Investments in associates at fair value through profit or loss	25.9	2.6
Investments in financial assets at fair value through profit or loss	101.2	10.1

The impact on equity is the same as the impact on profit. The impact of a -10% change is the reverse of the impact shown for a +10% change.

Cash flow and fair value interest rate risk

The Group has long-term interest-bearing assets from unsecured loans receivable to development partners of $10.1 million. This exposure is not considered to be material to the Group.

CHPT and Charter Hall Limited are part of an unsecured stapled loan arrangement maturing on 30 June 2023 with interest charged on an arm's length basis. Refer to Note 24(e) for further details.

The Group's and CHPT's external interest rate risk arises from the debt facilities disclosed in Note 15. Borrowings drawn at variable rates expose both the Group and CHPT to cash flow interest rate risk. Borrowings drawn at fixed rates expose both the Group and CHPT to fair value interest rate risk. The Group's and CHPT'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 and CHPT's external interest rate risk arises from the debt facilities disclosed in Note 15 bearing a variable interest rate.

In addition, CHPT's exposure arises from an unsecured stapled loan maturing on 30 June 2023 payable to Charter Hall Limited bearing a variable interest rate.

Notes to the consolidated financial statements

For the year ended 30 June 2021

22 Capital and financial risk management continued

Interest rate sensitivity analysis

The following tables illustrate the potential impact a change in interest rates of +/–1% would have on the Group and CHPT's profit and equity, resulting from changes in Australian interest rates applicable at 30 June 2021, with all other variables remaining constant.

	Effective interest rate	Fair value $'m	Carrying amount $'m	1% Impact on Profit and Equity $'m
Charter Hall Group				
2021				
Financial assets				
Cash and cash equivalents	**0.3%**	**351.9**	**351.9**	**3.5**
Financial liabilities				
Borrowings	**1.3%**	**552.8**	**552.8**	**(5.0)**
Total increase/(decrease)				**(1.5)**
2020				
Financial assets				
Cash and cash equivalents	1.0%	238.9	238.9	2.4
Financial liabilities				
Borrowings	3.0%	366.7	366.7	–
Total increase/(decrease)				2.4
Charter Hall Property Trust Group				
2021				
Financial assets				
Cash and cash equivalents	**0.3%**	**71.3**	**71.3**	**0.7**
Loan receivable from Charter Hall Ltd	**4.4%**	**12.3**	**12.3**	**0.1**
Financial liabilities				
Borrowings	**1.3%**	**552.8**	**552.8**	**(5.0)**
Total increase/(decrease)				**(4.2)**
2020				
Financial assets				
Cash and cash equivalents	1.0%	12.7	12.7	0.1
Financial liabilities				
Loan payable to Charter Hall Ltd	6.6%	20.6	20.6	0.2
Borrowings	3.0%	366.7	366.7	–
Total increase/(decrease)				0.1

The impact on equity is the same as the impact on profit. The impact of a -1% change is the reverse of the impact shown for a +1% change.

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.

The effect of changes in interest rates on the Group's and CHPT's profit and equity shown in the table above is mainly impacted by a change in interest payable on floating rate interest, offset by changes in the fair value of derivative financial instruments hedging this exposure.

(iii) Foreign exchange risk

The Group and CHPT's principal exposure to foreign exchange risk arises from its investments in foreign subsidiaries and exposure to bond issuances denominated in US dollars. The major asset held by foreign subsidiaries is cash in foreign denominated bank accounts. Cross currency swaps are used to convert US dollar borrowings into Australian dollar exposure.

Notes to the consolidated financial statements

For the year ended 30 June 2021

22 Capital and financial risk management continued

(iv) Hedge accounting of derivatives

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. See Note 16 for derivatives held by the Group.

The Group's accounting policy for its fair value and cash flow hedges is set out in Note 33(l).

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

The Group hedges 100% of its foreign denominated debt and fixed rate medium term note. The Group enters into cross currency interest rate swaps and interest rate swaps that have critical terms that match the hedged item, such as payment dates, maturities and notional amount. The Group uses the hypothetical derivative method to assess effectiveness. Hedge ineffectiveness may occur due to credit/debit value adjustments and differences in critical terms between the hedging instrument and the hedged item.

Hedging instruments used by the Group

Cross currency interest rate swaps currently in place cover 100% (2020: 100%) of the foreign denominated debt outstanding. The payable variable AUD interest rates of the swaps are 2.0% (2020: 2.0%) above the 90-day bank bill swap rate which at the end of the reporting period was 0.1% (2020: 0.2%) and the receivable USD fixed rates of the loans are 4.6% (2020: 4.6%).

Interest rate swaps currently in place for the medium term note cover 100% of debt outstanding. The receivable fixed interest rate of the swaps currently in place is 3.1% and the payable is the 90-day bank bill swap rate plus 1.50% margin.

See Note 15(a) for further details of swaps held by the Group.

Effects of hedge accounting on the financial position and performance

The effects of the cross currency interest rate swaps and interest rate swaps on the Group's financial position and performance are as follows:

	Charter Hall Group		Charter Hall Property Trust Group	
	2021	2020	**2021**	2020
Cross currency interest rate swaps				
Carrying amount	**31.2**	73.6	**31.2**	73.6
Notional amount	**231.5**	231.5	**231.5**	231.5
Maturity date	**August-2028**	August-2028	**August-2028**	August-2028
Hedge ratio[1]	**1:1**	1:1	**1:1**	1:1
Change in fair value of outstanding hedging instruments since 1 July	**(42.4)**	33.3	**(42.4)**	33.3
Change in value of hedged item used to determine hedge effectiveness	**41.0**	(32.0)	**41.0**	(32.0)
Interest rate swaps				
Carrying amount	**3.7**	–	**3.7**	–
Notional amount	**250.0**	–	**250.0**	–
Maturity date	**April-2031**	n/a	**April-2031**	n/a
Hedge ratio[1]	**1:1**	n/a	**1:1**	n/a
Change in fair value of outstanding hedging instruments since 1 July	**3.7**	–	**3.7**	–
Change in value of hedged item used to determine hedge effectiveness	**(3.5)**	–	**(3.5)**	–

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[1] The underlying rate on interest rate swaps is the same as the rate exposure on the debt, therefore the hedge ratio is 1:1.

