



Charter Hall Group

Annual Report 2019

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To view our Corporate Governance
Statement, go to [charterhall.com.au/
About-Us/Corporate-Governance](http://charterhall.com.au/About-Us/Corporate-Governance)

Cover image:
Chifley Tower, Sydney.

A photograph of three business professionals in a modern office setting. Two men and one woman are seated around a white oval table. The man on the left is wearing a dark blazer over a light shirt. The woman in the center has her back to the camera, wearing a dark blazer. The man on the right is wearing a dark suit and tie. They are all looking towards the center of the table. The background features large glass windows and a modern office interior with plants and a white partition wall.

Better Futures. Mutual Success.



At Charter Hall we believe in going above and beyond. In doing more to help our tenants, investors, our people and the communities we operate in realise their full potential.

With a reputation for resilience, we use our property expertise to access, deploy, manage and invest equity across our core sectors – office, retail, industrial and logistics and social infrastructure.

Our integrated offering and approach to partnership means that as both investor and manager, we can build value and deliver solutions designed for long term success, across market cycles.

The impacts of what we do are far reaching. From helping businesses succeed by supporting their evolving workplace needs, to providing investors with superior returns for a better retirement, we're powered by the drive to go further.

Strategy

We use our property expertise to access, deploy, manage and invest in our core real estate sectors to create value and generate superior returns for customers.





Access

Accessing equity from listed, wholesale and retail investors.



Deploy

Creating value through attractive investment opportunities.



Manage

Funds management, asset management, leasing and development services.



Invest

Investing alongside our capital partners.

1 YEAR

Gross equity raised

\$3.4bn

Gross transactions

\$5.0bn

Funds Under Management (FUM)

\$30.4bn

↑ 7.3bn

Increase in Property Investment (PI) to \$1.8bn

\$138m

↑ 8.1%

Acquisitions

\$4.2bn

Properties

844

Total property investment return

9.1%

Divestments

\$0.8bn

5 YEARS

Gross equity raised

\$10.6bn

Gross transactions

\$20.0bn

FUM growth

\$19.0bn

5-year FUM growth of 21.5% per annum

Increase in PI

\$1.1bn

↑ 156.0%

Acquisitions

\$14.5bn

Total property investment return

13.3% p.a

Divestments

\$5.5bn

A man and a woman are shown from the chest up, looking at a tablet together. The man is on the left, partially visible, smiling. The woman is on the right, with long brown hair and bangs, wearing a grey blazer over a red patterned top, and smiling warmly. They are in a bright, modern office setting with large windows in the background. The word "Purpose" is overlaid in large white text across the bottom half of the image.

Purpose

At Charter Hall we're all about achieving better futures and mutual success. It's a philosophy that underpins our operating model and our commitment to all our stakeholders.



Our tenants

We're always looking for new ways to help businesses grow. Working in close partnership with our tenants, we seek out innovative solutions to fulfil their exact needs.

As cross-sector specialists, we think laterally to solve a business' holistic needs, often solving their office, warehousing and distribution requirements together as an integrated solution.

Our commitment to our tenants runs deep, and we continue to challenge ourselves to go above and beyond in our service.



Our investors

We work harder to create stable investments with greater potential to generate consistent, superior returns. We invest alongside our capital partners, because we believe that fundamental to long-term success, is mutual success. Our focus on quality, well located assets with long-term leases, together with our ability to unlock hidden value, creates a balance between stability, returns and growth.



Our people

We have a genuine desire to see people perform at their best and advance their careers. We actively leverage our unique operating model to give people learning opportunities that accelerate their growth and potential. Our open, flexible workplace fosters a collaborative environment and, together with our many benefits, enables people to flourish.



Our community

Every year we do more to strengthen communities. Our philosophy of mutual success is the reason why we were the first Australian property company to join the international Pledge 1% movement. Through Pledge 1% we give back our spaces, profits and our people's time, to support community organisations such as local charities, arts and sports groups.



Our environment

We put our environmental commitment into action. As part of our sustainability strategy we now own Australia's largest Green Star rated portfolio, and are investing in renewables and managing down all forms of waste to reduce our footprint.

FY19 Performance Highlights

Group Returns

Operating earnings (post tax) and OEPS growth

\$221m

↑ 25.5%

Distributions per share growth

33.7cps

↑ 6.0%

NTA per security

\$3.90

Total platform return¹

11.1%

Property Investments

Property investment portfolio

\$1.8bn

↑ 8.1%

Total property investment return²

9.1%

Property investment yield

6.3%

Funds Management

Funds Under Management (FUM)

\$30.4bn

↑ 31.1% (post balance date FUM of \$34.6bn)

Gross transactions

\$5.0bn

Property funds management yield³

6.0%

Balance Sheet

Balance sheet gearing

5.4%

Look through gearing

30.8%

Weighted average debt maturity

7.1 yrs

1. Total Platform Return is calculated as growth in net tangible assets (NTA) per security plus distributions per security divided by the opening NTA per security.
2. Total property investment return is calculated as distributions received from funds plus growth in investment value divided by the opening investment value of the PI portfolio. This excludes investments in new vehicles held for less than a year and investments in Direct funds.
3. Property Funds Management (PFM) yield is calculated as PFM operating earnings post tax per security (includes 50% allocation of net interest) divided by the opening NTA per security.



Image:
10 Shelley Street,
Sydney.

Chair's Letter

Supporting our purpose and guiding our decisions are our four values of **active partnership, genuine insight, inventive spirit** and **powered by drive**.

Our values ensure we stay strong as we grow and are our constant in this time of technological, environmental and societal change.



Dear Securityholder,

Despite an uncertain external environment in FY2019, I am pleased to report that Charter Hall continues to gain momentum in the business, delivering on its strategic pillars of Access, Deploy, Manage and Invest. In particular, the record equity flows demonstrate our customer centric approach continues to be supported by our investor customers. Additionally, the repeat tenant customer metrics, retention rates and customer interviews suggest the Group has an equal focus on both tenant and investor customers.

While this annual report measures our performance for the year to 30 June 2019, we see long term performance as the true test of success. Over the past five years, we've been able to deliver securityholders 13.4% post tax growth in earnings per annum, and distribution growth of 12.4% per annum. With growth in both net tangible assets (NTA) per security plus distributions, we were able to deliver securityholders an 11.1% total platform return¹ in FY19.

Our track record of out-performance over ten years has also delivered strong returns for our securityholders, delivering returns 9.6% above the broader equity market.²

Guided by a strong purpose and values

As your Board, one of our roles is to ensure that the team remains focused on delivering against the Group's strategy, whilst ensuring all stakeholders are fairly treated and the culture of "doing the right thing" permeates throughout the Group.

While our results demonstrate our performance focus, front and centre for us is our role as guardians of other people's capital over the long term. That's why our purpose, developed with input from investors, tenants and employees, is about achieving better futures and mutual success through bringing aspirations to life.

Supporting our purpose and guiding our decisions are our four values of active partnership, genuine insight, inventive spirit and powered by drive – a strong desire to look for new ways to help our people and customers grow with us. Our values ensure we keep strong as we grow and are our constant in this time of technological, environmental and societal change.

Investing in new sectors

Today, with your support, the property portfolio that we manage and invest in is one of Australia's

leading real estate platforms. Charter Hall Group's FUM at \$34.6 billion, 'post balance date', represents the second largest commercial property portfolio in Australia.

Comprising 844 properties, with over 3000 tenancies and delivering over \$1.7 billion p.a. of net rental income, we have been active in curating our portfolios to drive performance.

During the period we completed the successful acquisition and integration of the Folkestone business, which also materially added to FUM growth and expanded our investable horizons into the social infrastructure sector, primarily through the ASX listed Charter Hall Education Trust (ASX:CQE).

Our ability to partner with capital to access attractive investment opportunities, often through off-market channels and our willingness and ability to invest alongside our partners for mutual gain will see the Group continue to be an active market participant particularly where we can access high quality assets leased to quality tenants on long weighted average leases.

Continuing to work on diversity

Talented people with different experiences, backgrounds and perspectives are key to Charter Hall's growth and the sustainability of its future. As a Board and management team, we understand the role we play in driving the organisational and systemic change needed to create equity, remove barriers to inclusion and genuinely engage with both the internal and external communities within which we operate.

Whilst we have achieved gender balance overall as a Group, we haven't achieved it to the level we would like in key revenue generating parts of our business and at important decision-making levels.

Internally, our focus this year has been on the composition of Divisional Leadership Teams, increasing the retention of women, recruiting young talent and leveraging our operating model to accelerate development from within. More broadly, our CEO David Harrison, remains an active member of the Property Male Champions of Change and Vice President of the Property Council of Australia (PCA), together with being a Workplace Gender Equality Agency (WGEA) Pay Equity Ambassador.

Our commitment to inclusion also extends to nurturing other communities within the business, with our focus this year being on the young, up and coming talent attracted into Charter Hall as part of our Annual Scholarship Program and our LGBTIQ+ community.



For more information,
please visit
[charterhall.com.au/
chc2019](http://charterhall.com.au/chc2019)

Image:
David Clarke, Chair.

1. Total Platform Return is calculated as growth in net tangible assets (NTA) per security plus distributions per security divided by the opening NTA per security.
2. Source: UBS.

As a Group, we continue to reflect upon what's working and what's not, both within our business and across the industry.

Serving our investors

We remain focused on providing clear governance and oversight to assist management in continuing to deliver for our stakeholders. We have always understood that embedding a high standard of ethics into our business, creating trust in the institution and the people who manage your wealth, is paramount. Our role as a Board is to serve you to maintain and build trust.

The Charter Hall Board continues to comprise a majority of independent directors, in line with best practice. Following the acquisition of Folkestone Property Group during the period Greg Paramor, AO, the former CEO of Folkestone Limited, was invited to join the board. Greg brings to the Board extensive property expertise and was honoured during the year by being inducted into the PCA Hall of Fame, recognising 40 years of service to the property sector.

Your Board is actively engaged in the business to ensure the continued execution of the Group strategy. Through a diverse mix of skills and expertise, the Non-Executive Directors continue to provide a strong overall contribution to the success of the Group. This approach places the Group in a resilient position for further growth.

I encourage all securityholders to familiarise themselves with your directors – our biographies can be found on pages 31–33 of the Directors' Report.

Broader impact

The impacts of what we do are far reaching. This year, we've maintained and expanded Australia's largest Green Star footprint and continue to see improvement in our NABERS energy ratings across office and retail.

We've increased our renewable energy footprint from 2.5MW in 2018 to 5.2MW of solar PV across the portfolio and are also expanding our solar footprint with our retail power purchase agreements (PPAs) with Clean Peak Energy and Solgen. The PPA partnership will help the Group realise our short-term sustainability targets and contribute towards our longer-term aspirations.

During the period we became a signatory to the United Nations Global Compact. This significant commitment will see us engage in collaborative projects to advance the Sustainable Development Goals and make the UN Global Compact and its principles part of our strategy and culture.

In May 2018, we undertook a risk assessment of our supply chain in relation to human rights and modern slavery to develop our governance and management approach to the issue. Following this assessment, a Modern Slavery and Human Rights Working Group has been established to ensure that we monitor modern slavery and human rights risk.

Our commitment to the philanthropic movement Pledge 1% continues to grow as we grow, reinforcing our philosophy of mutual success. Our people are heavily engaged in the communities we operate in, with 378 employee volunteer days in community charities such as Rural Aid, where our retail centres and customers raised \$196,000 to support drought affected communities. Across our property portfolio, we committed over \$1.8 million or 37,997sqm in space which was used by community organisations and for health and wellbeing activities. I am proud that through our partnerships and people we invested \$775,000 in community programs and services across Australia.

Outlook

Economic growth in Australia was weaker over FY2019 than expected and growth in Australia's major trading partners eased in the second half of 2018. The global outlook is reported to have continued to moderate further into 2019. This is leading to a weaker global economic outlook and creating downward pressure on both interest rates in Australia and US bond yield rates.

We remain well set for the future, supported by a high-quality team focused on delivering results for our securityholders and capital partners, positioning us well for resilient performance and shared growth. We have access of \$4.1 billion¹ in available investment capacity through existing cash balances and available lines in our funds and on our balance sheet. This capacity provides a resilience against any short-term volatility and an ability to move quickly to capture opportunities, while also providing a meaningful avenue for future growth.

As we continue to build on the Group's solid foundations, I would like to take this opportunity to thank our customers, investors and securityholders for their support, and our people and their families for their passion, commitment and sacrifice throughout the year to deliver what has been an exceptional year of performance.



David Clarke
Chair

1. As at 30 June 2019.



Image:
Charter Hall,
Brisbane.

Managing Director and Group CEO Letter

A year of continued momentum
delivers strong growth.



Dear Security Holder

In Financial Year 2019 we built on the momentum from prior years, significantly growing Funds Under Management (FUM) by 31%, successfully completing the acquisition and integration of Folkestone Ltd, providing us a leading position in the Social Infrastructure property market; and we had a record year for equity inflows across all capital sources and transactions.

Our focus remains on delivering sustainable growth for securityholders, replenishing dry powder, strengthening resilience and maintaining a vigilant focus on property fundamentals, cycles and future return forecasts.

Performance

I am pleased to report a 34% increase in Operating Earnings EBITDA to \$275 million. Operating earnings and OEPS have also had very strong growth of 25.5% to \$220.7 million and 47.4 cents per share (cps) respectively. Further, we have continued to generate leading REIT sector distribution per share growth of 6.0% to 33.7cps, whilst retaining a significant proportion of earnings for growth via a distribution payout ratio of 71%.

Importantly, the growth in earnings also comes after-tax. When compared to peers on a pre-tax basis, we have delivered sector-leading 17.3% OEPS growth rate (CAGR) annually over the last five years. Tax paid also delivers valuable franking credits for our securityholders.

Charter Hall has generated a Total Shareholder Return (TSR) over 10-years of 25.3% versus the AREIT index S&P/ASX 200 (GICS) Property Accumulation Index of 14%.

Quality Property Funds Management portfolio

Our Property Funds Management portfolio is well-diversified comprising 844 properties, with over 3,000 tenancies delivering in excess of \$1.7 billion of net rental income. Group FUM WALE has increased to 8.2 years and the weighted average cap rate firmed to 5.58%, reflecting the improving quality and risk profile of our portfolio.

Significant growth in funds under management

We have been active in acquiring and divesting assets during the period. The Folkestone acquisition added \$1.6 billion to FUM growth, whilst Group FUM grew by \$7.2 billion to \$30.4 billion in 12 months and a further \$4.2 billion since 1 July 2019, meaning we have seen around a 50% rise in FUM over 14 months to \$34.6 billion.

Developments continue to be a meaningful contributor, while our focus on driving total returns has seen net

revaluations also lift significantly during the period. Development completions of \$1.1 billion and net revaluations of \$1 billion have driven FUM growth.

Strong capital raising support

It's been another excellent 12 months for equity flows, with 16 funds across the platform raising equity of \$3.4 billion across all capital sources.

We've been actively deploying proceeds into developing or buying new assets, curating our portfolios to drive performance and taking the opportunity to sell and divest non-core assets where recycling enhances portfolio quality.

Our Wholesale and Partnership Funds continue to secure investment opportunities and successfully raise capital to take advantage of our development and acquisition pipeline. Our Direct business also continues to enjoy strong support from investors given the performance of the funds. We currently have four Direct funds open for investment in office, industrial and diversified offerings.

Despite volatility in listed markets, we have also enjoyed the support in our listed funds, with all of them successfully raising equity to fund portfolio enhancing transactions.

Transactions

Active deployment of capital is an integral part of our business. This year we completed \$5 billion of gross transactions. All our sectors have been busy, but activity has been led by our office and industrial sectors deploying capital after recent capital-raising activity. Repeat customer transactions are a healthy sign of delivering on our customer centric objectives, many of which reflect our capacity to deal with customers in multiple sectors.

Active development pipeline

The Group continues to progress various developments across its portfolios, creating investment grade properties and adding significant value through enhancing income yield and total returns. Our development completions have added \$1.1 billion to FUM in the last 12 months. Our total development pipeline now stands at \$6.5 billion, up from \$3.5 billion three years ago.

The Group's \$4.2 billion office development pipeline of committed projects is predominantly pre-leased to high quality tenants and will generate institutional quality long-leased assets for our funds, while providing attractive incremental FUM growth and enhancing our credentials to attract capital. Our Industrial pipeline also continues to grow, reflecting our position as the second-largest logistics and industrial owner in Australia.

Image:
David Harrison,
Managing Director
and Group CEO.

Valued relationships with our tenants

Across the platform we enjoy strong tenant customer relationships. We're always looking for new ways to support our tenants – actively partnering with them to provide innovative solutions to fulfil their exact needs.

Woolworths, Wesfarmers and Coles Group are three of our largest tenant customers occupying space across our retail, industrial and logistics and office sectors. Combined, they account for over 25% of our net income; and as cross-sector specialists, we think laterally to solve their retail, warehousing and distribution requirements together in an integrated solution.

In fact, 72% of our tenant customers lease more than one tenancy from us. That ability to partner with our tenants and meet their entire property needs drives tenant retention, with 69% of tenants re-leasing with us during the twelve-month period. Importantly, this benefits shareholders by producing earnings resilience across our property investment portfolio and also feeds back into transactions, with our significant sale and leaseback activity providing off-market opportunities to grow our funds.

A resilient property investment portfolio

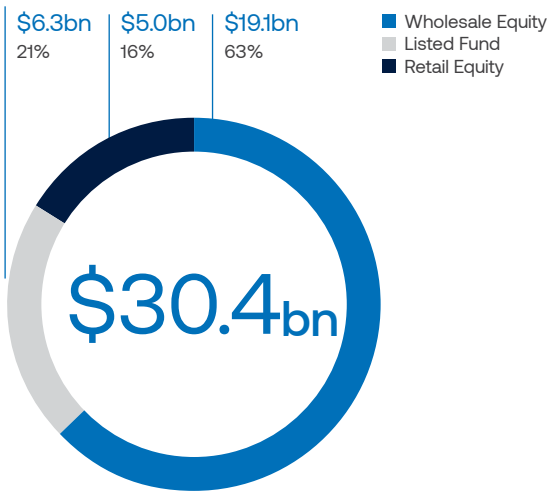
Our Property Investment Portfolio provides a strong alignment of interest with our investor customers, while also ensuring that securityholders benefit from our property expertise. Our earnings here are characterised by the high quality of our tenants, the diversity of sectors, and the lack of concentration risk, or single asset exposure.

The portfolio has grown to \$1.8 billion, or 8.1% over the year, largely reflecting our investment in Charter Hall Education Trust (ASX:CQE), but also growth in underlying asset values. It has delivered an attractive 6.3% property investment yield while maintaining capacity from retained earnings and recycling co-investment stakes into new growth.

Occupancy is broadly stable, and through active asset management the Property Investment portfolio WALE has increased to 7.6 years. Our Weighted Average Rent Review remains attractive at 3.5% and the number of properties has increased significantly to 844, again largely reflecting our investment in Charter Hall Education Trust.

With our single largest single asset exposure being 1.8% of the Group's balance sheet property investment portfolio and our top 10 assets only representing 11.4% of net income generated, we believe the groups Property Investment portfolio is a very defensive, well diversified, core investment portfolio.

Equity Sources



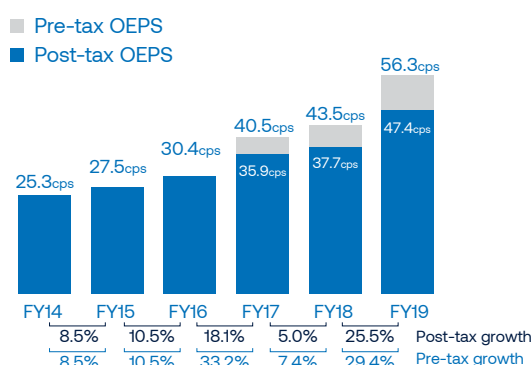
Culture the key to our performance

The energy, growth and performance of our business are fuelled by our culture and our people. This year we continued to reinforce what makes us unique, by engaging with and listening to our key stakeholders (Boards, investors, customers, employees) around our values, making our purpose explicit and designing our approach to succession and key talent development in a way that leverages our operating model, our purpose and our culture. Across the Group, the response to our new values of Active Partnership, Genuine Insight, Inventive Spirit and Powered by Drive has also been extremely positive.

We're very aware of the demands of an active and growing Group like ours, and while we know that makes Charter Hall an exciting place to work, our focus is on keeping our culture and engagement strong and building the wellbeing and resilience of our people. In FY19 we rolled out a People and Culture program across the Group to develop resilience and psychological safety. There was also greater focus on empowering our LGBTIQ+ and younger communities to have more of a voice, including partnerships with Pride and Diversity, the Foundation for Young Australians Innovation Program and Universities to encourage young talent into the property industry.

Sizing up our approach to Sustainability

Our approach to sustainability is consistent with our approach to business. We're less about talk and more about action. We like to understand the challenge, prove things up and then commit to delivering. This year, we undertook a Board endorsed investigation into alignment with the Taskforce for Climate related Financial Disclosures

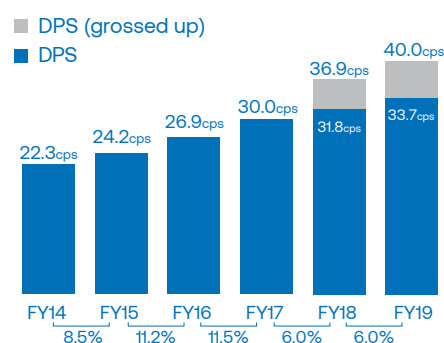
Operating Earnings Per Security Growth

CAGR (Pre-tax)

↑ 17.3%

CAGR (Post-tax)

↑ 13.4%

Distribution Per Security Growth

CAGR (grossed up)

↑ 12.4%

CAGR (cash paid)

↑ 8.6%

(TCFD) Framework to ensure our portfolio is resilient enough to withstand the impacts of climate change. We understand that this is an important consideration of our investor customers when deciding on the placement of their capital. Over the next year we will develop an action plan towards alignment with the framework. We've also done significant work around scoping and reducing our emissions and have set ourselves a target for net zero direct emissions by 2030.

Outlook and guidance

Since year end, we have grown Funds Under Management from \$30.4 billion to \$34.6 billion.

Post balance date our partnerships have also increased with new investments into 201 Elizabeth Street, Sydney, 242 Exhibition Street, Melbourne, Chifley Tower in Sydney and the Telstra Exchange portfolio of prime properties.

The Group continues to maintain modest balance sheet gearing of 5.4% and 30.8% look through gearing. As at 30 June 2019, our investment capacity was \$4.1 billion across the platform. Post balance date and considering recent transaction activity, investment capacity stands at \$3 billion, plus committed but undrawn equity commitments in wholesale funds and partnerships.

Based on no material change in current market conditions and reflecting FUM growth already achieved in FY20, guidance is for 18-20% growth in post-tax operating earnings per security in the year ahead. This includes \$132 million for the CHOT performance fee, payable in April 2020, with \$50 million already accrued in FY19 earnings. When the impact of the CHOT performance fee is removed from both FY19 and FY20 earnings, guidance implies post tax operating earnings growth of 11-13% over FY19. Distribution per security guidance is for 6% growth in the year ahead.

My thanks, on behalf of the Executive Leadership Team, to all our people for all their hard work this year. I would also like to thank the Charter Hall Group Board for their continued strategic guidance along with the Independent Directors of our Fund Responsible Entity Boards. Our strategy of using our property expertise to create value and generate superior returns for our customers underpins our ability to continue to deliver returns for securityholders.

Finally, thank you to all our tenants and investors for continuing to be part of our Charter Hall Group community.

David Harrison
Managing Director and Group CEO

Sector Highlights

Charter Hall's active partnership approach and continued outperformance has positioned us as a trusted manager of choice. Across the Group, we continue to focus on delivering a sustainable and resilient return through property sector diversity, with a focus on Long WALE properties. Our ability to partner with our tenants to meet their entire property needs sets us apart from many of our peers.

