

APPENDIX 4D
Interim Financial Report
for the half year ended 31 December 2017

Name of Entity:

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

This Appendix 4D should be read in conjunction with the interim financial report of the Charter Hall Group for the half year ended 31 December 2017.

Results for announcement to the market

	6 months to 31 December 2017 \$m	6 months to 31 December 2016 \$m	Variance (%)
Revenue ¹	130.5	110.9	17.7
Profit after tax attributable to stapled securityholders of Charter Hall Group	120.6	173.3	(30.4)
Operating earnings attributable to stapled securityholders ²	95.1	80.8	17.7

¹ Gross revenue does not include share of net profits of associates and joint ventures of \$77.0 million (2016: \$136.6 million).

² Operating earnings is a financial measure which represents statutory profit after tax adjusted for proportionately consolidated fair value adjustments, gains or losses on sale of investments, performance fees expense, amortisation and/or impairment of intangible assets, deferred tax expense and other unrealised or one-off items. Operating earnings is the primary measure of the Group's underlying and recurring earnings from its operations. Operating earnings is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution to declare.

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

	6 months to 31 December 2017 cps	6 months to 31 December 2016 cps	Variance (%)
Basic statutory earnings per stapled security attributable to stapled securityholders	25.9	42.0	(38.3)
Diluted statutory earnings per stapled security attributable to stapled securityholders	25.8	41.7	(38.1)
Operating earnings per stapled security attributable to stapled securityholders	20.4	19.6	4.1

Distributions	6 months to 31 December 2017	6 months to 31 December 2016
Final distribution in respect of a:		
CHPT unit	-	-
CHL share	-	-
Interim distribution in respect of a:		
CHPT unit	9.4¢	14.4¢
CHL share	6.2¢	-
Total	15.6¢	14.4¢
Record date for determining entitlements to the distribution	31 December 2017	
Payment date	28 February 2018	

Results for announcement to the market (continued)

The Group recorded a statutory profit after tax attributable to stapled securityholders for the half year of \$120.6 million compared to \$173.3 million for the half year ended 31 December 2016.

Operating earnings amounted to \$95.1 million for the half year compared to \$80.8 million in 2016, an increase of 17.7% over the prior half year.

Net Tangible Assets

	As at 31 December 2017	As at 30 June 2017
Net tangible assets (NTA) per stapled security ¹	\$3.69	\$3.60

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

The number of securities on issue at 31 December 2017 is 465.8 million (30 June 2017: 465.8 million).

Control gained or lost over entities during the half year

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

- Charter Hall Real Estate Europe Limited (wholly owned entity dissolved on 4 July 2017).

Details of Associates and Joint Venture entities

Refer attached interim financial report (Note 7: Investments accounted for using the equity method).

Other significant information

For additional information regarding the results of Charter Hall Group for the half year ended 31 December 2017 please refer to the Half Year Results – ASX Media Announcement and the 2018 Half Year Results Presentation lodged with the ASX. Attached with this Appendix 4D is a copy of the interim financial report for the half year ended 31 December 2017.

Accounting standards used by foreign entities

International Financial Reporting Standards.

Segment results

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

Other Factors

Refer to other significant information (above).

Audit

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

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



Charter Hall Group

Interim Financial Report and other information for the half year ended 31 December 2017

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.

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

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

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

CHFML does not receive fees in respect of the general financial product advice it may provide; however, entities within the Charter Hall Group receive fees for operating the Charter Hall Property Trust in accordance with its constitution. Entities within the Group may also receive fees for managing the assets of, and providing resources to, the Charter Hall Property Trust. All information herein is current as at 31 December 2017 unless otherwise stated. All references to dollars (\$) or A\$ are Australian dollars unless otherwise stated.

© Charter Hall

Contents

Directors' Report.....	4
Auditor's Independence Declaration	10
Consolidated Statements of Comprehensive Income	11
Consolidated Statements of Comprehensive Income (continued)	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	17
3 Segment information	18
4 Revenue.....	21
5 Distributions paid and payable	21
6 Earnings per stapled security	22
7 Investments in associates and joint ventures.....	23
8 Investment properties.....	25
9 Intangible assets	25
10 Interest bearing liabilities.....	26
11 Contributed equity	27
12 Non-controlling interests	27
13 Fair value measurement	28
14 Commitments.....	29
15 Contingent liabilities	29
16 Events occurring after the reporting date	29
Directors' declaration to securityholders	30
Independent Auditor's Report	31

Directors' Report

for the half year ended 31 December 2017

The Directors of Charter Hall Limited and the Directors of Charter Hall Funds Management Limited, the Responsible Entity (RE) of Charter Hall Property Trust, present their report together with the consolidated interim financial report of the Charter Hall Group (Group or CHC) and the consolidated interim financial report of the Charter Hall Property Trust Group (CHPT) for the half year ended 31 December 2017, 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 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 half year and up to the date of this report, unless noted otherwise:

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

Principal activities

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

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

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

Distributions - Charter Hall Group

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

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Interim ordinary dividend of 6.2 cents and interim ordinary distribution of 9.4 cents per stapled security for the six months ended 31 December 2017 payable on 28 February 2018	72,661	-
Interim ordinary distribution for the six months ended 31 December 2016 of 14.4 cents per stapled security paid on 28 February 2017	-	59,431
Total distributions paid and payable to stapled securityholders	72,661	59,431

Review and results of operations

The Group recorded a statutory profit after tax attributable to stapled securityholders for the half year to 31 December 2017 of \$120.6 million compared to a profit of \$173.3 million for the half year ended 31 December 2016.

Operating earnings amounted to \$95.1 million for the half year to 31 December 2017, compared to \$80.8 million for the half year ended 31 December 2016, an increase of 17.7%. Operating earnings is split between property investments of \$51.0 million (31 December 2016: \$41.3 million) and property funds management of \$44.2 million (31 December 2016: \$39.4 million).

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 financial report.

Directors' Report (continued)

for the half year ended 31 December 2017

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Operating earnings attributable to stapled securityholders	95,146	80,764
Realised and unrealised gains on derivatives ¹	499	10,024
Net fair value movements on investments and property ¹	48,593	90,119
Amortisation of intangibles	(1,366)	(3,776)
Non-operating deferred income tax benefit/(expense)	333	(2,843)
Gain/(loss) on disposal of property investments and inventory ¹	(532)	4,058
Performance fees expense ¹	(15,914)	(2,652)
Other ¹	(6,142)	(2,403)
Statutory profit after tax attributable to stapled securityholders	120,617	173,291
Statutory profit attributable to Charter Hall Direct Diversified Consumer Staples Fund (non-controlling interest)	142	-
Statutory profit after tax	120,759	173,291

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

The 31 December 2017 financial results with comparatives are summarised as follows:

	Charter Hall Group		Charter Hall Property Trust Group	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Revenue (\$ million) ¹	130.5	110.9	11.7	9.8
Statutory profit after tax for stapled securityholders (\$ million)	120.6	173.3	81.2	144.1
Statutory earnings per stapled security (EPS) (cents)	25.9	42.0	17.4	34.9
Operating earnings for stapled securityholders (\$ million) ²	95.1	80.8	n/a	n/a
Operating earnings per stapled security (cents) ²	20.4	19.6	n/a	n/a
Distributions to stapled securityholders (\$ million)	72.7	59.4	43.9	59.4
Distribution per stapled security (cents)	15.6	14.4	9.4	14.4
	31 Dec 2017	30 Jun 2017	31 Dec 2017	30 Jun 2017
Total assets (\$ million)	1,919.2	1,873.0	1,636.2	1,612.8
Total liabilities (\$ million)	136.9	150.8	49.5	76.8
Total net assets (\$ million)	1,782.3	1,722.2	1,586.7	1,536.0
Net assets attributable to non-controlling interest (\$ million) ³	16.8	-	16.8	-
Net assets attributable to stapled securityholders (\$ million)	1,765.5	1,722.2	1,569.9	1,536.0
Stapled securities on issue (million)	465.8	465.8	465.8	465.8
Net assets per stapled security (\$)	3.79	3.70	3.37	3.30
Net tangible assets (NTA) attributable to stapled securityholders (\$ million)	1,719.2	1,674.9	1,569.9	1,536.0
NTA per stapled security (\$) ⁴	3.69	3.60	3.37	3.30
Balance sheet gearing ⁵	0.00%	0.00%	0.00%	0.00%
Funds under management (FUM) (\$ billion)	21.9	19.8	n/a	n/a

¹ Gross revenue does not include share of net profits of associates and joint ventures of \$77.0 million (31 December 2016: \$136.6 million).

² Excludes fair value adjustments, gains or losses on the sale of investments, amortisation and/or impairment of intangible assets, performance fees expense, non-operating deferred tax expense and other unrealised or one-off items.

³ Represents the 23.2% non-controlling interest share of the Charter Hall Direct Diversified Consumer Staples Fund.

⁴ Net tangible assets (NTA) per stapled security (\$) is calculated using assets less liabilities attributable to stapled securityholders, net of intangible assets and related deferred tax.

⁵ Gearing is calculated by using debt drawn net of cash divided by total assets net of cash.

Directors' Report (continued)

for the half year ended 31 December 2017

Property Investments

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

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

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

	Ownership stake (%)	Charter Hall investment (\$m)	31 Dec 2017 Charter Hall investment income ¹ (\$m)	Weighted average lease expiry (years)	Weighted average market cap rate (%)	Weighted average discount rate (%)	Weighted Average rental reviews (%)	31 Dec 2017 Charter Hall investment yield ² (%)
Office		562.4	17.1	5.4	5.6	7.0	3.8	6.3
Charter Hall Prime Office Fund (CPOF)	9.6	245.5	6.9	6.4	5.7	7.0	3.8	5.9
Charter Hall Office Trust (CHOT)	14.3	206.2	6.6	4.5	5.3	6.9	3.8	6.4
Brisbane Square Wholesale Fund (BSWF)	16.8	100.9	3.4	6.3	6.1	7.3	3.6	6.8
Charter Hall Counter Cyclical Trust (CCT)	5.0	8.3	0.1	3.8	5.8	7.0	3.9	11.1
Charter Hall Direct WorkZone Fund (WZF)	2.0	1.3	0.1	7.7	7.1	7.5	4.0	9.1
Charter Hall PFA Direct Fund (PFA) ³	0.1	0.2	-	8.6	7.2	8.0	3.4	7.4
Industrial		290.9	8.5	9.7	6.2	7.5	3.0	6.0
Core Logistics Partnership Trust (CLP)	13.8	142.4	4.2	10.1	6.2	7.5	3.0	6.0
Charter Hall Prime Industrial Fund (CPIF)	5.9	118.2	3.2	8.9	6.2	7.5	3.1	5.5
Charter Hall Direct Industrial Fund No.4 (DIF4)	18.3	30.3	1.1	11.4	6.4	7.5	2.9	7.6
Retail		528.5	16.9	6.8	6.0	7.3	3.9	6.8
Charter Hall Retail REIT (CQR) ⁴	18.7	325.5	11.5	6.7	6.2	7.2	4.1	7.2
BP Fund 1 (BP1) ⁶	11.9	53.7	1.1	9.8	5.4	7.2	2.9	5.6
Charter Hall Prime Retail Fund (CPRF)	38.0	44.9	1.4	4.0	5.8	7.5	4.4	6.3
Retail Partnership No. 6 Trust (RP6) ⁴	20.0	36.4	1.0	3.6	5.6	7.8	3.5	6.1
BP Fund 2 (BP2) ⁶	17.5	24.5	0.4	11.0	5.6	7.2	2.7	4.8
Long WALE Investment Partnership (LWIP) ⁵	5.0	21.0	0.7	16.7	5.9	7.2	2.0	7.1
Long WALE Investment Partnership 2 (LWIP2) ⁵	10.0	10.5	0.4	17.4	5.9	7.3	2.0	6.9
TTP Wholesale Fund (TTP) ^{4,6}	10.0	5.4	0.2	3.7	6.0	7.3	4.1	5.3
Retail Partnership No. 2 (RP2) ⁴	5.0	6.6	0.2	4.7	5.5	7.3	4.4	6.7
Diversified		249.3	7.4	11.0	6.3	7.7	2.8	6.6
Charter Hall Long WALE REIT (CLW) ⁷	20.4	193.9	5.5	11.3	6.2	7.6	2.8	6.5
Charter Hall Direct Diversified Consumer Staples Fund (DCSF) ⁸	76.8	55.4	1.9	9.3	6.7	8.1	2.7	6.9
Property investment - subtotal		1,631.1	49.9	7.4	5.9	7.3	3.5	6.4
Commercial and Industrial Property Pty Limited (CIP)	50.0	20.2	0.8	n/a	n/a	n/a	n/a	n/a
Total		1,651.3	50.7					

¹ Charter Hall Group property investment earnings per segment, Note 3(b) of the financial report.

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

³ Formerly PFA Diversified Property Trust.

⁴ Average rent reviews is contracted weighted average rent increases of specialty tenants.

⁵ The LWIP and LWIP2 rental increase is CPI, uncapped.

⁶ These funds comprise the Long WALE Hardware Partnership (LWHP).

⁷ Metrics for weighted average lease expiry, weighted average market cap rate, weighted average discount rate, weighted average rental reviews includes Virgin Australia Head Office which was acquired 4 January 2018.

⁸ DCSF adjusted for non-controlling interest share of 23.2%.

Directors' Report (continued)

for the half year ended 31 December 2017

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

(a) Office

Charter Hall Prime Office Fund (CPOF)

CPOF is a wholesale-pooled fund that invests in high-quality office buildings located in Australia's major capital cities. CPOF owns an interest in 22 assets valued at \$3.7 billion.

Charter Hall Office Trust (CHOT)

CHOT is an unlisted wholesale partnership that invests in a diversified portfolio of office properties primarily located in Australian CBDs. CHOT owns an interest in 10 high-grade office assets valued at \$2.7 billion.

Brisbane Square Wholesale Fund (BSWF)

BSWF is an unlisted fund which owns two assets valued at over \$1 billion.

Charter Hall Counter Cyclical Trust (CCT)

CCT is an unlisted wholesale partnership designed to take advantage of counter-cyclical investment opportunities in the Perth and Brisbane office markets.

Charter Hall Direct WorkZone Fund (WZF)

WZF is an unlisted property syndicate investing in an A-grade office building located on the fringe of the Perth CBD.