Notes to the consolidated financial statements

For the year ended 30 June 2021

22 Capital and financial risk management continued

(c) Credit risk

The Group and CHPT have policies in place to ensure that sales of services are made to customers with appropriate credit histories to minimise risk of default. A default is when the counterparty fails to fulfil its obligations under the terms of the financial asset causing financial loss to the Group and CHPT.

The Group derives 64.5% of its income from management fees, development revenue, transaction and other fees from related parties. A further 31.1% of the 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.

CHPT derives 84.4% of its income 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 the Group and CHPT are assessed for creditworthiness, taking into account their financial position, past experience and other factors. Refer to Note 9(c) for more information on credit risk.

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

The Group and CHPT applies the AASB 9 simplified approach to measuring expected credit losses which involves a lifetime expected loss allowance for all trade and other financial assets. The Group considers its financial asset balances to be low risk and thus the methodology has not resulted in the recognition of an impairment of any financial assets.

The loss allowances for trade and other financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions, based on the Group's history, existing market conditions and forward looking estimates at the end of each reporting period.

(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 Group and CHPT aim at maintaining flexibility in funding by keeping committed credit lines available.

Maturities of financial liabilities

The following table provides the contractual maturity of the Group's and CHPT'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.

Notes to the consolidated financial statements

For the year ended 30 June 2021

22 Capital and financial risk management continued

	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					
2021					
Trade and other payables	**174.2**	**170.4**	**0.2**	**3.6**	**174.2**
Borrowings	**552.8**	**–**	**40.0**	**512.8**	**552.8**
Total financial liabilities	**727.0**	**170.4**	**40.2**	**516.4**	**727.0**
2020					
Trade and other payables	153.9	150.1	0.1	3.7	153.9
Borrowings	382.6	15.9	66.5	300.2	382.6
Derivative financial instruments					
Net contractual amounts payable/(receivable)	7.8	2.3	5.7	–	8.0
Total financial liabilities	544.3	168.3	72.3	303.9	544.5
Charter Hall Property Trust Group					
2021					
Trade and other payables	**66.0**	**66.0**	**–**	**–**	**66.0**
Borrowings	**552.8**	**–**	**40.0**	**512.8**	**552.8**
Total financial liabilities	**618.8**	**66.0**	**40.0**	**512.8**	**618.8**
2020					
Trade and other payables	63.6	43.0	20.6	–	63.6
Borrowings	366.7	–	66.5	300.2	366.7
Derivative financial instruments					
Net contractual amounts payable/(receivable)	7.8	2.3	5.7	–	8.0
Total financial liabilities	438.1	45.3	92.8	300.2	438.3

Offsetting financial assets and liabilities

The Group is a party to the master 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 owing/receivable under a derivative contract to a net position outstanding. As at 30 June 2021, there was a gross liability position of $nil (2020: $nil) 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.

Notes to the consolidated financial statements

For the year ended 30 June 2021

23 Fair value measurement

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

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.

(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 (Note 2)
- Assets held for sale (Note 10)
- Investment properties (Note 11)
- Derivatives (Note 16)

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).

Notes to the consolidated financial statements

For the year ended 30 June 2021

23 Fair value measurement continued

The following table presents the Charter Hall Group's 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				
2021				
Investments in associates at fair value through profit and loss	**–**	**–**	**46.2**	**46.2**
Investment properties	**–**	**–**	**193.2**	**193.2**
Derivative financial instruments	**–**	**34.9**	**–**	**34.9**
Assets classified as held for sale	**–**	**–**	**23.1**	**23.1**
Total assets	**–**	**34.9**	**262.5**	**297.4**
2020				
Investments in financial assets at fair value through profit and loss	101.2	–	–	101.2
Investments in associates at fair value through profit and loss	–	–	25.9	25.9
Investment properties	–	–	173.8	173.8
Derivative financial instruments	–	73.6	–	73.6
Total assets	101.2	73.6	199.7	374.5
Derivative financial instruments	–	(7.8)	–	(7.8)
Total liabilities	–	(7.8)	–	(7.8)
Charter Hall Property Trust Group				
2021				
Investments in associates at fair value through profit and loss	**–**	**–**	**46.2**	**46.2**
Investment properties	**–**	**–**	**193.2**	**193.2**
Derivative financial instruments	**–**	**34.9**	**–**	**34.9**
Assets classified as held for sale	**–**	**–**	**23.1**	**23.1**
Total assets	**–**	**34.9**	**262.5**	**297.4**
2020				
Investments in financial assets at fair value through profit and loss	101.2	–	–	101.2
Investments in associates at fair value through profit and loss	–	–	25.9	25.9
Investment properties	–	–	173.8	173.8
Derivative financial instruments	–	73.6	–	73.6
Total assets	101.2	73.6	199.7	374.5
Derivative financial instruments	–	(7.8)	–	(7.8)
Total liabilities	–	(7.8)	–	(7.8)

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

(b) Disclosed fair values

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

(c) Valuation techniques used to derive Level 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.

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

Notes to the consolidated financial statements

For the year ended 30 June 2021

23 Fair value measurement continued

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

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 fair value of investments in associates held at fair value through profit and loss, which are investments in unlisted securities, are determined by 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. The Responsible Entity has considered the impact of the COVID-19 pandemic with regards to the timing of obtaining independent external valuations and as a result, 100% of Investment Property was externally revalued as at 30 June 2021 (91.7% by value on a look-through basis).

Movements 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.

With the potential and uncertain economic impacts of COVID-19, future property valuations could be adversely impacted.

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.)
2021	**193.2**	**4.9-6.5**	**5.1-7.8**	**5.5-7.5**
2020	173.8	5.2-7.3	5.3-8.8	6.0-8.0

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.

Notes to the consolidated financial statements

For the year ended 30 June 2021

24 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 25.

(c) Key management personnel

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

	Charter Hall Group		Charter Hall Property Trust Group	
	2021 **$'000**	2020 $'000	**2021** **$'000**	2020 **$'000**
Salary and fees	**3,107**	3,008	**–**	–
Non-Executive Director remuneration	**1,429**	1,372	**–**	–
Short-term incentives	**4,290**	4,290	**–**	–
Superannuation	**65**	63	**–**	–
Value of securities vested	**2,743**	2,012	**–**	–
Non-monetary benefits	**4**	5	**–**	–
	11,638	10,750	**–**	–

Detailed remuneration disclosures are provided in the Remuneration Report on pages 12 to 37.