Office	FUM \$14.1bn	Portfolio 66 properties	Occupancy 96.7%	WALE 6.9 yrs
Industrial	FUM \$7.6bn	Portfolio 164 properties	Occupancy 99.3%	WALE 10.6 yrs
Retail	FUM \$6.9bn	Portfolio 178 properties	Occupancy 98.2%	WALE 7.8 yrs
Social Infrastructure	FUM \$1.4bn	Portfolio 433 properties	Occupancy 100.0%	WALE ¹ 10.0 yrs
Direct ²	FUM \$5.0bn	Portfolio 78 properties	Occupancy 99.2%	WALE 8.8 yrs

1. Includes Brisbane City Council Bus Network Terminal (CQE owns 50% interest).

2. Direct FUM and statistics have been reflected in the sectors.

3. Total portfolio is 844. The table above excludes three assets held in non-core sectors.



Office

“Our business is focused on creating a true partnership approach to deliver high quality workplace environments that are productive and provide a better work day experience.”

ADRIAN TAYLOR OFFICE CEO

144

Leasing deals executed across 207,000sqm

\$2.8bn

Gross transactions

130 Lonsdale

100% pre-leased

12

Development projects

\$2.9bn

New and refinanced debt facilities

\$4.2bn

Completion value

Image:
Artist's impression of
130 Lonsdale Street,
Melbourne.



Industrial and Logistics

“As one of the largest owners of Industrial and Logistics property in Australia, we go further in collaborating and partnering with our tenant customers to build long-term relationships, and deliver superior returns for our investor customers.”

RICHARD STACKER INDUSTRIAL CEO

45

Leasing deals executed
across 576,000sqm

\$1.0bn

Gross transactions

\$1.8bn

New and refinanced
debt facilities

28

Development projects

\$2.0bn

Completion value

Image:
Coca Cola Amatil,
Orchard Road, Brisbane.



Retail

“As the leading owner and manager of community convenience retail and long WALE retail, we are curating a portfolio focused on convenience and everyday needs, that provides a resilient and growing income stream for our investors.”

GREG CHUBB RETAIL CEO

447

Leasing deals executed across 57,000sqm

\$1.0bn

Gross transactions

\$1.0bn

New and refinanced debt facilities

12

Leases executed across

69,000sqm

to majors

5

Development projects

\$0.2bn

Development spend

Image:
Secret Harbour,
Perth.



Social Infrastructure

“Our social infrastructure assets support the delivery of vital social and community services, enriching the lives of our community and provide a social dividend to our investors.”

NICK ANAGNOSTOU HEAD OF SOCIAL INFRASTRUCTURE

18

Leasing deals executed
across 11,000sqm

\$0.18^{bn}

Gross transactions

\$0.4^{bn}

New and refinanced
debt facilities

29

Development projects

\$0.2^{bn}

Development spend

Image:
Only About Children,
Camberwell, Melbourne.



Direct

“Charter Hall Direct is Australia’s leading direct property fund manager, with \$5.0 billion of assets under management. We have a strong track record managing unlisted property funds and syndicates since 1995 and our products are consistently highly rated by external research groups.”

STEVEN BENNETT DIRECT CEO

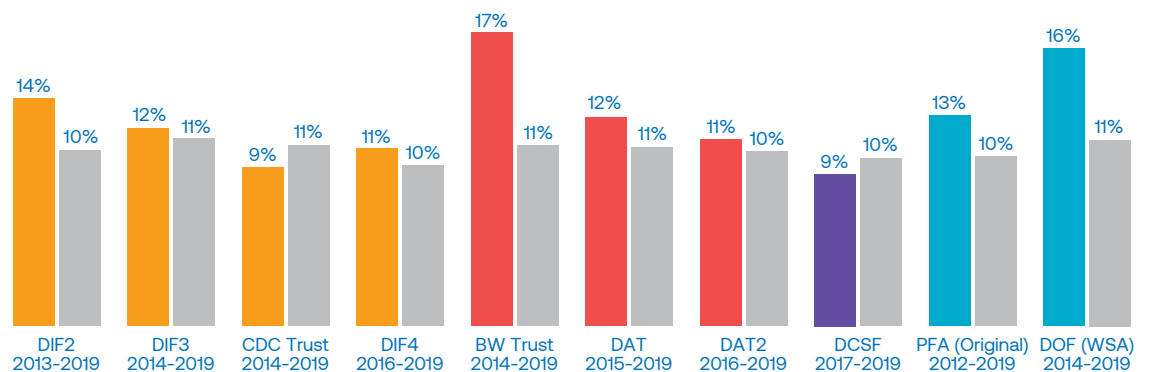
Direct Funds Net Return Since Inception

The active Direct Funds have returned 12.2% p.a., outperforming the benchmark¹ by 2.0%

Image:
Bunnings,
Mackay, QLD.

Net Return (% p.a.):

■ Office
■ Industrial
■ Retail
■ Diversified
■ Benchmark (% p.a.)



1. Benchmark refers to the MSCI/IPD Unlisted Core Wholesale Property Fund Index.

Sustainability

In a rapidly changing world, we engage regularly with stakeholders to better understand the horizon risks and opportunities ahead.

WHAT MATTERS MOST

OUR RESPONSE

HOW WE CREATE VALUE

HOW WE MEASURE OUR SUCCESS

FY19 SUSTAINABILITY HIGHLIGHTS



Environment

Climate resilience

Act on climate change

Energy and carbon: Making our buildings more energy efficient and investing in renewables

Water: Conserving water resources

Waste: Reducing waste and increasing recycling

Resilience: Understanding and managing climate risk and adaptation.

Reduction in greenhouse gas emissions and resource use

Benchmarking against NABERS and Green Star standards

Percent of assets covered by adaptation plans

Energy efficient buildings	Emissions reduction target
4.77star	100%
Increased Office portfolio NABERS Energy ratings weighted average, up from 4.66 star in FY18	reduction in emissions within Charter Hall direct control (Scope 1 and 2) by 2030
Onsite renewable energy	
5.2MW solar	
PV installed across the office, industrial and retail portfolio, generating 7,598MWh of electricity per annum (equivalent to powering 507 homes)	



Social

Engagement and inclusion

Increase the strength of communities

Investment: Pledging 1% to community initiatives

Jobs: Creating more employment opportunities

Inclusion: Fostering a diverse, inclusive and agile workforce

Engagement: Investing in innovative ways to engage our stakeholders

Wellbeing: Providing healthy, built environments through our WELL rated buildings and partnerships

Health and Safety: Improving the health and safety of our work environment.

Pledge 1% metrics

Diversity metrics

Tenant and employee satisfaction

Health and safety data

WELL accreditation

Pledge 1% achievements

67%

of our employees engaged in 378 employee volunteer days

\$775,000

invested in community programs and services

1.8m

or 37,997sqm of space utilised by community organisations, and for health and wellbeing activities



Governance

Responsible business

Embed a high standard of ethics into our actions

Governance: Ensuring we deliver on our commitment to the UN Global Compact

Compliance: Training all employees in ethical behaviour and standards

Data security: Protecting the privacy of individuals and companies.

Annual UN Global Compact and Modern Slavery statements

Implementing measures on customer, investor and employee satisfaction

100% employee ethics compliance training

Alignment to international standards

Risk Culture Index

81%

Above the Australian National and Global High Performance Norm

100%

Employee engagement in compliance training

Signatory to

UN Global Compact

Launched our new

Purpose and Values

Implementing our

Human Rights Framework

Board of Directors

See pages 31–33
for Director bios.



David Clarke
Chair/Independent
Non-Executive Director



Anne Brennan
Independent
Non-Executive Director



Philip Garling
Independent
Non-Executive Director



David Ross
Independent
Non-Executive Director



Karen Moses
Independent
Non-Executive Director



Greg Paramor AO
Non-Executive Director



David Harrison
Managing Director
and Group CEO

Executive Committee



David Harrison
Managing Director
and Group CEO
BBus (Land Economics),
FAPI, GDipAppFin
See page 36.



Steven Bennett
Direct CEO
BBA
Steven oversees more than \$5.0 billion of assets under management across multiple award-winning unlisted property products supported by retail, SMSF and high net worth investors.

Steven's key responsibilities include all aspects of investment management from identifying and sourcing property assets, structuring, debt financing, creation and launching of new property funds, capital raising, investor relations, stakeholder engagement and the ongoing management of the property portfolio.

Prior to joining Charter Hall, Steven worked for Macquarie Bank for seven years in Sydney and London. Steven has 18 years of experience in funds management, banking, property, accounting and consultancy and is a member of The Institute of Chartered Accountants in Australia and New Zealand.



Greg Chubb
Retail CEO
BBus (Land Economics),
FAPI

Greg is Fund Manager of the Charter Hall Retail REIT and Charter Hall's Retail CEO, joining the Group in 2014 with 30 years property market experience. Greg is responsible for all management aspects of the Retail Funds Management platform to deliver value creation within the retail portfolio and optimise returns for our investors.

Prior to joining Charter Hall, Greg was the Property Director at Coles Supermarkets Australia and Managing Director and Head of Retail for Sandalwood/Jones Lang LaSalle in Greater China. Greg has also held executive leadership roles at Mirvac and Lend Lease.

Greg holds a Bachelor of Business Degree (Land Economy) from the University of Western Sydney, is a Fellow of the Australian Property Institute (FAPI) and is Joint Deputy Chair of the Shopping Centre Council of Australia.



Natalie Devlin
Chief Experience Officer
BA, Postgrad Dip in
MR Management
(Dean's List Award)

Natalie is responsible for culture, internal and external brand, organisational capability, sustainability and community investment. She is focused on achieving our aspiration to be 'the place for people in property' by creating an authentic and differentiated employee, customer and community experience for the Group.

Natalie's previous roles include Head of People and Development at Valad Property Group, where she established the human resources function during its rapid growth period, and Head of HR, Asia Pacific for a multinational publishing company, where she transformed its operating model.


Sean McMahon

Chief Investment Officer
BBus (Property)

Sean has 30 years of property and investment banking experience in the real estate sector and has been active in the listed, wholesale and direct capital markets. Sean is responsible for the Group's strategy and balance sheet investments, mergers and acquisitions, with oversight for multi sector disciplines including property transactions, together with corporate development.

He brings a wealth of experience across investment markets, diversified across office, industrial and retail sectors, and has been responsible for driving the development of corporate strategies, capital allocation and reinvestment programs. Prior to joining Charter Hall, Sean worked at national diversified property group Australand (now known as Frasers) as Chief Investment Officer and was previously responsible for investment and development for all commercial, industrial and retail property.

Prior to joining Frasers, Sean spent seven years at Macquarie Bank as a senior executive in the Property Investment Banking division undertaking property finance, structured finance, funds management and joint venture transactions.


Russell Proutt

Chief Financial Officer
BCom, CPA

Russell joined Charter Hall in August 2017 and brings over 25 years' finance experience to the Group. His experience has included property and infrastructure investment management in North America, Australia and broader Asia as well as extensive M&A and financing capability across global markets.

Prior to joining Charter Hall, Russell was with Brookfield Asset Management for 12 years and a Managing Partner based in Canada and most recently, Australia where he worked in property and infrastructure sectors throughout the Asian region. Prior to joining Brookfield, Russell spent 15 years in investment banking and the financial services sector in North America.

He has a breadth of knowledge across commercial property markets and broad experience across infrastructure and private equity investments, mergers and acquisitions, transactions and finance functions.


Richard Stacker

Industrial CEO
BBA (Accounting and Finance)

Richard has over 25 years of experience in real estate funds management, real estate finance, accounting and risk management. With experience across all sectors, he has led the establishment and structuring of new funds and management of these funds, overseeing the transactional, development, asset and property management.

In July 2018 Richard became CEO of Charter Hall's Industrial real estate business following his role as Head of Global Investor Relations. In this role, Richard leads a team of 50 industrial property specialists, including investment management, development, asset and property management professionals. Richard is also a Board member of Charter Hall's unlisted retail investor business, Charter Hall Direct.

Prior to joining Charter Hall, Richard was a Division Director of Macquarie Group and Chief Executive Officer of Macquarie Direct Property Management Limited. Previously to that, Richard was a General Manager with Lend Lease Corporation Limited and a senior manager with PricewaterhouseCoopers. He is a member of the Institute of Chartered Accountants in Australia.


Adrian Taylor

Office CEO
BBus, CPA, GDipAppFin, FRICS

Adrian Taylor is Charter Hall's Office CEO with 26 years industry experience and eight years with Charter Hall.

Adrian leads the A\$14.1 billion office sector from end to end including Investment Management, Asset Management, Development and Property Management teams. He also helps develop the overall strategy and objectives for the office funds in conjunction with the Charter Hall Fund Managers and our Investors and helps guide the portfolio management, capital transactions, treasury and trust management teams to execute strategy.

Adrian has extensive capital management experience including debt and equity raising. Prior to the Charter Hall Office REIT's privatisation, he was its Chief Executive Officer and has deep capital transaction and extensive joint venture experience in Australia and the US.

Adrian graduated with a Bachelor of Business from Monash University, is a Certified Practising Accountant, is a Fellow of the Financial Services Institute of Australasia, a Fellow of the Royal Institute of Chartered Surveyors and is involved in numerous property industry groups including sitting on the Division Council of the Capital Markets Division of the Property Council of Australia.


Sheridan Ware

Chief Information and Technology Officer
BA, MBA

Sheridan joined Charter Hall in March 2019 with 20 years experience helping companies drive commercial value and increased customer engagement through cultural and digital transformation. She has worked across a wide range of industries – including commercial real estate, government and not-for-profit – and across multiple global markets.

Sheridan is responsible for all strategic and operational aspects of technology at Charter Hall and is a key contributor to the Property Council of Australia's CIO Cyber Security Roundtable.

Prior to joining Charter Hall Sheridan spent 11 years at Cushman & Wakefield in a variety of roles covering strategy, business transformation and technology; most recently as Chief Information Officer of their Asia Pacific business. She has won multiple awards for her contributions to thought leadership in the commercial real estate field.

Directors' Report and Financial Report

For the year ended 30 June 2019

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Directors' Report

For the year ended 30 June 2019

The Directors of Charter Hall Limited and the Directors of Charter Hall Funds Management Limited, the Responsible Entity (RE) of Charter Hall Property Trust, present their report together with the consolidated financial report of the Charter Hall Group (Group or CHC) and the consolidated financial report of the Charter Hall Property Trust Group (CHPT) for the year ended 30 June 2019, and the Independent Auditor's Report thereon. The financial report of the Group comprises Charter Hall Limited (Company or CHL) and its controlled entities, which include Charter Hall Funds Management Limited as the RE of Charter Hall Property Trust (Trust) and CHPT and its controlled entities. The financial report of the Charter Hall Property Trust Group comprises the Trust and its controlled entities.

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

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

Directors

The following persons were Directors of the Group during the year and up to the date of this report.

- David Clarke – Chair and Independent Non-Executive Director
- Anne Brennan – Independent Non-Executive Director
- Philip Garling – Independent Non-Executive Director
- David Harrison – Managing Director and Group CEO
- Karen Moses – Independent Non-Executive Director
- Greg Paramor AO – Independent Non-Executive Director (appointed 30 November 2018)
- David Ross – Independent Non-Executive Director

Distributions/Dividends – Charter Hall Group

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

	2019 \$'m
Final ordinary distribution of 10.7 cents and ordinary dividend of 6.5 cents per stapled security for the six months ended 30 June 2019 payable on 30 August 2019	80.1
Interim ordinary distribution of 8.3 cents and interim ordinary dividend of 8.2 cents per stapled security for the six months ended 31 December 2018 paid on 28 February 2019	76.8
Total Distributions/Dividends paid and payable to stapled securityholders	156.9

Operating and financial review

The Group recorded a statutory profit after tax attributable to stapled securityholders for the year to 30 June 2019 of \$235.3 million compared to a profit of \$250.2 million for the year ended 30 June 2018.

Operating earnings amounted to \$220.7 million for the year to 30 June 2019, compared to \$175.8 million for the year ended 30 June 2018, an increase of 25.5%. Operating earnings is a financial measure which represents statutory profit after tax adjusted for the items in the table below. Operating earnings is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution to declare.

The operating earnings information included in the table below has not been subject to any specific audit procedures but has been extracted from segment information in Note 1 of the accompanying financial report.

Directors' Report

For the year ended 30 June 2019

	2019 \$'m	2018 \$'m
Operating earnings attributable to stapled securityholders	220.7	175.8
Add: Net fair value movements on equity accounted investments ¹	75.8	98.4
Add: Gain/(loss) on disposal of property investments ¹	1.9	(1.5)
Add: Reversal of impairment of investment in joint venture	–	7.3
Less: Realised and unrealised net losses on derivatives ¹	(29.0)	(2.5)
Less: Business combination acquisition costs	(8.3)	–
Less: Non-operating income tax benefit/(expense)	(7.3)	0.5
Less: Performance fees expense ¹	(7.0)	(16.5)
Less: Amortisation of intangibles	(4.1)	(2.7)
Less: Other ¹	(7.4)	(8.6)
Statutory profit after tax attributable to stapled securityholders	235.3	250.2

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

The 30 June 2019 financial results with comparatives are summarised as follows:

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2019	2018	2019	2018
Revenue (\$ million) ¹	378.5	246.2	37.5	24.3
Statutory profit after tax for stapled securityholders (\$ million)	235.3	250.2	144.3	175.2
Statutory earnings per stapled security (EPS) (cents)	50.5	53.7	31.0	37.6
Operating earnings for stapled securityholders (\$ million)	220.7	175.8	n/a	n/a
Operating earnings per stapled security (cents)	47.4	37.7	–	–
Distribution/dividend per stapled security (cents)	33.7	31.8	19.0	20.1
Property investment segment earnings (\$ million) ²	110.8	103.8	n/a	n/a
Development investment segment earnings (\$ million) ²	7.8	–	n/a	n/a
Property funds management segment revenue (\$ million) ²	262.9	201.0	n/a	n/a
Total assets (\$ million)	2,453.6	2,013.6	2,078.3	1,724.5
Total liabilities (\$ million)	493.7	155.4	359.3	73.3
Total net assets (\$ million)	1,959.9	1,858.2	1,719.0	1,651.2
Net assets attributable to non-controlling interest (\$ million) ³	50.3	35.6	50.3	35.6
Net assets attributable to stapled securityholders (\$ million)	1,909.6	1,822.6	1,668.7	1,615.6
Stapled securities on issue (million)	465.8	465.8	465.8	465.8
Net assets per stapled security (\$)	4.10	3.91	3.58	3.47
Net tangible assets (NTA) attributable to stapled securityholders (\$ million) ⁴	1,817.0	1,777.10	1,668.7	1,615.6
NTA per stapled security (\$) ⁴	3.90	3.82	3.58	3.47
Balance sheet gearing ⁵	5.7%	0.0%	n/a	n/a
Funds under management (FUM) (\$ million)	30,425.6	23,214.1	n/a	n/a

¹ Gross revenue does not include the Group's share of net profits of associates and joint ventures of \$146.2 million (2018: \$169.1 million).

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

³ Represents the 58.1% (2018: 38.7%) non-controlling interest share of the Charter Hall Direct Diversified Consumer Staples Fund (DCSF).

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

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

Property investment

Property investment provides the Group with yields from its co-investments in Group funds. During the year property investment contributed \$110.8 million in segment earnings to the Group.

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

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

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

	Ownership stake (%)	Charter Hall investment (\$m)	FY 2019 Charter Hall investment income ¹ (\$m)	Weighted average lease expiry (years)	Weighted average market cap rate (%)	Weighted average discount rate (%)	Weighted average rental reviews (%)	FY 2019 Charter Hall investment yield ² (%)
Office		671.9	36.7	5.8	5.2	6.6	3.8	6.1
Charter Hall Prime Office Fund (CPOF)	7.1	291.1	13.4	7.1	5.1	6.6	3.8	5.2
Charter Hall Office Trust (CHOT)	15.7	263.7	15.2	4.3	5.0	6.4	3.8	6.4
Brisbane Square Wholesale Fund (BSWF)	16.8	104.8	7.2	7.8	5.6	7.0	3.9	7.0
Charter Hall Counter Cyclical Trust (CCT)	5.0	12.0	0.9	7.0	5.8	6.7	3.6	8.1
Charter Hall Direct PFA Fund (PFA)	–	0.3	–	7.5	6.0	7.0	3.5	7.1
Industrial		232.8	16.1	10.1	5.6	6.9	3.0	5.9
Charter Hall Prime Industrial Fund (CPIF)	4.0	126.9	6.7	10.0	5.6	6.9	3.1	5.5
Core Logistics Partnership Trust (CLP)	9.2	105.9	7.6	10.2	5.6	6.8	3.0	6.3
Charter Hall Direct Industrial Fund No.4 (DIF4)	–	–	1.8	10.2	5.7	7.1	2.7	6.1
Retail		506.4	34.3	6.4	6.0	7.0	3.9	6.6
Charter Hall Retail REIT (CQR) ³	16.2	299.6	22.4	6.5	6.2	7.2	4.2	7.1
Long WALE Hardware Partnership (LWHP)	13.5	96.5	4.8	8.3	5.4	6.9	2.8	5.2
Charter Hall Prime Retail Fund (CPRF)	29.4	56.6	3.7	4.9	6.0	7.2	4.2	6.4
Retail Partnership No. 6 Trust (RP6) ³	20.0	35.9	2.0	5.0	5.7	7.3	3.6	5.4
Long WALE Investment Partnership 2 (LWIP2) ⁴	10.0	11.0	0.7	16.0	5.8	n/a	2.2	6.8
Retail Partnership No. 2 (RP2) ³	5.0	6.3	0.4	4.6	6.0	7.5	4.2	6.5
Long WALE Investment Partnership (LWIP) ⁴	0.1	0.5	0.3	15.1	5.8	n/a	2.2	6.8
Diversified		241.6	18.1	11.6	6.0	7.1	2.9	6.6
Charter Hall Long WALE REIT (CLW)	15.2	200.8	13.4	12.4	6.0	7.0	2.8	6.5
Charter Hall Direct Diversified Consumer Staples Fund (DCSF) ⁵	41.9	36.2	3.3	7.2	6.2	7.4	3.3	6.3
Deep Value Partnership (DVP)	11.1	4.6	1.4	3.4	5.9	7.3	3.9	8.9
Social infrastructure		117.6	4.3	9.9	6.2	n/a	2.3	6.2
Charter Hall Education Trust (CQE)	13.1	117.6	4.3	9.9	6.2	n/a	2.3	6.2
Property investment – subtotal		1,770.3	109.5	7.6	5.6	6.9	3.5	6.3
Other investments ⁶		73.3	1.3					
Total		1,843.6	110.8					

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

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

³ Average rent reviews is contracted weighted average rent increases of specialty tenants.

⁴ The LWIP and LWIP2 rental increase is CPI, uncapped.

⁵ DCSF adjusted for non-controlling interest share of 58.1%.

⁶ Includes the Group's investments in the CHAB Office Trust and the Charter Hall Maxim Property Securities Fund.

Directors' Report

For the year ended 30 June 2019

Development investment

Development investment provides the Group with development profits and interest income from its development assets held directly on balance sheet and through co-investments in development ventures. During the year development investment contributed \$7.8 million in segment earnings to the Group.

Property funds management

The property funds management business provides investment management, asset management, property management, development management and leasing and transaction services to the Group's \$30.4 billion funds management portfolio. The use of an integrated property services model, which earns fees from providing these services to the managed portfolio, enhances the Group's returns from capital invested. The Group also provides services to segregated mandates looking to capitalise on its property and funds management expertise. During the year the property funds management business contributed \$262.9 million in segment revenue to the Group.

Significant changes in the state of affairs

On 7 November 2018, the Group acquired 100% of the shares in Folkestone Limited. Folkestone shareholders received from Charter Hall \$1.354 cash per share, which equates to a purchase consideration of \$205.0 million. Charter Hall also issued 1.5 million CHC service rights to Folkestone management which vest over three years.