Charter Hall PFA Direct Fund (PFA)

PFA is an unlisted fund diversified across geographic locations, tenant profiles and lease expiries in Australia.

(b) Industrial

Core Logistics Partnership Trust (CLP)

CLP is a wholesale industrial partnership which owns an interest in 26 assets valued at \$1.5 billion.

Charter Hall Prime Industrial Fund (CPIF)

CPIF is a wholesale industrial pooled fund focused on sourcing properties in the industrial and logistics sectors of major Australian capital cities. It includes both core and enhanced investment-grade property assets. CPIF owns an interest in 52 assets valued at \$2.8 billion.

Charter Hall Direct Industrial Fund No.4 (DIF4)

DIF4 is an unlisted property fund investing in quality Australian industrial properties and also in the Charter Hall managed Core Logistics Partnership.

(c) Retail

Charter Hall Retail REIT (CQR)

CQR is an Australian Real Estate Investment Trust (REIT) listed on the Australian Securities Exchange (ASX) (ASX: CQR) and invests in neighbourhood and sub-regional shopping centres anchored by Coles and Woolworths supermarkets. CQR's portfolio comprises an interest in 66 properties valued at \$2.9 billion.

Charter Hall Prime Retail Fund (CPRF)

CPRF is a wholesale fund which owns Campbelltown Shopping Centre valued at over \$200 million.

Retail Partnership No.6 Trust (RP6)

RP6 is a wholesale retail fund focusing on neighbourhood and sub-regional shopping centres. RP6 owns two assets valued at over \$270 million.

Long WALE Hardware Partnership (LWHP)

The combined BP1, BP2 and TTP Funds are collectively referred to as the Long WALE Hardware Partnership (LWHP), which owns assets valued at almost \$1.0 billion.

BP Fund 1 (BP1)

BP1 is a wholesale fund which owns 15 freestanding warehouse properties valued at over \$650 million.

BP Fund 2 (BP2)

BP2 is a wholesale fund which owns six freestanding warehouse properties valued at over \$220 million.

TTP Wholesale Fund (TTP)

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

Long WALE Investment Partnership (LWIP)

LWIP is a wholesale partnership which owns 57 hospitality assets valued at over \$760 million. These assets are leased to ALH under triple net leases.

Long WALE Investment Partnership 2 (LWIP2)

LWIP2 is a wholesale partnership which owns nine hospitality assets valued at over \$160 million.

Directors' Report (continued)

for the half year ended 31 December 2017

Retail Partnership No.2 (RP2)

RP2 is a wholesale retail fund which owns the Bateau Bay Square shopping centre valued at over \$230 million on the Central Coast of New South Wales.

(d) Diversified

Charter Hall Long WALE REIT (CLW)

CLW is a REIT listed on the ASX (ASX: CLW) and invests in high quality Australasian real estate assets that are predominantly leased to corporate and government tenants on long-term leases. CLW's portfolio comprises an interest in 81 properties valued at \$1.5 billion.

Charter Hall Direct Diversified Consumer Staples Fund (DCSF)

DCSF is an unlisted fund with a diversified and growing portfolio of properties leased to distributors and producers of consumer staples goods. DCSF owns five properties valued at over \$62.0 million.

(e) Wholesale mandates

The Group originates and manages segregated mandates for direct property investments either in joint venture with funds such as CPOF or CQR or as 100% owned assets by our clients. The total property value of wholesale mandates is \$0.9 billion.

(f) Direct investor funds

The Group manages equity raised from retail investors via advisers, high net worth individuals and through direct distribution channels. The total FUM of these retail funds and single asset syndicates is \$3.0 billion.

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

The Group has a 50% interest in CIP, an industrial development business.

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 \$21.9 billion funds management portfolio. The use of an integrated property services model, which earns fees from providing these services to the managed portfolio, enhances the Group's returns from capital invested. The Group also provides services to segregated mandates looking to capitalise on its property and funds management expertise. The Property Funds Management business contributed \$44.2 million in operating earnings to the Group.

During the half year, total funds under management increased by \$2.1 billion to \$21.9 billion. The movement was a result of additional capital expenditure and valuation uplifts, along with the Group's managed funds acquiring approximately \$1.5 billion and divesting approximately \$0.5 billion of property.

Significant changes in the state of affairs

There have been no significant changes in the state of affairs during the half year.

Directors' Report (continued)

for the half year ended 31 December 2017

Matters subsequent to the end of the period

No matter or circumstance has arisen since 31 December 2017 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 10.

Rounding of amounts

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

Auditor

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

Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The financial statements were authorised for issue by the Directors on 22 February 2018. The Directors have the power to amend and re-issue the Financial Statements.



David Clarke
Chair
Sydney
22 February 2018



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 2017, 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
22 February 2018

PricewaterhouseCoopers, ABN 52 780 433 757

One International Towers Sydney, Watermans Quay, Barangaroo NSW 2000, GPO BOX 2650 Sydney NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated Statements of Comprehensive Income

for the half year ended 31 December 2017

	Note	Charter Hall Group		Charter Hall Property Trust Group	
		31 Dec 2017 \$'000	31 Dec 2016 \$'000	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Income					
Revenue	4	130,465	110,850	11,691	9,826
Share of net profit of investments accounted for using the equity method		76,983	136,589	73,180	131,885
Net gain on sale of investments and inventory		-	3,726	-	3,726
Net gain on investment in associates at fair value		832	8	832	8
Foreign exchange gains		-	3	-	-
Total income		208,280	251,176	85,703	145,445
Expenses					
Investment property expenses		(417)	-	(473)	-
Depreciation		(1,888)	(1,661)	-	-
Finance costs		(1,009)	(779)	(903)	(668)
Foreign exchange losses		(66)	-	(66)	-
Net fair value adjustments on investment properties	8	(1,896)	-	(1,896)	-
Amortisation of intangibles		(1,366)	(3,776)	-	-
Asset management fees		-	-	(819)	(639)
Employee costs		(52,493)	(49,069)	-	-
Administration and other expenses		(12,129)	(9,134)	(184)	(43)
Total expenses		(71,264)	(64,419)	(4,341)	(1,350)
Profit before tax		137,016	186,757	81,362	144,095
Income tax expense		(16,257)	(13,466)	-	-
Profit for the half year		120,759	173,291	81,362	144,095
Profit for the half year as attributable to:					
Equity holders of Charter Hall Limited		39,397	29,196	-	-
Equity holders of Charter Hall Property Trust (non-controlling interest)		81,220	144,095	81,220	144,095
Profit attributable to stapled securityholders of Charter Hall Group		120,617	173,291	81,220	144,095
Net profit attributable to Charter Hall Direct Diversified Consumer Staples Fund (non-controlling interest)		142	-	142	-
Profit for the half year		120,759	173,291	81,362	144,095

