

Charter Hall Group

Interim financial report

For the half year ended 31 December 2014

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



Important notice

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

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

CHFML does not receive fees in respect of the general financial product advice it may provide; however, entities within the Charter Hall Group receive fees for operating the Charter Hall Property Trust in accordance with its constitution. Entities within the Group may also receive fees for managing the assets of, and providing resources to, the Charter Hall Property Trust. For more detail on fees, see the 2014 annual financial report.

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Contents

Directors' Report.....	4
Auditor's Independence Declaration	11
Consolidated Statements of Comprehensive Income	12
Consolidated Balance Sheets	13
Consolidated Statement of Changes in Equity – Charter Hall Group.....	14
Consolidated Statement of Changes in Equity – Charter Hall Property Trust Group	15
Consolidated Cash Flow Statements.....	16
Notes to the consolidated financial statements	17
1 Summary of significant accounting policies	17
2 Critical accounting estimates and judgements	18
3 Segment information.....	19
4 Distributions paid and payable.....	22
5 Earnings per security	22
6 Investments in associates and joint ventures.....	23
7 Intangible assets	25
8 Interest-bearing liabilities	25
9 Contributed equity.....	26
10 Fair value measurement	26
11 Commitments.....	27
12 Contingent liabilities	27
13 Events occurring after the reporting date	28
Directors' declaration to securityholders	29
Independent Auditor's Report	30

Directors' Report

for the half year ended 31 December 2014

The Directors of Charter Hall Limited and the Directors of Charter Hall Funds Management Limited, the Responsible Entity (RE) of Charter Hall Property Trust, present their report together with the consolidated interim financial report of the Charter Hall Group (Group or CHC) and the consolidated interim financial report of the Charter Hall Property Trust Group (Charter Hall Property Trust Group or CHPT) for the half year ended 31 December 2014, and the Independent Auditor's Report thereon. The interim financial report of the Group comprises Charter Hall Limited (Company or CHL) and its controlled entities, which include Charter Hall Funds Management Limited as the RE of Charter Hall Property Trust (Trust). The interim financial report of the Charter Hall Property Trust Group comprises the Trust and its controlled entities.

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

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

Directors

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

- Kerry Roxburgh - Chairman and Non-Executive Independent Director (Resigned on 12 November 2014)
- David Clarke - Chairman and Non-Executive Independent Director (Appointed Chairman on 12 November 2014)
- Anne Brennan - Non-Executive Independent Director
- David Deverall - Non-Executive Independent Director
- Phil Garling - Non-Executive Independent Director
- David Harrison - Joint Managing Director
- Peter Kahan - Non-Executive Director
- Colin McGowan - Non-Executive Independent Director
- David Southon - Joint Managing Director

Principal activities

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

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

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

Distributions - Charter Hall Group

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

	2014 \$'000	2013 \$'000
Interim ordinary distribution for the six months ended 31 December 2014 of 12.1 cents per security payable on 27 February 2015	42,961	-
Interim ordinary distribution for the six months ended 31 December 2013 of 11.0 cents per security paid on 25 February 2014	-	34,001
Total distributions paid and payable	42,961	34,001

Distribution Re-investment Plan (DRP)

The Group has a Distribution Reinvestment Plan (DRP) under which securityholders may elect to have all or part of their distribution entitlements satisfied by the issue of new securities rather than being paid in cash. The DRP was in operation for the entire period.

The DRP issue price is determined at a discount of 1% to the volume weighted average market prices of stapled securities traded on the ASX over a 15 day trading period commencing 6 January 2015. The Group will raise approximately \$19.0 million from the DRP for the 31 December 2014 distribution (\$4.5829 issue price).

Directors' Report (continued)

for the half year ended 31 December 2014

Review and results of operations

The Group recorded a statutory profit after tax attributable to stapled securityholders for the interim financial period of \$39.9 million compared to a profit of \$28.6 million for the half year ended 31 December 2013.

Operating earnings amounted to \$48.4 million compared to \$38.1 million for the half year ended 31 December 2013, an increase of 27.1% over the prior period. Operating earnings is a financial measure which represents the profit under Australian Accounting Standards adjusted for fair value adjustments, impairment of assets, income taxes, gains or losses on sale of investments, acquisition costs, non-operating movements in equity accounted investments and non-cash items such as amortisation.

The inclusion of operating earnings as a measure of the Group's profitability provides investors with the same basis that is used internally for evaluating operating segment performance. Operating earnings is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution to declare.

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

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Operating earnings	48,441	38,123
Net fair value (loss)/gain on financial derivatives ¹	(7,348)	1,270
Net fair value adjustments on investments and property ¹	3,955	(2,096)
Amortisation and impairment of management rights	(5,059)	(4,230)
Transfer from reserves of cumulative foreign exchange losses ¹	(810)	(494)
Income tax benefit/(expense)	372	(1,985)
Other ¹	369	(1,989)
Statutory profit after tax attributable to stapled securityholders	39,920	28,599

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

	31 Dec 2014	31 Dec 2013
Basic weighted average number of securities per Note 5 ('000s)	352,433	306,890
Basic earnings per stapled security per Note 5 (cents)	11.33	9.32
Operating earnings per stapled security (OEPS) per Note 3 (cents)	13.74	12.42

Directors' report (continued)

for the half year ended 31 December 2014

Review and results of operations (continued)

The 31 December 2014 financial results with comparatives are summarised as follows:

	Charter Hall Group		Charter Hall Property Trust Group	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	Restated 31 Dec 2013
Revenue including non-controlling interests (\$ million) ¹	66.9	59.8	10.2	13.8
Statutory profit after tax - stapled securityholders (\$ million)	39.9	28.6	30.5	26.5
Statutory earnings per stapled security (EPS) (cents)	11.33	9.32	8.64	8.66
Operating earnings for stapled securityholders (\$ million) ²	48.4	38.1	N/A	N/A
Operating earnings per stapled security (cents) ²	13.74	12.42	N/A	N/A
Distributions to stapled securityholders (\$ million)	43.0	34.0	43.0	34.0
Distribution per stapled security (cents)	12.1	11.0	12.1	11.0
	31 Dec 2014	30 Jun 2014	31 Dec 2014	30 Jun 2014
Total assets (\$ million)	993.0	986.1	893.0	889.2
Total liabilities (\$ million)	64.8	69.0	43.8	41.5
Net assets attributable to stapled securityholders (\$ million)	928.2	917.1	849.2	847.7
Securities on issue (million)	355.1	348.0	355.1	348.0
Net assets per security (\$)	2.61	2.64	2.39	2.44
Net tangible assets (NTA) attributable to stapled securityholders (\$ million)	845.7	829.5	849.2	847.7
NTA per stapled security (\$)	2.38	2.38	2.39	2.44
Gearing – borrowings to total assets ³	0.00%	0.00%	0.00%	0.00%
Funds under management (\$ billion)	12.7	11.5	N/A	N/A

¹ Gross revenue does not include share of net profits of associates and joint ventures of \$26.6 million (31 December 2013: \$21.3 million).