Principal activities

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

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

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

Matters subsequent to the end of the period

The following events have occurred subsequent to 30 June 2019:

- The Group entered into a partnership agreement to acquire a 16.8% share of the Charter Hall platform's acquisition of 100% of the freehold interest in 242 Exhibition Street, Melbourne. The Group's total investment on settlement in the first half of FY20 is expected to be \$68.5 million.
- In August 2019, two of Charter Hall's managed wholesale trusts, in partnership with GIC, acquired the leasehold of Chifley Tower, 2 Chifley Square, Sydney. Charter Hall will assume the asset, property and development management of 100% of the Tower, increasing the Group's funds under management (FUM) by approximately \$1.8 billion.

- In August 2019, a partnership created by Charter Hall comprising its managed Long WALE REIT (ASX: CLW), a domestic super fund and the Group acquired a 49% stake in a Property Trust created to own a \$1.43 billion portfolio of Telstra Exchanges leased to Telstra Corporation (ASX: TLS) on long term leases with an average initial lease term (WALE) of 21 years plus multiple options, with annual CPI +0.5% rent reviews. The Charter Hall managed partnership's 49% stake has a value of \$700 million and Charter Hall will invest 21.8% or \$76 million of equity in the partnership.

Except for the matters discussed above, no other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect:

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

Likely developments and expected results of operations

Business strategy and prospects

The Group's strategy is to use its specialist property expertise to access, deploy and manage equity invested in office, industrial, retail, diversified and social infrastructure property portfolios. Charter Hall Group invests alongside equity partners to create value and provide superior returns for clients and the Group's securityholders. Growth is driven by a strong development capability that adds value for fund/partnership investors, whilst deployment through acquisitions complements the development capability to deploy the equity raised from investors in line with each property strategy.

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

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

Property investment portfolio

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

The Group regularly reviews the performance of its property investment portfolio and may reduce its investment in funds to reinvest into new partnerships or funds that drive FUM growth and to align with new partners. Sector diversification, industry diversification and earnings growth of each fund/partnership co-investment together with associated funds management earnings derived from each fund/partnership combine to provide a matrix from which the balance sheet capital is allocated. The material business risks faced by the property investment portfolio that may have an effect on financial performance of the Group include interest rate risk, refinancing risk, lease defaults or extended vacancies, portfolio concentration risks, development risk, joint venture risk and changes in economic or industry factors impacting tenants, property values or the ability to source suitable investment opportunities.

Development investment portfolio

The development investment portfolio comprises inventory held directly on balance sheet and co-investments in development associates and joint ventures, most of which has been absorbed from the acquisition of Folkestone in 2018. Primarily, development investments will drive stabilised investment opportunities made available to our funds.

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

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

Property funds management platform

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

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

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

Information on Directors

David Clarke

Chair/Independent Non-Executive Director

Experience and expertise

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

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

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

David holds a Bachelor of Laws degree.

Other current listed company directorships

AUB Group Limited

Former listed company directorships in last three years

Nil

Special responsibilities

Chair of the Nominations Committee

Member of the Audit, Risk and Compliance Committee

Member of the Investment Committee

Interests in securities

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

Directors' Report

For the year ended 30 June 2019

Anne Brennan

Independent Non-Executive Director

Experience and expertise

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

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

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

Other current listed company directorships

Argo Investments Limited
Nufarm Limited

Former listed company directorships in last three years

Metcash Limited
The Star Entertainment Group Limited
Myer Holdings Limited

Special responsibilities

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

Interests in securities

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

Philip Garling

Independent Non-Executive Director

Experience and expertise

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

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

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

Other current listed company directorships

Downer EDI Limited

Former listed company directorships in last three years

Spotless Group Holdings Ltd

Special responsibilities

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

Interests in securities

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

David Harrison

Managing Director and Group CEO

Experience and expertise

David has over 30 years' property market experience across office, retail and industrial sectors in multiple geographies globally. As Charter Hall's Managing Director and Group CEO, David is responsible for all aspects of the Charter Hall business, with specific focus on strategy and continuing the momentum from building an Investment Manager recognised as a multi-core sector market leader. David is an executive member of various Fund Boards and Partnership Investment Committees, and Chair of the Executive Property Valuation Committee and Executive Leadership Committee.

David has overseen the growth of the Charter Hall Group from \$500 million to \$30.4 billion of assets under management in 15 years.

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

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

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

Other current listed company directorships

Charter Hall Retail REIT
Charter Hall Long WALE REIT
Charter Hall Education Trust (Alternative Director)

Former listed company directorships in last three years

Nil

Special responsibilities

Member of the Investment Committee

Interests in securities

457,991 stapled securities in Charter Hall Group via direct interests and 841,773 stapled securities in Charter Hall Group via indirect interests. 929,080 performance rights and 155,821 service rights in the Charter Hall Performance Rights and Options Plan; performance rights, service rights and options vest after performance and service conditions are met.

Karen Moses**Independent Non-Executive Director****Experience and expertise**

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

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

Other current listed company directorships

Orica Ltd
Boral Limited

Former listed company directorships in last three years

Origin Energy Ltd

Special responsibilities

Chair of the Audit, Risk and Compliance Committee

Interests in securities

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

Greg Paramor AO**Independent Non-Executive Director****Experience and expertise**

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

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

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

Other current listed company directorships

Nil

Former listed company directorships in last three years

Folkestone Limited
Charter Hall Education Trust (Alternative Director)

Special responsibilities

Member of the Audit, Risk and Compliance Committee
Member of the Investment Committee

Interests in securities

Nil

David Ross**Independent Non-Executive Director****Experience and expertise**

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

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

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

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

Other current listed company directorships

Arena REIT

Former listed company directorships in last three years

Nil

Special responsibilities

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

Interests in securities

Nil

Company Secretary

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

Mark holds a Bachelor of Business (Accounting) and a Bachelor of Laws (Hons) and has over 15 years' experience as a lawyer, including advising on listed company governance, securities law, funds management, real estate and general corporate law. Mark is the Group General Counsel and Company Secretary for the Charter Hall Group.

Directors' Report

For the year ended 30 June 2019

Meetings of Directors

The number of meetings of the Group's Board of Directors and of each Committee of the Board held during the year ended 30 June 2019, and the number of meetings attended by each Director were:

	FULL MEETINGS OF THE BOARD OF DIRECTORS		AUDIT, RISK AND COMPLIANCE COMMITTEE		INVESTMENT COMMITTEE		NOMINATION COMMITTEE		REMUNERATION AND HR COMMITTEE	
	A	B	A	B	A	B	A	B	A	B
A Brennan	10	10	5	5	*	*	*	*	5	5
D Clarke	10	10	5	5	3	3	2	2	*	*
P Garling	10	10	*	*	3	3	2	2	5	5
D Harrison	10	10	*	*	3	3	*	*	*	*
K Moses	10	10	5	5	*	*	*	*	*	*
G Paramor AO	4	4	2	3	2	2	*	*	*	*
D Ross	10	10	*	*	3	3	2	2	5	5

* Not a member of the stated Committee.

A = Number of meetings attended.

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

Remuneration Report Summary – unaudited

Charter Hall Limited is pleased to present its Remuneration Report (Report) for the year ended 30 June 2019. The table below outlines the key changes made in 2019 and outcomes achieved in 2019.

Key changes in FY2019

Component	Change
Key management personnel (KMP)	During 2019, the identified KMP roles were revised. KMP are the persons having authority and responsibility for planning, directing and controlling the activities of the Group, being the Non-Executive Directors, the Chief Executive Officer/Managing Director, the Chief Financial Officer and the Chief Investment Officer.
New Long Term Incentive (LTI) performance measure	During 2018, the Board reviewed the LTI performance measures to ensure they continued to align with securityholder expectations and with Charter Hall's current strategy. Following the review, the Board determined in FY 2019 to retain the Relative TSR performance measure and replace the Absolute TSR performance hurdle with an Operating Earnings Per Security (OEPS) growth measure. See Section 3.5 for further details.
Non-Executive Directors (NED) Minimum Shareholding	Increase to the Independent Directors minimum shareholding guidelines from \$50,000 to \$90,000. For new NEDs this minimum shareholding must be met within three years of commencement as a NED.

How do Remuneration Outcomes Align to FY2019 Performance?

Delivery	Purpose	Outcome
Fixed remuneration	Fixed remuneration set with reference to market median, to attract and retain high quality executives.	There were no increases to Fixed Remuneration for any KMP in FY2019.
'On target' total remuneration and remuneration mix	Remuneration is structured as a mixture of fixed and variable 'at-risk' components. Fixed remuneration is designed to provide a base level of remuneration, the 'at-risk' components reward executives when pre-agreed performance measures are met or exceeded.	Increased the Managing Director's 'on target' total remuneration by 6% to \$4,547,000, through uplifting the 'at-risk' Long Term Incentive component only, effective 1 July 2018 (Section 3.2). Increased Other Reported Executives 'on target' total remuneration by 6% on average, through uplifting the 'at-risk' Short Term Incentive and Long Term Incentive components.
Short Term Incentive (STI)	STI is an 'at-risk' incentive awarded annually, which is designed to reward executives, subject to performance against agreed financial and non-financial Key Performance Indicators (KPIs) including evidence of behaviour in line with values.	KPIs are typically split between 50% financial and 50% non-financial KPIs, based on a balanced scorecard approach, which encourages executives to take a holistic approach to enhancing and protecting securityholder value. A financial gateway of 95% for Executive Committee Members of budgeted OEPS excluding CHOT must be met before any STI entitlement is available, with the Board retaining overall discretion on performance achievement. An above target STI pool 128% was awarded across the Group (Section 3.4) based on outperformance against target Group OEPS by 11.2%. Group OEPS was 47.4 cents, which was 25.5% above the FY2018 OEPS. For all executives, STI is delivered in the form of cash (67%) and deferred service rights (33%).
Long term incentive (LTI)	LTI is 'at risk' and aligns with the long-term interests of securityholders and business performance.	100% of the FY2016 grant vested on 31 August 2018 as a result of the performance against absolute and relative TSR hurdles over the three years to 30 June 2018 (Section 3.5). The FY2017 LTI award reached the end of its three-year performance period on 30 June 2019 and will vest at 100% on the 31 August 2019 and will be subject to a further one-year holding lock.
Non-Executive Directors (NED)	NED fees are set in line with general industry practice and reflect responsibilities for duties undertaken. NEDs do not receive any performance-related remuneration.	There was no increase to the NED pool in FY2019. NED fees increased by 2.5% in FY2019.

Directors' Report

For the year ended 30 June 2019

Actual remuneration received in FY2019

The following table presents the actual remuneration received by Reported Executives during the financial year ended 30 June 2019. This voluntary disclosure is provided to increase transparency and includes:

- fixed pay and other benefits for 2019;
- 2018 cash STI paid during 2019; and
- the value of any LTI and STI award that vested during 2019.

The actual remuneration presented is distinct from the audited disclosed remuneration (as required by section 308(C) of the *Corporations Act 2001 (Cth) (Act)*) in the Financial Report on page 19, which is calculated in accordance with statutory obligations and accounting standards. The numbers in the audited disclosed remuneration include accounting values for current and prior years' LTI grants which have not been (have not or may not be) received, as they are dependent on performance hurdles and service conditions being met.

Name	Salary and other benefits ¹ \$	Short Term Incentive ² \$	Value of securities vested ³ \$	Total \$	% of remuneration consisting of rights %
Executive Director					
D Harrison	1,431,621	1,172,600	2,604,051	5,208,272	50.0
Other Reported Executives					
S McMahon	801,621	473,960	133,051	1,408,632	9.4
R Proutt	801,621	408,091	–	1,209,712	–
Totals	3,034,863	2,054,651	2,737,102	7,826,616	35.0

¹ Other benefits include superannuation and non-monetary benefits.

² Values relate to STI paid in FY2019 in cash for FY2018 performance.

³ Values calculated using the five-day VWAP up until the vesting date applied to the number of rights vesting for LTI performance rights, STI deferred service rights and any sign-on service rights.

Remuneration Report – audited

1. Key management personnel

This Report outlines the remuneration policies and practices that apply to Charter Hall's KMP for the year ended 30 June 2019. The KMP include the Non-Executive Directors, Executive Directors and other Reported Executives.

Name	Role	Term as KMP
Non-Executive Directors		
David Clarke	Chair	Full Year
Anne Brennan	Director	Full Year
Philip Garling	Director	Full Year
Karen Moses	Director	Full Year
David Ross	Director	Full Year
Greg Paramor AO	Director	Part Year, since 15 November 2018
Executive Director		
David Harrison	Managing Director and Group CEO	Full Year
Other Reported Executives		
Sean McMahon	Chief Investment Officer	Full Year
Russell Proutt	Chief Financial Officer	Full Year

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

2. Remuneration governance

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

Members of the Committee	<p>The Committee is appointed by the Board and comprised solely of NEDs:</p> <ul style="list-style-type: none"> • Anne Brennan (Chair of the Committee) • Philip Garling • David Ross
Role of the Committee	<p>Charter Hall's Board and the Committee are responsible for overseeing remuneration policy for the Group.</p> <p>In overseeing remuneration policy, the Committee considers the Group's risk management framework, strategic objectives, long-term financial soundness, culture and values. In summary, the Committee reviews and provides guidance, and as appropriate, endorses the recommendations made by management and submits them for Board approval, including:</p> <ul style="list-style-type: none"> • the Group's remuneration and incentives framework; • fixed annual remuneration and total remuneration package for executives; • short-term incentives and long-term incentives for executives; • any other remuneration matters that relate to executives; • criteria for reviewing the performance of the Managing Director; • incentive plans for all employees; and • fees for NEDs of the Group and fund committees. <p>The specific responsibilities of the Board and the Committee are detailed in their respective charters, which are available on the Group website at www.charterhall.com.au.</p>

Directors' Report

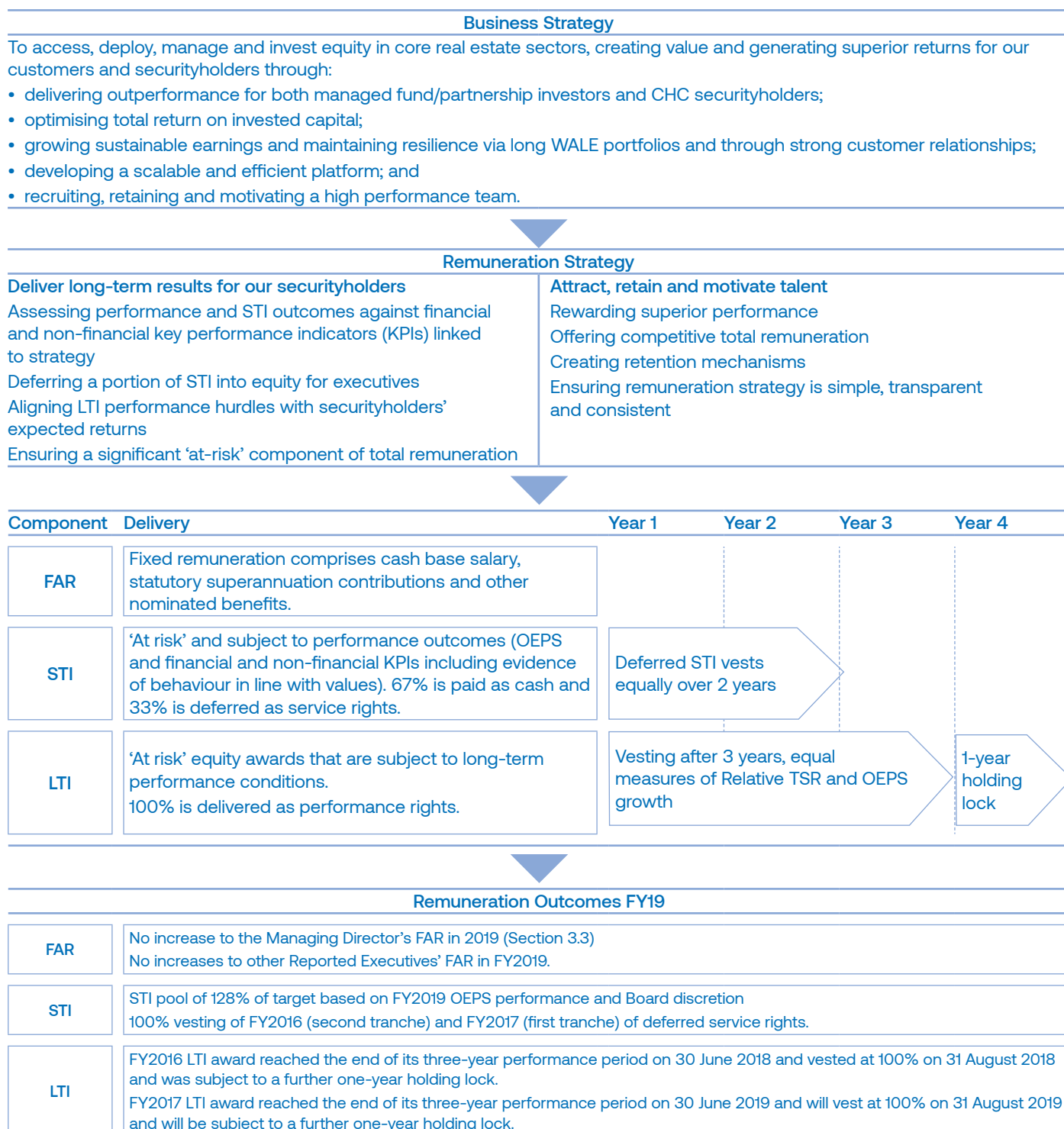
For the year ended 30 June 2019

Remuneration and risk management	<p>The Committee has access to the Group's risk and finance personnel and other parties (internal and external), and may seek the advice of the Group's auditors, solicitors and other independent advisers so it can adequately monitor and review the operation of the remuneration policy and framework. The Committee receives reports from Group Risk and Compliance, External and Internal Audit and other Board Committees (as appropriate), on issues that are relevant to the Committee.</p> <p>Risk is managed at various points in the executive remuneration framework through:</p> <ul style="list-style-type: none"> • part deferral of STI awards into service rights over two years; • LTI performance hurdles that reflect the long-term performance of the business and align with the long-term interests of securityholders, measured over three years with an additional one-year holding lock; • the application of malus on unvested deferred STI and unvested LTI for where an Executive has committed any act of fraud, defalcation or gross misconduct, acted dishonestly and/or materially breached their obligations to the Group; • minimum shareholding for Independent Directors; and • Board discretion on performance outcomes.
Managing Director and management	<p>The Managing Director makes recommendations to the Committee regarding the Executive Committee Members remuneration and on the remuneration policy and framework including its application to employees.</p> <p>Management provides information and recommendations for the Committee's consideration and implement any approved arrangements by the Committee and Board.</p>
External advisers and remuneration consultants	<p>Where necessary, the Committee seeks support from independent experts and advisers. Remuneration consultants provide information on market trends in relation to KMP remuneration structures and benchmarking information on KMP remuneration levels. Other external advisers (including legal practitioners) assist with the administration of the Group's remuneration plans and ensure that the appropriate legal parameters are applied and employment contracts are in place.</p> <p>The Committee independently appoints its remuneration consultants and engages with them in a manner which ensures that any information provided is not subject to undue influence by management.</p> <p>The information provided by external advisers is used as an input only to the Committee's considerations and decision making. The Board has ultimate decision making authority over matters of remuneration structure and outcomes.</p> <p>During the FY2019 period Conari Partners was engaged by the Board to provide external benchmarking information on Managing Director and Executive Committee Members remuneration. Work undertaken during FY2019 for the Managing Director and Executive Committee Members remuneration was for information and did not constitute a remuneration recommendation for the purposes of the <i>Corporations Act 2001</i>.</p> <p>The Committee is satisfied that the guidance received from Conari Partners is free from undue influence from the KMP to whom the advice relates.</p>

3. Executive remuneration framework

3.1 Executive remuneration strategy

Charter Hall's remuneration strategy is designed to attract and retain talented employees by rewarding them for achieving performance outcomes that are aligned with our purpose, business strategy and the long-term interests of our customers and securityholders. The following illustrates the link between business strategy and remuneration outcomes:



Directors' Report

For the year ended 30 June 2019

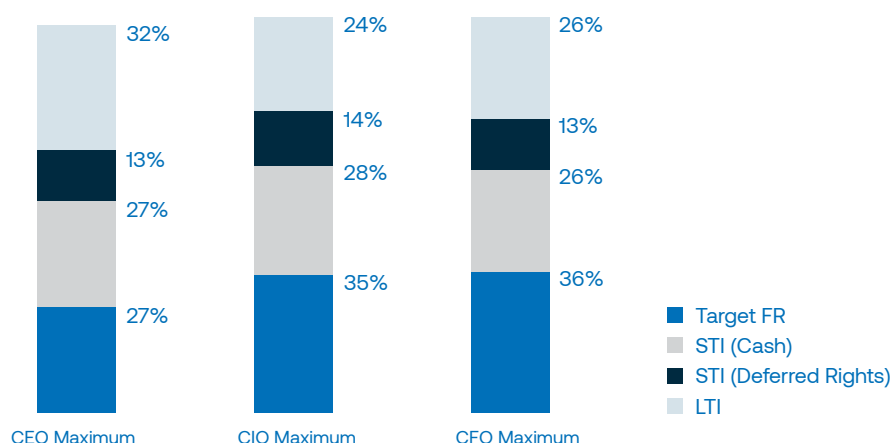
Deferred STI and LTI Awards are subject to terms and conditions. The terms and conditions for awards granted in FY2019 are:

Deferred STI and LTI Rights Awarded – Terms and Conditions	
Type of Equity	Deferred STI and LTI awards are delivered in the form of rights under the Performance Rights and Options Plan (PROP), under which rights to stapled securities are granted to participants, subject to meeting specific performance and vesting conditions.
Cessation of employment provisions	If a participant ceases employment, unvested rights lapse unless the Board determines otherwise.
Risk and malus	The Board has discretion to reduce, including to nil, unvested rights in certain circumstances to ensure Executives do not obtain an inappropriate benefit. The circumstances in which the Board may exercise this discretion include where an Executive has committed any act of fraud, defalcation or gross misconduct, acted dishonestly and/or materially breached their obligations to the Group.
Change of control provisions	The Board, in its absolute discretion, may determine the manner in which the rights will be dealt with.
Treatment of dividends	Participants who hold rights are not entitled to receive any distributions or dividends declared by the Group until the rights are exercised and held as stapled securities.
Hedging and margin lending prohibitions	In accordance with the <i>Corporations Act 2001</i> , all KMP are prohibited from hedging or otherwise protecting the value of unvested stapled securities.

3.2 Remuneration mix

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

The figures below for all Reported Executives show the percentage mix of fixed versus 'at-risk' remuneration based on the maximum STI of up to 150% of the target STI. All Reported Executives have the potential to earn up to 150% of target STI.



3.3 Fixed remuneration

Composition	Fixed remuneration comprises cash base salary, statutory superannuation contributions and other nominated benefits.
Benchmarking and Review	Fixed remuneration is targeted at the median of the market and is reviewed annually, effective 1 July, benchmarked against equivalent roles in the market recognising: <ul style="list-style-type: none"> • individual performance; and • the market environment for each individual's skills and capabilities.
Comparator Group	The following comparator group is used when determining the Reported Executives' remuneration: <ul style="list-style-type: none"> • industry related companies: based on entities in the S&P/ASX 200 Australian Real Estate and Investment Trust (A-REIT) industry group.
Executive Director outcome	The fixed remuneration of the Managing Director, Mr Harrison, remained unchanged in FY19. Mr Harrison's fixed remuneration was reviewed at 1 July 2018, with the last fixed remuneration increase at 1 July 2017.
Other Reported Executives	There were no increases to other Reported Executives' FAR in FY2019.