(d) Transactions with related parties

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

	Charter Hall Group		Charter Hall Property Trust Group	
	2021 **$'000**	2020 $'000	**2021** **$'000**	2020 $'000
Associates				
Accounting cost recoveries	**12,524**	10,261	**–**	–
Marketing cost recoveries	**3,251**	2,556	**–**	–
Transaction and performance fees	**49,174**	162,487	**–**	–
Management and development fees	**172,871**	134,748	**–**	–
Property management fees and cost recoveries	**68,775**	64,497	**–**	–
Development revenue	**155,551**	–	**–**	–
Joint ventures				
Accounting cost recoveries	**920**	586	**–**	–
Marketing cost recoveries	**244**	176	**–**	–
Transaction and performance fees	**3,103**	2,402	**–**	–
Management and development fees	**29,448**	16,496	**–**	–
Property management fees and cost recoveries	**10,104**	6,670	**–**	–
Development revenue	**119,691**	68,922	**–**	–
Other				
Accounting cost recoveries	**1,232**	2,281	**–**	–
Marketing cost recoveries	**60**	109	**–**	–
Transaction and performance fees	**14,585**	40,179	**–**	–
Management and development fees	**8,277**	18,838	**–**	–
Property management fees and cost recoveries	**2,497**	4,665	**–**	–
Investment-related revenue	**–**	–	**10,742**	11,383
	652,307	535,873	**10,742**	11,383

During the year the Group sold holdings in related party entities to other related parties totalling $198.3m (2020: $205.6m).

Notes to the consolidated financial statements

For the year ended 30 June 2021

24 Related parties continued

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

	Charter Hall Group 2021 $'000	Charter Hall Group 2020 $'000	Charter Hall Property Trust Group 2021 $'000	Charter Hall Property Trust Group 2020 $'000
Associates				
Management fee receivables	**19,600**	13,453	**–**	–
Other receivables	**23,852**	7,221	**–**	–
Joint ventures				
Management fee receivables	**6,354**	2,408	**–**	–
Other receivables	**2,399**	1,158	**–**	–
Other				
Management fee receivables	**1,168**	2,358	**–**	–
Other receivables	**8,082**	1,778	**–**	–
	61,455	28,376	**-**	-

(e) Loans to/(from) related parties

	Charter Hall Group 2021 $'000	Charter Hall Group 2020 $'000	Charter Hall Property Trust Group 2021 $'000	Charter Hall Property Trust Group 2020 $'000
Loans to joint ventures				
Opening balances	**4,397**	47,563	**-**	38,919
Loans advanced	**–**	140	**–**	–
Loan repayments received	**(1,376)**	(43,508)	**–**	(38,900)
Interest charged	**–**	812	**–**	812
Interest received/receivable	**239**	(610)	**–**	(831)
Closing balance	**3,260**	4,397	**-**	-
Loans from joint ventures				
Opening balances	**–**	3,647	**–**	–
Loan repayments made	**–**	(3,647)	**–**	–
Closing balance	**–**	–	**-**	-
Loans to other related parties				
Opening balances	**13,168**	13,973	**–**	–
Loans advanced	**7,320**	5,133	**–**	–
Loan repayments received	**(14,286)**	(6,971)	**–**	–
Interest received/receivable	**747**	1,033	**–**	–
Closing balance	**6,949**	13,168	**-**	-
Loans from other related parties				
Opening balances	**15,948**	3,852	**–**	–
Loans advanced	**–**	12,096	**–**	–
Loan repayments made	**(15,948)**	–	**–**	–
Closing balance	**–**	15,948	**-**	-
Loans to/(from) Charter Hall Limited				
Opening balances	**–**	–	**(20,581)**	43,161
Loans advanced	**–**	–	**618,339**	379,618
Loan repayments received	**–**	–	**(587,292)**	(446,340)
Interest received/receivable	**–**	–	**1,815**	2,980
Closing balance	**–**	–	**12,281**	(20,581)

No provisions for expected credit losses have been raised in relation to any outstanding balances.

The loan to CHL comprises an unsecured stapled loan maturing on 30 June 2023. Interest is charged on an arm's length basis which, at 30 June 2021, amounted to a weighted average rate of 4.4%. At 30 June 2020, the balance consisted of a loan from CHL to CHPT with a weighted average interest rate of 6.6%.

(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 $4,161,000 (2020: $3,146,000). At 30 June 2021, related fees payable amounted to $1,907,000 (2020: $480,000).

Notes to the consolidated financial statements

For the year ended 30 June 2021

25 Controlled entities

(a) Critical judgements

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.

(b) Principal controlled entities of the Charter Hall Group

The Group's principal subsidiaries where the majority of activities are undertaken as at 30 June 2021 are set out below. The country of incorporation or registration is also their principal place of business, unless otherwise stated.

Name of entity	Country of incorporation	Principal activity	Class of securities	**2021 %**	2020 %
Controlled entities of Charter Hall Limited					
Charter Hall Holdings Pty Limited	Australia	Property management	Ordinary	**100**	100
Charter Hall Opportunity Fund No. 5	Australia	Property development	Ordinary	**93**	93
Folkestone Limited	Australia	Property management	Ordinary	**100**	100
Charter Hall Social Infrastructure Limited	Australia	Responsible entity	Ordinary	**100**	100
Charter Hall Direct Property Management Limited	Australia	Responsible entity	Ordinary	**100**	100
Charter Hall FLK Funds Management Limited	Australia	Responsible entity	Ordinary	**100**	100
Charter Hall Investment Management Limited	Australia	Responsible entity	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
Charter Hall Development Services Pty Ltd	Australia	Property development	Ordinary	**100**	100
Folkestone No 3 Pty Limited	Australia	Property investment	Ordinary	**100**	100
Controlled entities of Charter Hall Property Trust					
Charter Hall Co-Investment Trust	Australia	Property investment	Ordinary	**100**	100
Charter Hall Co-Investment Trust 2	Australia	Property investment	Ordinary	**100**	100
Charter Hall Co-Investment Trust 3	Australia	Property investment	Ordinary	**100**	100
Charter Hall Co-Investment Trust 4	Australia	Property investment	Ordinary	**100**	100
Charter Hall Co-Investment Trust 6	Australia	Property investment	Ordinary	**100**	100
Charter Hall Co-Investment Trust 7	Australia	Property investment	Ordinary	**100**	100
Charter Hall Co-Investment Trust 8	Australia	Property investment	Ordinary	**100**	100
Charter Hall Co-Investment Trust 9	Australia	Property investment	Ordinary	**100**	100
CHPT Exchange Trust	Australia	Property investment	Ordinary	**100**	100
Charter Hall Direct Long WALE Fund	Australia	Property investment	Ordinary	**32**	40
CHPT RP2 Trust	Australia	Property investment	Ordinary	**100**	100
CHC Finance Pty Ltd	Australia	Financing entity	Ordinary	**100**	-