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

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

Interim distribution per stapled security (DPS) has increased 10% from 11.0 cents for the period ended 31 December 2013 to 12.1 cents for the period ended 31 December 2014.

Net Tangible Assets per stapled security (NTA) at 31 December 2014 is \$2.38 (30 June 2014: \$2.38).

Funds Under Management (FUM) increased from \$11.5 billion at 30 June 2014 to \$12.7 billion at 31 December 2014 due to the establishment of two new funds, Long WALE Investment Partnership and Charter Hall Direct Industrial Fund No. 3, and property acquisitions in Charter Hall Core Plus Office Fund, Charter Hall Core Plus Industrial Fund, Core Logistics Partnership, BP Fund and Charter Hall Direct Industrial Fund No. 2.

Gearing at 31 December 2014 is 0.0% (30 June 2014: 0.0%).

The Group generated \$48.4 million of operating earnings compared to \$38.1 million for the prior corresponding period. Operating earnings comprises property investments of \$28.4 million (31 December 2013: \$23.2 million), property funds management of \$21.3 million (31 December 2013: \$16.7 million) less non-cash security based benefit expense of \$1.3 million (31 December 2013: \$1.8 million) which is not allocated to the reportable segments.

Property Investments

The Group's Property Investments are classified into the following categories reflecting different sources of external equity managed across the Group:

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

Directors' report (continued)

for the half year ended 31 December 2014

Review and results of operations (continued)

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

	Ownership Stake (%)	Charter Hall Investment (\$m)	31 Dec 2014 Charter Hall Investment Income (\$m) ¹	WALE (in years)	Market Cap Rate (%)	Discount Rate (%)	Average rental reviews (%)	31 Dec 2014 Charter Hall Investment Yield (%)
Listed Fund		138.6	5.8					
Charter Hall Retail REIT (CQR)	10.5%	138.6	5.8	7.2	7.4%	9.0%	4.1%	8.7%
Wholesale		632.1	21.8					
Charter Hall Office Trust (CHOT)	14.3%	164.3	6.1	5.8	7.0%	8.4%	4.0%	7.3%
Long WALE Investment Partnership (LWIP) ²	50.0%	136.5	2.6	19.8	6.7%	n/a	2.5%	7.8%
Core Plus Office Fund (CPOF)	9.8%	115.3	3.9	6.9	7.3%	8.6%	3.8%	6.7%
Core Logistics Partnership (CLP)	14.8%	88.0	3.0	12.4	7.4%	9.3%	3.1%	7.0%
Core Plus Industrial Fund (CPIF)	8.1%	73.2	3.0	7.8	7.8%	9.6%	3.3%	8.2%
Retail Partnership No. 2 - Bateau Bay (RP2)	20.0%	19.6	0.8	3.3	7.0%	8.8%	4.6%	8.2%
BP Fund 1 (BP1) ³	11.4%	17.8	0.7	10.5	6.8%	8.7%	3.0%	9.7%
BP Fund 2 (BP2) ³	14.6%	10.6	0.9	11.9	7.1%	9.1%	3.0%	6.0%
Kepperra Square Fund (KS) ³	10.0%	6.8	0.8	3.7	7.3%	9.0%	3.9%	7.9%
Retail Investor Funds		22.6	1.2					
Charter Hall Direct Office Fund (DOF) ⁴	3.9%	11.2	0.4	6.5	7.6%	8.8%	3.1%	7.8%
Charter Hall Direct CDC Trust (CHCDC)	12.0%	10.4	0.8	12.2	7.5%	8.8%	2.8%	7.8%
PFA Diversified Property Trust (PFA)	0.1%	0.2	-	5.6	9.1%	9.7%	3.0%	9.9%
Direct Industrial Fund (DIF)	0.2%	0.3	-	10.8	7.5%	9.4%	3.3%	8.3%
Direct Industrial Fund No. 2 (DIF2)	0.4%	0.5	-	13.7	7.6%	9.4%	3.0%	8.2%
Funds being realised		2.2	0.1					
Diversified Property Fund (DPF)	19.6%	1.5	0.1	4.3	9.3%	10.0%	2.6%	n/a
Charter Hall Umbrella Fund (CHUF)	24.2%	0.7	-	4.3	9.3%	10.0%	2.6%	n/a
Total		795.5	28.9	9.5	7.1%	8.8%	3.6%	7.6%

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

² For LWIP the rental increase is CPI, uncapped.

³ These funds comprise the Long WALE Hardware Partnership.

⁴ Formerly Charter Hall Direct Property Fund.

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

i. Listed fund

Charter Hall Retail REIT (CQR)

CQR's strategy is to invest in neighbourhood and sub-regional shopping centres anchored by Coles and Woolworths supermarkets located in demographically diverse catchments across Australia in order to provide unit holders with a secure and growing income stream. At 31 December 2014, CQR's Australian supermarket-anchored portfolio comprised 78 properties.

CQR reported operating earnings of 14.9 cents per unit and declared a distribution of 13.7 cents per unit for the half year ended 31 December 2014.

During the half year, CQR completed the exit of all offshore properties and committed \$166 million of capital to enhance its high quality Australian portfolio. Developments complete or under construction comprise \$69 million of this capital and are forecast to deliver a stabilised yield of 9.1%. Coomera City Centre and Brickworks Marketplace were acquired during the period for a total purchase price of \$97 million reflecting an average yield of 7.2%.

Directors' report (continued)

for the half year ended 31 December 2014

Review and results of operations (continued)

ii. Wholesale unlisted funds and partnerships

Charter Hall Office Trust (CHOT)

CHOT is an unlisted wholesale partnership which owns interests in 15 high grade office assets located in major business districts in Australia. Strong leasing activity resulted in leases executed for 44,079sqm and terms agreed on a further 26,254sqm, which combined represents 19% of the portfolio.

The fund was active in divesting several non-core assets during the half, with the sale of 59 Goulburn Street Sydney, Charter Grove St Leonards and ATO Moonee Ponds, all at a premium to the previous book value.

Long WALE Investment Partnership (LWIP)

LWIP is a newly established fund in which the Group has a 50% interest. In October 2014 LWIP acquired a \$603 million portfolio of properties from ALH Group. The portfolio comprises 54 hospitality assets subject to initial 20 year lease terms.

Charter Hall Core Plus Office Fund (CPOF)

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

CPOF acquired a 50% interest at 169 Macquarie Street, Parramatta, fully leased to the University of Western Sydney for 15 years structured on a double net lease. In January 2015, the Fund settled on the sale of 51 Pirie Street, Adelaide, a non-core asset.

The 100 Skyring Terrace, Newstead development reached practical completion in August 2014 and Bank of Queensland relocated into the property.

CPOF's other development projects are underway at 333 George Street, Sydney and 570 Bourke Street, Melbourne.

Core Logistics Partnership (CLP)

CLP is a wholesale industrial partnership which owns 17 assets and is 99.3% occupied (excluding development land).

CLP purchased \$182 million of assets in the period. This included Woolworths Yennora, Ingham's Murarrie, Ingham's Edinburgh Parks and RCR Tomlinson, Welshpool.