Consolidated Statements of Comprehensive Income (continued)

for the half year ended 31 December 2017

	Charter Hall Group		Charter Hall Property Trust Group	
	31 Dec 2017 \$'000	31 Dec 2016 \$'000	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Note				
Profit for the half year	120,759	173,291	81,362	144,095
Other comprehensive income				
<i>Items that may be reclassified to profit or loss</i>				
Exchange differences on translation of foreign operations	(408)	8	(407)	8
Equity accounted fair value movements in cash flow hedges	(170)	771	(170)	771
Other comprehensive income for the half year	(578)	779	(577)	779
Total comprehensive income for the half year	120,181	174,070	80,785	144,874
Total comprehensive income for the half year is attributable to:				
Equity holders of Charter Hall Limited	39,396	29,196	-	-
Equity holders of Charter Hall Property Trust (non-controlling interest)	80,600	144,874	80,600	144,874
Total comprehensive income attributable to stapled securityholders of Charter Hall Group	119,996	174,070	80,600	144,874
Total comprehensive income attributable to Charter Hall Direct Diversified Consumer Staples Fund (non-controlling interest)	185	-	185	-
Total comprehensive income for the half year	120,181	174,070	80,785	144,874
Basic earnings per security (cents) attributable to:				
Equity holders of Charter Hall Limited	8.5	7.1	n/a	n/a
Equity holders of Charter Hall Property Trust (non-controlling interest)	17.4	34.9	17.4	34.9
Basic earnings per stapled security (cents) attributable to stapled securityholders of Charter Hall Group	25.9	42.0	n/a	n/a
6(a)				
Diluted earnings per security (cents) attributable to:				
Equity holders of Charter Hall Limited	8.5	7.1	n/a	n/a
Equity holders of Charter Hall Property Trust (non-controlling interest)	17.3	34.6	17.3	34.6
Diluted earnings per stapled security (cents) attributable to stapled securityholders of Charter Hall Group	25.8	41.7	n/a	n/a
6(b)				

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

Consolidated balance sheets

as at 31 December 2017

	Note	Charter Hall Group		Charter Hall Property Trust Group	
		31 Dec 2017 \$'000	30 Jun 2017 \$'000	31 Dec 2017 \$'000	30 Jun 2017 \$'000
Assets					
<i>Current assets</i>					
Cash and cash equivalents		87,336	174,418	20,600	53,377
Receivables and other assets		87,083	66,203	30,952	29,936
Total current assets		174,419	240,621	51,552	83,313
<i>Non-current assets</i>					
Receivables and other assets		-	-	18,915	73,175
Investments in associates at fair value through profit or loss	7	31,817	29,690	31,817	29,690
Inventories		1,508	-	-	-
Investments accounted for using the equity method	7	1,564,048	1,476,630	1,471,963	1,386,261
Investment properties	8	61,990	40,350	61,990	40,350
Intangible assets	9	64,034	65,400	-	-
Property, plant and equipment		19,804	18,764	-	-
Deferred tax assets		1,582	1,582	-	-
Total non-current assets		1,744,783	1,632,416	1,584,685	1,529,476
Total assets		1,919,202	1,873,037	1,636,237	1,612,789
Liabilities					
<i>Current liabilities</i>					
Trade and other payables		101,423	127,415	44,857	76,786
Provisions		1,761	1,892	-	-
Total current liabilities		103,184	129,307	44,857	76,786
<i>Non-current liabilities</i>					
Trade and other payables		5,906	6,479	-	-
Provisions		1,384	1,303	-	-
Interest-bearing liabilities	10	4,671	-	4,671	-
Deferred tax liabilities		21,794	13,677	-	-
Total non-current liabilities		33,755	21,459	4,671	-
Total liabilities		136,939	150,766	49,528	76,786
Net assets		1,782,263	1,722,271	1,586,709	1,536,003
Equity					
<i>Equity holders of Charter Hall Limited</i>					
Contributed equity	11(a)	285,667	284,956	-	-
Reserves		(46,558)	(44,614)	-	-
Accumulated losses		(43,555)	(54,074)	-	-
Parent entity interest		195,554	186,268	-	-
<i>Equity holders of Charter Hall Property Trust</i>					
Contributed equity	11(a)	1,453,459	1,456,853	1,453,459	1,456,853
Reserves		(1,070)	(450)	(1,070)	(450)
Accumulated profit		117,568	79,600	117,568	79,600
Equity holders of Charter Hall Property Trust (non-controlling interest)		1,569,957	1,536,003	1,569,957	1,536,003
Non-controlling interest in Charter Hall Direct Diversified Consumer Staples Fund	12	16,752	-	16,752	-
Total equity		1,782,263	1,722,271	1,586,709	1,536,003

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 2017

	Attributable to the owners of Charter Hall Limited					Charter Hall Group
Note	Contributed equity \$'000	Reserves \$'000	Accumulated profit/(losses) \$'000	Total \$'000	Non-controlling interest \$'000	Total equity \$'000
Restated balance at 1 July 2016 ¹	256,049	(45,533)	(94,519)	115,997	1,195,087	1,311,084
Profit for the half year	-	-	29,196	29,196	144,095	173,291
Other comprehensive income	-	-	-	-	779	779
Total comprehensive income	-	-	29,196	29,196	144,874	174,070
<i>Transactions with equity holders in their capacity as equity holders:</i>						
Buyback and issuance of securities for exercised performance rights	(272)	(2,395)	-	(2,667)	(2,475)	(5,142)
Transfer due to deferred compensation payable in service rights	-	1,427	-	1,427	-	1,427
Distribution provided for or paid	5	-	(59,431)	(59,431)	-	(59,431)
Security-based benefit expense	-	783	-	783	-	783
	(272)	(185)	(59,431)	(59,888)	(2,475)	(62,363)
Restated balance at 31 December 2016¹	255,777	(45,718)	(124,754)	85,305	1,337,486	1,422,791
Balance at 1 July 2017	284,956	(44,614)	(54,074)	186,268	1,536,003	1,722,271
Profit for the half year	-	-	39,397	39,397	81,362	120,759
Other comprehensive income	-	(1)	-	(1)	(577)	(578)
Total comprehensive income	-	(1)	39,397	39,396	80,785	120,181
<i>Transactions with equity holders in their capacity as equity holders:</i>						
Contributions of equity, net of issue costs	11(b)	(6)	-	(6)	17,279	17,273
Buyback and issuance of securities for exercised performance rights		(404)	(3,928)	(4,332)	(3,337)	(7,669)
Tax recognised direct to equity		1,121	(403)	718	-	718
Transfer due to deferred compensation payable in service rights		-	1,497	1,497	-	1,497
Dividend/distribution provided for or paid	5	-	(28,878)	(28,878)	(43,897)	(72,775)
Security-based benefit expense		-	891	891	-	891
Transactions with non-controlling interests		-	-	-	(124)	(124)
		711	(1,943)	(30,110)	(30,079)	(60,189)
Balance at 31 December 2017		285,667	(46,558)	(43,555)	1,586,709	1,782,263

¹ Details of the restated deferred tax liability are included in Note 9.