3.4 Short Term Incentive

Purpose	STI is an 'at-risk' incentive awarded annually, which is designed to reward executives, subject to performance against agreed financial and non-financial KPIs including evidence of behaviour in line with values.
Gateway for STI	A financial gateway of 95% for Executive Committee Members of budgeted OEPS excluding CHOT must be met before any STI entitlement is available, with the Board retaining overall discretion on performance achievement.
Determining and assessing the STI pool	<p>The size of the pool is determined by the Board, upon advice from the Committee, based on achieving a budgeted OEPS target. The Board retains discretion to increase or decrease the overall STI pool available, based on its assessment of the overall performance throughout the year.</p> <p>In consultation with the Committee, the Board assesses the Group's financial performance and the performance of all Reported Executives against agreed KPIs.</p> <p>For FY2019, the Board, on advice from the Committee, elected to exclude the CHOT performance fee amount (post tax) from both the Budget and the actual OEPS achieved due to the potential volatility and the significance of the earnings contributed by this fee during the period.</p>
Maximum STI potential	The maximum STI potential for all employees is 150% of their STI target, enabling recognition for outperformance.
Performance targets	<p>STI measures are set to ensure appropriate focus on achievement of Group, divisional and individual performance targets that are aligned with implementation of Charter Hall's overall strategy.</p> <p>KPIs are typically split between 50% financial and 50% non-financial, based on a balanced scorecard approach that considers behaviour in alignment with Group's values and encourages executives to take a holistic approach to enhancing and protecting securityholder value.</p>
Delivery	<p>For all Executives, STI is delivered in the form of cash (67%) and deferred service rights (33%).</p> <p>Service rights are deferred over two years, with 50% vesting at the end of year one and 50% at the end of year two. The number of rights granted to an Executive is determined based on an independent fair value calculation reviewed by Deloitte using the Black-Scholes valuation method. If an Executive's employment terminates prior to expiry of the relevant vesting period, the service rights will be forfeited or remain 'on foot', subject to the Board's discretion to determine 'good leaver' status.</p>

Managing Director's KPIs

The Managing Director's scorecard is divided into three scorecard elements: Financial; Customer; and Leadership/Collaboration/Culture with 50% Financial weighting and 50% non-financial split between Customer and Leadership/Collaboration/Culture. For each of these elements there are Key Performance Indicators (KPIs) aligned to our core strategic objectives of growth and resilience.

The Board applies the following general principles when determining and measuring performance goals and any STI incentive:

- STI outcomes should always align with the market reported results, with any adjustments being consistent with business performance and behaviour aligned to Group values.
- 'On target' performance aligns with the Board approved budget for the financial year.
- Each STI or LTI performance condition or target is measured independently.
- Payout above Gateway for STI is up to a maximum (150%).
- The Board has discretion to apply judgement when approving the final performance outcomes.

Directors' Report

For the year ended 30 June 2019

Below is a summary of the Managing Director's KPIs for FY2019 as assessed by the Board.

Scorecard	KPI	Status
Financial (50%)	Achieve Board approved OEPS for FY19.	Exceeded
	Achieve budgeted PFM Annuity Revenue Growth.	
	Growth in funds under management up to Board approved number.	
	Maintaining Group investment capacity at Board approved number.	
Customer and Strategy (30%)	Agreed percentage of Inflows from new investors.	Exceeded
	Execution of Major Tenant Customer Relationship Strategy.	
	Successful integration of Folkestone Platform (including incremental earnings and FUM Growth).	
	Customer satisfaction – Results of interviews with major tenants and investors and improvement in independent survey results.	
Leadership and Collaboration (20%)	Progress on diversity statistics.	Achieved
	Strength of EXCO Leadership Team.	

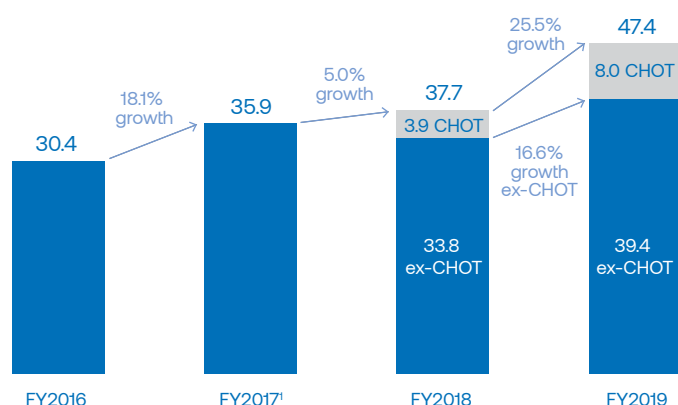
Other Reported Executives' KPIs

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

Scorecard	KPI	Status
Financial (50%)	Including Group and Divisional financials and investment earnings; growth in funds under management; and divisional specific financial initiatives.	Exceeded
Customer and Strategy (30%)	Including customer experience, service and satisfaction measures for funds and tenants.	Exceeded
Leadership and Collaboration (20%)	Including leadership contribution, succession, talent and engagement.	Achieved

Group FY2019 performance outcomes

In FY2019, Charter Hall's OEPS was 47.4 cents, which was 25.5% above the FY2018 OEPS. The table below shows Charter Hall's OEPS (cps) over a five-year period:



¹ The first year CHC recognised operating tax expense of 4.6 cps.

FY2019 STI outcomes For FY2019, the Board, on advice from the Committee, elected to exclude the CHOT performance fee amount (post tax) from both the Budget and the actual OEPS achieved due to the potential volatility and the significance of the earnings contributed by this fee during the period.

128% of the target STI pool was awarded, recognising outperformance of the Group's OEPS against budget (ex CHOT performance fee) which compares to 120% in FY2018 and 129% in FY2017.

The below table shows the STI outcomes for Reported Executives for 2019.

Reported Executives received on average 142% of STI target for FY 2019. This is based on individual achievement against KPIs including evidence of behaviour in line with values and overall leadership team contribution to the Group.

Name	STI earned \$	Paid in cash \$	Deferred into service rights \$	Target STI of fixed pay %	STI earned compared to target %	STI earned compared to maximum %
Executive Director						
D Harrison	2,145,000	1,430,000	715,000	100%	150%	100%
Other Reported Executives						
S McMahon	893,940	595,960	297,980	72%	141%	94%
R Proutt	789,480	526,320	263,160	66%	136%	91%

3.5 Long Term Incentive

Purpose	LTI is 'at risk' and aligns with the long-term interests of securityholders and business performance. It also plays an important role in employee retention.
Participants	All Reported Executives, Executives, Fund Managers and selected other managers, comprising approximately 7% of permanent employees.
Type of equity awarded	The LTI is governed by the Performance Rights and Options Plan (PROP), under which rights to stapled securities are granted to participants. Each performance right entitles the participant to one stapled security in the Charter Hall Group for nil consideration at the time of vesting, subject to meeting the performance hurdles outlined below. For FY2019 detail, see specific grant allocation (Section 6.2).
Valuation	The number of rights granted to an executive is determined based on an independent fair value calculation by Deloitte using the Black-Scholes valuation method.
Performance measures, vesting schedule and holding lock	<p>For the FY2019 LTI allocation, the two performance hurdles that applied to the performance rights for vesting over a three-year period commencing 1 July 2018 were:</p> <ul style="list-style-type: none"> • OEPS growth (50% of LTI allocation) – with 50% vesting if the aggregate OEPS (excluding any Charter Hall Office Trust (CHOT) performance fee, after tax (CHOT fee)) over the 3 year performance period from 1 July 2018 to 30 June 2021 represents 5% per annum compound annual growth on the FY18 adjusted OEPS of 33.837 cps (after tax) (which equates to aggregate OEPS (after tax) of 112.004 cps over the performance period) and 100% vesting of performance rights if the aggregate OEPS excluding any CHOT fee over the performance period represents 7% per annum compound growth (which equates to aggregate OEPS (after tax) of 116.397 cps over the performance period), with progressive pro-rata vesting between 112.004 cps and 116.397 cps (i.e. on a straight line basis). • Relative TSR component (50% of LTI allocation) – Relative TSR performance is determined based on Charter Hall Group's total ASX return (assuming distributions are reinvested) ranking against the constituents of the comparator group (see below) over the performance measurement period. Performance rights vest on 31 August 2021 if the ASX TSR of Charter Hall Group for the performance period ranks between the 50th and 75th percentile of the comparator group, with 50% of performance rights vesting at the 50th percentile and 100% vesting at the 75th percentile, with progressive pro-rata vesting between the 50th and 75th percentile (i.e. on a straight line basis): <p>The Board has determined the comparator group for the FY19 LTI to be:</p> <ul style="list-style-type: none"> • Abacus Property Group (ABP) • Charter Hall Long Wale REIT (CLW) • Mirvac Group (MGR) • Stockland (SGP) • BWP Trust (BWP) • Dexu Property Group (DXS) • National Storage REIT (NSR) • Vicinity Centres (VCX) • Cromwell Property Group (CMW) • Goodman Group (GMG) • SCentre Group (SCG) • Viva Energy REIT (VVR) • Charter Hall Retail REIT (CQR) • Growthpoint Properties Australia (GOZ) • Shopping Centres Australasia Property Group (SCP) • GPT Group (GPT) <p>The Board is able to determine the treatment of the companies in the comparator group at its discretion.</p> <p>Any performance rights that fail to meet these performance hurdles by 30 June 2021 will lapse.</p> <p>Following vesting, performance rights will be subject to a further one-year holding lock.</p>

Directors' Report

For the year ended 30 June 2019

Rationale for performance conditions

During 2018, the Board reviewed the LTI performance conditions to ensure they continue to align with securityholder expectations and with Charter Hall's current strategy. Following the review, the Board determined in FY2019 to retain the Relative TSR performance measure and replace the Absolute TSR performance hurdle with an Operating Earnings Per Security (OEPS) growth measure.

The OEPS growth measure aligns the PROP with commercial long-term performance which is within the executive's ability to influence and aligns with securityholder expectations.

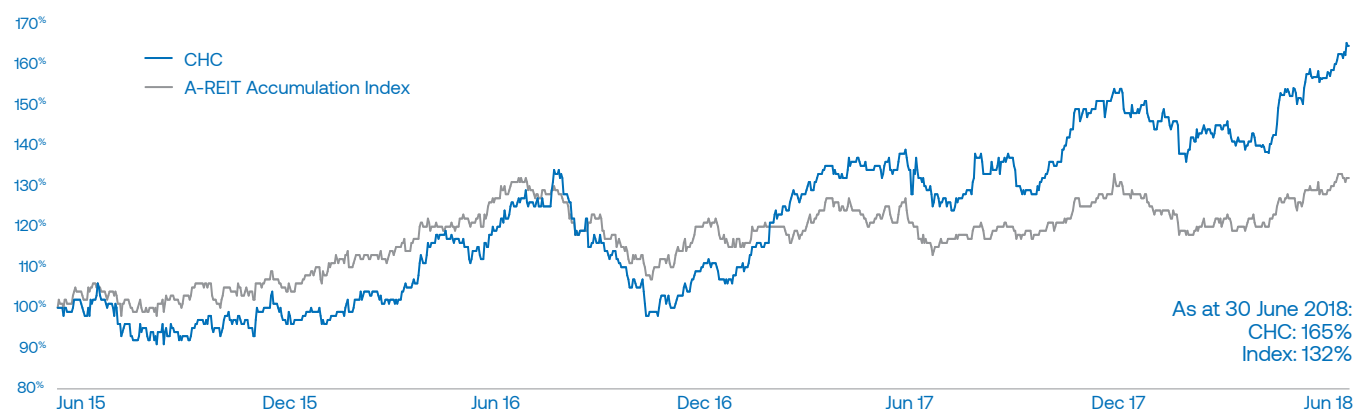
TSR measures the overall returns that a company has provided for its securityholders, reflecting share price movements and reinvestment of dividends over a specified period. Relative TSR is the most widely used LTI hurdle adopted in Australia. It ensures that value is only delivered to participants if the investment return actually received by CHC securityholders is sufficiently high relative to the returns they could have received by investing in a portfolio of alternative A-REIT sector stocks over the same period.

Group performance outcomes

Absolute TSR – The Group delivered a compound TSR (including stapled security price movements and distributions) over the three years to 30 June 2019 (FY2017 LTI performance period) of 36% per annum and three years to 30 June 2018 (FY2016 LTI performance period) of 18% per annum, both exceeding the Absolute TSR stretch performance hurdles of 12% and 13% respectively.

The following graph illustrates the Group's TSR compared with the ASX A-REIT Accumulation Index throughout the FY2016 LTI performance period.

FY2016 LTI performance period (vesting date 31 August 2018)



Relative TSR – The following graph illustrates the Group's TSR compared with the comparator's Groups 50th and 75th percentile throughout the FY2017 LTI performance period.

FY2017 LTI performance period (vesting date 31 August 2019)



Outcomes

- The FY2016 LTI had a vesting date of 31 August 2018. As a result of the TSR performance over the three years to 30 June 2018, the absolute and relative performance hurdles were exceeded and 100% of the performance rights vested and was subject to a further one-year holding lock.
- The FY2017 LTI has a vesting date of 31 August 2019. As a result of the TSR performance over the three years to 30 June 2019, the absolute and relative performance hurdles were exceeded and 100% of the performance rights will vest and be subject to a further one-year holding lock.

3.6 Group summary of performance and total remuneration outcomes

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

Key performance metrics	2015	2016	2017	2018	2019
Statutory profit after tax for stapled securityholders (\$m)	117.9	215.2	257.6	250.2	235.3
Statutory earnings per stapled security (EPS) (cents)	32.8	52.5	61.2	53.7	50.5
Operating earnings for stapled securityholders (\$m)	98.8	124.7	151.2	175.8	220.7
Operating earnings per stapled security (cents)	27.5	30.4	35.9	37.7	47.4
Growth in OEPS %	8.7	10.5	18.1	5.0	25.5
Operating earnings per stapled security (ex CHOT performance fee) (cents)	27.5	30.4	35.9	33.8	39.4
Growth in OEPS (ex CHOT performance fee) %	8.7	10.5	18.1	-6.0	16.6
Distribution per stapled security (cents)	24.2	26.9	30.0	31.8	33.7
Stapled security price at 30 June (\$)	4.52	5.06	5.50	6.52	10.83
CHC total securityholder return – Jul to Jun (%)	11.8	18.3	15.2	24.6	72.4

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

Reported Executives total remuneration summary	2018	2019 ³
Fixed payments (\$)	4,685,414	3,117,452
STI accounting expense (\$)	4,390,624	3,828,420
LTI accounting expense (\$) ¹	1,203,735	1,654,108
Earned remuneration (\$) ²	10,279,773	8,599,980
On target total remuneration (\$)	9,205,916	7,416,060
Earned remuneration relative to target remuneration – over/(under) (%)	12%	16%

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

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

³ Earned and target total remuneration in FY2019 reflects the revised identified KMP roles.

Directors' Report

For the year ended 30 June 2019

4. Executive remuneration in detail

4.1 Total remuneration of Reported Executives

The following table details the total remuneration of the Reported Executives of the Group for FY2018 and FY2019.

Name	SHORT-TERM BENEFITS			POST-EMPLOYMENT BENEFITS		SECURITY-BASED PAYMENTS		OTHER LONG-TERM BENEFITS	TERMINATION BENEFITS	Total	% of total remuneration consisting of rights
	Salary	Cash short-term incentive	Annual leave ¹	Non-monetary benefits ²	Superannuation	Security-based short-term incentive	Securities options and performance rights	Long service leave ¹	Termination benefits		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Executive Director											
D Harrison											
2019	1,409,469	1,430,000	23,100	1,621	20,531	715,000	864,899	25,026	–	4,489,646	35
2018	1,409,951	1,172,600	34,143	1,621	20,049	586,300	502,577	(55,970)	–	3,671,271	30
Other Reported Executives											
S McMahon ³											
2019	779,469	595,960	6,462	1,621	20,531	297,980	286,827	14,001	–	2,002,851	29
2018	779,951	473,960	(6,462)	1,621	20,049	547,980	226,745	14,001	–	2,057,845	38
R Proutt											
2019	779,469	526,320	–	1,621	20,531	263,160	502,382	14,000	–	2,107,483	36
2018	738,681	408,091	22,483	1,621	20,049	204,045	296,990	13,325	–	1,705,285	29
Previously Disclosed KMPs											
2018	1,557,515	665,099	30,384	6,278	50,122	332,549	177,423	26,002	417,099	3,262,471	16
Total 2019	2,968,407	2,552,280	29,562	4,863	61,593	1,276,140	1,654,108	53,027	–	8,599,980	34
Total 2018	4,486,098	2,719,750	80,548	11,141	110,269	1,670,874	1,203,735	(2,642)	417,099	10,696,872	27

¹ Shows the movement in leave accruals for the year.

² Non-monetary benefits for FY2019 is salary continuance insurance.

³ In recognition of the dual roles S McMahon undertook during the FY18 year, he was allocated an extra grant of deferred service rights of \$311,000 as approved by the Board. This is shown in the security-based short-term incentive column. The service rights are to vest in full on 31 August 2019.

4.2 Key terms of employment

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

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

Name	Position	MINIMUM NOTICE PERIOD ¹	
		Employee	Charter Hall
Executive Director			
David Harrison	Managing Director	6 months	12 months
Other Reported Executives			
Sean McMahon	Chief Investment Officer	6 months	6 months
Russell Proutt	Chief Financial Officer	6 months	6 months

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

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

5. Non-Executive Director remuneration

Policy	The Committee makes recommendations to the Board on the total level of remuneration of the Chair and other Non-Executive Directors, including any additional fees payable to Directors for membership of Board committees.
Benchmarking	<p>Fees are set by reference to the following considerations:</p> <ul style="list-style-type: none"> • industry practice and best principles of corporate governance; • responsibilities and risks attaching to the role of NEDs; • the time commitment expected of NEDs on Group matters; and • reference to fees paid to NEDs of other comparable companies. <p>NED fees are periodically reviewed to ensure they remain in line with general industry practice and reflect proper compensation for duties undertaken. External independent advice is sought in these circumstances.</p>
Fee framework	<p>NED fees, including committee fees, are set by the Board within the aggregate amount of \$1.7 million per annum as approved by securityholders at the AGM in November 2017.</p> <p>Under the current framework, NEDs, other than the Chair receive (inclusive of superannuation):</p> <ul style="list-style-type: none"> • Board base fee; and • Committee fees. <p>The Chair receives an all-inclusive fee.</p> <p>NEDs are also entitled to be reimbursed for all business-related expenses, including travel on Charter Hall business, incurred in the discharge of their duties in accordance with Charter Hall's Constitution.</p> <p>In accordance with principles of good corporate governance, NEDs do not receive any benefits upon retirement under any retirement benefits schemes (other than statutory superannuation) and NEDs are not eligible to participate in any of Charter Hall's employee incentive schemes.</p>
Remuneration outcomes	<p>Following a review against the market, the Board determined to increase the Chair and member committee fees as detailed in the table below by 2.5%, effective 1 July 2018.</p> <p>The Board agreed to the following changes in NED fees within the current aggregate fee pool:</p> <ul style="list-style-type: none"> • The Board Chair's fee increased from \$375,000 to \$384,000; • Board member base fees increased from \$150,000 to \$153,750; and • Board Committees fees increased for both Chair and members.
Minimum shareholding guidelines	Minimum shareholding guidelines were increased in FY2019 requiring Independent Directors to hold CHC securities to the value of \$90,000 (previously \$50,000). This minimum shareholding guideline is approximately a year's base fee (net of tax) and is to be purchased over a three-year period. The valuation is based on the value of the securities at the time of purchase.

Directors' Report

For the year ended 30 June 2019

	2019 \$	2018 \$
Summary of fee framework per annum		
Board		
Chair	384,000	375,000
Member	153,750	150,000
Audit Risk and Compliance Committee		
Chair	41,000	40,000
Member	20,500	20,000
Remuneration and Human Resources Committee		
Chair	30,750	30,000
Member	15,375	15,000
Nomination Committee		
Chair	3,075	3,000
Member	3,075	3,000
Investment Committee		
Chair	15,375	15,000
Member	10,250	10,000
	2019 fees \$	2018 fees \$
Non-Executive Director remuneration		
Non-Executive Directors		
D Clarke	384,000	375,000
A Brennan	205,000	200,000
P Garling	187,575	177,841
K Moses	194,750	190,000
D Ross	182,450	178,000
G Paramor AO ¹	116,011	–
Total	1,269,786	1,120,841

¹ Part-year Non-Executive Director commenced on 15 November 2018.

6. Appendix – further detail

6.1 Securityholdings

Key management personnel securityholdings

Name	Opening balance at 30 Jun 2018	Stapled securities acquired	Rights and options exercised	Stapled securities sold	Closing balance at 30 Jun 2019
Directors of Charter Hall Limited					
<i>Ordinary stapled securities</i>					
D Clarke	45,875	–	–	–	45,875
A Brennan	30,000	–	–	–	30,000
P Garling	16,759	–	–	–	16,759
K Moses	23,137	–	–	–	23,137
D Ross	–	–	–	–	–
G Paramor AO	–	–	–	–	–
Executive Director					
D Harrison	1,648,799	–	368,166	(717,201)	1,299,764
Other Reported Executives					
S McMahon	59,056	–	18,811	–	77,867
R Proutt	–	–	–	–	–

6.2 Performance Rights and Option Plan details

Performance rights and service rights outstanding under the PROP

Performance rights		Exercise price	Vesting conditions
Year of issue	Securities		
2017	797,578	Nil	Absolute and relative performance criteria
2018	824,931	Nil	Absolute and relative performance criteria
2019	1,015,843	Nil	OEPS and relative performance criteria
Total performance rights outstanding		2,638,352	

Service rights		Exercise price	Vesting conditions
Year of issue	Securities		
2018	94,468	Nil	Service conditions
2018	123,346	Nil	Service conditions – Deferred STI
2019	50,875	Nil	Service conditions
2019	244,617	Nil	Service conditions – Deferred STI
2019	1,453,485	Nil	Service conditions
Total service rights issued		1,966,791	

Directors' Report

For the year ended 30 June 2019

Valuation model

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

Reported Executive rights – details by plan

Type of equity	Rights held at 30 June 2018	Rights granted during the year	Rights vested and exercised during the year	Rights forfeited during the year	Rights held at 30 June 2019	Grant date	Fair value per right at grant date (\$)	Vesting date	Fair value to be expensed in future years (\$) ¹
Executive Director									
D Harrison									
LTI Performance Rights	250,965	–	250,965	–	–	30-Nov-15	1.41	31-Aug-18	–
LTI Performance Rights	330,178	–	–	–	330,178	25-Nov-16	1.39	31-Aug-19	24,615
LTI Performance Rights	294,664	–	–	–	294,664	23-Nov-17	2.65	31-Aug-20	289,293
LTI Performance Rights	–	304,238	–	–	304,238	28-Nov-18	5.09	31-Aug-21	1,074,532
STI Deferred Service Rights	59,620	–	59,620	–	–	25-Nov-16	4.15	31-Aug-18	–
STI Deferred Service Rights	57,581	–	57,581	–	–	23-Nov-17	5.93	31-Aug-18	–
STI Deferred Service Rights	57,580	–	–	–	57,580	23-Nov-17	5.65	31-Aug-19	–
STI Deferred Service Rights	–	49,121	–	–	49,121	28-Nov-18	6.84	31-Aug-19	–
STI Deferred Service Rights	–	49,120	–	–	49,120	28-Nov-18	6.54	31-Aug-20	–
Other Reported Executives									
S McMahon									
LTI Performance Rights	112,934	–	–	–	112,934	25-Nov-16	1.39	31-Aug-19	8,419
LTI Performance Rights	100,763	–	–	–	100,763	23-Nov-17	2.65	31-Aug-20	98,926
LTI Performance Rights	–	98,287	–	–	98,287	28-Nov-18	5.09	31-Aug-21	347,139
STI Deferred Service Rights	18,811	–	18,811	–	–	23-Nov-17	5.93	31-Aug-18	–
STI Deferred Service Rights	18,811	–	–	–	18,811	23-Nov-17	5.65	31-Aug-19	–
STI Deferred Service Rights	–	50,875	–	–	50,875	28-Nov-18	6.84	31-Aug-19	–
STI Deferred Service Rights	–	19,854	–	–	19,854	28-Nov-18	6.84	31-Aug-19	–
STI Deferred Service Rights	–	19,854	–	–	19,854	28-Nov-18	6.54	31-Aug-20	–
R Proutt									
LTI Performance Rights	108,181	–	–	–	108,181	23-Nov-17	2.65	31-Aug-20	106,209
LTI Performance Rights	–	104,689	–	–	104,689	28-Nov-18	5.09	31-Aug-21	369,750
LTI Service Rights	62,979	–	–	–	62,979	23-Nov-17	5.68	20-Jul-19	10,406
LTI Service Rights	31,489	–	–	–	31,489	23-Nov-17	5.41	20-Jul-20	62,435
STI Deferred Service Rights	–	17,095	–	–	17,095	28-Nov-18	6.84	31-Aug-19	–
STI Deferred Service Rights	–	17,095	–	–	17,095	28-Nov-18	6.54	31-Aug-20	–

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

Directors' Report – unaudited continued

Indemnification and insurance of directors, officers and auditor

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

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

Non-audit services

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

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

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

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

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

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2019 \$	2018 \$	2019 \$	2018 \$
PricewaterhouseCoopers – Australian Firm				
Taxation services	135,370	57,222	34,520	1,132
PricewaterhouseCoopers – New Zealand Firm				
Taxation services for DCSF	13,164	17,006	13,164	17,006
PricewaterhouseCoopers – United States				
Taxation services	78,846	–	–	–
Total remuneration for taxation services	227,380	74,228	47,684	18,138
Advisory services				
PricewaterhouseCoopers Australian firm				
Sustainability assurance	–	76,698	–	–
Accounting advice	36,990	53,252	–	–
Total remuneration for advisory services	36,990	129,950	–	–
Total remuneration for non-audit services	264,370	204,178	47,684	18,138

Directors' Report

For the year ended 30 June 2019

Environmental regulation

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

The Group ensures compliance with applicable environmental standards and regulations and reports its greenhouse gas emissions and energy use on an annual basis under the National Greenhouse and Energy Reporting Act 2007. Charter Hall emissions reports are independently audited and in October 2019 the Group will report to the Clean Energy Regulator emissions for the measurement period 1 July 2018 to 30 June 2019. To mitigate its carbon emissions, the Group continues to implement resource efficiency measures across its portfolio of assets and is also exploring renewable energy generation opportunities within its office, retail and industrial portfolios.