The Fund has several developments underway including land at Darra, QLD currently undergoing re-zoning, site works and servicing with the intention of subdivision into industrial lots, and contracts for Drystone Estate, Laverton were exchanged to purchase vacant industrial land with a two staged delayed settlement.

Charter Hall Core Plus Industrial Fund (CPIF)

CPIF is a wholesale industrial pooled fund which owns 38 assets and is 100% occupied (excluding development land). The Fund targets institutional grade properties with strong lease covenants in core locations.

CPIF acquired \$230 million of assets in the period and sold \$51.5 million. Acquisitions included a Fosters logistics facility in Rosehill, freehold land at 56 Anzac Street, Chullora, a logistics estate in Laverton, and a 25 year pre-leased distribution centre for PrixCar in Willawong.

The Fund has a current development pipeline of approximately 175,000sqm with a value on completion of approximately \$230 million. The development pipeline is spread across a number of sites in Queensland, Sydney and Melbourne.

CPIF has completed its first review event and has raised \$329 million.

Charter Hall Retail Partnership No.2 (RP2)

RP2 is an unlisted wholesale fund which owns the Bateau Bay Square shopping centre on the Central Coast of New South Wales. The Group's capital partner is a global institutional investor.

Directors' report (continued)

for the half year ended 31 December 2014

Review and results of operations (continued)

BP Fund 1 (BP1)

BP1 is a wholesale investment trust which owns 6 freestanding Bunnings Warehouse properties. During the period, BP1 purchased three land lots for total consideration of \$46.7 million. These three development properties are at different stages of planning and development.

BP Fund 2 (BP2)

BP2, a newly established fund, purchased a portfolio of Bunnings properties in June 2014. The portfolio consists of two completed investment properties in Armadale, Perth and Mackay, Queensland and four investment properties under development.

In August 2014, the Group brought a new equity partner into BP2, reducing the Group's equity interest to 50.1%. Another partner was introduced in December 2014, further reducing the Group's interest to 14.6%.

Keperra Square Fund (KS)

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

Other wholesale unlisted funds, mandates and partnerships

The Group originates and manages segregated mandates for direct property investments either in joint venture with funds such as CPOF or CQR or as 100% owned assets by our clients. The total property value of 3rd party mandates is \$1.3 billion.

iii. Retail investor funds

The Group manages equity raised from retail investors via advisers, high net worth individuals and through direct distribution channels. The Group in total has a \$24.7 million investment in a range of unlisted retail funds. The total FUM of these retail funds and single asset syndicates is \$1.7 billion.

Property Funds Management

The Property Funds Management business provides investment management, asset management, property management, development management, leasing and transaction services to the Group's \$12.7 billion managed portfolio. The use of an integrated property services model which earns fees from providing these services to the managed portfolio enhances the Group's returns from capital invested. The Group also provides services to segregated mandates looking to capitalise on its property and funds management expertise. The property funds management business contributed \$21.3 million in operating earnings to the Group.

During the period, total funds under management increased by a net \$1.2 billion to \$12.7 billion. The Group's managed funds have acquired approximately \$1.4 billion of property and divested approximately \$0.6 billion.

This segment also includes the activities of the Group's 50% interest in Commercial and Industrial Property Pty Limited (CIP), an industrial development business. CIP contributed \$2.0 million to the Group's earnings for the period.

Interests in development funds and development properties

The Group has residual interests in development funds and development properties. Investment in development funds and development properties do not form part of the operating result of the Group. These are in wind down mode and comprise Charter Hall Opportunity Fund 4 (CHOF 4), Charter Hall Opportunity Fund 5 (CHOF 5) and a 50% interest in a development site at 685 La Trobe Street, Melbourne. The conditional contract for sale of this site is expected to settle in the year ended 30 June 2016.

Significant changes in the state of affairs

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

- On 18 August 2014, the Group introduced an equity partner into BP Fund 2, reducing its equity interest in the Fund to \$30 million (50.1%), resulting in a loss of control of the fund. No material gain or loss occurred as a result of this transaction.
- Subsequent to the above transaction, the Group introduced a new equity partner into the Long WALE Hardware Partnership (comprising BP Fund, BP Fund 2 and Keperra Square Fund). This reduced the Group's combined interest in the funds to \$35.3 million, and recycled \$33 million of capital, including the redemption of the \$21.25 million convertible preference notes to the Keperra Square Fund.
- In October 2014, the Long WALE Investment Partnership (LWIP) acquired a \$603 million portfolio of properties from ALH Group Pty Ltd. The Group and HOSTPLUS Pty Limited each own 50% of the fund.

Directors' Report (continued)

for the half year ended 31 December 2014

Matters subsequent to the end of the period

Since 31 December 2014, the Group has completed the following:

- The Group disposed its 12% interest in the Charter Hall Direct CDC Trust, recycling \$10.4 million of capital. No material gain or loss occurred as a result of this transaction.

Except for the matter discussed above, no other matter or circumstance has arisen since 31 December 2014 that has significantly affected, or may significantly affect:

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 11.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

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

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



David Clarke
Chairman
Sydney
25 February 2015



Auditor's Independence Declaration

As lead auditor for the review of Charter Hall Limited and Charter Hall Property Trust for the half-year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink that reads 'Wayne Andrews'.

Wayne Andrews
Partner
PricewaterhouseCoopers

Sydney
25 February 2015

Consolidated Statements of Comprehensive Income

for the half year ended 31 December 2014

	Charter Hall Group		Charter Hall Property Trust Group	
	31 Dec 2014 \$'000	Restated 31 Dec 2013 \$'000	31 Dec 2014 \$'000	Restated 31 Dec 2013 \$'000
Note				
Income				
Revenue	66,946	59,761	10,155	13,794
Share of net profit of investments accounted for using the equity method	26,599	21,288	21,974	17,926
Net gain on sale of other investments	259	-	259	-
Foreign exchange gains	-	103	-	-
Total income	93,804	81,152	32,388	31,720
Expenses				
Investment property expenses	-	(160)	-	(160)
Depreciation	(883)	(434)	-	-
Finance costs	(1,237)	(733)	(1,237)	(993)
Net loss on sale of investment properties, derivatives and other investments	-	(917)	-	(917)
Net loss on investment in associates at fair value	(108)	(2,554)	(108)	(2,554)
Foreign exchange losses	(809)	-	-	-
Amortisation and impairment of management rights	(5,059)	(4,230)	-	-
Asset management fees	-	-	(445)	(443)
Employee costs	(38,883)	(35,037)	-	-
Administration and other expenses	(7,277)	(6,503)	(131)	(119)
Total expenses	(54,256)	(50,568)	(1,921)	(5,186)
Profit before tax	39,548	30,584	30,467	26,534
Income tax benefit/(expense)	372	(1,985)	-	-
Profit for the period	39,920	28,599	30,467	26,534
Profit for the period as attributable to:				
Equity holders of Charter Hall Limited	9,453	2,020	-	-
Equity holders of Charter Hall Property Trust (non-controlling interest)	30,467	26,579	30,467	26,579
Profit attributable to stapled securityholders of Charter Hall Group	39,920	28,599	30,467	26,579
Net loss attributable to other non-controlling interests	-	-	-	(45)
Profit for the period	39,920	28,599	30,467	26,534
Other comprehensive income				
<i>Items that may be reclassified to profit or loss</i>				
Exchange differences on translation of foreign operations	(320)	171	(341)	35
Transfer of cumulative foreign exchange losses	810	494	-	494
Other comprehensive income for the period, net of tax	490	665	(341)	529
Total comprehensive income for the period	40,410	29,264	30,126	27,063
Total comprehensive income for the period is attributable to:				
Equity holders of Charter Hall Limited	10,284	2,156	-	-
Equity holders of Charter Hall Property Trust (non-controlling interest)	30,126	27,108	30,126	27,108
Total comprehensive income attributable to stapled securityholders of Charter Hall Group	40,410	29,264	30,126	27,108
Total comprehensive income attributable to other non-controlling interests	-	-	-	(45)
Total comprehensive income for the period	40,410	29,264	30,126	27,063
Basic and diluted earnings per stapled security				
Basic earnings per stapled security (cents) attributable to securityholders	5(a) 11.33	9.32	8.64	8.66
Diluted earnings per stapled security (cents) attributable to securityholders	5(b) 11.15	9.05	8.51	8.41