(c) Principal controlled entities of the Charter Hall Property Trust Group

Name of entity	Country of incorporation	Principal activity	Class of securities	**2021 %**	2020 %
Controlled entities of Charter Hall Property Trust					
Charter Hall Co-Investment Trust	Australia	Property investment	Ordinary	**100**	100
Charter Hall Co-Investment Trust 2	Australia	Property investment	Ordinary	**100**	100
Charter Hall Co-Investment Trust 3	Australia	Property investment	Ordinary	**100**	100
Charter Hall Co-Investment Trust 4	Australia	Property investment	Ordinary	**100**	100
Charter Hall Co-Investment Trust 6	Australia	Property investment	Ordinary	**100**	100
Charter Hall Co-Investment Trust 7	Australia	Property investment	Ordinary	**100**	100
Charter Hall Co-Investment Trust 8	Australia	Property investment	Ordinary	**100**	100
Charter Hall Co-Investment Trust 9	Australia	Property investment	Ordinary	**100**	100
CHPT Exchange Trust	Australia	Property investment	Ordinary	**100**	100
Charter Hall Direct Long WALE Fund	Australia	Property investment	Ordinary	**32**	40
CHPT RP2 Trust	Australia	Property investment	Ordinary	**100**	100
CHC Finance Pty Ltd	Australia	Financing entity	Ordinary	**100**	-

Notes to the consolidated financial statements

For the year ended 30 June 2021

26 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 activities and objectives 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	
	2021	2020	**2021**	2020
	$'m	$'m	**$'m**	$'m
Current assets				
Trade receivables	**17.4**	11.0	**0.5**	0.5
Distributions receivable	**35.4**	30.2	**34.1**	28.8
Loans to associates and joint ventures	**4.2**	2.4	**–**	–
Total current assets	**57.0**	43.6	**34.6**	29.3
Non-current assets				
Loans to related parties	**5.9**	14.3	**–**	–
Investments at fair value through profit or loss	**46.2**	127.1	**46.2**	127.1
Investments accounted for using the equity method	**2,321.6**	1,875.4	**2,234.6**	1,794.8
Total non-current assets	**2,373.7**	2,016.8	**2,280.8**	1,921.9
Total carrying amount of interests in unconsolidated structured entities	**2,430.7**	2,060.4	**2,315.4**	1,951.2
Total funds under management in unconsolidated structured entities	**52,288.9**	40,549.4	**51,751.2**	39,900.8

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 24 for further information.

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

27 Commitments

(a) Capital commitments

Charter Hall Group

The Group has capital expenditure and a funding guarantee contracted for at the reporting date but not recognised as liabilities of $34.4 million at 30 June 2021 (2020: $42.4 million) relating to a development joint venture.

Charter Hall Property Trust Group

The Trust Group had no contracted capital commitments as at 30 June 2021 (2020: $nil).

28 Contingent liabilities

The Group has nil contingent liabilities as at 30 June 2021 (2020: $nil) other than the bank guarantees provided for under the bank facility held by Charter Hall Property Trust (refer to 15(a)).

Notes to the consolidated financial statements

For the year ended 30 June 2021

29 Security-based benefits expense

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

Charter Hall Group and Charter Hall Property Trust Group	2018 Number	2019 Number	2020 Number	**2021 Number**	**Total Number**
Performance rights					
Rights issued 23/11/17	871,739	–	–	**–**	**871,739**
Rights issued 28/11/18	–	1,015,843	–	**–**	**1,015,843**
Rights issued 28/11/19	–	–	713,588	**–**	**713,588**
Rights issued 28/11/20	–	–	–	**838,798**	**838,798**
Performance rights issued	871,739	1,015,843	713,588	**838,798**	**3,439,968**
Number of rights forfeited/lapsed					
Prior years	(49,899)	(36,497)	(15,263)	–	**(101,659)**
Current year	–	–	–	–	**–**
Number of rights vested					
Current year	(821,840)	–	–	**–**	**(821,840)**
Closing balance	–	979,346	698,325	**838,798**	**2,516,469**
Service rights					
Rights issued 23/11/17	353,091	–	–	**–**	**353,091**
Rights issued 28/11/18	–	1,748,977	–	**–**	**1,748,977**
Rights issued 25/11/19	–	–	178,903	**–**	**178,903**
Rights issued 28/11/19	–	–	260,000	**–**	**260,000**
Rights issued 15/09/20	–	–	–	**672,282**	**672,282**
Rights issued 28/11/20	–	–	–	**319,856**	**319,856**
Service rights issued	353,091	1,748,977	438,903	**992,138**	**3,533,109**
Number of rights forfeited/lapsed					
Prior years	(5,964)	(96,899)	–	**–**	**(102,863)**
Current year	–	–	–	**–**	**–**
Number of rights vested					
Prior years	(315,638)	(657,679)	–	**–**	**(973,317)**
Current year	(31,489)	(606,803)	(89,455)	**–**	**(727,747)**
Closing balance	–	387,596	349,448	**992,138**	**1,729,182**

(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	
	2021 $'m	2020 $'m	**2021 $'m**	2020 $'m
Performance rights and option plan	**6.8**	9.7	**–**	–