Charter Hall also voluntarily reports annually to international organisations, such as the United Nations Principles for Responsible Investment (PRI), Dow Jones Sustainability Index (DJSI), FTSE4Good and the Carbon Disclosure Project (CDP). Charter Hall has recently submitted its 2018 PRI Report and DJSI Report (along with DJSI Reports for CQR and CLW), which address Charter Hall's environment, social and governance (ESG) practices and emissions from 1 July 2017 to 30 June 2018. Charter Hall Group and CQR will report to CDP by August 2019, which will also demonstrate our environmental sustainability practices, initiatives and emissions from 1 July 2017 to 30 June 2018. Charter Hall funds (CQR, CHOT, CPOF, DOF, PFA, CPIF, CLP, CLW and BSWF) also voluntarily report to the Global Real Estate Sustainability Benchmark (GRESB). These funds have recently submitted their 2019 GRESB reports, which also address Charter Hall sustainability practices and emissions from 1 July 2017 to 30 June 2018.

Labour practices

Charter Hall Group became a signatory to the UN Global Compact on 8 March 2019. Charter Hall Group released its Human Rights Policy in November 2018 and adopted the Charter Hall Supplier Code of Conduct, in February 2019. These governance policies and practices can be found at <https://www.charterhall.com.au/About-Us/corporate-governance/corporate-governance-charter-hall-group> and outline our commitment to manage our operations in line with the UN Guiding Principles, the UN Global Compact and international and Australian Modern Slavery legislation, which reflects both our business needs and the expectations of our customers and key stakeholders.

Tax Governance Statement

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

Proceedings on behalf of the Company

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 53.

Rounding of amounts

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

Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The financial statements were authorised for issue by the Directors on 20 August 2019. The Directors have the power to amend and re-issue the Financial Statements.



David Clarke
Chair

Sydney
20 August 2019

Auditor's Independence Declaration



Auditor's Independence Declaration

As lead auditor for the audit of Charter Hall Limited and Charter Hall Property Trust for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been:

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

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

E A Barron
Partner
PricewaterhouseCoopers

Sydney
20 August 2019

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Consolidated Statements of Comprehensive Income

For the year ended 30 June 2019

	Note	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
		2019 \$'m	2018 \$'m	2019 \$'m	2018 \$'m
Income					
Revenue	4	378.5	246.2	37.5	24.3
Share of net profit from equity accounted investments method	2,3	146.2	169.1	128.8	158.4
Net gain on sale of investments		2.7	–	3.7	–
Other net fair value adjustments		–	0.7	–	0.7
Total income		527.4	416.0	170.0	183.4
Expenses					
Employee costs	5	(129.6)	(110.9)	–	–
Administration and other expenses	5	(32.5)	(25.0)	(4.5)	(3.4)
Cost of sale of inventory		(51.3)	–	–	–
Depreciation and amortisation		(8.8)	(6.2)	–	–
Finance costs		(11.5)	(3.2)	(11.6)	(3.5)
Fair value losses from derivative financial instruments		(7.6)	(0.3)	(7.6)	(0.3)
Reversal of impairment of investments in joint ventures		–	7.3	–	–
Other net losses		(0.5)	–	(0.5)	–
Total expenses		(241.8)	(138.3)	(24.2)	(7.2)
Profit before tax		285.6	277.7	145.8	176.2
Income tax expense	6	(48.8)	(26.5)	–	–
Profit for the year		236.8	251.2	145.8	176.2
Profit for the year attributable to:					
Equity holders of Charter Hall Limited		91.0	75.0	–	–
Equity holders of Charter Hall Property Trust (non-controlling interest)		144.3	175.2	144.3	175.2
Profit attributable to stapled securityholders of Charter Hall Group		235.3	250.2	144.3	175.2
Net profit attributable to Charter Hall Direct Diversified Consumer Staples Fund (non-controlling interest)		1.5	1.0	1.5	1.0
Profit for the year		236.8	251.2	145.8	176.2

	Note	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
		2019 \$'m	2018 \$'m	2019 \$'m	2018 \$'m
Profit for the year		236.8	251.2	145.8	176.2
Other comprehensive income					
<i>Items that may be reclassified to profit or loss</i>					
Exchange differences on translation of foreign operations		0.1	(0.5)	0.2	(0.5)
Changes in the fair value of cash flow hedges		1.4	1.2	1.4	1.2
Equity accounted fair value movements		1.3	0.3	0.3	0.3
Other comprehensive income for the year		2.8	1.0	1.9	1.0
Total comprehensive income for the year		239.6	252.2	147.7	177.2
Total comprehensive income for the year is attributable to:					
Equity holders of Charter Hall Limited		91.9	75.0	–	–
Equity holders of Charter Hall Property Trust (non-controlling interest)		146.1	176.2	146.1	176.2
Total comprehensive income attributable to stapled securityholders of Charter Hall Group		238.0	251.2	146.1	176.2
Total comprehensive income attributable to Charter Hall Direct Diversified Consumer Staples Fund (non-controlling interest)		1.6	1.0	1.6	1.0
Total comprehensive income for the year		239.6	252.2	147.7	177.2
Basic earnings per security (cents) attributable to:					
Equity holders of Charter Hall Limited		19.5	16.1	n/a	n/a
Equity holders of Charter Hall Property Trust (non-controlling interest)		31.0	37.6	31.0	37.6
Basic earnings per stapled security (cents) attributable to stapled securityholders of Charter Hall Group	8(a)	50.5	53.7	n/a	n/a
Diluted earnings per security (cents) attributable to:					
Equity holders of Charter Hall Limited		19.4	16.0	n/a	n/a
Equity holders of Charter Hall Property Trust (non-controlling interest)		30.7	37.4	30.7	37.4
Diluted earnings per stapled security (cents) attributable to stapled securityholders of Charter Hall Group	8(b)	50.1	53.4	n/a	n/a

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

Consolidated Balance Sheets

As at 30 June 2019

	Note	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
		2019 \$'m	2018 \$'m	2019 \$'m	2018 \$'m
Assets					
<i>Current assets</i>					
Cash and cash equivalents		113.9	94.9	50.0	32.8
Receivables and other assets	9	177.4	98.9	72.6	50.4
Fair value of bonds commitment	16	–	2.2	–	2.2
Assets classified as held for sale	10	–	17.7	–	–
Total current assets		291.3	213.7	122.6	85.4
<i>Non-current assets</i>					
Receivables and other assets	9	11.0	–	42.1	–
Derivative financial instruments	17	40.3	–	40.3	–
Investments in associates at fair value through profit or loss	2	73.6	32.4	73.6	32.4
Inventories		15.5	1.8	–	–
Investments accounted for using the equity method	2,3	1,754.3	1,617.1	1,681.2	1,543.3
Investment properties	11	118.5	63.4	118.5	63.4
Intangible assets	13	125.8	62.7	–	–
Property, plant and equipment		21.8	20.9	–	–
Deferred tax assets	14	1.5	1.6	–	–
Total non-current assets		2,162.3	1,799.9	1,955.7	1,639.1
Total assets		2,453.6	2,013.6	2,078.3	1,724.5
Liabilities					
<i>Current liabilities</i>					
Trade and other liabilities	15	136.7	114.2	55.7	50.6
Current tax liabilities		2.1	15.3	–	–
Borrowings	16	7.5	–	–	–
Total current liabilities		146.3	129.5	55.7	50.6
<i>Non-current liabilities</i>					
Trade and other liabilities	15	5.9	6.9	–	17.7
Derivative financial instruments	17	6.1	1.4	6.1	1.4
Borrowings	16	297.5	3.6	297.5	3.6
Deferred tax liabilities	14	37.9	14.0	–	–
Total non-current liabilities		347.4	25.9	303.6	22.7
Total liabilities		493.7	155.4	359.3	73.3
Net assets		1,959.9	1,858.2	1,719.0	1,651.2
Equity					
<i>Equity holders of Charter Hall Limited</i>					
Contributed equity	18(a)	286.7	285.7	–	–
Reserves	19	(34.8)	(45.1)	–	–
Accumulated losses		(11.0)	(33.6)	–	–
Parent entity interest		240.9	207.0	–	–
<i>Equity holders of Charter Hall Property Trust</i>					
Contributed equity	18(a)	1,448.5	1,453.5	1,448.5	1,453.5
Reserves	19	3.2	0.9	3.2	0.9
Accumulated profit		217.0	161.2	217.0	161.2
Equity holders of Charter Hall Property Trust (non-controlling interest)		1,668.7	1,615.6	1,668.7	1,615.6
<i>Non-controlling interest in Charter Hall Direct Diversified Consumer Staples Fund</i>					
Staples Fund	20	50.3	35.6	50.3	35.6
Total equity		1,959.9	1,858.2	1,719.0	1,651.2

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

Consolidated Statement of Changes in Equity – Charter Hall Group For the year ended 30 June 2019

	Note	ATTRIBUTABLE TO THE OWNERS OF CHARTER HALL LIMITED				CHARTER HALL GROUP	
		Contributed equity \$'m	Reserves \$'m	Accumulated profit/(losses) \$'m	Total \$'m	Non-controlling interest \$'m	Total equity \$'m
Balance at 1 July 2017		285.0	(44.6)	(54.1)	186.3	1,536.0	1,722.3
Profit for the year		–	–	75.0	75.0	176.2	251.2
Other comprehensive income		–	–	–	–	1.0	1.0
Total comprehensive income		–	–	75.0	75.0	177.2	252.2
<i>Transactions with equity holders in their capacity as equity holders:</i>							
Contributions of equity, net of issue costs		–	–	–	–	36.0	36.0
Buyback and issuance of securities for exercised performance rights		(0.4)	(3.9)	–	(4.3)	(3.3)	(7.6)
Tax recognised direct to equity	6(c)	1.1	0.3	–	1.4	–	1.4
Transfer due to deferred compensation payable in service rights		–	1.4	–	1.4	–	1.4
Security-based benefit expense		–	1.7	–	1.7	–	1.7
Distribution provided for or paid	7	–	–	(54.5)	(54.5)	(94.4)	(148.9)
Transactions with non-controlling interests		–	–	–	–	(0.3)	(0.3)
		0.7	(0.5)	(54.5)	(54.3)	(62.0)	(116.3)
Balance at 30 June 2018		285.7	(45.1)	(33.6)	207.0	1,651.2	1,858.2
Balance at 1 July 2018		285.7	(45.1)	(33.6)	207.0	1,651.2	1,858.2
Profit for the year		–	–	91.0	91.0	145.8	236.8
Other comprehensive income		–	0.9	–	0.9	1.9	2.8
Total comprehensive income		–	0.9	91.0	91.9	147.7	239.6
<i>Transactions with equity holders in their capacity as equity holders:</i>							
Contributions of equity, net of issue costs		–	–	–	–	14.4	14.4
Buyback and issuance of securities for exercised performance rights		(0.6)	(2.5)	–	(3.1)	(5.0)	(8.1)
Tax recognised direct to equity	6(c)	1.6	3.1	–	4.7	–	4.7
Transfer due to deferred compensation payable in service rights		–	2.0	–	2.0	–	2.0
Security-based benefit expense		–	6.8	–	6.8	–	6.8
Dividend/distribution provided for or paid	7	–	–	(68.4)	(68.4)	(91.5)	(159.9)
Transactions with non-controlling interests		–	–	–	–	2.2	2.2
		1.0	9.4	(68.4)	(58.0)	(79.9)	(137.9)
Balance at 30 June 2019		286.7	(34.8)	(11.0)	240.9	1,719.0	1,959.9

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 year ended 30 June 2019

	Note	ATTRIBUTABLE TO THE OWNERS OF THE CHARTER HALL PROPERTY TRUST GROUP				Non- controlling interest \$'m	Total equity \$'m
		Contributed equity \$'m	Reserves \$'m	Accumulated profit/(losses) \$'m	Total \$'m		
Balance at 1 July 2017		1,456.9	(0.5)	79.6	1,536.0	–	1,536.0
Profit for the year		–	–	175.2	175.2	1.0	176.2
Other comprehensive income		–	1.0	–	1.0	–	1.0
Total comprehensive income		–	1.0	175.2	176.2	1.0	177.2
<i>Transactions with equity holders in their capacity as equity holders:</i>							
Contributions of equity, net of issue costs	18(b)	(0.1)	–	–	(0.1)	36.1	36.0
Buyback and issuance of securities for exercised performance rights		(3.3)	–	–	(3.3)	–	(3.3)
Distribution provided for or paid	7	–	–	(93.6)	(93.6)	(0.8)	(94.4)
Transactions with non-controlling interests		–	0.4	–	0.4	(0.7)	(0.3)
		(3.4)	0.4	(93.6)	(96.6)	34.6	(62.0)
Balance at 30 June 2018		1,453.5	0.9	161.2	1,615.6	35.6	1,651.2
Balance at 1 July 2018		1,453.5	0.9	161.2	1,615.6	35.6	1,651.2
Profit for the year		–	–	144.3	144.3	1.5	145.8
Other comprehensive income		–	1.8	–	1.8	0.1	1.9
Total comprehensive income		–	1.8	144.3	146.1	1.6	147.7
<i>Transactions with equity holders in their capacity as equity holders:</i>							
Contributions of equity, net of issue costs		–	–	–	–	14.4	14.4
Buyback and issuance of securities for exercised performance rights		(5.0)	–	–	(5.0)	–	(5.0)
Dividend/distribution provided for or paid	7	–	–	(88.5)	(88.5)	(3.0)	(91.5)
Transactions with non-controlling interests		–	0.5	–	0.5	1.7	2.2
		(5.0)	0.5	(88.5)	(93.0)	13.1	(79.9)
Balance at 30 June 2019		1,448.5	3.2	217.0	1,668.7	50.3	1,719.0

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

Consolidated Cash Flow Statements

For the year ended 30 June 2019

	Note	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
		2019 \$'m	2018 \$'m	2019 \$'m	2018 \$'m
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		340.3	259.5	22.6	14.1
Payments to suppliers and employees (inclusive of GST)		(212.5)	(155.3)	(3.9)	(2.1)
Tax paid		(48.3)	(28.2)	–	–
Interest received		3.8	3.7	1.3	0.5
Interest paid		(2.2)	(2.6)	(2.2)	(2.6)
Distributions and dividends from investments		112.8	90.2	90.8	86.9
Net cash inflow from operating activities	22	193.9	167.3	108.6	96.8
Cash flows from investing activities					
Payments for property, plant and equipment (net of lease incentive received)		(5.9)	(5.5)	–	–
Proceeds on disposal of investment properties		4.0	5.5	4.0	5.5
Payments for investment properties		(59.0)	(29.1)	(59.0)	(29.1)
Payment for acquisition of subsidiary (net of cash acquired)		(192.1)	–	–	–
Investments in associates and joint ventures		(199.5)	(98.5)	(296.9)	(98.5)
Proceeds on disposal and return of capital from investments in associates and joint ventures		201.3	14.3	160.4	10.9
Loans to associates, joint ventures and related parties		(39.4)	(17.8)	(496.9)	(176.7)
Repayments of loans to associates, joint ventures and related parties		34.9	1.3	429.0	257.7
Net cash outflow from investing activities		(255.7)	(129.8)	(259.4)	(30.2)
Proceeds from issues/(buy back) of stapled securities		(8.2)	(7.7)	(7.2)	(6.8)
Borrowing costs paid		(9.5)	–	(9.5)	–
Proceeds from borrowings (net of borrowing costs)		307.8	24.4	303.9	24.4
Repayment of borrowings		(72.1)	(21.1)	(45.8)	(21.1)
Proceeds on disposal of partial interest in a subsidiary that does not involve loss of control		18.2	33.9	18.2	33.9
Distributions to non-controlling interests		(3.1)	(0.8)	(3.1)	(0.8)
Dividends/distributions paid to stapled securityholders		(152.3)	(145.3)	(88.5)	(116.4)
Net cash inflow/(outflow) from financing activities		80.8	(116.6)	168.0	(86.8)
Net increase/(decrease) in cash and cash equivalents		19.0	(79.1)	17.2	(20.2)
Cash and cash equivalents at the beginning of the year		94.9	174.4	32.8	53.4
Effects of exchange rate changes on cash and cash equivalents		–	(0.4)	–	(0.4)
Cash and cash equivalents at the end of the year		113.9	94.9	50.0	32.8

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

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

Critical accounting estimates and judgements

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

Estimates and judgements are continually evaluated and are based on experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are described in their respective notes:

- **Note 2** Investments in associates
- **Note 3** Investments in joint ventures
- **Note 4** Revenue
- **Note 13** Intangible assets
- **Note 14** Deferred tax
- **Note 26** Controlled entities

1 Segment information

(a) Description of segments

Charter Hall Group

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

Operating earnings is a financial measure which represents statutory profit after tax adjusted for the items in Note 1(c). Operating earnings is the primary measure of the Group's underlying and recurring earnings. Operating earnings is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution to declare.

Segment earnings reviewed by the Board ceased to allocate net operating expenses to segments. This has been reflected in the tables contained in this note, including restating the comparatives. This change did not impact the total segment income reported in the prior period. In assessing the financial performance of the business, net operating expenses are primarily related to the Property Funds Management business.

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

Property investments

This segment comprises investments in property funds.

Development investments

This segment comprises investments in development.

Property funds management

This segment comprises investment management services and property management services.

Charter Hall Property Trust Group

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

(b) Operating segments

The operating segments reported to the Board for the year ended 30 June 2019 are as follows:

	2019 \$'m	Restated 2018 \$'m
Property investment segment earnings	110.8	103.8
Development investment segment earnings	7.8	–
<i>Property funds management</i>		
Investment management revenue	210.3	144.3
Property services revenue	52.6	56.7
Total Property funds management segment revenue	262.9	201.0
Total segment income	381.5	304.8
Net operating expenses	(78.0)	(72.6)
Corporate expenses	(28.3)	(27.0)
EBITDA	275.2	205.2
Depreciation	(4.7)	(3.5)
Net interest expense	(8.3)	1.1
Operating earnings before tax	262.2	202.8
Income tax expense	(41.5)	(27.0)
Operating earnings attributable to stapled securityholders	220.7	175.8
Basic weighted average number of securities ('m)	465.8	465.8
Operating earnings per stapled security (cents)	47.4	37.7

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

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

	2019 \$'m	2018 \$'m
Operating earnings attributable to stapled securityholders	220.7	175.8
Add: Net fair value movements on equity accounted investments ¹	75.8	98.4
Add: Gain/(loss) on disposal of property investments ¹	1.9	(1.5)
Add: Reversal of impairment of investment in joint venture	–	7.3
Less: Realised and unrealised net losses on derivatives ¹	(29.0)	(2.5)
Less: Business combination acquisition costs	(8.3)	–
Less: Non-operating income tax benefit/(expense)	(7.3)	0.5
Less: Performance fees expense ¹	(7.0)	(16.5)
Less: Amortisation of intangibles	(4.1)	(2.7)
Less: Other ¹	(7.4)	(8.6)
Statutory profit after tax attributable to stapled securityholders	235.3	250.2

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

1 Segment information continued

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

	2019 \$'m	2018 \$'m
Segment earnings – property investments	110.8	103.8
Segment earnings – development investments	7.8	–
Segment earnings – investments	118.6	103.8
Add: Non-operating equity accounted profit	37.4	70.7
Less: Net rental income	(3.3)	(3.2)
Less: Distributions in operating income	(2.8)	(2.2)
Less: Development profit	(2.3)	–
Less: Interest income on development investments	(1.4)	–
Share of net profit of investments accounted for using the equity method	146.2	169.1

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

	2019 \$'m	2018 \$'m
Investment management revenue	210.3	144.3
Property services revenue	52.6	56.7
Segment revenue – property funds management	262.9	201.0
Add: recovery of property and fund-related expenses	46.3	33.6
Add: proceeds from sale of inventory	53.5	–
Add: interest income	4.4	4.0
Add: distributions received for investments accounted for at fair value	2.8	2.2
Add: rental income	8.6	5.4
Revenue per statement of comprehensive income	378.5	246.2

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.

2 Investments in associates

(a) Carrying amounts

All associates are incorporated and operate in Australia. Refer to Note 34(e) for accounting policy information relating to associates.

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

		OWNERSHIP INTEREST		CARRYING AMOUNT	
Charter Hall Group		2019	2018	2019	2018
Name of entity	Principal activity	%	%	\$'m	\$'m
Accounted for at fair value through profit or loss:¹					
<i>Unlisted</i>					
Charter Hall Maxim Property Securities Fund	Property investment	19.0	–	25.4	–
Charter Hall Direct Industrial Fund No. 4	Property investment	–	16.4	–	30.8
Other associates		–	–	0.6	1.6
				26.0	32.4
Equity accounted					
<i>Unlisted</i>					
Charter Hall Prime Office Fund	Property investment	7.1	8.4	291.1	258.8
Charter Hall Office Trust ²	Property investment	15.7	15.7	263.7	246.4
Charter Hall Prime Industrial Fund	Property investment	4.0	5.9	126.9	121.0
Core Logistics Partnership	Property investment	9.2	13.8	105.9	148.8
Other associates				32.9	38.8
<i>Listed</i>					
Charter Hall Retail REIT ³	Property investment	16.2	18.7	299.6	327.6
Charter Hall Long WALE REIT ⁴	Property investment	15.2	20.4	200.8	195.2
Charter Hall Education Trust ⁵	Property investment	13.1	–	117.6	–
				1,438.5	1,336.6
Total investments in associates				1,464.5	1,369.0

1 These investments comprise units in certain unlisted Charter Hall managed funds which have been designated at fair value through profit or loss. Changes in fair values of investments in associates at fair value through profit or loss are recorded in fair value adjustments in the consolidated statement of comprehensive income. Information about the Charter Hall Group and Charter Hall Property Trust Group's material exposure to share and unit price risk is provided in Note 23.