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

Consolidated Balance Sheets

as at 31 December 2014

	Note	Charter Hall Group		Charter Hall Property Trust Group	
		31 Dec	30 Jun	31 Dec	30 Jun
		2014	2014	2014	2014
		\$'000	\$'000	\$'000	\$'000
Assets					
<i>Current assets</i>					
Cash and cash equivalents		12,386	50,184	935	577
Trade and other receivables		39,324	66,983	14,997	52,474
Assets classified as held for sale		9,852	11,592	-	-
Total current assets		61,562	128,759	15,932	53,051
<i>Non-current assets</i>					
Trade and other receivables		-	6,500	137,477	181,292
Investments in associates at fair value through profit or loss	6	14,327	14,234	14,327	14,234
Investments accounted for using the equity method	6	816,656	682,901	725,279	591,869
Investment properties		-	48,386	-	48,386
Intangible assets	7	82,518	87,577	-	-
Property, plant and equipment		9,931	9,374	-	-
Deferred tax assets		8,038	8,002	-	-
Other assets		-	319	-	319
Total non-current assets		931,470	857,293	877,083	836,100
Total assets		993,032	986,052	893,015	889,151
Liabilities					
<i>Current liabilities</i>					
Trade and other payables		56,469	60,661	43,411	41,450
Provisions		1,683	1,579	-	-
Total current liabilities		58,152	62,240	43,411	41,450
<i>Non-current liabilities</i>					
Trade and other payables		5,338	5,670	-	-
Provisions		948	1,054	-	-
Interest-bearing liabilities	8	394	-	394	-
Total non-current liabilities		6,680	6,724	394	-
Total liabilities		64,832	68,964	43,805	41,450
Net assets		928,200	917,088	849,210	847,701
Equity					
<i>Equity holders of Charter Hall Limited</i>					
Contributed equity	9(a)	233,281	232,101	-	-
Reserves		(45,416)	(44,386)	-	-
Accumulated losses		(108,875)	(118,328)	-	-
Parent entity interest		78,990	69,387	-	-
<i>Equity holders of Charter Hall Property Trust</i>					
Contributed equity	9(a)	959,677	945,333	959,677	945,333
Reserves		(45)	296	(45)	296
Accumulated losses		(110,422)	(97,928)	(110,422)	(97,928)
Equity holders of Charter Hall Property Trust (non-controlling interest)		849,210	847,701	849,210	847,701
Total equity		928,200	917,088	849,210	847,701

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

Consolidated Statement of Changes in Equity – Charter Hall Group

for the half year ended 31 December 2014

	Attributable to the owners of the Charter Hall Group				
	Note	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Restated balance at 1 July 2013		1,010,883	(55,557)	(215,032)	740,294
Profit for the period		-	-	28,599	28,599
Other comprehensive income		-	665	-	665
Total comprehensive income		-	665	28,599	29,264
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity, net of issue costs		14,201	-	-	14,201
Performance rights and options exercised		7,589	(2,791)	-	4,798
Transfer due to deferred compensation payable in performance rights		-	1,194	-	1,194
Distribution provided for or paid	4	-	-	(34,001)	(34,001)
Non-cash security based benefit expense		-	1,752	-	1,752
		21,790	155	(34,001)	(12,056)
Restated balance at 31 December 2013		1,032,673	(54,737)	(220,434)	757,502
Balance at 1 July 2014		1,177,434	(44,090)	(216,256)	917,088
Profit for the period		-	-	39,920	39,920
Other comprehensive income		-	490	-	490
Total comprehensive income		-	490	39,920	40,410
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity, net of issue costs	9	6,208	-	-	6,208
Performance rights and options exercised		9,316	(4,617)	-	4,699
Transfer due to deferred compensation payable in performance rights		-	1,474	-	1,474
Distribution provided for or paid	4	-	-	(42,961)	(42,961)
Non-cash security based benefit expense		-	1,282	-	1,282
		15,524	(1,861)	(42,961)	(29,298)
Balance at 31 December 2014		1,192,958	(45,461)	(219,297)	928,200

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

Consolidated Statement of Changes in Equity – Charter Hall Property Trust Group

for the half year ended 31 December 2014

Attributable to the owners of the Charter Hall Property Trust Group						
Note	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total \$'000	Non-controlling interest \$'000	Total equity \$'000
Restated balance at 1 July 2013	799,548	(1,410)	(93,966)	704,172	7,072	711,244
Restated profit/(loss) for the period	-	-	26,579	26,579	(45)	26,534
Other comprehensive income	-	529	-	529	-	529
Restated total comprehensive income/(loss)	-	529	26,579	27,108	(45)	27,063
Transactions with equity holders in their capacity as equity holders:						
Contributions of equity, net of issue costs	12,525	-	-	12,525	-	12,525
Performance rights and options exercised	6,693	-	-	6,693	-	6,693
Distribution provided for or paid	4	-	(34,001)	(34,001)	(7,027)	(41,028)
	19,218	-	(34,001)	(14,783)	(7,027)	(21,810)
Restated balance at 31 December 2013	818,766	(881)	(101,388)	716,497	-	716,497
Balance at 1 July 2014	945,333	296	(97,928)	847,701	-	847,701
Profit for the period	-	-	30,467	30,467	-	30,467
Other comprehensive income	-	(341)	-	(341)	-	(341)
Total comprehensive income	-	(341)	30,467	30,126	-	30,126
Transactions with equity holders in their capacity as equity holders:						
Contributions of equity, net of issue costs	9	5,736	-	5,736	-	5,736
Performance rights and options exercised		8,608	-	8,608	-	8,608
Distribution provided for or paid	4	-	(42,961)	(42,961)	-	(42,961)
	14,344	-	(42,961)	(28,617)	-	(28,617)
Balance at 31 December 2014	959,677	(45)	(110,422)	849,210	-	849,210