Notes to the consolidated financial statements

For the year ended 30 June 2021

29 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 FY2021 are as follows:

	CHC Performance rights	CHC Service rights – Mandatory Deferred STI	CHC Service rights – Voluntary Deferred STI	CHC Service rights – Sign-on	CQR Service rights – Deferred STI
Grant date	26/11/2020	26/11/2020	15/09/2020	26/11/2020	26/11/2020
Stapled security price at grant date[1]	$13.12	$13.12	$12.38	$13.12	$3.86
Fair value of right	$10.33	$12.68	$10.74	$12.28	$3.57
Expected volatility[2]	33.5%	50.5%	31.5%	41.3%	40.9%
Dividend yield	2.7%	2.7%	2.9%	2.7%	6.4%
Risk-free interest rate	0.2%	0.2%	0.3%	0.2%	0.2%

[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 (2020: $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 $434,931 (2020: $468,139) was recognised in relation to this plan during the year. For the GESP, the cost of the stapled securities bought on-market to settle the award liability is included in employee benefits expense.

(e) Accounting policy

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). For market-based performance rights, 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 rights, 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 rights 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 rights that are expected to vest. For non-market based performance rights, the fair value at grant date is independently valued using the Black-Scholes methodology. At each reporting date, the entity revises its estimate of the number of rights 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.

Notes to the consolidated financial statements

For the year ended 30 June 2021

30 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, have been prepared on the same basis as the Group's financial statements:

	Charter Hall Limited		**Charter Hall Property Trust**	
Balance sheet	**2021 $'m**	2020 $'m	**2021 $'m**	2020 $'m
Current assets	**296.0**	169.6	**63.7**	24.3
Total assets	**562.7**	453.3	**1,797.4**	1,771.5
Current liabilities	**64.9**	99.4	**60.2**	40.7
Total liabilities	**455.1**	351.5	**321.1**	345.2
Shareholders' equity				
Issued capital	**290.8**	289.1	**1,426.0**	1,436.8
Other reserves	**(53.6)**	(53.6)	**(0.5)**	3.1
Accumulated profit/(losses)	**(129.6)**	(133.7)	**50.8**	(13.6)
Net equity	**107.6**	101.8	**1,476.3**	1,426.3
Profit for the year	**74.6**	88.3	**254.1**	32.6
Total comprehensive income for the year	**74.6**	88.3	**254.1**	32.6

Notwithstanding the net current liability, Charter Hall Property Trust has total net assets of $1.5 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 2021 (2020: $nil) other than the bank guarantees provided for under the bank facility held by Charter Hall Property Trust (refer to Note 15(a)).

(c) Contractual commitments

As at 30 June 2021, Charter Hall Limited had no contractual commitments (2020: $nil).

As at 30 June 2021, Charter Hall Property Trust had no contractual commitments (2020: $nil).

Notes to the consolidated financial statements

For the year ended 30 June 2021

31 Deed of cross guarantee

Charter Hall Group

Charter Hall Limited (CHL) and its wholly owned subsidiaries, Charter Hall Holdings Pty Ltd (CHH) and Folkestone Limited (FLK), are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, CHH and FLK have 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. FLK was added by assumption deed to the deed of cross guarantee from 3 May 2019.

(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 CHL, CHH and FLK.

	2021 $'000	2020 $'000
Statement of comprehensive income		
Revenue	**356.0**	440.0
Employee benefits expense	**(147.9)**	(147.3)
Depreciation and amortisation	**(7.8)**	(15.9)
Finance costs	**(2.8)**	(4.7)
Share of net profit of associates accounted for using the equity method	**–**	0.1
Other expenses	**(26.5)**	(27.9)
Profit before income tax	**171.0**	244.3
Income tax expense	**(52.3)**	(72.2)
Profit for the year	**118.7**	172.1
Accumulated profit/(losses) at the beginning of the financial year	**84.5**	(6.1)
Profit for the year	**118.7**	172.1
Dividends paid/payable	**(70.6)**	(81.5)
Accumulated profit at the end of the financial year	**132.6**	84.5

Notes to the consolidated financial statements

For the year ended 30 June 2021

31 Deed of cross guarantee continued

(b) Balance sheet

Set out below is a consolidated balance sheet of the closed group consisting of CHL, CHH and FLK.

	2021 $'m	2020 $'m
Assets		
Current assets		
Cash and cash equivalents	**178.0**	198.2
Receivables and other assets	**80.5**	55.6
Total current assets	**258.5**	253.8
Non-current assets		
Net loans payable to related entities	**5.4**	–
Loans due from Charter Hall Property Trust	**–**	**20.6**
Investment in associates at fair value through profit or loss	**15.1**	15.1
Investment in associates	**2.8**	3.3
Investments in controlled entities	**193.5**	193.5
Property, plant and equipment	**14.4**	20.8
Intangible assets	**71.0**	71.0
Right-of-use assets	**9.3**	8.5
Deferred tax assets	**13.8**	10.7
Total non-current assets	**325.3**	343.5
Total assets	**583.8**	597.3
Liabilities		
Current liabilities		
Trade and other liabilities	**129.6**	167.4
Lease liabilities	**4.5**	4.0
Total current liabilities	**134.1**	171.4
Non-current liabilities		
Trade and other liabilities	**3.8**	3.6
Loans due to Charter Hall Property Trust	**12.3**	–
Net loans due to related entities	**–**	47.0
Lease liabilities	**10.7**	11.1
Total non-current liabilities	**26.8**	61.7
Total liabilities	**160.9**	233.1
Net assets	**422.9**	364.2
Equity		
Contributed equity	**290.8**	289.1
Reserves	**(0.5)**	(9.4)
Accumulated profit	**132.6**	84.5
Total equity	**422.9**	364.2

32 Events occurring after the reporting date

No matter or circumstance has arisen since 30 June 2021 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.

33 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 2021 are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

Changes in accounting policies

(a) New and amended standards adopted

The Group revised its accounting policy in relation to Software-as-a-service (SaaS) during the year. No other new accounting standards or amendments have come into effect for the year ended 30 June 2021 that affect the Group's operations or reporting requirements.

Software-as-a-Service (SaaS) arrangements

During the year, the Group revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing SaaS arrangements in response to the IFRIC agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements.