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 2017

Attributable to the owners of the Charter Hall Property Trust Group						
Note	Contributed equity \$'000	Reserves \$'000	Accumulated profit/(losses) \$'000	Total \$'000	Non- controlling interest \$'000	Total equity \$'000
Balance at 1 July 2016	1,201,346	-	(6,259)	1,195,087	-	1,195,087
Profit for the half year	-	-	144,095	144,095	-	144,095
Other comprehensive income	-	779	-	779	-	779
Total comprehensive income/(loss)	-	779	144,095	144,874	-	144,874
<i>Transactions with equity holders in their capacity as equity holders:</i>						
Buyback and issuance of securities for exercised performance rights	(2,475)	-	-	(2,475)	-	(2,475)
Distribution provided for or paid	5	-	(59,431)	(59,431)	-	(59,431)
	(2,475)	-	(59,431)	(61,906)	-	(61,906)
Balance at 31 December 2016	1,198,871	779	78,405	1,278,055	-	1,278,055
Balance at 1 July 2017	1,456,853	(450)	79,600	1,536,003	-	1,536,003
Profit for the half year	-	-	81,220	81,220	142	81,362
Other comprehensive income	-	(620)	-	(620)	43	(577)
Total comprehensive income	-	(620)	81,220	80,600	185	80,785
<i>Transactions with equity holders in their capacity as equity holders:</i>						
Contributions of equity, net of issue costs	11(b)	(57)	-	(57)	17,336	17,279
Buyback and issuance of securities for exercised performance rights		(3,337)	-	(3,337)	-	(3,337)
Distribution provided for or paid	5	-	(43,783)	(43,783)	(114)	(43,897)
Transactions with non-controlling interest		-	531	531	(655)	(124)
	(3,394)	-	(43,252)	(46,646)	16,567	(30,079)
Balance at 31 December 2017	1,453,459	(1,070)	117,568	1,569,957	16,752	1,586,709

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 2017

	Charter Hall Group		Charter Hall Property Trust Group	
	31 Dec 2017 \$'000	31 Dec 2016 \$'000	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Note				
Cash flows from operating activities				
Receipts from customers (inclusive of GST)	115,788	99,950	6,981	3,908
Payments to suppliers and employees (inclusive of GST)	(85,649)	(75,924)	(1,636)	(1,000)
Tax Paid	(20,190)	-	-	-
Interest received	1,334	1,322	110	163
Interest paid	(1,364)	(673)	(1,364)	(611)
Distributions and dividends from investments	44,758	38,827	42,642	35,184
Net cash inflow from operating activities	54,677	63,502	46,733	37,644
Cash flows from investing activities				
Payments for property, plant and equipment, net of lease incentive received	(2,928)	(2,804)	-	-
Proceeds on disposal of investment properties	5,505	-	5,505	-
Payments for inventory	(1,508)	-	-	-
Payments for investment properties	(28,496)	-	(28,496)	-
Investments in associates and joint ventures	(70,596)	(199,517)	(70,596)	(199,517)
Proceeds on disposal and return of capital from investments in associates and joint ventures	14,137	88,607	10,725	88,607
Loans to associates, joint ventures and related parties	-	(9,449)	(106,866)	(68,379)
Repayments of loans to associates, joint ventures and related parties	750	18,534	167,924	188,100
Net cash (outflow)/inflow from investing activities	(83,136)	(104,629)	(21,804)	8,811
Cash flows from financing activities				
Proceeds from issues/(buy back) of stapled securities	(7,730)	(5,046)	(6,814)	(2,475)
Borrowing costs paid	(113)	-	(113)	-
Proceeds from borrowings	26,508	48,800	26,508	48,800
Repayment of borrowings	(21,100)	(48,800)	(21,100)	(48,800)
Proceeds on disposal of partial interest in a subsidiary that does not involve loss of control	16,973	-	16,973	-
Distributions to non-controlling interests	(17)	-	(17)	-
Distributions paid to stapled securityholders	(72,661)	(56,130)	(72,661)	(56,130)
Net cash inflow/(outflow) from financing activities	(58,140)	(61,176)	(57,224)	(58,605)
Net increase/(decrease) in cash and cash equivalents	(86,599)	(102,303)	(32,295)	(12,150)
Cash and cash equivalents at the beginning of the half year	174,418	145,358	53,377	43,321
Effects of exchange rate changes on cash and cash equivalents	(483)	-	(482)	-
Cash and cash equivalents at the end of the half year	87,336	43,055	20,600	31,171

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 2017

1 Summary of significant accounting policies

The interim financial report does not include all notes normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by the Charter Hall Group during the half year ended 31 December 2017, in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

(a) Basis of preparation

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

New and amended standards adopted

No new accounting standards or amendments have come into effect for the half year ended 31 December 2017 that affect the Group's operations or reporting requirements.

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

Following its preliminary assessment of the impact of new accounting standards AASB 9 Financial Instruments (applicable 1 January 2018), AASB 15 Revenue from Contracts with Customers (applicable 1 January 2018) and AASB 16 Leases (applicable 1 January 2019) which was reported in the notes of the financial report for the year end 30 June 2017, the Group is progressing with its analysis of the measurement and disclosure impact of the new standards on financial statements, drafting revised policies and note disclosures in line with its transition plan to be completed by June 2018.

2 Critical accounting estimates and judgements

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

(a) Classification and carrying value of investments

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

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

Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2017

2 Critical accounting estimates and judgements (continued)

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.

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

(b) Performance fee recognition

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

(c) Valuation of intangibles

Critical judgements and estimates are made by the Group in assessing the recoverable amount of intangibles acquired, where the funds to which those intangibles relate have an indefinite life. Intangibles are considered to have an indefinite useful life if there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. Refer to Note 9 for further details.

(d) Deferred tax assets

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

3 Segment information

(a) Description of segments

Charter Hall Property Trust Group

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

Charter Hall Group

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

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

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

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

Property Investments

This segment comprises investments in property funds.

Property Funds Management

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

Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2017

3 Segment information (continued)

(b) Operating segments

The operating segments provided to the Board for the reportable segments for the half year ended 31 December 2017 are as follows:

	Property Investments \$'000	Property Funds Management \$'000	Total \$'000
31 December 2017			
Property Investment earnings	50,689	-	50,689
Net interest income	774	-	774
Investment management revenue	-	82,154	82,154
Property services revenue	-	25,348	25,348
Total income	51,463	107,502	158,965
Net operating expenses	(482)	(34,855)	(35,337)
Corporate expenses	-	(11,892)	(11,892)
Operating earnings before tax	50,981	60,755	111,736
Income tax expense	-	(16,590)	(16,590)
Operating earnings attributable to stapled securityholders	50,981	44,165	95,146
Basic weighted average number of securities ('000)			465,777
Operating earnings per stapled security (cents)			20.4

	Property Investments \$'000	Property Funds Management \$'000	Total \$'000
31 December 2016 - Restated			
Property Investment earnings	41,155	-	41,155
Net interest income	547	-	547
Investment management revenue	-	70,516	70,516
Property services revenue	-	23,189	23,189
Total income	41,702	93,705	135,407
Net operating expenses	(371)	(32,980)	(33,351)
Corporate expenses	-	(10,669)	(10,669)
Operating earnings before tax	41,331	50,056	91,387
Income tax expense	-	(10,623)	(10,623)
Operating earnings attributable to stapled securityholders	41,331	39,433	80,764
Basic weighted average number of securities ('000)			412,718
Operating earnings per stapled security (cents)			19.6

Refer to Note 6 for statutory earnings per stapled security figures.

Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2017

3 Segment information (continued)

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

	31 Dec 2017 \$'000	Restated 31 Dec 2016 \$'000
Operating earnings attributable to stapled securityholders	95,146	80,764
Realised and unrealised gains on derivatives ¹	499	10,024
Net fair value movements on equity accounted investments ¹	48,593	90,119
Amortisation of intangibles	(1,366)	(3,776)
Non-operating income tax benefit/(expense)	333	(2,843)
Gain/(loss) on disposal of property investments and inventory ¹	(532)	4,058
Performance fees expense ¹	(15,914)	(2,652)
Other ¹	(6,142)	(2,403)
Statutory profit after tax attributable to stapled securityholders	120,617	173,291

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

	31 Dec 2017	31 Dec 2016
Basic weighted average number of securities per Note 6	465,777,131	412,717,802
Operating earnings per stapled security (OEPS)	20.4 cents	19.6 cents

Refer to Note 6 for statutory earnings per stapled security figures.

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

	31 Dec 2017 \$'000	Restated 31 Dec 2016 \$'000
Operating earnings - investments	50,981	41,331
Add: non-operating equity accounted profit	29,363	95,457
Less: fair value distributions in operating income	(1,173)	(28)
Add: net gain/(loss) on investment in associates at fair value	832	8
Add: net operating expenses	482	371
Less: net interest income	(774)	(542)
Less: net rental income	(1,896)	-
	77,815	136,597
Share of net profit of investments accounted for using the equity method	76,983	136,589
Net gain/(loss) on investment in associates at fair value	832	8
	77,815	136,597

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

	31 Dec 2017 \$'000	Restated 31 Dec 2016 \$'000
Property funds management revenue	107,502	93,705
Add: recovery of property and fund-related expenses	17,586	15,796
Add: interest income	1,678	1,321
Add: distributions received for investments accounted for at fair value	1,183	28
Add: rental income	2,516	-
Revenue per statement of comprehensive income	130,465	110,850

Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2017

3 Segment information (continued)

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.

4 Revenue

	Charter Hall Group		Charter Hall Property Trust Group	
	31 Dec 2017 \$'000	31 Dec 2016 \$'000	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Gross rental income	2,516	-	2,516	-
Investment management revenue	82,154	70,516	-	-
Property services revenue	25,348	23,189	-	-
	110,018	93,705	2,516	-
<i>Other revenue</i>				
Recovery of property and fund-related expenses	17,586	15,796	-	-
Interest	1,678	1,320	2,844	4,417
Distributions/dividends ¹	1,183	29	1,183	29
Other investment-related revenue	-	-	5,148	5,380
Total other revenue	20,447	17,145	9,175	9,826
Total revenue ²	130,465	110,850	11,691	9,826

¹ Represents the distribution of income from investments in associates accounted for at fair value by the Group and Charter Hall Property Trust Group.

² Revenue excludes share of net profits of equity accounted associates and joint ventures.

5 Distributions paid and payable

	Charter Hall Group		Charter Hall Property Trust Group	
	31 Dec 2017 \$'000	31 Dec 2016 \$'000	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Ordinary stapled securities				
Interim ordinary dividend of 6.2 cents and interim ordinary distribution of 9.4 cents per stapled security for the six months ended 31 December 2017 payable on 28 February 2018	72,661	-	43,783	-
Interim ordinary distribution for the six months ended 31 December 2016 of 14.4 cents per stapled security paid on 28 February 2017	-	59,431	-	59,431
Total distributions paid and payable to stapled securityholders	72,661	59,431	43,783	59,431
Distributions paid and payable to DCSF non-controlling interests	114	-	114	-
Total distributions paid and payable	72,775	59,431	43,897	59,431

Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2017

6 Earnings per stapled security

	Charter Hall Group		Charter Hall Property Trust Group	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
	Cents	Cents	Cents	Cents
(a) Basic earnings per security attributable to:				
Equity holders of Charter Hall Limited	8.5	7.1	n/a	n/a
Equity holders of Charter Hall Property Trust (non-controlling interest)	17.4	34.9	17.4	34.9
Stapled securityholders of Charter Hall Group	25.9	42.0	n/a	n/a
(b) Diluted earnings per security attributable to:				
Equity holders of Charter Hall Limited	8.5	7.1	n/a	n/a
Equity holders of Charter Hall Property Trust (non-controlling interest)	17.3	34.6	17.3	34.6
Stapled securityholders of Charter Hall Group	25.8	41.7	n/a	n/a
	\$'000	\$'000	\$'000	\$'000
(c) Reconciliations of earnings used in calculating earnings per stapled security				
Equity holders of Charter Hall Limited	39,397	29,196	n/a	n/a
Profit attributable to the ordinary stapled securityholders of the Group used in calculating basic and diluted earnings per stapled security	120,617	173,291	81,220	144,095
	Number	Number	Number	Number
(d) Weighted average number of stapled securities used as the denominator				
Weighted average number of ordinary stapled securities used as the denominator in calculating basic earnings per stapled security	465,777,131	412,717,802	465,777,131	412,717,802
<i>Adjustments for calculation of diluted earnings per stapled security:</i>				
Performance rights	2,217,370	2,804,669	2,217,370	2,804,669
Service rights	360,437	484,300	360,437	484,300
Weighted average number of ordinary stapled securities and potential ordinary stapled securities used as the denominator in calculating diluted earnings per stapled security	468,354,938	416,006,771	468,354,938	416,006,771

(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 Share 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 (continued)

for the half year ended 31 December 2017

7 Investments in associates and joint ventures

		OWNERSHIP INTEREST			
Charter Hall Group		31 Dec 2017	30 Jun 2017	31 Dec 2017	30 Jun 2017
Name of entity	Principal Activity	%	%	\$'000	\$'000
Accounted for at fair value through profit or loss:					
<i>Associates - unlisted</i>					
Charter Hall Direct Industrial Fund No. 4 ¹	Property investment	18.3	21.2	30,300	29,472
Charter Hall Direct WorkZone Trust ¹	Property investment	2.0	-	1,288	-
PFA Direct Diversified Property Trust ¹	Property investment	0.1	0.1	229	218
Total fair value through profit or loss investments				31,817	29,690
Equity accounted					
<i>Associates - unlisted</i>					
Charter Hall Prime Office Fund	Property investment	9.6	10.5	245,469	236,426
Charter Hall Office Trust ²	Property investment	14.3	14.3	206,186	212,859
Core Logistics Partnership	Property investment	13.8	13.8	142,412	139,154
Charter Hall Prime Industrial Fund	Property investment	5.9	6.0	118,236	117,128
Long WALE Investment Partnership	Property investment	5.0	5.0	20,979	19,011
Charter Hall Counter Cyclical Trust	Property investment	5.0	-	8,280	-
Retail Partnership No. 2 Trust	Property investment	5.0	5.0	6,593	6,440
<i>Associates - listed</i>					
Charter Hall Retail REIT ³	Property investment	18.7	18.6	325,494	321,171
Charter Hall Long WALE REIT ⁴	Property investment	20.4	20.0	193,899	165,971
<i>Joint ventures - unlisted</i>					
Brisbane Square Wholesale Fund	Property investment	16.8	16.8	100,882	99,594
BP Fund	Property investment	11.9	8.4	53,660	28,443
Charter Hall Prime Retail Fund	Property investment	38.0	38.0	44,886	44,834
Retail Partnership No. 6 Trust	Property investment	20.0	20.0	36,462	34,251
BP Fund 2	Property investment	17.5	13.2	24,587	13,793
Commercial and Industrial Property Pty Ltd	Property development	50.0	50.0	20,200	19,450
Long WALE Investment Partnership 2	Property investment	10.0	10.0	10,471	10,108
TTP Wholesale Fund	Property investment	10.0	10.0	5,352	7,997
Total equity accounted investments				1,564,048	1,476,630
Total investments				1,595,865	1,506,320

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 are recorded in fair value adjustments in the consolidated statement of comprehensive income.