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

Consolidated Cash Flow Statements

for the half year ended 31 December 2014

	Charter Hall Group		Charter Hall Property Trust Group	
	31 Dec 2014 \$'000	31 Dec 2013 \$'000	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Cash flows from operating activities				
Receipts from customers (inclusive of GST)	69,903	58,857	8	1,357
Payments to suppliers and employees (inclusive of GST)	(54,777)	(47,733)	(575)	(1,247)
Interest received	1,795	1,323	933	571
Interest paid	(1,032)	(592)	(1,031)	(852)
Distributions and dividends from investments	27,858	19,805	23,878	17,136
Net cash inflow from operating activities	43,747	31,660	23,213	16,965
Cash flows from investing activities				
Payments for PP&E	(1,986)	(2,386)	-	-
Proceeds from disposal of interest in controlled entity	19,595	-	19,595	-
Proceeds on disposal of investment property	-	54,487	-	54,487
Refund/(payments) for inventory	1,740	(398)	-	-
Payments for other intangibles	-	(1,857)	-	-
Investments in associates and joint ventures	(165,686)	(98,323)	(165,686)	(98,323)
Proceeds on disposal and return of capital from investments in associates and joint ventures	70,164	19,674	70,164	18,844
Loans to associates, joint ventures and related parties	-	(1,500)	(19,656)	(19,055)
Loans from related parties	-	-	-	86
Repayments from associates, joint ventures and related parties	21,250	35	97,168	33,581
Repayments from key management personnel	1,200	1,000	-	-
Net cash (outflow)/inflow from investing activities	(53,723)	(29,268)	1,585	(10,380)
Cash flow from financing activities				
Proceeds from issues of securities and other equity securities	10,940	18,998	14,344	19,218
Proceeds from borrowings	79,100	40,000	79,100	40,000
Repayment of borrowings	(78,561)	(27,942)	(78,561)	(27,942)
Distributions paid to security holders	(39,323)	(31,435)	(39,323)	(38,460)
Net cash outflow from financing activities	(27,844)	(379)	(24,440)	(7,184)
Net (decrease)/increase in cash and cash equivalents	(37,820)	2,013	358	(599)
Cash and cash equivalents at the beginning of the period	50,184	12,236	577	2,229
Effects of exchange rate changes on cash and cash equivalents	22	79	-	-
Cash and cash equivalents at the end of the period	12,386	14,328	935	1,630

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

Notes to the consolidated financial statements

for the half year ended 31 December 2014

1 Summary of significant accounting policies

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

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

As permitted by Class Order 05/642, issued by the Australian Securities and Investments Commission, this interim financial report is a combined financial report that presents the interim financial statements and accompanying notes of both the Charter Hall Group and the Charter Hall Property Trust Group.

The interim financial report of the Charter Hall Group comprises CHL and its controlled entities including Charter Hall Funds Management Limited (Responsible Entity) as responsible entity for CHPT. 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 interim financial report of the Charter Hall Property Trust Group comprises the Trust and its controlled entities. The Charter Hall Group and the Charter Hall Property Trust Group are for-profit entities for the purpose of preparing the interim financial statements.

This general purpose financial report for the interim half year reporting period ended 31 December 2014 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The interim financial report does not include all notes normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by the Group during the half year ended 31 December 2014 in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

Basis of preparation

At 31 December 2014 the Charter Hall Property Trust Group had a deficiency of current assets over current liabilities of \$27.5 million. Funds are readily accessible from operating cash flows and the available loan facility to meet current liabilities and management do not foresee any issues in meeting the current liabilities over the course of the next 12 months, and therefore, these financial statements have been prepared on a going concern basis.

Restatement of December 2013 comparative information

In the annual report for the year ended 30 June 2014, the comparative financial information for the Charter Hall Property Trust Group was restated to include a previously unrecognised inter-staple loan and related interest receivable from Charter Hall Limited which related to the Group's previous loan share plan. Refer to the annual report for the year ended 30 June 2014 for full disclosure of the financial effect of this restatement on 30 June 2013 balances. Consequently, the comparative results for the Charter Hall Property Trust Group for the half year ended 31 December 2013 have also been restated. Additional interest revenue of \$2.8 million has been recognised, representing an increase of 0.93 and 0.90 cents in basic and diluted earnings per share respectively. Consequently, an amount of \$2.8 million has been reallocated from profit attributable to equity holders of Charter Hall Limited to profit attributable to equity holders of Charter Hall Property Trust in the Charter Hall Group Consolidated Statement of Comprehensive Income for the half year ended 31 December 2013.

The adjustments have no impact on Charter Hall Group net assets, total equity, statutory profit or operating earnings per the segment note.

The interim financial report for the period ended 31 December 2014 was authorised for issue by the directors on 25 February 2015.

New and amended standards adopted

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 July 2014:

Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2014

1 Summary of significant accounting policies (continued)

AASB 2013-3 Amendments to Australian Accounting Standards – Recoverable Amount Disclosures for Non-Financial Assets

The AASB has made amendments to AASB 136 *Impairment of Assets* which requires disclosure of the recoverable amount of an asset or CGU when an impairment loss has been recognised or reversed and detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognised or reversed.

AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting

The AASB has made a limited scope amendment to AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 139 requires an entity to stop hedge accounting when a novation (replacement of one party of the derivative contract with a new party) occurs, because the original hedging instrument envisaged in the hedge documentation has changed. The amendment allows the continuation of hedge accounting provided specific conditions are met. Given the Group does not apply hedge accounting, this is not expected to have a significant impact to the Group.

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

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2014 reporting period. The impact of these new standards (to the extent relevant to the Group) and interpretations is set out below:

(i) AASB 15 Revenue from Contracts with Customers

This standard is not applicable until 1 January 2017, but is available for early adoption. The standard is based on the principle that revenue is recognised when control of a good or service is transferred to a customer, so the notion of control replaces the notion of risks and rewards. It applies to all contracts with customers except leases, financial instruments and insurance contracts. AASB 15 requires reporting entities to provide users of financial statements with more informative, relevant disclosures. The Group is in the process of assessing any implications of the new standard to its operational and financial results.

(ii) AASB 2014-3 Accounting for Acquisitions of Interests in Joint Operations

AASB 11 *Joint Arrangements* clarifies the accounting for the acquisition of an interest in a joint operation where the joint operation constitutes a business for AASB 3 *Business Combinations*. The changes are applicable from 1 January 2016. The Group does not expect a significant impact from its application.

2 Critical accounting estimates and judgements

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

(i) Classification and carrying value of investments

Critical judgements are made in assessing whether an investee entity is controlled or subject to significant influence or joint control. These judgements include an assessment of the nature, extent and financial effects of the Group's interest in joint arrangements and associates, including the nature and effects of its contractual relationship with the entity or with other investors.

Generally, investments in unlisted retail funds (typically representing less than 5% interests with the exception of two legacy funds, Charter Hall Umbrella Fund and Charter Hall Diversified Property Fund) are designated at fair value through profit or loss on acquisition and investments in listed and wholesale funds/partnerships where Charter Hall has significant influence (typically representing between 5% and 49% interests with the exception of one legacy fund, Charter Hall Opportunity Fund No. 4) are accounted for using the equity method.