2 The entity has a 31 December balance date.

3 Fair value at the ASX closing price as at 30 June 2019 was \$311.7 million (30 June 2018: \$315.6 million).

4 Fair value at the ASX closing price as at 30 June 2019 was \$245.9 million (30 June 2018: \$208.6 million).

5 Fair value at the ASX closing price as at 30 June 2019 was \$143.7 million (30 June 2018: \$nil).

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

2 Investments in associates continued

(a) Carrying amounts continued

		OWNERSHIP INTEREST		CARRYING AMOUNT	
Name of entity	Principal activity	2019 %	2018 %	2019 \$'m	2018 \$'m
Accounted for at fair value through profit or loss: ¹					
<i>Unlisted</i>					
Charter Hall Maxim Property Securities Fund	Property investment	19.0	–	25.4	–
Charter Hall Direct Industrial Fund No. 4	Property investment	–	16.4	–	30.8
Other associates		–	–	0.6	1.6
				26.0	32.4
Equity accounted					
<i>Unlisted</i>					
Charter Hall Prime Office Fund	Property investment	6.7	7.9	275.6	244.1
Charter Hall Office Trust ²	Property investment	15.7	15.7	263.7	246.4
Core Logistics Partnership	Property investment	9.2	13.8	105.9	148.8
Charter Hall Prime Industrial Fund	Property investment	1.9	2.8	61.1	58.3
Other associates				27.2	42.4
<i>Listed</i>					
Charter Hall Retail REIT ³	Property investment	16.2	18.7	299.6	327.6
Charter Hall Long WALE REIT ⁴	Property investment	15.2	20.4	200.8	195.2
Charter Hall Education Trust ⁵	Property investment	13.1	–	142.6	–
				1,376.5	1,262.8
Total investments in associates				1,402.5	1,295.2

1 These investments comprise units in certain unlisted Charter Hall managed funds which have been designated at fair value through profit or loss. Changes in fair values of investments in associates at fair value through profit or loss are recorded in fair value adjustments in the consolidated statement of comprehensive income. Information about the Charter Hall Group and Charter Hall Property Trust Group's material exposure to share and unit price risk is provided in Note 23.

2 The entity has a 31 December balance date.

3 Fair value at the ASX closing price as at 30 June 2019 was \$311.7 million (30 June 2018: \$315.6 million).

4 Fair value at the ASX closing price as at 30 June 2019 was \$245.9 million (30 June 2018: \$208.6 million).

5 Fair value at the ASX closing price as at 30 June 2019 was \$143.7 million (30 June 2018: \$nil).

(b) Critical judgements

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

Management regularly reviews equity accounted investments for impairment and remeasures investments carried at fair value through profit or loss by reference to changes in circumstances or contractual arrangements, external independent property valuations and market conditions, using generally accepted market practices. When a recoverable amount is estimated through a value in use calculation, critical judgements and estimates are made regarding future cash flows and an appropriate discount rate. When a fair value is estimated through an earnings valuation, critical judgements and estimates are made in relation to the earnings measure and appropriate multiple.

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

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2019 \$'m	2018 \$'m	2019 \$'m	2018 \$'m
Opening balance	32.4	29.7	32.4	29.7
Investment	25.4	1.3	25.4	1.3
Net gain on investment in associates at fair value	0.8	1.4	0.8	1.4
Return of capital	(1.4)	–	(1.4)	–
Disposal of units	(31.2)	–	(31.2)	–
Closing balance	26.0	32.4	26.0	32.4

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

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2019 \$'m	2018 \$'m	2019 \$'m	2018 \$'m
Opening balance	1,336.6	1,218.1	1,262.8	1,147.3
Investment	202.5	62.5	199.7	62.5
Share of profit after income tax	125.5	140.5	111.1	133.3
Distributions received/receivable	(80.8)	(74.1)	(73.9)	(69.9)
Share of movement in reserves	1.7	0.3	0.7	0.3
Divestments	(135.7)	–	(114.5)	–
Return of Capital	(11.3)	(10.7)	(9.4)	(10.7)
Closing balance	1,438.5	1,336.6	1,376.5	1,262.8

(e) Summarised financial information for material associates

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

	Charter Hall Office Trust \$'m	Charter Hall Retail REIT \$'m	Charter Hall Prime Office Fund \$'m	Charter Hall Long WALE REIT \$'m
2019				
Summarised balance sheet:				
Current assets	17.8	86.8	104.8	18.7
Non-current assets	3,063.6	2,821.5	5,401.5	1,886.3
Current liabilities	157.8	95.6	73.3	45.2
Non-current liabilities	1,249.5	1,012.0	1,301.7	538.4
Net assets	1,674.1	1,800.7	4,131.3	1,321.4
Summarised statement of comprehensive income:				
Revenue	105.7	202.0	254.8	85.6
Profit/(loss) for the year from continuing operations	243.9	53.1	373.5	69.6
Other comprehensive income	–	1.5	1.1	–
Total comprehensive income	243.9	54.6	374.6	69.6
2018				
Summarised balance sheet:				
Current assets	23.4	117.2	178.9	49.5
Non-current assets	2,860.7	2,652.3	4,239.8	1,345.5
Current liabilities	45.9	93.6	83.4	24.4
Non-current liabilities	1,274.1	979.4	1,212.0	430.3
Net assets	1,564.1	1,696.5	3,123.3	940.3
Summarised statement of comprehensive income:				
Revenue	140.8	221.0	204.6	69.0
Profit/(loss) for the year from continuing operations	206.5	146.4	386.6	83.3
Profit from discontinued operations	(12.4)	–	–	–
Other comprehensive income/(loss)	–	2.2	(1.1)	–
Total comprehensive income	194.1	148.6	385.5	83.3

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

2 Investments in associates continued

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

	Charter Hall Office Trust \$'m	Charter Hall Retail REIT \$'m	Charter Hall Prime Office Fund \$'m	Charter Hall Long WALE REIT \$'m
Charter Hall Group				
2019				
Net assets of associate	1,674.1	1,800.7	4,131.3	1,321.4
Group's share in %	15.7%	16.2%	7.1%	15.2%
Group's share in \$	262.8	291.7	293.3	200.9
Other movements not accounted for under the equity method ¹	0.9	7.9	(2.2)	(0.1)
Carrying amount	263.7	299.6	291.1	200.8
Movements in carrying amounts:				
Opening balance	246.4	327.6	258.8	195.2
Investment	–	–	17.5	27.2
Share of profit after income tax	38.4	9.7	28.0	12.5
Other comprehensive income	–	0.1	0.2	–
Distributions received/receivable	(11.7)	(20.5)	(13.4)	(13.7)
Divestment	–	(17.3)	–	(20.4)
Return of capital	(9.4)	–	–	–
Closing balance	263.7	299.6	291.1	200.8
2018				
Net assets of associate	1,564.1	1,696.5	3,123.3	940.3
Group's share in %	15.7%	18.7%	8.4%	20.4%
Group's share in \$	245.6	317.2	262.4	191.8
Other movements not accounted for under the equity method ¹	0.8	10.4	(3.6)	3.4
Carrying amount	246.4	327.6	258.8	195.2
Movements in carrying amounts:				
Opening balance	212.9	321.2	236.4	166.0
Investment	25.0	–	–	24.6
Share of profit after income tax	29.2	27.3	35.7	16.8
Other comprehensive income/(loss)	–	0.4	(0.1)	–
Distributions received/receivable	(10.0)	(21.3)	(13.2)	(12.2)
Return of capital	(10.7)	–	–	–
Closing balance	246.4	327.6	258.8	195.2

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

	Charter Hall Office Trust \$'m	Charter Hall Retail REIT \$'m	Charter Hall Prime Office Fund \$'m	Charter Hall Long WALE REIT \$'m
Charter Hall Property Trust Group				
2019				
Net assets of associate	1,674.1	1,800.7	4,131.3	1,321.4
Group's share in %	15.7%	16.2%	6.7%	15.2%
Group's share in \$	262.8	291.7	276.8	200.9
Other movements not accounted for under the equity method ¹	0.9	7.9	(1.2)	(0.1)
Carrying amount	263.7	299.6	275.6	200.8
Movements in carrying amounts:				
Opening balance	246.4	327.6	244.1	195.2
Investment	–	–	17.5	27.2
Share of profit after income tax	38.4	9.7	26.4	12.5
Other comprehensive income	–	0.1	0.2	–
Distributions received/receivable	(11.7)	(20.5)	(12.6)	(13.7)
Divestment	–	(17.3)	–	(20.4)
Return of capital	(9.4)	–	–	–
Closing balance	263.7	299.6	275.6	200.8
2018				
Net assets of associate	1,564.1	1,696.5	3,123.3	940.3
Group's share in %	15.7%	18.7%	7.9%	20.4%
Group's share in \$	245.6	317.2	246.7	191.8
Other movements not accounted for under the equity method ¹	0.8	10.4	(2.6)	3.4
Carrying amount	246.4	327.6	244.1	195.2
Movements in carrying amounts:				
Opening balance	212.9	321.2	223.0	166.0
Investment	25.0	–	–	24.6
Share of profit after income tax	29.2	27.3	33.7	16.8
Other comprehensive income/(loss)	–	0.4	(0.1)	–
Distributions received/receivable	(10.0)	(21.3)	(12.5)	(12.2)
Return of capital	(10.7)	–	–	–
Closing balance	246.4	327.6	244.1	195.2

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

(g) Commitments and contingent liabilities of associates

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

Charter Hall Prime Office Fund's capital expenditure contracted for at the reporting date but not recognised as liabilities was \$471.1 million (2018: \$604.1 million) relating to investment properties.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

3 Investments in joint ventures

(a) Carrying amounts

All joint ventures are incorporated and operate in Australia. Refer to Note 34(e) for accounting policy information relating to joint ventures.

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

		OWNERSHIP INTEREST		CARRYING AMOUNT	
Charter Hall Group		2019	2018	2019	2018
Name of entity	Principal activity	%	%	\$'m	\$'m
Accounted for at fair value through profit or loss:					
<i>Unlisted</i>					
CHAB Office Trust	Property investment	50.0	–	47.6	–
				47.6	–
Equity accounted					
<i>Unlisted</i>					
Brisbane Square Wholesale Fund	Property investment	16.8	16.8	104.8	102.1
Long WALE Hardware Partnership ¹	Property investment	13.5	13.0	96.5	85.5
Charter Hall Prime Retail Fund	Property investment	29.4	38.0	56.6	45.7
Retail Partnership No. 6 Trust	Property investment	20.0	20.0	35.9	36.7
Other joint ventures				22.0	10.5
				315.8	280.5
Total investments in joint ventures				363.4	280.5

¹ Ownership interest is calculated as the weighted average holding of BP Fund 1, BP Fund 2 and TTP Wholesale Fund.

		OWNERSHIP INTEREST		CARRYING AMOUNT	
Charter Hall Property Trust Group		2019	2018	2019	2018
Name of entity	Principal activity	%	%	\$'m	\$'m
Accounted for at fair value through profit or loss:					
<i>Unlisted</i>					
CHAB Office Trust	Property investment	50.0	–	47.6	–
				47.6	–
Equity accounted					
<i>Unlisted</i>					
Brisbane Square Wholesale Fund	Property investment	16.8	16.8	104.8	102.1
Long WALE Hardware Partnership ¹	Property investment	13.5	13.0	96.5	85.5
Charter Hall Prime Retail Fund	Property investment	29.4	38.0	56.6	45.7
Retail Partnership No. 6 Trust	Property investment	20.0	20.0	35.9	36.7
Other joint ventures				10.9	10.5
				304.7	280.5
Total investments in joint ventures				352.3	280.5

¹ Ownership interest is calculated as the weighted average holding of BP Fund 1, BP Fund 2 and TTP Wholesale Fund.

(b) Critical judgements

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

Management regularly reviews equity accounted investments for impairment and remeasures investments carried at fair value through profit or loss by reference to changes in circumstances or contractual arrangements, external independent property valuations and market conditions, using generally accepted market practices. When a recoverable amount is estimated through a value in use calculation, critical judgements and estimates are made regarding future cash flows and an appropriate discount rate. When a fair value is estimated through an earnings valuation, critical judgements and estimates are made in relation to the earnings measure and appropriate multiple.

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

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2019 \$'m	2018 \$'m	2019 \$'m	2018 \$'m
Opening balance	–	–	–	–
Investment	48.0	–	48.0	–
Net loss on investment in associates at fair value	(0.4)	–	(0.4)	–
Closing balance	47.6	–	47.6	–

(d) Summarised financial information and movements in carrying amounts

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2019 \$'m	2018 \$'m	2019 \$'m	2018 \$'m
Movements in aggregate carrying amount:				
Opening balance	280.5	258.5	280.5	239.0
Investment	35.2	34.1	24.4	34.2
Share of profit after income tax	21.5	28.6	18.4	25.1
Distributions received/receivable	(20.4)	(27.6)	(17.9)	(15.1)
Reversal/(impairment) of carrying amount	–	7.3	–	–
Return of capital	(0.3)	(2.7)	–	(2.7)
Share of movement in reserves	(0.7)	–	(0.7)	–
Transfer to held for sale	–	(17.7)	–	–
Closing balance	315.8	280.5	304.7	280.5

(e) Commitments and contingent liabilities of joint ventures

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

Charter Hall Prime Retail Fund's capital commitments contracted for at the reporting date but not recognised as liabilities was \$nil (2018: \$58.5 million).

Brisbane Square Wholesale Fund's (BSWF) capital expenditure contracted for at the reporting date but not recognised as liabilities was not considered material (2018: \$28.6 million). BSWF's contingent liabilities at the reporting date was \$nil (2018: \$83.4 million) relating to potential capital works.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

4 Revenue

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2019 \$'m	2018 \$'m	2019 \$'m	2018 \$'m
Investment management revenue ¹	210.3	144.3	–	–
Property services revenue ¹	52.6	56.7	–	–
Development revenue ²	53.5	–	–	–
Gross rental income	8.6	5.4	8.6	5.4
	325.0	206.4	8.6	5.4
<i>Other revenue</i>				
Recovery of property and fund-related expenses	46.3	33.6	–	–
Interest	4.4	4.0	15.0	4.2
Distributions/Dividends ³	2.8	2.2	4.2	3.1
Other investment-related revenue	–	–	9.7	11.6
Total other revenue	53.5	39.8	28.9	18.9
Total revenue⁴	378.5	246.2	37.5	24.3

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

2 Revenue from the Group's development investments forms part of the development segment earnings, see Note 1.

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

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

(a) Critical judgements

Critical judgements and estimates are made by the Group in respect of recognising performance fee revenue. Detailed calculations and an assessment of the risks associated with the recognition of the fee are completed to inform the assessment of the appropriate revenue to recognise. Key risks include the period remaining from balance sheet date to performance fee crystallisation date and the degree of probability that any potential fee may unwind during that period. Key drivers of performance fees are assessed based on historic data and prevailing economic conditions to inform judgements on the extent to which the fee can be reliably estimated.

5 Expenses

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2019 \$'m	2018 \$'m	2019 \$'m	2018 \$'m
Profit before income tax includes the following specific expenses:				
<i>Employee costs</i>				
Employee benefit expenses	116.3	101.6	–	–
Restructuring costs	–	1.3	–	–
Security-based benefits expense	6.8	1.7	–	–
Payroll tax	6.5	6.3	–	–
Total employee costs	129.6	110.9	–	–
<i>Administration and other expenses</i>				
Advertising, marketing and promotion	3.3	3.0	–	–
Occupancy costs	4.1	3.5	–	–
Accounting, professional and other costs	11.1	6.4	3.2	2.2
Communication and IT expenses	7.2	6.0	–	0.1
Administration expenses	6.8	6.1	1.3	1.1
Total administration and other expenses	32.5	25.0	4.5	3.4

6 Income tax expense

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2019 \$'m	2018 \$'m	2019 \$'m	2018 \$'m
(a) Income tax expense				
Current tax expense	30.4	25.6	–	–
Deferred income tax expense	18.0	0.6	–	–
Under-provided in prior years	0.4	0.3	–	–
	48.8	26.5	–	–
Deferred income tax expense				
(Increase)/decrease in deferred tax assets for the tax consolidated group	5.5	(1.1)	–	–
Increase in deferred tax liabilities for the tax consolidated group	12.4	1.7	–	–
Decrease in deferred tax assets for entities outside the tax consolidated group	0.1	–	–	–
	18.0	0.6	–	–
(b) Reconciliation of income tax expense to prima facie tax payable				
Profit before income tax expense	285.6	277.7	145.8	176.2
Prima facie tax expense at the Australian tax rate of 30%	85.7	83.3	43.8	53.0
<i>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:</i>				
Charter Hall Property Trust income	(43.8)	(53.0)	(43.8)	(53.0)
Other adjustments	6.9	(3.8)	–	–
Income tax expense	48.8	26.5	–	–
(c) Amounts recognised directly in equity				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:				
Current tax: Deduction for rights vesting in excess of the cumulative fair value expense	(1.6)	(1.1)	–	–
Deferred tax: Estimated future deduction for rights vesting, in excess of the cumulative fair value expense	(3.1)	(0.3)	–	–
	(4.7)	(1.4)	–	–

(d) Tax consolidation legislation

Charter Hall Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation with effect from 1 July 2003. The accounting policy in relation to this legislation is set out below in Note 6(g).

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

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

(e) Charter Hall Property Trust

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

(f) Tax losses – Charter Hall Group

At 30 June 2019, the Group has approximately \$11.4 million (2018: \$12.5 million) of tax effected unrecognised income tax losses.

At 30 June 2019, the Group has approximately \$21.5 million (2018: \$12.7 million) of tax effected unrecognised capital tax losses.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

6 Income tax expense continued

(g) Income tax

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

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

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

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

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

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

7 Distributions/Dividends paid and payable

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2019 \$'m	2018 \$'m	2019 \$'m	2018 \$'m
Ordinary stapled securities				
Final ordinary distribution of 10.7 cents and ordinary dividend of 6.5 cents per stapled security for the six months ended 30 June 2019 payable on 30 August 2019	80.1	–	49.8	–
Interim ordinary distribution of 8.3 cents and interim ordinary dividend of 8.2 cents per stapled security for the six months ended 31 December 2018 paid on 28 February 2019	76.8	–	38.7	–
Final ordinary distribution of 10.7 cents and ordinary dividend of 5.5 cents per stapled security for the six months ended 30 June 2018 paid on 31 August 2018	–	75.5	–	49.8
Interim ordinary distribution of 9.4 cents and interim ordinary dividend of 6.2 cents per stapled security for the six months ended 31 December 2018 paid on 28 February 2018	–	72.6	–	43.8
Total Distributions/Dividends paid and payable to stapled securityholders	156.9	148.1	88.5	93.6
Distributions paid and payable to DCSF non-controlling interests	3.0	0.8	3.0	0.8
Total Distributions/Dividends paid and payable	159.9	148.9	91.5	94.4

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

Franking credits available in the parent entity (Charter Hall Limited) for dividends payable in subsequent financial years based on a tax rate of 30% (2018: 30%) are \$51.9 million (2018: \$35.7 million). These amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the year.

8 Earnings per stapled security

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2019 Cents	2018 Cents	2019 Cents	2018 Cents
(a) Basic earnings per security attributable to:				
Equity holders of Charter Hall Limited	19.5	16.1	n/a	n/a
Equity holders of Charter Hall Property Trust (non-controlling interest)	31.0	37.6	31.0	37.6
Stapled securityholders of Charter Hall Group	50.5	53.7	n/a	n/a
(b) Diluted earnings per security attributable to:				
Equity holders of Charter Hall Limited	19.4	16.0	n/a	n/a
Equity holders of Charter Hall Property Trust (non-controlling interest)	30.7	37.4	30.7	37.4
Stapled securityholders of Charter Hall Group	50.1	53.4	n/a	n/a

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

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

	2019 \$'m	2018 \$'m	2019 \$'m	2018 \$'m
(c) Reconciliations of earnings used in calculating earnings per stapled security				
Equity holders of Charter Hall Limited	91.9	75.0	n/a	n/a
Profit attributable to the ordinary stapled securityholders of the Group used in calculating basic and diluted earnings per stapled security	235.3	250.2	144.3	175.2

	2019 Number	2018 Number	2019 Number	2018 Number
(d) Weighted average number of stapled securities used as the denominator				
Weighted average number of ordinary stapled securities used as the denominator in calculating basic earnings per stapled security	465,777,131	465,777,131	465,777,131	465,777,131
<i>Adjustments for calculation of diluted earnings per stapled security:</i>				
Performance rights	2,382,547	2,381,990	2,382,547	2,381,990
Service rights	1,290,887	420,802	1,290,887	420,802
Weighted average number of ordinary stapled securities and potential ordinary stapled securities used as the denominator in calculating diluted earnings per stapled security	469,450,565	468,579,923	469,450,565	468,579,923

(e) Information concerning the classification of securities

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

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

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

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

Notes to the Consolidated Financial Statements

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9 Receivables and other assets

	Note	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
		2019 \$'m	2018 \$'m	2019 \$'m	2018 \$'m
Current					
Trade receivables		38.7	29.7	2.9	5.9
Loans to associates and joint ventures	25(e)	52.3	25.8	38.9	16.3
Distributions receivable		31.8	41.0	30.8	27.4
Contract assets	34(b)	52.1	–	–	–
Other receivables and assets		2.5	2.4	–	0.8
		177.4	98.9	72.6	50.4
Non-current					
Loans to associates and joint ventures	25(e)	9.2	–	–	–
Loan receivable from Charter Hall Limited		–	–	42.1	–
Other receivables and assets		1.8	–	–	–
		11.0	–	42.1	–

(a) Bad and doubtful trade receivables

During the year, the Charter Hall Group and Charter Hall Property Trust Group incurred \$nil expense (2018: \$nil) in respect of provisions for expected credit losses.

(b) Fair values

Receivables are carried at amounts that approximate their fair value.

(c) Credit risk

There is a limited concentration of credit risk as the majority of current and non-current receivables are due from related parties of Charter Hall Group and Charter Hall Property Trust Group. Refer to Note 23 for more information on the risk management policy of the Charter Hall Group and Charter Hall Property Trust Group.

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

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2019 \$'m	2018 \$'m	2019 \$'m	2018 \$'m
Current	38.7	29.7	2.9	5.9
1 to 3 months	–	–	–	–
3 to 6 months	–	–	–	–
More than 6 months	–	–	–	–
	38.7	29.7	2.9	5.9

As at 30 June 2019, Charter Hall Group had trade receivables of \$nil (2018: \$nil) past due but not impaired. Charter Hall Property Trust Group had \$nil (2018: \$nil) receivables past due but not impaired.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off in the year in which they are identified. A provision for expected credit losses is processed based on historical default percentages and current observable data including forecasts of economic conditions. The amount of the provision is the difference between the carrying amount and estimated future cash flows. Cash flows relating to current receivables are not discounted.

(d) Changes in accounting policies

The Group adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 July 2018. The adoption of these standards had no material impact on the Group's financial position or results and no retrospective adjustments were required. The impact of these new standards is described in more detail in Notes 34(a) and 34(b).

10 Assets classified as held for sale

In June 2018, the Group's interest in Commercial and Industrial Property Pty Ltd (CIP), a property development company, met the criteria to be reclassified as a held for sale asset with its carrying amount being \$17.7 million. In July 2018, the Group entered into a binding agreement to sell its interest in CIP for net proceeds of \$29.0 million. Other receivables from investments in CIP resulted in a total cash realisation from the transaction of \$56.3 million. The sale completed on 10 August 2018.

Valuation basis

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

11 Investment properties

(a) Carrying amounts

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

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

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2019 \$'m	2018 \$'m	2019 \$'m	2018 \$'m
Opening balance	63.4	40.4	63.4	40.4
Additions including acquisition costs	60.1	28.9	60.1	28.9
Fair value and other adjustments	(0.9)	(0.4)	(0.9)	(0.4)
Disposals	(4.1)	(5.5)	(4.1)	(5.5)
Closing balance	118.5	63.4	118.5	63.4

Key valuation assumptions used in the determination of the investment properties' fair value and the Group's valuation policy are disclosed Note 24(d).