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

Where costs incurred are for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise or services-as-a-platform systems and meets the definition of and recognition criteria for an asset, these costs are recognised as software assets and depreciated over the useful life of the software on a straight-line basis. The useful lives of these assets are reviewed at least at the end of each financial year, and any change accounted for prospectively as a change in accounting estimate.

Adjustments recognised on adoption of new policy

As a result of adopting the new SaaS policy, associated costs previously capitalised and depreciated as software assets but now considered to be SaaS arrangements have been identified along with their corresponding deferred tax liability. The Group has adopted this change in policy with the following items affected:

- Software assets – decreased by $6.7m
- Deferred tax liability – increased by $2.0m

On adoption the impact of the above item was reflected in the retained earnings.

Significant accounting policies

(b) Controlled entities

The Charter Hall Group (Group or CHC) is a 'stapled' entity comprising Charter Hall Limited (Company or CHL) and its controlled entities, and Charter Hall Property Trust (Trust) and its controlled entities (CHPT 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, and continue to be prepared on the going concern basis of accounting. 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 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).

Notes to the consolidated financial statements

For the year ended 30 June 2021

33 Summary of significant accounting policies continued

Historical cost convention

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

- investment properties – measured at fair value;
- 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; and
- derivative financial instruments.

(c) 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 2021 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 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 or by using the equity method. On initial recognition, the Group elects to account for investments in associates at either fair value through profit or loss or by 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.

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

33 Summary of significant accounting policies continued

comprehensive income is reclassified to profit or loss where appropriate.

(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 currency translation

On consolidation, exchange differences arising from the translation of borrowings, and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

(e) Revenue recognition

The amount of revenue recognised in each period is based on the delivery of performance obligations and when control has been transferred to customers in accordance with the principles set out in AASB 15. Where the Group enters into contracts with multiple service components, judgement is applied to determine whether the components are:

- *distinct* – accounted for as separate performance obligations;
- *not distinct* – combined with other promised services until a distinct bundle is identified; or
- *part of a series* of distinct services that are substantially the same and have the same pattern of transfer to the customer.

For each performance obligation identified, it is determined whether revenue is recognised at a point in time or over time. Revenue is recognised over time if:

- the customer simultaneously receives and consumes the benefits provided over the life of a contract as the services are performed;
- the customer controls the asset that the Group is creating or enhancing; or
- the Group's performance does not create an asset with an alternative use to the Group and has an enforceable right to payment for performance completed to date.

At contract inception, the Group estimates the consideration to which it expects to be entitled and has rights to receive under the contract. Variable consideration, where the Group's performance could result in further revenue, is only included to the extent that it is highly probable that a significant reversal of revenue recognised will not occur.

In assessing the amount of consideration to recognise, key judgements and assumptions are made on a forward-looking basis where required.

To the extent revenue has not been received at reporting date, a receivable is recognised in the consolidated balance sheet.

Investment Management revenue

Fund management fees are received for performance obligations fulfilled over time with revenue recognised accordingly. Fund management fees are determined in accordance with relevant agreements for each fund, based on the fund's periodic (usually monthly or quarterly) Gross Asset Value (GAV).

Generally, invoicing of funds for management fees occurs on a quarterly basis and are receivable within 21 days.

Performance fees are for performance obligations fulfilled over time and for which consideration is variable. The fees for each applicable fund are determined in accordance with the relevant agreement which stipulates out-performance of a benchmark over a given period.

Performance fee revenue is recognised to the extent that it is highly probable that the amount of variable consideration recognised will not be significantly reversed when the uncertainty is resolved. Detailed calculations and an assessment of the risks associated with the recognition of the fee are completed to inform the assessment of the appropriate revenue to recognise.

Invoicing of funds for performance fees occurs in accordance with the contractual performance fee payment date.

A contract asset is recognised in the consolidated balance sheet at each reporting date in line with revenue recognised where the right to receive consideration remains conditional on future performance.

Transaction fee revenue is recognised at a point in time upon fulfillment of the performance obligation. This is usually the point at which control of the underlying asset being transacted has transferred to the buyer.

Transaction fees are invoiced when the performance obligation has been fulfilled and are receivable within 21 days.

Property Services revenue

Property services primarily include property management, development management, leasing, facilities and project management. Revenue is recognised either over time or at a point in time depending on the terms of the specific agreement for each type of service. Invoicing of funds for property services fees

Notes to the consolidated financial statements

For the year ended 30 June 2021

33 Summary of significant accounting policies continued

occurs on a monthly or quarterly basis and are receivable within 21 days.

Recovery of property and fund-related expenses revenue

Accounting, marketing and property management services provided to managed funds are charged as an expense recovery. Revenue is recognised over time as the performance obligations are fulfilled. Invoicing of funds for expense recoveries occurs on a monthly or quarterly basis depending on the recovery type and are receivable within 21 days.

Development revenue

Where Charter Hall has control of the underlying asset, revenue from the sale of development assets is recognised when control has been transferred to the customer. Where development assets have been recognised in relation to the enhancement of an asset controlled by the customer, revenue from the realisation of the development costs are recognised over time in accordance with the performance obligations of the contract.

Revenue is calculated by reference to the total consideration expected to be received in exchange for fulfilling the performance obligations under the contract. Any variable consideration is constrained to the amount that is highly probable to not significantly reverse. Revenue is recognised based on the most appropriate method that depicts the transfer of goods and services to the customer, generally the ‘cost to cost’ method.

A development asset is recognised in the consolidated balance sheet at each reporting date in line with revenue recognised where the right to receive consideration remains conditional on future performance.

Proceeds from the sale of development assets are invoiced and receivable in accordance with the relevant terms of the contract.

(f) 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. 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) 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.

(v) 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.

(g) Development assets

Costs incurred in fulfilling a development contract with a customer are recognised as a development asset.

Where Charter Hall has control of the asset, development costs are recorded at the lower of cost and net realisable value.

Where Charter Hall has incurred costs in relation to the enhancement of an asset controlled by the customer, a development contract asset is recognised in the consolidated balance sheet where the right to receive consideration remains conditional on future performance. Development assets are recorded at the lower of cost or the total consideration expected to be received less the total costs expected to be recognised as an expense. Where consideration is received in excess of revenue recognised, a development liability will be recognised.