² The entity has a 31 December balance date.

³ Fair value at the ASX closing price as at 31 December 2017 was \$313.4 million (30 June 2017: \$306.6 million).

⁴ Fair value at the ASX closing price as at 31 December 2017 was \$197.2 million (30 June 2017: \$171.2 million).

Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2017

7 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		2017	2017	2017	2017
Principal Activity		%	%	\$'000	\$'000
Accounted for at fair value through profit or loss:					
<i>Associates - unlisted</i>					
Charter Hall Direct Industrial Fund No. 4 ¹	Property investment	18.3	21.2	30,300	29,472
Charter Hall Direct WorkZone Trust ¹	Property investment	2.0	-	1,288	-
PFA Direct Diversified Property Trust ¹	Property investment	0.1	0.1	229	218
Total fair value through profit or loss investments				31,817	29,690
Equity accounted					
<i>Associates - unlisted</i>					
Charter Hall Prime Office Fund	Property investment	9.1	10.0	231,551	223,028
Charter Hall Office Trust ²	Property investment	14.3	14.3	206,185	212,859
Core Logistics Partnership	Property investment	13.8	13.8	142,412	139,154
Charter Hall Prime Industrial Fund	Property investment	2.8	2.9	56,961	56,436
Long WALE Investment Partnership	Property investment	5.0	5.0	20,979	19,011
Charter Hall Counter Cyclical Trust	Property investment	5.0	-	8,280	-
Retail Partnership No. 2 Trust	Property investment	5.0	5.0	6,593	6,440
Charter Hall Opportunity Fund No.5	Property Development	7.5	7.5	3,309	3,171
<i>Associates - listed</i>					
Charter Hall Retail REIT ³	Property investment	18.7	18.6	325,494	321,171
Charter Hall Long WALE REIT ⁴	Property investment	20.4	20.0	193,899	165,971
<i>Joint ventures - unlisted</i>					
Brisbane Square Wholesale Fund	Property investment	16.8	16.8	100,882	99,594
BP Fund	Property investment	11.9	8.4	53,660	28,443
Charter Hall Prime Retail Fund	Property investment	38.0	38.0	44,886	44,834
Retail Partnership No. 6 Trust	Property investment	20.0	20.0	36,462	34,251
BP Fund 2	Property investment	17.5	13.2	24,587	13,793
Long WALE Investment Partnership 2	Property investment	10.0	10.0	10,471	10,108
TTP Wholesale Fund	Property investment	10.0	10.0	5,352	7,997
Total equity accounted investments				1,471,963	1,386,261
Total investments				1,503,780	1,415,951

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 are recorded in fair value adjustments in the consolidated statement of comprehensive income.

² The entity has a 31 December balance date.

³ Fair value at the ASX closing price as at 31 December 2017 was \$313.4 million (30 June 2017: \$306.6 million).

⁴ Fair value at the ASX closing price as at 31 December 2017 was \$197.2 million (30 June 2017: \$171.2 million).

Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2017

8 Investment properties

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

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

	Charter Hall Group		Charter Hall Property Trust Group	
	6 months to 31 Dec 2017 \$'000	12 months to 30 Jun 2017 \$'000	6 months to 31 Dec 2017 \$'000	12 months to 30 Jun 2017 \$'000
Opening balance	40,350	-	40,350	-
Additions	27,531	108,300	27,531	41,062
Acquisition costs incurred	1,930	-	1,930	-
Revaluation decrement attributable to acquisition costs	(1,930)	-	(1,930)	-
Gain on property revaluation	34	-	34	-
Effect of foreign currency exchange differences	(480)	(712)	(480)	(712)
Straightlining of rental income	61	-	61	-
Disposals	(5,506)	(67,238)	(5,506)	-
Closing balance	61,990	40,350	61,990	40,350

Key valuation assumptions used in the determination of the investment properties' fair value and the Group's valuation policy are disclosed in Note 13.

9 Intangible assets

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

With the exception of management rights held over Charter Hall Office Trust (CHOT), management considers that the management rights have an indefinite life as there are no finite terms in the underlying agreements and the Charter Hall Group has no intention to cease managing these funds. On 1 May 2012, Charter Hall Office REIT (CQO) was privatised and CQO changed from a listed REIT to a wholesale unit trust (CHOT) with liquidity reviews every five years. In November 2016, CHOT's investors agreed to extend the life of the fund by three years to 30 April 2020. The amortisation period for the CHOT management rights has also been extended prospectively by three years. The Group is amortising the associated intangible assets over a nine year period from 1 May 2012, which includes an additional year to source liquidity were the fund to be wound up as a result of a liquidity review.

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

	Charter Hall Group		Charter Hall Property Trust Group	
	6 months to 31 Dec 2017 \$'000	12 months to 30 Jun 2017 \$'000	6 months to 31 Dec 2017 \$'000	12 months to 30 Jun 2017 \$'000
Opening balance	65,400	69,743	-	-
Amortisation	(1,366)	(4,343)	-	-
Closing balance	64,034	65,400	-	-

Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2017

9 Intangible assets (continued)

Prior period change in accounting policy and retrospective application

During the year ended 30 June 2017, the Group changed its accounting policy in relation to the recognition of deferred income tax on its intangible assets. This change was made to reflect the view of the IFRS Interpretations Committee (IFRIC), published in November 2016, that the carrying amounts of intangible assets with indefinite useful lives may not necessarily be recovered through sale, but also through use.

Based on the IFRIC guidance, the Group determined that it was appropriate to retrospectively change its accounting policy in relation to the assumed method of recovery of its intangible assets from recovery through sale to recovery through use. As the benefits of the intangible assets flow to the Group in the form of management fees over time, this is considered to provide reliable and more relevant information.

The impact of this change in accounting policy on the 2017 and previously reported 2016 and 2015 balance sheets was an increase of \$14,913,000 of deferred tax liabilities and an increase to accumulated losses of \$14,913,000. There was no impact on the statement of comprehensive income.

10 Interest bearing liabilities

	Charter Hall Group		Charter Hall Property Trust Group	
	31 Dec 2017 \$'000	30 Jun 2017 \$'000	31 Dec 2017 \$'000	30 Jun 2017 \$'000
Charter Hall Property Trust (CHPT)				
Cash advance facilities	200,000	125,000	200,000	125,000
Drawn balance	-	-	-	-
Bank guarantees	(14,267)	(14,267)	(14,267)	(14,267)
Balance available for drawing	185,733	110,733	185,733	110,733
Charter Hall Direct Diversified Consumer Staples Fund (DCSF)				
Cash advance facilities	31,357	-	31,357	-
Drawn balance	(5,404)	-	(5,404)	-
Balance available for drawing	25,953	-	25,953	-
Total balance available for drawing	211,686	110,733	211,686	110,733

Charter Hall Property Trust Group

In August 2017, the \$125 million debt facility was extended by two years with the maturity date changing to August 2020. In November 2017, the debt facility was increased to \$200 million with a maturity date of November 2020. At 31 December 2017, drawn borrowings of \$nil (30 June 2017: \$nil) and bank guarantees of \$14.3 million (30 June 2017: \$14.3 million) had been utilised under this facility, which under the terms of the agreement reduce the available facility. No liability is recognised for bank guarantees.