(b) Leasing arrangements

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

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2019 \$'m	2018 \$'m	2019 \$'m	2018 \$'m
Due within one year	7.2	4.4	7.2	4.4
Due between one and five years	29.6	17.8	29.6	17.8
Over five years	20.2	20.0	20.2	20.0
	57.0	42.2	57.0	42.2

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For the year ended 30 June 2019

12 Business combination

On 7 November 2018, the Group acquired 100% of the issued shares in Folkestone Limited (ASX: FLK, delisted 8 November 2018). Folkestone shareholders received from Charter Hall \$1.354 cash per share, which equates to a purchase consideration of \$205.0 million. Charter Hall also issued 1.5 million CHC service rights to Folkestone management which vest over three years.

Details of the purchase consideration, the provisional fair value of net assets acquired and goodwill are as follows:

	Note	CHARTER HALL GROUP
		2019 \$'m
Purchase consideration – cash paid		205.0
The fair value of the assets and liabilities recognised as a result of the acquisition are as follows:		
<i>Assets</i>		
Cash and cash equivalents		12.9
Loans to associated entities		30.0
Receivables and other financial assets		5.3
Inventories		28.5
Investment in equity accounted investments	2	111.0
Management rights	12(a) 13	57.3
<i>Liabilities</i>		
Payables and other financial liabilities		(10.9)
Short term-borrowings		(19.9)
Long term-borrowings		(10.0)
Net deferred tax liabilities		(9.1)
Net identifiable assets acquired		195.1
Add: goodwill		9.9
		205.0

(a) Goodwill

Goodwill is attributable to the leading position in social infrastructure, expected synergies and the increased diversity of sources of equity available to the Group following the acquisition of Folkestone Limited.

(b) Revenue and profit contribution

Folkestone contributed revenues of \$62.0 million and net profit of \$21.4 million to the Group for the period 7 November 2018 to 30 June 2019. If the acquisition had occurred on 1 July 2018, total revenue for the Group, combining Charter Hall and Folkestone, would have been \$386.0 million and net profit would have been \$240.8 million, excluding fair value adjustments relating to the business combination.

(c) Acquisition-related costs

Acquisition-related costs of \$1.8 million are included in administration and other expenses in profit or loss.

13 Intangible assets

The Charter Hall Group acquisition of Folkestone Limited (as outlined in Note 12) resulted in the Group securing the management rights to Folkestone's real estate management platform, including management rights classified as indefinite life due to the open ended nature of the funds totalling \$49.1 million. The remaining rights acquired of \$8.2 million have been classified as finite life and will be amortised over the life of the funds to which they related.

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2019 \$'m	2018 \$'m	2019 \$'m	2018 \$'m
Indefinite life intangibles – management rights				
Charter Hall Retail REIT				
Opening and closing balance	42.3	42.3	–	–
Charter Hall Education Trust				
Opening balance	–	–	–	–
Additions	46.4	–	–	–
Closing balance	46.4	–	–	–
Other indefinite life intangibles				
Opening balance	12.6	12.6	–	–
Additions	2.7	–	–	–
Closing balance	15.3	12.6	–	–
Total indefinite life intangibles	104.0	54.9	–	–
Finite life intangibles – management rights				
Opening balance	7.8	10.5	–	–
Additions	8.2	–	–	–
Amortisation charge	(4.1)	(2.7)	–	–
Closing balance	11.9	7.8	–	–
At balance date – finite life intangibles				
Cost	50.3	50.3	–	–
Additions	8.2	–	–	–
Accumulated amortisation	(46.6)	(42.5)	–	–
Total finite life intangibles	11.9	7.8	–	–
Goodwill				
Folkestone Limited				
Opening balance	–	–	–	–
Additions	9.9	–	–	–
Closing balance	9.9	–	–	–
Total intangible assets	125.8	62.7	–	–

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For the year ended 30 June 2019

13 Intangible assets continued

(a) Critical judgements

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

(b) Intangibles – indefinite life assets

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

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

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

- cash flow projections covering a three-year period based on financial budgets approved by management. Cash flows beyond the three-year period are extrapolated using estimated growth rates appropriate for the business;
- post-tax discount rate range of 6–12% (2018: 14–16%);
- growth after three years of 2–3% (2018: 2–3%) per annum; and
- terminal value multiple of 10 times earnings (2018: 7–8 times).

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

(c) Management Rights – finite life assets

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

14 Deferred tax assets and liabilities

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2019 \$'m	2018 \$'m	2019 \$'m	2018 \$'m
Deferred tax assets comprises temporary differences attributable to:				
Tax losses carried forward ¹	1.5	1.6	–	–
Deferred tax assets comprises temporary differences attributable to:				
Employee benefits	20.6	12.9	–	–
Other	2.2	0.9	–	–
	22.8	13.8	–	–
Deferred tax liabilities comprises temporary differences attributable to:				
Intangible assets	33.2	17.2	–	–
Investment in associates	10.6	8.1	–	–
Unearned revenue	15.6	0.6	–	–
Other	1.3	1.9	–	–
	60.7	27.8	–	–
Net deferred tax liabilities	(37.9)	(14.0)	–	–

¹ Tax losses are held by Charter Hall Opportunity Fund No. 5 (CHOF5), a wholly owned entity. CHOF5 does not form part of the Charter Hall tax consolidated group and therefore is not included in the net deferred tax liability balance on the balance sheet.

(a) Critical judgements

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.

15 Trade and other liabilities

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2019 \$'m	2018 \$'m	2019 \$'m	2018 \$'m
Current				
Trade and other liabilities	19.3	9.0	5.9	0.8
Long service leave provision	2.2	1.5	–	–
Dividend/Distribution payable	80.1	75.5	49.8	49.8
Employee benefits liability	35.1	28.2	–	–
	136.7	114.2	55.7	50.6
Non-current				
Loan payable to Charter Hall Limited	–	–	–	17.7
Long service leave provision	2.1	1.6	–	–
Lease incentive liability	3.8	5.3	–	–
	5.9	6.9	–	17.7

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

16 Borrowings

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2019 \$'m	2018 \$'m	2019 \$'m	2018 \$'m
Current assets				
Movement in fair value of bonds commitment attributable to the hedged position	–	2.2	–	2.2
Current liabilities				
Loans – related parties	7.5	–	–	–
Non-current liabilities				
Bonds	268.2	–	268.2	–
Cash advance facilities (DCSF)	32.3	5.4	32.3	5.4
Less: unamortised transaction costs	(3.0)	(1.8)	(3.0)	(1.8)
	297.5	3.6	297.5	3.6

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For the year ended 30 June 2019

16 Borrowings continued

(a) Borrowings

Charter Hall Group

The Group's debt platform includes the following:

- Unsecured \$200.0 million credit facility plus an additional \$20.0 million unsecured facility to support the bank guarantees with maturity extended to May 2024.
- US\$175 million (A\$231.5 million at issue date) bonds issued through a US Private Placement which was fully funded in August 2018 and matures in August 2028.
 - In May 2018, the Group entered into A\$/US\$ cross currency interest rate swap agreements that hedge the Group's exposure to foreign currency and interest rate fluctuations arising from the bonds issuance. The swap agreements entitle the Group to repay the bonds at A\$231.5 million in August 2028. At 30 June 2019, the carrying amount of the bonds at the prevailing spot rate was A\$268.2 million including a fair value adjustment of A\$19.0 million. The carrying amount is offset by the fair value of the swap.
 - The swap agreements also entitle the Group to receive interest, at semi-annual intervals, at a fixed rate on a notional principal amount of US\$175.0 million and oblige it to pay, at quarterly intervals, at a floating rate on a notional principal amount of A\$231.5 million. The swap agreements mature in August 2028.
- In January 2019, the Group entered into interest rate swap agreements which hedge the Group's exposure to interest rate fluctuations on a notional principal amount of A\$100.0 million. The swap agreements entitle the Group to receive floating interest and pay a fixed rate at quarterly intervals. The agreements mature in February 2024.

At 30 June 2019, drawn borrowings of \$231.5 million (30 June 2018: \$nil) and bank guarantees of \$14.3 million (30 June 2018: \$14.3 million) had been utilised under these facilities, which under the terms of the agreements reduce the available facilities. No liability is recognised for bank guarantees.

DCSF Facility

The fund has two revolving debt facilities of A\$50.5 million (30 June 2018: A\$25.0 million) and NZ\$7.0 million (30 June 2018: NZ\$7.0 million), secured against the fund's investment properties (see Note 11). The facilities have a maturity date of October 2023. At 30 June 2019, drawn borrowings of A\$26.6 million (30 June 2018: \$nil) and NZ\$6.0 million (30 June 2018: NZ\$6.0 million) had been utilised under these facilities respectively.

(b) Gearing

Gearing is a measure used to monitor levels of debt capital used by the business to fund its operations. This ratio is calculated as interest bearing debt drawn (excluding hedged foreign exchange movements subsequent to the related debt drawing date and DCSF) net of cash, divided by total assets net of cash, derivative assets and DCSF.

The gearing ratio of the Charter Hall Group and Charter Hall Property Trust Group at 30 June 2019 was 5.7% (30 June 2018: nil %). Debt covenants are monitored regularly to ensure compliance and reported to the debt provider on a six-monthly basis. The Group Treasurer is responsible for negotiating new debt facilities and monitoring compliance with covenants.

(c) Net debt reconciliation

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

	Opening balance \$'m	Movement in derivatives and foreign exchange \$'m	Movement in borrowing costs \$'m	Movement in cash \$'m	Closing balance \$'m
Charter Hall Group					
2019					
Bank debt	5.4	–	–	295.1	300.5
Loans – related parties	–	–	–	7.5	7.5
Derivative financial instruments hedging debt	1.4	(35.6)	–	–	(34.2)
Borrowing costs	(1.8)	–	(1.2)	–	(3.0)
Fair value of USPP commitment	(2.2)	2.2	–	–	–
Cash	(94.9)	–	–	(19.0)	(113.9)
	(92.1)	(33.4)	(1.2)	283.6	156.9
2018					
Bank debt	–	–	–	5.4	5.4
Derivative financial instruments hedging debt	–	1.4	–	–	1.4
Borrowing costs	–	–	(1.8)	–	(1.8)
Fair value of USPP commitment	–	(2.2)	–	–	(2.2)
Cash	(174.4)	–	–	79.5	(94.9)
	(174.4)	(0.8)	(1.8)	84.9	(92.1)
Charter Hall Property Trust Group					
2019					
Bank debt	5.4	–	–	295.1	300.5
Derivative financial instruments hedging debt	1.4	(35.6)	–	–	(34.2)
Borrowing costs	(1.8)	–	(1.2)	–	(3.0)
Funding received from/(paid) to Charter Hall Limited	17.7	–	–	(59.8)	(42.1)
Fair value of USPP commitment	(2.2)	2.2	–	–	–
Cash	(32.8)	–	–	(17.2)	(50.0)
	(12.3)	(33.4)	(1.2)	218.1	171.2
2018					
Bank debt	–	–	–	5.4	5.4
Derivative financial instruments hedging debt	–	1.4	–	–	1.4
Borrowing costs	–	–	(1.8)	–	(1.8)
Funding to (paid)/received from Charter Hall Limited	(73.2)	–	–	90.9	17.7
Fair value of USPP commitment	–	(2.2)	–	–	(2.2)
Cash	(53.4)	–	–	20.6	(32.8)
	(126.6)	(0.8)	(1.8)	116.9	(12.3)

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17 Derivative financial instruments

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2019 \$'m	2018 \$'m	2019 \$'m	2018 \$'m
Non-current assets				
Cross currency interest rate swaps	40.3	–	40.3	–
	40.3	–	40.3	–
Non-current liabilities				
Cross currency interest rate swaps	–	1.4	–	1.4
Interest rate swaps	6.1	–	6.1	–
	6.1	1.4	6.1	1.4

Key valuation assumptions used in the determination of the fair value of derivative financial instruments and the Group's valuation policy are disclosed note 24(c).

18 Contributed equity

(a) Movements in ordinary stapled security capital

Details	Number of securities	Weighted average issue price	Charter Hall Limited \$'m	Charter Hall Property Trust \$'m	Total \$'m
Opening balance at 1 July 2017	465,777,131		285.0	1,456.9	1,741.9
Buyback and issuance of securities for exercised performance and service rights ¹	–	\$2.83	(0.4)	(3.3)	(3.7)
Tax recognised directly in equity	–		1.1	–	1.1
Closing balance at 30 June 2018	465,777,131		285.7	1,453.6	1,739.3
Less: transaction costs on stapled security issues	–		–	(0.1)	(0.1)
Closing balance per accounts at 30 June 2018	465,777,131		285.7	1,453.5	1,739.2
Buyback and issuance of securities for exercised performance and service rights ²	1	\$2.25	(0.6)	(5.0)	(5.6)
Tax recognised directly in equity	–		1.6	–	1.6
Closing balance at 30 June 2019	465,777,132		286.7	1,448.5	1,735.2
Closing balance per accounts at 30 June 2019	465,777,132		286.7	1,448.5	1,735.2

1 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.

2 1,121,489 stapled securities bought on-market at an average value of \$7.20, offset by the exercise of 857,738 performance rights with a fair value of \$1.41 and 263,751 service rights with an average value of \$4.97.

(b) Ordinary stapled securities

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

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

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

(c) Distribution Re-investment Plan

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

19 Reserves

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2019 \$'m	2018 \$'m	2019 \$'m	2018 \$'m
Business combination reserve	(52.0)	(52.0)	–	–
Security-based benefits reserve	11.2	4.9	–	–
Cash flow hedge reserve	2.5	0.9	2.5	0.9
Foreign currency basis reserve	(0.2)	–	(0.2)	–
Transactions with non-controlling interests	0.8	0.4	0.8	0.4
Other reserves	6.1	1.6	0.1	(0.4)
	(31.6)	(44.2)	3.2	0.9
Charter Hall Limited	(34.8)	(45.1)	–	–
Charter Hall Property Trust	3.2	0.9	3.2	0.9
	(31.6)	(44.2)	3.2	0.9

(a) Business combination reserve

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

(b) Security-based benefits reserve

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

20 Non-controlling interests

During the year, the Group reduced its holding in the Charter Hall Direct Diversified Consumer Staples Fund from 61.3% to 41.9% (2018: from 100% to 61.3%). The proceeds on redemption were \$20.0 million (2018: \$12.4 million), received in cash.

The difference between the redemption proceeds and amount transferred to non-controlling interests of \$0.5 million (2018: \$0.3 million) has been recognised directly in equity.

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2019 \$'m	2018 \$'m	2019 \$'m	2018 \$'m
Summarised balance sheet				
Current assets	2.2	34.4	2.2	34.4
Current liabilities	0.8	0.4	0.8	0.4
Current net assets	1.4	34.0	1.4	34.0
Non-current assets	118.6	63.4	118.6	63.4
Non-current liabilities	33.5	5.3	33.5	5.3
Non-current net assets	85.1	58.1	85.1	58.1
Net assets	86.5	92.1	86.5	92.1
Accumulated non-controlling interest	50.3	35.6	50.3	35.6
Summarised statement of comprehensive income				
Revenue	8.7	4.2	8.7	4.2
Profit for the period	2.6	3.3	2.6	3.3
Other comprehensive income/(loss)	0.2	(0.5)	0.2	(0.5)
Total comprehensive income	2.8	2.8	2.8	2.8
Comprehensive income allocated to non-controlling interest	1.6	1.0	1.6	1.0

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21 Remuneration of auditors

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

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2019 \$	2018 \$	2019 \$	2018 \$
(a) Audit services				
PricewaterhouseCoopers – Australian Firm				
Audit and review of financial reports	367,497	290,829	6,961	6,961
Audit and review of financial reports for DCSF	38,723	30,000	38,723	30,000
Other assurance services	103,617	10,000	–	–
Other assurance services for DCSF	1,882	–	1,882	–
Total remuneration for audit services	511,719	330,829	47,566	36,961
(b) Taxation services				
PricewaterhouseCoopers – Australian Firm				
Taxation services	135,370	57,222	34,520	1,132
PricewaterhouseCoopers – New Zealand Firm				
Taxation services for DCSF	13,164	17,006	13,164	17,006
PricewaterhouseCoopers – United States Firm				
Taxation services	78,846	–	–	–
Total remuneration for taxation services	227,380	74,228	47,684	18,138
(c) Advisory services				
PricewaterhouseCoopers – Australian Firm				
Sustainability	–	76,698	–	–
Accounting advice	36,990	53,252	–	–
Total remuneration for advisory services	36,990	129,950	–	–

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

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2019 \$'m	2018 \$'m	2019 \$'m	2018 \$'m
Profit after tax for the year	236.8	251.2	145.8	176.2
<i>Non-cash items:</i>				
Amortisation and impairment of intangibles	4.1	2.7	–	–
Reversal of impairment of joint ventures	–	(7.3)	–	–
Depreciation and amortisation	5.7	4.6	1.0	0.3
Non-cash security-based benefits expense	6.9	1.8	–	–
Net gain on sale of investments, property and derivatives	(2.7)	–	(3.7)	–
Fair value adjustments	(0.2)	(0.8)	(0.2)	(0.8)
Straightlining of rental income	–	(0.3)	–	(0.3)
Unrealised net loss on derivative financial instruments	7.6	0.3	7.6	0.3
Foreign exchange movements	0.2	–	0.2	–
<i>Change in assets and liabilities, net of effects from purchase of controlled entity:</i>				
Increase in trade debtors and other receivables	(61.9)	(3.8)	(12.3)	(3.5)
Increase/(decrease) in trade creditors and accruals	37.8	3.0	11.0	(0.8)
Share of net profits from equity accounted investments in associates and joint ventures	36.2	81.1	40.8	74.6
Increase in net deferred income tax	(4.2)	(3.0)	–	–
Net cash inflow from operating activities	193.9	167.3	108.6	96.8

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

23 Capital and financial risk management

(a) Capital risk management

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

(b) Financial risk management

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

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

(i) Market risk

Unlisted unit price risk

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

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23 Capital and financial risk management continued

(b) Financial risk management continued

(i) Market risk continued

Unlisted unit price risk continued

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

	Carrying amount \$'m	10% Impact on Profit and Equity \$'m
Charter Hall Group		
2019		
<i>Assets – Charter Hall Group</i>		
Investments in associates at fair value through profit or loss	26.0	2.6
Investments in joint ventures at fair value through profit or loss	47.6	4.8
2018		
<i>Assets – Charter Hall Group</i>		
Investments in associates at fair value through profit or loss	32.4	3.2
Charter Hall Property Trust Group		
2019		
<i>Assets – Charter Hall Property Trust Group</i>		
Investments in associates at fair value through profit or loss	26.0	2.6
Investments in joint ventures at fair value through profit or loss	47.6	4.8
2018		
<i>Assets – Charter Hall Property Trust Group</i>		
Investments in associates at fair value through profit or loss	32.4	3.2

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

Cash flow and fair value interest rate risk

The Group has long-term interest-bearing assets from unsecured loans receivable to development partners of \$22.6 million. This exposure is not considered to be material to the Group.

CHPT has a loan receivable from Charter Hall Limited which is an unsecured stapled loan maturing on 30 June 2021 with interest charged on an arm's length basis. Refer to Note 25(e) for further details.

The Group's and CHPT's external interest rate risk arises from the debt facilities disclosed in Note 16. Borrowings drawn at variable rates expose both the Group and CHPT to cash flow interest rate risk. Borrowings drawn at fixed rates expose both the Group and CHPT to fair value interest rate risk. The Group's and CHPT's policy is to mitigate interest rate risk by ensuring that interest rates on core borrowings for the anticipated debt term match the use of those funds. Core borrowings are defined as being the level of borrowings that are expected to be held for a period of more than two years.

(ii) Interest rate risk exposure

The Group's and CHPT's external interest rate risk arises from the debt facilities disclosed in Note 16 bearing a variable interest rate.

In addition, CHPT's exposure arises from an unsecured stapled loan maturing on 30 June 2021 receivable from Charter Hall Limited bearing a variable interest rate.

Interest rate sensitivity analysis

The following tables illustrate the potential impact a change in interest rates of +/-1% would have on the Group and CHPT's profit and equity, resulting from changes in Australian interest rates applicable at 30 June 2019, with all other variables remaining constant.

	Effective interest rate	Fair value \$'m	Carrying amount \$'m	1% Impact on Profit and Equity \$'m
Charter Hall Group				
2019				
<i>Financial assets</i>				
Cash and cash equivalents	1.8%	113.9	113.9	1.1
<i>Financial liabilities</i>				
Borrowings	3.9%	300.5	300.5	1.8
Total increase/(decrease)				2.9
2018				
<i>Financial assets</i>				
Cash and cash equivalents	1.8%	94.9	94.9	0.9
<i>Financial liabilities</i>				
Borrowings	4.7%	5.4	5.4	(0.1)
Total increase/(decrease)				0.8
Charter Hall Property Trust Group				
2019				
<i>Financial assets</i>				
Cash and cash equivalents	1.8%	50.0	50.0	0.5
Loan receivable from Charter Hall Ltd	7.7%	42.1	42.1	0.4
<i>Financial liabilities</i>				
Borrowings	4.7%	300.5	300.5	1.8
Total increase/(decrease)				2.7
2018				
<i>Financial assets</i>				
Cash and cash equivalents	1.8%	32.8	32.8	0.3
<i>Financial liabilities</i>				
Loan payable to Charter Hall Ltd	7.8%	17.7	17.7	(0.2)
Borrowings	4.7%	5.4	5.4	(0.1)
Total increase/(decrease)				-

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

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

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

(iii) Foreign exchange risk

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

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23 Capital and financial risk management continued

(b) Financial risk management continued

(iv) Hedge accounting of derivatives

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. See Note 17 for derivatives held by the Group.

The Group's accounting policy for its fair value and cash flow hedges is set out in Note 34(a).

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

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

Hedging instruments used by the Group

Cross currency interest rate swaps currently in place cover 100% (2018: 100%) of the foreign denominated debt outstanding. The payable variable AUD interest rates of the swaps are 2.0% (2018: 2.0%) above the 90-day bank bill swap rate which at the end of the reporting period was 1.2% (2018: 2.1%) and the receivable USD fixed rates of the loans are 4.6% (2018: 4.6%).

Interest rate swaps currently in place cover 43.2% (2018: n/a) of debt outstanding (including debt hedged into AUD). The payable fixed AUD interest rate of the swaps currently in place are 2.1% (2018: n/a) and the receivable is the 90-day bank bill swap rate.

See Note 16(a) for further details of swaps held by the Group.

Effects of hedge accounting on the financial position and performance

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

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2019	2018	2019	2018
Cross currency interest rate swaps				
Carrying amount	40.3	(1.4)	40.3	(1.4)
Notional amount	231.5	231.5	231.5	231.5
Maturity date	August-2028	August-2028	August-2028	August-2028
Hedge ratio	1:1	1:1	1:1	1:1
Change in fair value of outstanding hedging instruments since 1 July	41.7	(1.4)	41.7	(1.4)
Change in value of hedged item used to determine hedge effectiveness	(38.8)	2.2	(38.8)	2.2

(c) Credit risk

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

The Group derives 58.6% of its income from management fees, transaction and other fees from related parties. A further 28.3% of the Group's income is derived from equity accounted investments in property funds and distributions from investments in property funds held at fair value through the profit and loss. The balance relates to interest income and gross rental income.

CHPT derives 78.2% of its income from equity accounted investments in property funds and distributions from investments in property funds held at fair value through profit and loss.

Where appropriate, tenants in the underlying property funds for the Group and CHPT are assessed for creditworthiness, taking into account their financial position, past experience and other factors. Refer to Note 9(c) for more information on credit risk.