Development assets are classified as non-current where the group is not contractually entitled to payment within 12 months from balance date.

(h) 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. Further

33 Summary of significant accounting policies continued

information relating to valuation techniques can be found in Note 23(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.

(i) 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.

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

(j) Impairment of non-monetary 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.

(k) 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 interests' 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.

(l) Financial Instruments

(i) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for expected credit losses. Trade receivables are due for settlement no more than 21 days from the date of recognition. Expected credit losses in relation to trade receivables are reviewed on an ongoing basis.

(ii) Other financial assets

Classification

The Group classifies its other financial assets as being measured either:

- at fair value through other comprehensive income or through profit or loss; or
- at amortised cost.

The means by which the assets are measured depends upon how they are managed and the contractual terms of the cash flows.

Notes to the consolidated financial statements

For the year ended 30 June 2021

33 Summary of significant accounting policies continued

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. Presently all the Group's debt instruments are classified under amortised cost.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

(iii) Impairment

Trade receivables

For trade receivables, the Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which requires the use of the lifetime expected credit loss provision for all trade receivables from initial recognition of the receivables.

Any impairment loss is recognised through the consolidated statement of comprehensive income.

Debt instruments

The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

(iv) Derivatives and hedge accounting

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

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.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The Group's derivatives in place as at 30 June 2021 qualified as fair value and cash flow hedges under AASB 9. The Group's risk management strategies and hedge documentation are aligned with the requirements of AASB 9 and these relationships are therefore treated as continuing hedges.

Fair value hedges that qualify for hedge accounting

The gain or loss relating to interest payments on interest rate swaps hedging fixed rate borrowings is recognised in profit or loss within finance costs. Changes in the fair value of derivative hedging instruments and 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 that qualify for hedge accounting

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'.

Derivatives that do not qualify for hedge accounting

For derivative instruments that do not qualify for hedge accounting, changes in the fair value of the derivative instrument are recognised immediately in profit or loss.

(m) 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.

Notes to the consolidated financial statements

For the year ended 30 June 2021

33 Summary of significant accounting policies continued

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.

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.

(n) 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.

(o) Comparative information

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

(p) 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.

Directors' declaration to securityholders

For the year ended 30 June 2021

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 41 to 95 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 2021 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 31 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 31.

Note 33(b) 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.

DClarke

David Clarke
Chair

Sydney
23 August 2021

Independent auditor's report

To the stapled securityholders of Charter Hall Group and the unitholders of Charter Hall Property Trust

Report on the audit of the financial reports

Our opinion

In our opinion:

The accompanying financial reports of Charter Hall Limited and its controlled entities and Charter Hall Property Trust and its controlled entities (together "Charter Hall Group") and Charter Hall Property Trust and its controlled entities (together "Charter Hall Property Trust Group") are in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Charter Hall Group and Charter Hall Property Trust Group financial positions as at 30 June 2021 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

The Charter Hall Group and the Charter Hall Property Trust Group financial reports comprise:

- the consolidated balance sheets as at 30 June 2021
- 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 significant accounting policies and other explanatory information
- the directors' declaration to securityholders.

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.

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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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 reports are 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 reports.

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 geographic 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 and Charter Hall Property Trust Group we used overall materiality of $14.2 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 reports 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 thresholds.

Audit Scope

- Our audit focused on where Charter Hall Group and Charter Hall Property Trust Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- We, as the group audit team, identified separate components of Charter Hall Group and Charter Hall Property Trust Group representing individually significant investments. Component audit teams assisted the group engagement team to perform an audit of those components.
- At both the Charter Hall Group and Charter Hall Property Trust 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 Charter Hall Group and Charter Hall Property Trust 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 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*
Carrying value of investments accounted for using the equity method (Charter Hall Group and Charter Hall Property Trust Group) *(Refer to notes 2 and 3)* Charter Hall Group and Charter Hall Property Trust Group invest in certain underlying funds managed by Charter Hall Group. These funds comprise listed and unlisted funds which invest across a range of office, industrial, retail, social infrastructure 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. In accordance with Australian Accounting Standards, interests in associates and joint ventures, need to be assessed for indicators of	Our audit procedures included evaluating the design of relevant controls relating to Charter Hall Group's and Charter Hall Property Trust Group's equity accounted investments process. To assess the carrying amount of investments accounted for using the equity method, our audit included the following audit procedures, amongst others: • Updating our understanding of market conditions relating to the investments and discussing with management the particular circumstances affecting the investments. • Reperforming the equity method of accounting calculations by reference to underlying investee financial information. • For a sample of material acquisitions made during the year, agreeing certain transaction details to appropriate source documents. • Evaluating the assessments made by Charter Hall Group and Charter Hall Property Trust Group of whether there

Key audit matter	*How our audit addressed the key audit matter*

impairment at the reporting date. If indicators of impairment exist, the recoverable amount for each investment needs to be estimated. These assessments involve significant judgements in estimating future cash flows and the rate at which they are discounted and in evaluating fair value less costs to sell.
Given the significance of these investments to the results and consolidated balance sheets of Charter Hall Group and Charter Hall Property Trust Group, together with the extent of judgement involved in light of the continued impact and uncertainty surrounding the COVID-19 pandemic, we consider this to be a key audit matter.
	were any indicators of impairment or whether impairment losses recognised in prior periods should be reversed, including evaluating the impairment assessment methodologies and the significant assumptions used.
	• For impaired investments our procedures included:
	  • evaluating the appropriateness of impairment assessment methodology and significant assumptions applied in calculating the recoverable amounts of the relevant investments.
	  • performing testing over the mathematical accuracy of the underlying calculations.
	Assessing the reasonableness of the relevant disclosures in the financial reports in light of the requirements of Australian Accounting Standards.