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.

The reported fair values of assets classified as held for sale reflect market conditions at the end of the reporting period. While this represents best estimates as at the reporting date, actual sales prices may be higher or lower than the most recent valuations. This is particularly relevant in periods of market illiquidity or uncertainty.

Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2014

2 Critical accounting estimates and judgements (continued)

(ii) *Estimated performance fees*

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

(iii) *Tax losses*

The Charter Hall Group has recognised a deferred tax asset relating to tax losses as it is considered probable that future taxable income will be available to utilise the losses in the short to medium term.

(iv) *Impairment testing of management rights*

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

3 Segment information

(a) *Description of segments*

Charter Hall Group

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

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

Property investments

This segment comprises investments in property funds.

Property funds management

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

Change in composition of segment income

Strategic initiatives implemented in the prior period, including a restructure of the responsibilities within the executive committee, resulted in a change to the reporting of operating segments to the Board. Two of the segments that were reported in the previous interim financial report, Property Funds Investments and Property Direct Investments, are now reported together as the Property Investments segment. The current and prior period disclosures below reflect this structure.

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.

Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2014

3 Segment information (continued)

Charter Hall Group

The operating segments provided to the Board for the reportable segments for the period ended 31 December 2014 are as follows:

	Property Investments \$'000	Property Funds Management \$'000	Combined Group \$'000
31 December 2014			
Co-investment Income	28,882	-	28,882
Total rental and property income	28,882	-	28,882
Total property funds management income	-	55,865	55,865
Total income	28,882	55,865	84,747
Net operating expenses	(63)	(33,705)	(33,768)
Operating earnings before interest, tax, depreciation and amortisation	28,819	22,160	50,979
Non-cash security-based benefits expense ¹	-	-	(1,282)
Depreciation	-	(883)	(883)
Operating earnings before interest and tax	28,819	21,277	48,814
Interest income	864	-	864
Interest expense	(1,237)	-	(1,237)
Operating earnings attributable to stapled securityholders	28,446	21,277	48,441
Weighted average number of securities ('000)			352,433
Operating earnings per security (OEPS)			13.74 cps
Number of securities for distribution per security			355,052
Distribution per security (DPS)			12.10 cps

¹ Non-cash security-based benefits expense is not allocated to a reportable segment.

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

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

	Property Investments \$'000	Property Funds Management \$'000	Combined Group \$'000
31 December 2013			
Net property income	758	-	758
Co-investment Income	22,175	-	22,175
Total rental and property income	22,933	-	22,933
Total property funds management income	-	47,489	47,489
Total income	22,933	47,489	70,422
Net operating expenses	(120)	(30,351)	(30,471)
Operating earnings before interest, tax, depreciation and amortisation	22,813	17,138	39,951
Non-cash security-based benefits expense ¹	-	-	(1,752)
Depreciation	-	(434)	(434)
Operating earnings before interest and tax	22,813	16,704	37,765
Interest income	1,091	-	1,091
Interest expense	(733)	-	(733)
Operating earnings attributable to stapled securityholders	23,171	16,704	38,123
Weighted average number of securities ('000)			306,890
Operating earnings per security (OEPS)			12.42 cps
Number of securities for distribution per security			309,118
Distribution per security (DPS)			11.00 cps

¹ Non-cash security-based benefits expense is not allocated to a reportable segment.

Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2014

3 Segment information (continued)

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

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Total income per segment note	84,747	70,422
Add: recovery of expenses	10,960	9,355
	95,707	79,777
Add: investment property expenses	-	160
Add: interest income	864	1,091
Less: amortisation of lease incentives	-	(57)
Less: equity accounted profit in Property Investments segment	(27,625)	(19,910)
Less: equity accounted profit in Property Funds Management segment	(2,000)	(1,300)
Revenue per statement of comprehensive income	66,946	59,761

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

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Operating interest income per segment note	864	1,091
Operating interest expense per segment note	(1,237)	(733)
Add: interest reclassified to investment income	700	965
Net interest expense	327	1,323

Operating earnings is a financial measure which represents statutory profit/(loss) adjusted for proportionally consolidated fair value adjustments, gains or losses on sale of investments and non-cash items such as amortisation. The inclusion of operating earnings as a measure of the Group's profitability provides investors with the same basis that is used internally for evaluating operating segment performance. Operating earnings is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution to declare.

The reconciliation of operating earnings to statutory profit after tax attributable to stapled security holders is shown below:

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Operating earnings	48,441	38,123
Net fair value (loss)/gain on financial derivatives ¹	(7,348)	1,270
Net fair value adjustments on investments and property ¹	3,955	(2,096)
Amortisation and impairment of management rights	(5,059)	(4,230)
Transfer from reserves of cumulative foreign exchange losses ¹	(810)	(494)
Income tax benefit/(expense)	372	(1,985)
Other ¹	369	(1,989)
Statutory profit after tax attributable to stapled securityholders of Charter Hall Group	39,920	28,599

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

	31 Dec 2014	31 Dec 2013
Basic weighted average number of securities per Note 5	352,433,254	306,889,782
Operating earnings per stapled security (OEPS)	13.74 cents	12.42 cents

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

Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2014

4 Distributions paid and payable

	Charter Hall Group		Charter Hall Property Trust Group	
	31 Dec 2014 \$'000	31 Dec 2013 \$'000	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Interim ordinary distribution for the six months ended 31 December 2014 of 12.1 cents per security payable on 27 February 2015	42,961	-	42,961	-
Interim ordinary distribution for the six months ended 31 December 2013 of 11.0 cents per security paid on 25 February 2014	-	34,001	-	34,001
Total distributions paid and payable	42,961	34,001	42,961	34,001

5 Earnings per security

	Charter Hall Group		Charter Hall Property Trust Group	
	31 Dec 2014 \$'000	31 Dec 2013 \$'000	31 Dec 2014 \$'000	Restated 31 Dec 2013 \$'000
(a) Basic earnings per security				
Basic earnings attributable to the stapled securityholders	11.33	9.32	8.64	8.66
(b) Diluted earnings per security				
Diluted earnings attributable to the stapled securityholders	11.15	9.05	8.51	8.41

	31 Dec 2014 \$'000	31 Dec 2013 \$'000	31 Dec 2014 \$'000	Restated 31 Dec 2013 \$'000
(c) Reconciliations of earnings used in calculating earnings per security				
Profit attributable to the ordinary securityholders of the Group used in calculating basic earnings per security	39,920	28,599	30,467	26,579
Profit attributable to the ordinary securityholders of the Group used in calculating diluted earnings per security	39,920	28,599	30,467	26,579

	31 Dec 2014 Number	31 Dec 2013 Number	31 Dec 2014 Number	31 Dec 2013 Number
(d) Weighted average number of securities used as the denominator				
Weighted average number of ordinary securities used as the denominator in calculating basic earnings per security	352,433,254	306,889,782	352,433,254	306,889,782
Weighted average number of ordinary securities and potential ordinary securities used as the denominator in calculating diluted earnings per security	358,036,450	315,994,101	358,036,450	315,994,101

Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2014

6 Investments in associates and joint ventures

		OWNERSHIP INTEREST			
Charter Hall Group		31 Dec 2014	30 Jun 2014	31 Dec 2014	30 Jun 2014
Name of entity	Principal Activity	%	%	\$'000	\$'000
Accounted for at fair value through profit or loss:					
<i>Associates - unlisted</i>					
Charter Hall Direct Office Fund ¹	Property investment	3.9	4.2	11,196	11,026
Charter Hall Diversified Property Fund	Property investment	19.6	19.6	1,483	1,763
Charter Hall Umbrella Fund	Property investment	24.2	24.2	667	699
Charter Hall Direct Industrial Fund No. 2	Property investment	0.4	0.3	540	339
Charter Hall Direct Industrial Fund	Property investment	0.2	0.2	260	248
PFA Diversified Property Trust	Property investment	0.1	0.1	181	159
				14,327	14,234
Equity accounted					
<i>Associates - unlisted</i>					
Charter Hall Office Trust	Property investment	14.3	14.3	164,276	172,938
Charter Hall Core Plus Office Fund	Property investment	9.8	9.9	115,325	116,871
Core Logistics Partnership	Property investment	14.8	19.1	88,024	84,777
Charter Hall Core Plus Industrial Fund	Property investment	8.1	11.7	73,168	72,241
Charter Hall Direct CDC Trust ²	Property investment	12.0	-	10,362	-
Charter Hall Opportunity Fund 5	Property development	15.0	15.0	7,326	7,326
Charter Hall Opportunity Fund 4	Property development	3.0	3.0	7	35
<i>Associates - listed</i>					
Charter Hall Retail REIT ³	Property investment	10.5	10.2	138,627	129,226
<i>Joint ventures - unlisted</i>					
Long WALE Investment Partnership	Property investment	50.0	-	136,474	-
Commercial and Industrial Property Pty Ltd	Property development	50.0	50.0	28,182	28,245
Charter Hall Direct CDC Trust ²	Property investment	-	24.0	-	21,025
Retail Partnership No. 2 Trust	Property investment	20.0	20.0	19,591	20,749
BP Fund ⁴	Property investment	11.4	16.8	17,842	17,190
BP Fund 2 ^{4,5}	Property investment	14.6	-	10,613	-
Keperra Square Fund ⁴	Property investment	10.0	10.0	6,839	906
Retail Partnership No. 4 Trust	Property investment	50.0	50.0	-	11,372
				816,656	682,901
				830,983	697,135

¹ Formerly Charter Hall Direct Property Fund.

² Reclassified from joint venture to associate on reduction in ownership from 24.0% to 12.0% and a change in voting arrangements.

³ Fair value at ASX quoted price as at 31 December 2014 was \$160,822,000 (30 June 2014: \$146,309,000).

⁴ These funds comprise the Long WALE Hardware Partnership.

⁵ 100% owned subsidiary at 30 June 2014.

Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2014

6 Investments in associates and joint ventures (continued)

		OWNERSHIP INTEREST			
Charter Hall Property Trust Group		31 Dec	30 Jun	31 Dec	30 Jun
Name of entity		2014	2014	2014	2014
Principal Activity		%	%	\$'000	\$'000
Accounted for at fair value through profit or loss:					
<i>Associates - unlisted</i>					
Charter Hall Direct Office Fund ¹	Property investment	3.9	4.2	11,196	11,026
Charter Hall Diversified Property Fund	Property investment	19.6	19.6	1,483	1,763
Charter Hall Umbrella Fund	Property investment	24.2	24.2	667	699
Charter Hall Direct Industrial Fund No. 2	Property investment	0.4	0.3	540	339
Charter Hall Direct Industrial Fund	Property investment	0.2	0.2	260	248
PFA Diversified Property Trust	Property investment	0.1	0.1	181	159
				14,327	14,234
Equity accounted					
<i>Associates - unlisted</i>					
Charter Hall Office Trust	Property investment	14.3	14.3	164,276	172,938
Charter Hall Core Plus Office Fund	Property investment	8.9	9.0	104,835	106,239
Core Logistics Partnership	Property investment	14.8	19.1	88,024	84,777
Charter Hall Core Plus Industrial Fund	Property investment	3.0	4.4	27,796	27,447
Charter Hall Direct CDC Trust ²	Property investment	12.0	-	10,362	-
<i>Associates - listed</i>					
Charter Hall Retail REIT ³	Property investment	10.5	10.2	138,627	129,226
<i>Joint ventures - unlisted</i>					
Long WALE Investment Partnership	Property investment	50.0	-	136,474	-
Charter Hall Direct CDC Trust ²	Property investment	-	24.0	-	21,025
Retail Partnership No. 2 Trust	Property investment	20.0	20.0	19,591	20,749
BP Fund ⁴	Property investment	11.4	16.8	17,842	17,190
BP Fund 2 ^{4,5}	Property investment	14.6	-	10,613	-
Keperra Square Fund ⁴	Property investment	10.0	10.0	6,839	906
Retail Partnership No. 4 Trust	Property investment	50.0	50.0	-	11,372
				725,279	591,869
				739,606	606,103

¹ Formerly Charter Hall Direct Property Fund.

² Reclassified from joint venture to associate on reduction in ownership from 24.0% to 12.0% and a change in voting arrangements.

³ Fair value at ASX quoted price as at 31 December 2014 was \$160,822,000 (30 June 2014: \$146,309,000).

⁴ These funds comprise the Long WALE Hardware Partnership.

⁵ 100% owned subsidiary at 30 June 2014.

Contingent liabilities of associates and joint ventures

The Group has no exposure to contingent liabilities in relation to its investments in associates and joint ventures.

Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2014

7 Intangible assets

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

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

As CHOT is subject to a liquidity event every five years, the Group is amortising the associated management rights over a six year period from 1 May 2012, which includes an additional year to source liquidity were the fund to be wound up as a result of a liquidity review.

As a result of investment property sales by PFA, the underlying future cash flows from asset management fees have reduced. This has triggered a corresponding reduction in the supportable value of the intangible resulting in an impairment of \$0.8 million during the period.

	Charter Hall Group		Charter Hall Property Trust Group	
	31 Dec 2014 \$'000	30 Jun 2014 \$'000	31 Dec 2014 \$'000	30 Jun 2014 \$'000
Opening balance	87,577	96,066	-	-
Amortisation charge	(4,259)	(8,489)	-	-
Impairment charge	(800)	-	-	-
	82,518	87,577	-	-

8 Interest-bearing liabilities

	Charter Hall Group		Charter Hall Property Trust Group	
	31 Dec 2014 \$'000	30 Jun 2014 \$'000	31 Dec 2014 \$'000	30 Jun 2014 \$'000
Secured				
Bank loans drawn:				
Charter Hall Property Trust loan	1,000	-	1,000	-
Unamortised borrowing costs	(606)	-	(606)	-
Total interest-bearing liabilities	394	-	394	-

Charter Hall Property Trust loan

Tranche A

In August 2014 the facility was extended to August 2017, and in October 2014 the facility limit was increased from \$75.0 million to \$100.0 million. At 31 December 2014, borrowings of \$1.0 million (30 June 2014: \$nil) and bank guarantees of \$11.8 million (30 June 2014: \$9.3 million) had been drawn under this facility.