DCSF Facility

The fund has two revolving debt facilities of AU\$25.0 million and NZ\$7.0 million. The facilities were established in November 2017 with a maturity date of November 2020. At 31 December 2017, drawn borrowings of NZ\$6.0 million had been utilised under this facility.

The NZ\$6.0 million drawn borrowings translated into AU\$5.4 million are presented on the balance sheet net of AU\$0.7 million of unamortised transaction costs under the CHPT facility.

Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2017

10 Interest-bearing liabilities (continued)

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

	Charter Hall Group		Charter Hall Property Trust Group	
	31 Dec 2017 \$'000	30 Jun 2017 \$'000	31 Dec 2017 \$'000	30 Jun 2017 \$'000
Non-current				
<i>First ranking security</i>				
Investments in associates - Charter Hall Property Trust	1,503,780	1,415,951	1,503,780	1,415,951
Investment properties - DCSF	61,990	-	61,990	-
Total non-current assets pledged as security	1,565,770	1,415,951	1,565,770	1,415,951

11 Contributed equity

(a) Security capital

	31 Dec 2017 Securities	30 Jun 2017 Securities	31 Dec 2017 \$'000	30 Jun 2017 \$'000
Charter Hall Limited			285,667	284,956
Charter Hall Property Trust			1,453,459	1,456,853
Ordinary securities - stapled securities, fully paid	465,777,131	465,777,131	1,739,126	1,741,809

(b) Movements in ordinary stapled security capital

Details	Number of securities ¹	Average issue price	Charter Hall Limited \$'000	Charter Hall Property Trust \$'000	Total \$'000
Opening balance at 1 July 2016	412,717,802		256,049	1,201,346	1,457,395
Buyback and issuance of securities for exercised performance and service rights ¹	-	\$2.63	(273)	(2,484)	(2,757)
Tax recognised directly in equity	-		833	-	833
Issued under institutional placement ²	53,059,329	\$5.48	28,786	261,979	290,765
Closing balance at 30 June 2017	465,777,131		285,395	1,460,841	1,746,236
Less: Transaction costs on stapled security issues			(439)	(3,988)	(4,427)
Closing balance per accounts at 30 June 2017	465,777,131		284,956	1,456,853	1,741,809
Buyback and issuance of securities for exercised performance and service rights ³	-	\$2.83	(404)	(3,337)	(3,741)
Tax recognised directly in equity	-		1,121	-	1,121
Balance at 31 December 2017	465,777,131		285,673	1,453,516	1,739,189
Less: Transaction costs on stapled security issues			(6)	(57)	(63)
Balance per accounts at 31 December 2017	465,777,131		285,667	1,453,459	1,739,126

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

² 53,059,239 stapled securities issued under Institutional Placement and Security Purchase Plan in May 2017 with an issue price of \$5.48.

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

12 Non-controlling interests

During the period, the Group reduced its holding in the Charter Hall Direct Diversified Consumer Staples Fund from 100% to 76.8%. The proceeds on redemption were \$12.4 million, received in cash.

The difference between the redemption proceeds and amount transferred to non-controlling interests of \$0.1 million has been recognised directly in equity.

Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2017

13 Fair value measurement

(a) Recognised fair value measurement

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

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

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:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Charter Hall Group				
31 December 2017				
Investments in associates at fair value through profit and loss	-	-	31,817	31,817
Investment properties	-	-	61,990	61,990
Total assets	-	-	93,807	93,807
30 June 2017				
Investments in associates at fair value through profit and loss	-	-	29,690	29,690
Investment properties	-	-	40,350	40,350
Total assets	-	-	70,040	70,040
Charter Hall Property Trust Group				
31 December 2017				
Investments in associates at fair value through profit and loss	-	-	31,817	31,817
Investment properties	-	-	61,990	61,990
Total assets	-	-	93,807	93,807
30 June 2017				
Investments in associates at fair value through profit and loss	-	-	29,690	29,690
Investment properties	-	-	40,350	40,350
Total assets	-	-	70,040	70,040

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

(b) Disclosed fair values

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

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

Investments in associates

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

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

Notes to the consolidated financial statements (continued)

for the half year ended 31 December 2017

13 Fair value measurement (continued)

Investment property

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

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

Where an independent valuation is not obtained, the fair value is determined using Discounted Cash Flow and income capitalisation methods.

14 Commitments

Capital commitments

Charter Hall Group

The Group had no contracted capital commitments as at 31 December 2017 (30 June 2017: \$nil).

Charter Hall Property Trust Group

The Trust Group had no contracted capital commitments as at 31 December 2017 (30 June 2017: \$nil).

15 Contingent liabilities

The Group did not have any material contingent liabilities as at 31 December 2017 (30 June 2017: \$nil) other than the bank guarantees of \$14.3 million (30 June 2017: \$14.3 million) provided for under the bank facility (refer to Note 10).

16 Events occurring after the reporting date

No matter or circumstance has arisen since 31 December 2017 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 2017

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

- (a) the interim financial statements and notes of Charter Hall Limited and its controlled entities including Charter Hall Property Trust and its controlled entities (Charter Hall Group) and Charter Hall Property Trust and its controlled entities (Charter Hall Property Trust Group) set out on pages 11 to 29 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 2017 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.

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



David Clarke
Chair
Sydney
22 February 2018



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

Report on the Interim Financial Reports

We have reviewed the accompanying interim financial reports of:

- Charter Hall Group, which comprises the consolidated balance sheet as at 31 December 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity - Charter Hall Group and consolidated cash flow statement for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Charter Hall Group. The Charter Hall Group comprises Charter Hall Limited and the entities it controlled during that half-year and Charter Hall Property Trust and the entities it controlled during that half-year;
- Charter Hall Property Trust Group, which comprises the consolidated balance sheet as at 31 December 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity - Charter Hall Property Trust Group and consolidated cash flow statement for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Charter Hall Property Trust Group. The Charter Hall Property Trust Group comprises Charter Hall Property Trust and the entities it controlled during the half-year.

Directors' responsibility for the interim financial reports

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

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial reports based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial reports are not in accordance with the *Corporations Act 2001* including giving a true and fair view of the financial positions of the Charter Hall Group and the Charter Hall Property Trust Group as at 31 December 2017 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 reports.

A review of a 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

PricewaterhouseCoopers, ABN 52 780 433 757

One International Towers Sydney, Watermans Quay, Barangaroo NSW 2000, GPO BOX 2650 Sydney NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au.

Liability limited by a scheme approved under Professional Standards Legislation.



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 Group and Charter Hall Property Trust Group are not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of Charter Hall Group's and Charter Hall Property Trust Group's financial positions as at 31 December 2017 and of Charter Hall Group's and Charter Hall Property Trust Group's performance for the period ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

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

Wayne Andrews
Partner

Sydney
22 February 2018