Revenue recognition – performance fees (Charter Hall Group)
(Refer to note 4)
Australian Accounting Standards require variable revenue, such as performance fees, to be recognised only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.
We considered performance fees to be a key audit matter because of the:
• estimation uncertainty associated with estimating the period remaining from balance sheet date to performance fee crystallisation date and determining the degree of probability of revenue reversal during that period, including potential and uncertain economic impacts of COVID-19 on future property valuations.
• the potential financial significance of performance fees to the Charter Hall Group results.
	Our audit procedures included evaluating the design of relevant controls relating to the recognition and measurement of performance fee revenue.
	For a sample of funds with performance fees contracts we performed the following audit procedures, amongst others:
	• We assessed the appropriateness of revenue recognition against the requirements of Australian Accounting Standards.
	• Evaluated the appropriateness of significant assumptions and data used to estimate the variable revenue in the context of Australian Accounting Standards and whether the judgements made in selecting them give rise to indicators of possible bias by Charter Hall Group. This included:
	  ○ Agreeing the data in Charter Hall Group's calculations to source documents, where possible.
	  ○ Assessing the appropriateness of the key factors the Charter Hall Group considered to

Key audit matter	***How our audit addressed the key audit matter***
	evaluate the probability of a revenue reversal by comparing significant assumptions to those available in the industry. • Tested the mathematical accuracy, on a sample basis, of the performance fee calculations and assessed whether they were in accordance with the relevant Constitution. • Where a performance fee was paid during the year, we inspected evidence of payment. Assessed the reasonableness of the disclosures in the financial report, including those related to estimation uncertainty, against the requirements of Australian Accounting Standards.
Revenue recognition – development revenue (Charter Hall Group) *(Refer to note 4)* Development revenue is recognised when value is transferred to the customer (i.e. over time or at time of sale). Judgement is applied where development revenue is recognised on a percentage of completion basis as it involves the use of forward-looking assumptions including forecast costs at completion. We considered development revenue to be a key audit matter because of the: • financial significance of this revenue stream to Charter Hall Group's comprehensive income. • degree of estimation uncertainty and judgement in relation to estimating total project costs. • sensitivity of Charter Hall Group's assessment to changes in these assumptions such as total project costs.	Our audit procedures included evaluating the design of relevant controls relating to the recognition and measurement of development revenue. For a sample of projects for which development revenue was recognised in the year we performed the following audit procedures, amongst others: • Obtained the relevant development agreements executed between Charter Hall Group and the customer(s) and evaluated the terms of the agreement to develop an understanding of the performance obligation and transaction price. • Enquired with management on the feasibility of projects to develop an understanding of project status and risks as well as percentage completion used by Charter Hall Group in their assessment of development revenue for the year and forecast for future periods. • Assessed the capitalisation and forecast of costs by, amongst other things, agreeing them back to quantity surveyor and independent certifier reports where relevant.

Key audit matter	***How our audit addressed the key audit matter***
	Assessed the reasonableness of the disclosures in the financial report, including those related to estimation uncertainty, against the requirements of Australian Accounting Standards.
Carrying value of indefinite life management rights (Charter Hall Group) *(Refer to note 12)* The Charter Hall Group's indefinite life intangible assets comprise management rights in relation to managed funds. These intangible assets had a carrying value of $101.3 million at 30 June 2021. These management rights are considered to have indefinite useful lives and accordingly an annual impairment test is required by Australian Accounting Standards. We considered the valuation of indefinite life intangible assets a key audit matter because of the: • degree of estimation uncertainty and judgement in relation to estimating the recoverable amount of indefinite life management rights including potential and uncertain economic impacts of COVID-19 on future property valuations. • sensitivity of Charter Hall Group’s assessment to changes in significant assumptions such as growth rates, discount rates, and terminal value multiples.	Our audit procedures included evaluating the design of relevant controls relating to indefinite life management rights. For a sample of impairment tests performed by the Charter Hall Group, our audit included the following procedures, amongst others, in conjunction with PwC valuation experts: • We evaluated the relevant cash flow forecasts, including performing tests over the mathematical accuracy of the underlying calculations and comparing the forecasts to Board approved budgets. • Tested management’s forecast accuracy of estimating future distributions by testing the previous three years estimates to actuals. • We considered the method applied and assessed the appropriateness of the significant assumptions including growth rates, discount rates, and terminal value multiples used in light of Australian Accounting Standards. Assessed the reasonableness of the disclosures made in note 12, including those related to estimation uncertainty, against the requirements of Australian Accounting Standards.

Other information

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 other information. The other information comprises the information included in the annual report for the year ended 30 June 2021, but does not include the financial reports and our auditor’s report thereon. Prior to the date of this auditor's report, the other information we obtained included the Directors' report, Contact details and Corporate directory. We expect the remaining other information to be made available to us after the date of this auditor's report.

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

In connection with our audit of the financial reports, our responsibility is to read the other information 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, 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 are responsible for the preparation of the 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 the 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 Charter Hall Group and Charter Hall Property Trust Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate Charter Hall Group and Charter Hall Property Trust Group 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 reports.

A further description of our responsibilities for the audit of the financial reports is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 12 to 37 of the directors' report for the year ended 30 June 2021.

In our opinion, the remuneration report of Charter Hall Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors 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.

Pricewaterhouse Coopers

PricewaterhouseCoopers

E A Barron
Partner

Sydney
23 August 2021

Contact details

Registry

To access information on your holding or update/change your details including name, address, tax file number, payment instructions and document requests, contact:

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Tel: 1300 303 063 (within Australia)
+61 2 8280 7134 (outside Australia)
Fax: +61 2 9287 0303
E-mail: charterhall.reits@linkmarketservices.com.au
Web: www.linkmarketservices.com.au

Investor relations

All other enquiries related to Charter Hall Group can be directed to Investor Relations:

Charter Hall Group
GPO Box 2704
Sydney NSW 2001
Tel: 1300 365 585 (local call cost)
+61 2 8651 9000 (outside Australia)
Fax: +61 2 9221 4655
E-mail: reits@charterhall.com.au
Web: www.charterhall.com.au

Corporate directory

Directors

David Clarke, Jacqueline Chow, Philip Garling, David Harrison, Karen Moses, Greg Paramor, David Ross

Company Secretary

Mark Bryant

ASX Code

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

Principal registered office in Australia

Level 20, No.1 Martin Place
Sydney NSW 2000
Tel: +61 2 8651 9000

Auditor

PricewaterhouseCoopers
One International Towers Sydney
Watermans Quay Barangaroo NSW

charterhall.com.au