Tranche B

This \$25.0 million facility expires in August 2015. No debt is currently drawn from this facility.

Borrowing costs

Additional borrowing costs of \$458,000 were incurred during the period in relation to the increase of the facility limit and term extension. As no debt was drawn on the CHPT facility as at 30 June 2014, unamortised borrowing are disclosed on the Balance Sheet as Other Assets.

Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2014

9 Contributed equity

(a) Security capital

	31 Dec 2014 Securities	30 Jun 2014 Securities	31 Dec 2014 \$'000	30 Jun 2014 \$'000
Charter Hall Limited			233,281	232,101
Charter Hall Property Trust			959,677	945,333
Ordinary securities - stapled securities, fully	355,051,540	347,989,262	1,192,958	1,177,434

(b) Movements in ordinary security capital

Details	Number of securities ¹	Issue price	Charter Hall Limited \$'000	Charter Hall Property Trust \$'000	Total \$'000
Restated opening balance at 1 July 2013	302,262,312		211,335	799,548	1,010,883
Performance rights and options exercised ²	3,467,703	\$ 2.55	992	7,361	8,353
Issuance under DRP ³	5,417,141	\$ 3.79	2,422	18,104	20,526
Issued under institutional placement	36,842,106	\$ 3.80	17,640	122,360	140,000
Closing balance at 30 June 2014	347,989,262		232,389	947,373	1,179,762
Less: Transaction costs on security issues			(288)	(2,040)	(2,328)
Closing balance per accounts at 30 June 2014	347,989,262		232,101	945,333	1,177,434
Performance rights and options exercised ⁴	5,564,792	\$ 2.20	708	8,608	9,316
Issuance under DRP	1,497,486	\$ 4.16	474	5,759	6,233
Balance at 31 December 2014	355,051,540		233,283	959,700	1,192,983
Less: Transaction costs on security issues			(2)	(23)	(25)
Balance per accounts at 31 December 2014	355,051,540		233,281	959,677	1,192,958

¹ Includes shares of Charter Hall Limited and units in Charter Hall Property Trust, which are stapled. Refer to Note 1 for details of the accounting for this stapling arrangement.

² Includes 602,636 options with a strike price of \$2.80, 27,243 with a strike price of \$2.35 and 1,312,080 with a strike price of \$2.44.

³ Includes 3,691,877 issued in August 2013 with an issue price of \$3.85 and 1,725,254 issued in February 2014 with an issue price of \$3.67.

⁴ Includes 1,060,062 options with a strike price of \$1.94, 1,045,676 with a strike price of \$2.44 and 44,628 with a strike price of \$2.80.

10 Fair value measurement

(a) Recognised fair value measurement

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

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

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

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

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

Charter Hall Group 31 December 2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Investments in associates at fair value through profit and loss	-	-	14,327	14,327
Total assets	-	-	14,327	14,327

Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2014

10 Fair Value Measurement (continued)

Charter Hall Group 30 June 2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Investments in associates at fair value through profit and loss	-	-	14,234	14,234
Investment properties	-	-	48,386	48,386
Total assets	-	-	62,620	62,620

Charter Hall Property Trust Group 31 December 2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Investments in associates at fair value through profit and loss	-	-	14,327	14,327
Total assets	-	-	14,327	14,327

Charter Hall Property Trust Group 30 June 2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Investments in associates at fair value through profit and loss	-	-	14,234	14,234
Investment properties	-	-	48,386	48,386
Total assets	-	-	62,620	62,620

There were no transfers between levels 1, 2 and 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. There were \$1.0 million of financial liabilities at 31 December 2014 (30 June 2014: \$nil).

(c) Valuation techniques used to derive level 3 fair values

The fair value of associates held at fair value through profit and loss, which are investments in unlisted securities, approximates book value and is determined giving consideration to the unit prices and net 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.

(d) Sensitivity analysis

An increase in the price per security will cause the carrying value of investments in associates at fair value through and profit and loss to increase; a decrease in price per security will cause the carrying value to decrease.

11 Commitments

Capital commitments

Charter Hall Group

As at 31 December 2014 the Group had \$0.8 million contracted capital commitments in relation to the expansion of its office at No.1 Martin Place. (30 June 2014: \$nil).

Charter Hall Property Trust Group

The Group had no capital commitments as at 31 December 2014 (30 June 2014: \$nil).

12 Contingent liabilities

The Group did not have any contingent liabilities as at 31 December 2014 (30 June 2014: \$nil).

Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2014

13 Events occurring after the reporting date

The following events have occurred subsequent to 31 December 2014:

- The Group disposed its 12% interest in the Charter Hall Direct CDC Trust, recycling \$10.4 million of capital. No material gain or loss occurred as a result of this transaction.

Except for the matter discussed above, no other matter or circumstance has arisen since 31 December 2014 that has significantly affected, or may significantly affect:

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

Directors' declaration to securityholders

for the half year ended 31 December 2014

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

- (a) the interim financial statements and notes of Charter Hall Limited and its controlled entities including Charter Hall Property Trust and its controlled entities (Charter Hall Group) and Charter Hall Property Trust and its controlled entities (Charter Hall Property Trust Group) set out on pages 12 to 28 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of Charter Hall Group's and Charter Hall Property Trust Group's financial position as at 31 December 2014 and of their performance for the half year ended on that date; and
- (b) there are reasonable grounds to believe that both Charter Hall Limited and the Charter Hall Property Trust will be able to pay their debts as and when they become due and payable; and

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



David Clarke
Chairman
Sydney
25 February 2015



Independent auditor's review report to the security holders of Charter Hall Group and Charter Hall Property Trust Group

Report on the Interim Financial Reports

We have reviewed the accompanying interim financial report of:

- Charter Hall Limited, which comprises the consolidated balance sheet as at 31 December 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Charter Hall Limited Group. The Charter Hall Limited Group comprises Charter Hall Limited and the entities it controlled during that half-year and Charter Hall Property Trust and the entities it controlled during that half-year, which together form the consolidated entity ("Charter Hall Group")
- Charter Hall Property Trust, which comprises the consolidated balance sheet as at 31 December 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Charter Hall Property Trust Group. The Charter Hall Property Trust Group comprises Charter Hall Property Trust and the entities it controlled during that half-year, which form the consolidated entity ("Charter Hall Property Trust Group").

Directors' responsibility for the half-year financial reports

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

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial reports based on our reviews. We conducted our reviews in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial reports are not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the financial positions of the Charter Hall Group and the Charter Hall Property Trust Group as at 31 December 2014 and of their performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Charter Hall Limited and Charter Hall Property Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards

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and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

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

- a) giving a true and fair view of Charter Hall Group's and Charter Hall Property Trust Group's financial positions as at 31 December 2014 and of their performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A stylized, handwritten-style signature of the firm PricewaterhouseCoopers.

PricewaterhouseCoopers

A handwritten signature of Wayne Andrews.

Wayne Andrews
Partner

Sydney
25 February 2015