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

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

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

(d) Liquidity risk

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

Maturities of financial liabilities

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

23 Capital and financial risk management continued

(d) Liquidity risk continued

	Carrying amount \$'m	Less than one year \$'m	Between one and five years \$'m	Over five years \$'m	Total cash flows \$'m
Charter Hall Group					
2019					
Trade and other payables	142.6	136.7	2.1	3.8	142.6
Borrowings	308.0	7.5	32.3	268.2	308.0
Derivative financial instruments					
Net contractual amounts payable/(receivable)	6.1	2.2	8.2	–	10.4
Total financial liabilities	456.7	146.4	42.6	272.0	461.0
2018					
Trade and other payables	121.1	114.2	2.3	4.6	121.1
Borrowings	5.4	–	5.4	–	5.4
Derivative financial instruments					
Net contractual amounts payable/(receivable)	1.4	6.4	(2.9)	5.2	8.7
Total financial liabilities	127.9	120.6	4.8	9.8	135.2
Charter Hall Property Trust Group					
2019					
Trade and other payables	55.7	55.7	–	–	55.7
Borrowings	300.5	–	32.3	268.2	300.5
Derivative financial instruments					
Net contractual amounts payable/(receivable)	6.1	2.2	8.2	–	10.4
Total financial liabilities	362.3	57.9	40.5	268.2	366.6
2018					
Trade and other payables	68.3	50.6	–	–	50.6
Borrowings	5.4	–	5.4	–	5.4
Derivative financial instruments					
Net contractual amounts payable/(receivable)	1.4	6.4	(2.9)	5.2	8.7
Total financial liabilities	75.1	57.0	2.5	5.2	64.7

Offsetting financial assets and liabilities

The Group is a party to the master agreement as published by International Swaps and Derivative Associates, Inc. (ISDA) which allows the Group's counterparties, under certain conditions (i.e. event of default), to set off the position owing/receivable under a derivative contract to a net position outstanding. As at 30 June 2019, there was a gross liability position of \$nil (2018: \$1.4 million) with no amounts subject to offset.

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

24 Fair value measurement

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

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

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

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

(a) Recognised fair value measurement

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

- Investments in associates at fair value through profit and loss (Note 2).
- Investments in joint ventures at fair value through profit and loss (Note 3).
- Investment properties (Note 11).
- Derivatives (Note 17).

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

24 Fair value measurement continued

(a) Recognised fair value measurement continued

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

	Level 1 \$'m	Level 2 \$'m	Level 3 \$'m	Total \$'m
Charter Hall Group				
2019				
Investments in joint ventures at fair value through profit and loss	47.6	–	–	47.6
Investments in associates at fair value through profit and loss	–	–	26.0	26.0
Investment properties	–	–	118.5	118.5
Derivative financial instruments	–	40.3	–	40.3
Total assets	47.6	40.3	144.5	232.4
Derivative financial instruments	–	(6.1)	–	(6.1)
Total liabilities	–	(6.1)	–	(6.1)
2018				
Investments in associates at fair value through profit and loss	–	–	32.4	32.4
Investment properties	–	–	63.4	63.4
Total assets	–	–	95.8	95.8
Derivative financial instruments	–	(1.4)	–	(1.4)
Total liabilities	–	(1.4)	–	(1.4)
Charter Hall Property Trust Group				
2019				
Investments in joint ventures at fair value through profit and loss	47.6	–	–	47.6
Investments in associates at fair value through profit and loss	–	–	26.0	26.0
Investment properties	–	–	118.5	118.5
Derivative financial instruments	–	40.3	–	40.3
Total assets	47.6	40.3	144.5	232.4
Derivative financial instruments	–	(6.1)	–	(6.1)
Total liabilities	–	(6.1)	–	(6.1)
2018				
Investments in associates at fair value through profit and loss	–	–	32.4	32.4
Investment properties	–	–	63.4	63.4
Total assets	–	–	95.8	95.8
Derivative financial instruments	–	(1.4)	–	(1.4)
Total liabilities	–	(1.4)	–	(1.4)

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

(b) Disclosed fair values

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

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

Derivatives

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

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

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

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

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

Investments in associates

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

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

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

Investment property

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

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

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

The table below identifies the inputs, which are not based on observable market data, used to measure the fair value (Level 3) of the investment properties:

	Fair value \$'m	Adopted capitalisation rate (% p.a.)	Adopted terminal yield (% p.a.)	Adopted discount rate \$'m
2019	118.5	5.3–7.3	5.3–9.5	6.8–8.5
2018	63.4	6.0–7.8	6.3–9.9	6.8–9.5

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

25 Related parties

(a) Parent entity

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

(b) Controlled entities

Interests in controlled entities are set out in Note 26.

(c) Key management personnel

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

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Salary and fees	3,051	4,564	–	–
Non-Executive Director remuneration	1,270	1,121	–	–
Short-term incentives	3,828	4,391	–	–
Superannuation	62	110	–	–
Value of securities vested	1,654	1,204	–	–
Non-monetary benefits	5	11	–	–
Termination benefits	–	417	–	–
	9,870	11,818	–	–

Detailed remuneration disclosures are provided in the Remuneration Report on pages 35 to 50.

(d) Transactions with related parties

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

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<i>Associates</i>				
Accounting cost recoveries	8,527	8,043	–	–
Marketing cost recoveries	2,192	2,281	–	–
Transaction and performance fees	76,922	41,011	–	–
Management and development fees	102,263	84,312	–	–
Property management fees and cost recoveries	60,956	49,068	–	–
<i>Joint ventures</i>				
Accounting cost recoveries	495	676	–	–
Marketing cost recoveries	123	210	–	–
Transaction and performance fees	4,341	7,280	–	–
Management and development fees	11,167	10,241	–	–
Property management fees and cost recoveries	5,950	6,444	–	–
<i>Other</i>				
Accounting cost recoveries	2,006	1,680	–	–
Marketing cost recoveries	115	98	–	–
Transaction and performance fees	15,187	7,977	–	–
Management and development fees	16,205	12,512	–	–
Property management fees and cost recoveries	2,646	2,813	–	–
Investment-related revenue	–	–	9,695	11,599
	309,095	234,646	9,695	11,599

In June 2019, the Group sold inventory held on balance sheet to BP Fund 2, a joint venture, for consideration of \$38.9 million, settled by the issuance of a loan from the Group to BP Fund 2 for the same amount at a 6% p.a. coupon for up to 364 days.

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

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<i>Associates</i>				
Management fee receivables	10,582	8,535	–	–
Other receivables	64,417	11,570	–	–
<i>Joint ventures</i>				
Management fee receivables	491	636	–	–
Other receivables	3,156	3,067	–	–
<i>Other</i>				
Management fee receivables	1,579	924	–	–
Other receivables	3,387	1,301	–	–
	83,612	26,033	–	–

(e) Loans to/(from) related parties

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<i>Loans to joint ventures</i>				
Opening balances	25,800	8,500	16,300	–
Loan balances from acquisition of Folkestone	8,954	–	–	–
Loans advanced	39,203	17,800	38,900	16,300
Loan repayments received	(26,550)	(500)	(16,300)	–
Interest received/receivable	156	–	19	–
Closing balance	47,563	25,800	38,919	16,300
<i>Loans from joint ventures</i>				
Opening balances	–	–	–	–
Loans advanced	3,647	–	–	–
Closing balance	3,647	–	–	–
<i>Loans to other related parties</i>				
Opening balances	–	750	–	750
Loan balances from acquisition of Folkestone	21,010	–	–	–
Loans advanced	321	–	–	–
Loan repayments received	(8,339)	(750)	–	(750)
Interest received/receivable	981	–	–	–
Closing balance	13,973	–	–	–
<i>Loans from other related parties</i>				
Opening balances	–	–	–	–
Loans advanced	3,852	–	–	–
Closing balance	3,852	–	–	–
<i>Loans to/(from) Charter Hall Limited</i>				
Opening balances	–	–	(17,686)	73,175
Loans advanced	–	–	457,963	163,688
Loan repayments received	–	–	(411,488)	(256,952)
Interest received/receivable	–	–	14,372	2,403
Closing balance	–	–	43,161	(17,686)

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

The loan to/(from) CHL comprises an unsecured stapled loan maturing on 30 June 2021. Interest is charged on an arm's length basis which, at 30 June 2019, amounted to a weighted average rate of 7.7% (2018: 8.3%).

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For the year ended 30 June 2019

25 Related parties continued

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

Fees paid to the Responsible Entity of the Charter Hall Property Trust, and its associates, by the Charter Hall Property Trust Group amounted to \$2,723,000 (2018: \$1,917,000). At 30 June 2019, related fees payable amounted to \$1,081,000 (2018: \$471,000).

26 Controlled entities

(a) Critical judgements

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

(b) Principal controlled entities of the Charter Hall Group

The Group's principal subsidiaries where the majority of activities are undertaken as at 30 June 2019 are set out below. The country of incorporation or registration is also their principal place of business, unless otherwise stated.

Name of entity	Country of incorporation	Principal activity	Class of securities	2019 %	2018 %
Controlled entities of Charter Hall Limited					
Charter Hall Holdings Pty Limited	Australia	Property management	Ordinary	100	100
Charter Hall Opportunity Fund No. 5	Australia	Property development	Ordinary	93	93
Folkestone Limited	Australia	Property management	Ordinary	100	–
Controlled entities of Charter Hall Holdings Pty Ltd					
Charter Hall Direct Property Management Limited	Australia	Responsible entity	Ordinary	100	100
Charter Hall Funds Management Limited	Australia	Responsible entity	Ordinary	100	100
Charter Hall Investment Management Limited	Australia	Responsible entity	Ordinary	100	100
Charter Hall Retail Management Limited	Australia	Responsible entity	Ordinary	100	100
Charter Hall WALE Limited	Australia	Responsible entity	Ordinary	100	100
Charter Hall Wholesale Management Limited	Australia	Responsible entity	Ordinary	100	100
Controlled entities of Charter Hall Property Trust					
Charter Hall Co-Investment Trust	Australia	Property investment	Ordinary	100	100
Charter Hall Co-Investment Trust 2	Australia	Property investment	Ordinary	100	–
Charter Hall Co-Investment Trust 3	Australia	Property investment	Ordinary	100	–
Charter Hall Direct Diversified Consumer Staples Fund	Australia	Property investment	Ordinary	42	61
CHPT RP2 Trust	Australia	Property investment	Ordinary	100	100

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

Name of entity	Country of incorporation	Principal activity	Class of securities	2019 %	2018 %
Controlled entities of Charter Hall Property Trust					
Charter Hall Co-Investment Trust	Australia	Property investment	Ordinary	100	100
Charter Hall Co-Investment Trust 2	Australia	Property investment	Ordinary	100	–
Charter Hall Co-Investment Trust 3	Australia	Property investment	Ordinary	100	–
Charter Hall Direct Diversified Consumer Staples Fund	Australia	Property investment	Ordinary	42	61
CHPT RP2 Trust	Australia	Property investment	Ordinary	100	100

27 Interests in unconsolidated structured entities

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

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

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

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2019 \$'m	2018 \$'m	2019 \$'m	2018 \$'m
<i>Current assets</i>				
Trade receivables	7.4	1.1	0.2	–
Distributions receivable	31.8	41.0	30.8	27.4
Loans to associates and joint ventures	38.9	25.8	–	–
Assets classified as held for sale	–	17.7	–	–
Total current assets	78.1	85.6	31.0	27.4
<i>Non-current assets</i>				
Loans to related parties	22.6	–	–	–
Investments in associates at fair value through profit or loss	73.6	32.4	73.6	32.4
Investments accounted for using the equity method	1,754.3	1,617.2	1,681.3	1,543.2
Total non-current assets	1,850.5	1,649.6	1,754.9	1,575.6
Total carrying amount of interests in unconsolidated structured entities	1,928.6	1,735.2	1,785.9	1,603.0
Total funds under management in unconsolidated structured entities	30,425.6	21,457.2	29,808.0	21,457.2

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

During the year, the Charter Hall Group earned fees from structured entities in its capacity as investment manager. Refer to Note 25 for further information.

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

28 Commitments

(a) Lease commitments – Group as lessee

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2019 \$'m	2018 \$'m	2019 \$'m	2018 \$'m
Due within one year	4.8	4.1	–	–
Due between one and five years	15.0	15.0	–	–
Over five years	1.0	2.4	–	–
	20.8	21.5	–	–

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

28 Commitments continued

(b) Contractual commitments

At 30 June 2019 the Group had no contractual commitments. At 30 June 2018 the Group had committed to issue US\$175 million (A\$231.5 million) of bond notes, the notes; were issued in August 2018. Refer to Note 16 for details.

(c) Capital commitments

Charter Hall Group

The Group has capital expenditure and a funding guarantee contracted for at the reporting date but not recognised as liabilities of \$44.0 million relating to a development joint venture.

The Group had no contracted commitments as at 30 June 2018.

Charter Hall Property Trust Group

The Trust Group had no contracted capital commitments as at 30 June 2019 (2018: \$nil).

29 Contingent liabilities

In relation to a development agreement, there are a number of conditions that, should they arise, require the Group to purchase land at a pre-determined minimum price of \$20.0 million (2018: \$nil).

30 Security-based benefits expense

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

Charter Hall Group and Charter Hall Property Trust Group	2016 Number	2017 Number	2018 Number	2019 Number	Total Number
Performance rights					
Rights issued 30/11/15	1,085,276	–	–	–	1,085,276
Rights issued 25/11/16	–	998,453	–	–	998,453
Rights issued 23/11/17	–	–	871,739	–	871,739
Rights issued 28/11/18	–	–	–	1,015,843	1,015,843
Performance rights issued	1,085,276	998,453	871,739	1,015,843	3,971,311
Number of rights forfeited/lapsed					
Prior years	(227,538)	(180,089)	(28,262)	–	(435,889)
Current year	–	(20,786)	(18,546)	–	(39,332)
Number of rights vested					
Current year	(857,738)	–	–	–	(857,738)
Closing balance	–	797,578	824,931	1,015,843	2,638,352
Service rights					
Rights issued 25/11/16	–	344,548	–	–	344,548
Rights issued 23/11/17	–	–	353,091	–	353,091
Rights issued 28/11/18	–	–	–	1,748,977	1,748,977
Service rights issued	–	344,548	353,091	1,748,977	2,446,616
Number of rights forfeited/lapsed					
Prior years	–	(16,616)	–	–	(16,616)
Current year	–	–	(5,964)	–	(5,964)
Number of rights vested					
Prior years	–	(193,494)	–	–	(193,494)
Current year	–	(134,438)	(129,313)	–	(263,751)
Closing balance	–	–	217,814	1,748,977	1,966,791

(b) PROP expense

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

	CHARTER HALL GROUP		CHARTER HALL PROPERTY TRUST GROUP	
	2019 \$'m	2018 \$'m	2019 \$'m	2018 \$'m
Performance rights and option plan	6.8	1.7	–	–

(c) Option inputs

The Black-Scholes or Monte Carlo method, as applicable, is utilised for valuation and accounting purposes. The model inputs to assess the fair value of the PROP rights granted during FY2019 are as follows:

	CHC Performance rights	CHC Service rights – Deferred STI	CHC Service rights – Deferred	CHC Service rights – Sign-on	CQR Service rights – Deferred STI
Grant date	28/11/2018	28/11/2018	28/11/2018	28/11/2018	28/11/2018
Stapled security price at grant date ¹	\$7.08	\$7.08	\$7.08	\$7.08	\$4.55
Fair value of right	\$5.09	\$6.69	\$6.84	\$6.53	\$4.21
Expected volatility ²	18.2%	16.6%	16.5%	17.4%	14.0%
Dividend yield	4.5%	4.5%	4.5%	4.5%	6.2%
Risk-free interest rate	2.1%	2.1%	2.1%	2.1%	2.1%

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

² Expected volatility takes into account historical market price volatility.

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

During the year, eligible employees received up to \$1,000 (2018: \$1,000) in stapled securities which vested immediately on issue but are held in trust until the earlier of the completion of three years' service or termination. An expense of \$406,000 (2018: \$371,000) was recognised in relation to this plan during the year. For the GESB, the cost of the stapled securities bought on-market to settle the award liability is included in employee benefits expense.

(e) Accounting policy**Security-based benefits**

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

31 Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity of the Charter Hall Group, being Charter Hall Limited, and the parent entity of the Charter Hall Property Trust Group, being the Charter Hall Property Trust, have been prepared on the same basis as the Group's financial statements:

	CHARTER HALL LIMITED		CHARTER HALL PROPERTY TRUST	
	2019 \$'m	2018 \$'m	2019 \$'m	2018 \$'m
Balance sheet				
Current assets	105.1	139.2	37.3	8.8
Total assets	90.8	151.1	1,711.6	1,297.6
Current liabilities	41.2	45.7	74.0	48.0
Total liabilities	41.2	66.6	306.1	51.4
<i>Shareholders' equity</i>				
Issued capital	286.7	285.7	1,448.5	1,453.5
Other reserves	(53.6)	(53.6)	2.3	1.2
Accumulated losses	(183.5)	(147.6)	(45.3)	(208.5)
Net equity	49.6	84.5	1,405.5	1,246.2
Profit for the year	32.6	68.0	251.7	50.7
Total comprehensive income for the year	32.6	68.0	251.7	50.7

Notwithstanding the net current liability, Charter Hall Property Trust has total net assets of \$1.4 billion and liquidity through the inter-staple loan with Charter Hall Limited.

(b) Contingent liabilities of the parent entity

Charter Hall Limited and Charter Hall Property Trust had no contingent liabilities as at 30 June 2019 (2018: \$nil) other than the bank guarantees provided for under the bank facility held by Charter Hall Property Trust (refer to Note 16(a)).

(c) Contractual commitments

As at 30 June 2019, Charter Hall Limited had no contractual commitments (2018: \$nil).

As at 30 June 2019, Charter Hall Property Trust had no contractual commitments. As at 30 June 2018, Charter Hall Property Trust was committed to issue US\$175 million (A\$231.5 million) of bond notes as disclosed in Note 28.

32 Deed of cross guarantee

Charter Hall Group

Charter Hall Limited (CHL) and its wholly owned subsidiaries, Charter Hall Holdings Pty Ltd (CHH) and Folkestone Limited (FLK), are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, CHH and FLK have been relieved from the requirement to prepare financial statements and a Directors' report under ASIC Instrument 2016/785 issued by the Australian Securities and Investments Commission. FLK was added by assumption deed to the deed of cross guarantee from 3 May 2019.

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

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

Set out as follows is a consolidated statement of comprehensive income and a summary of movements in consolidated accumulated losses for the year of the closed group consisting of CHL, CHH and FLK.

	2019 \$'000	2018 \$'000
Statement of comprehensive income		
Revenue	295.9	233.0
Net gain on sale of investments	43.4	–
Employee benefits expense	(136.0)	(110.9)
Depreciation and amortisation	(7.4)	(6.2)
Finance costs	(17.3)	(6.6)
Share of net profit of associates accounted for using the equity method	5.3	3.5
Other expenses	(44.1)	(16.5)
Profit before income tax	139.8	96.3
Income tax expense	(29.8)	(24.6)
Profit for the year	110.0	71.7
Equity accounted fair value movements	4.0	–
Other comprehensive income for the year	4.0	–
Accumulated losses at the beginning of the financial year	(47.6)	(64.8)
Profit for the year	110.0	71.7
Dividends paid/payable	(68.5)	(54.5)
Accumulated losses at the end of the financial year	(6.1)	(47.6)

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

32 Deed of cross guarantee continued

(b) Balance sheet

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

	2019 \$'m	2018 \$'m
Assets		
<i>Current assets</i>		
Cash and cash equivalents	52.0	60.6
Receivables and other assets	97.4	61.6
Assets classified as held for sale	–	17.7
Total current assets	149.4	139.9
<i>Non-current assets</i>		
Receivables and other assets	55.7	2.4
Inventory	1.8	–
Loans due from Charter Hall Property Trust	–	17.7
Investment in associates at fair value through profit or loss	15.1	15.1
Investments in controlled entities	182.4	95.3
Property, plant and equipment	22.1	20.9
Intangible assets	76.0	62.7
Total non-current assets	353.1	214.1
Total assets	502.5	354.0
Liabilities		
<i>Current liabilities</i>		
Trade and other liabilities	91.1	88.0
Total current liabilities	91.1	88.0
<i>Non-current liabilities</i>		
Trade and other liabilities	5.9	6.9
Loans due to Charter Hall Property Trust	42.1	–
Investments in controlled entities	12.6	–
Net loans due to related entities	77.2	60.0
Deferred tax liabilities	23.5	6.0
Total non-current liabilities	161.3	72.9
Total liabilities	252.4	160.9
Net assets	250.1	193.1
Equity		
Contributed equity	286.7	285.7
Reserves	(30.5)	(45.0)
Accumulated losses	(6.1)	(47.6)
Total equity	250.1	193.1

33 Events occurring after the reporting date

The following events have occurred subsequent to 30 June 2019:

- The Group entered into a partnership agreement to acquire a 16.8% share of the Charter Hall platform's acquisition of 100% of the freehold interest in 242 Exhibition Street, Melbourne. The Group's total investment on settlement in the first half of FY20 is expected to be \$68.5 million.
- In August 2019, two of Charter Hall's managed wholesale trusts, in partnership with GIC, acquired the leasehold of Chifley Tower, 2 Chifley Square, Sydney. Charter Hall will assume the asset, property and development management of 100% of the Tower, increasing the Group's funds under management (FUM) by approximately \$1.8 billion.
- In August 2019, a partnership created by Charter Hall comprising its managed Long WALE REIT (ASX: CLW), a domestic super fund and the Group acquired a 49% stake in a Property Trust created to own a \$1.4 billion portfolio of Telstra Exchanges leased to Telstra Corporation (ASX: TLS) on long term leases with an average initial lease term (WALE) of 21 years plus multiple options, with annual CPI +0.5% rent reviews. The Charter Hall managed partnership's 49% stake has a value of \$700 million and Charter Hall will invest 21.8% or \$76 million of equity in the partnership.

Except for the matters discussed above, no other matter or circumstance has arisen since 30 June 2019 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.

34 Summary of significant accounting policies

The significant policies which have been adopted in the preparation of these consolidated financial statements for the year ended 30 June 2019 are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

Changes in accounting policies

The Group adopted AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* from 1 July 2018. The adoption of these standards has no material impact on the Group's financial position or results and no retrospective adjustments were required. The impact of these new standards and revised policies are described below.

(a) AASB 9 *Financial Instruments*

The Group has adopted AASB 9 from 1 July 2018, which resulted in changes to accounting policies but no adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in AASB 9, the Group has applied AASB 9 retrospectively but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policies. These policies can be found in the Group's Financial Statements for the year ended 30 June 2018, available on the ASX's or the Group's websites: www.charterhall.com.au.

AASB 9 replaces the provisions of AASB 139 *Financial Instruments: Recognition and Measurement* that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. AASB 9 also significantly amends other standards dealing with financial instruments such as AASB 7 *Financial Instruments: Disclosures*.

Classification and measurement

On 1 July 2018, the Group assessed the business models which apply to its financial assets at the date of initial application of AASB 9 and has classified its financial instruments accordingly. No changes to valuations were applied on application of AASB 9 as the affected assets were measured at amortised cost at under AASB 139 and will continue to be measured at amortised cost under AASB 9.

Impairment of financial assets

The Group has the following types of financial assets which are subject to AASB 9's new expected credit loss model:

- Trade receivables and contract assets for services provided; and
- Related party balances outstanding, including convertible bonds.

The Group has revised its impairment methodology to be consistent with the requirements of AASB 9. The Group considers its financial asset balances, which are all held at amortised cost, to be low risk and thus the methodology has not resulted in the recognition of an impairment of any financial assets.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

34 Summary of significant accounting policies

continued

Accounting policies

(i) Trade and other receivables

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

(ii) Other financial assets

Classification

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

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

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

Measurement

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

Debt instruments

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

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

(iii) Impairment

Trade receivables

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

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

Debt instruments

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

(iv) Derivatives and hedge accounting

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

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

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

The Group's derivatives in place as at 30 June 2018 qualified as fair value and cash flow hedges under AASB 9. The Group's risk management strategies and hedge documentation are aligned with the requirements of AASB 9 and these relationships are therefore treated as continuing hedges.

Fair value hedges that qualify for hedge accounting

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

Cash flow hedges that qualify for hedge accounting

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

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

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

(b) AASB 15 Revenue from Contracts with Customers

The Group adopted AASB 15 from 1 July 2018, which resulted in changes in accounting policies as outlined below, but no material impact on the Group's financial position or results. The Group adopted the simplified transition approach under which no retrospective adjustments were required. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policies. These policies can be found in the Group's Financial Statements for the year ended 30 June 2018, available on the ASX's or the Group's websites: www.charterhall.com.au.

Accounting policies

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

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

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

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

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

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

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

Investment Management revenue

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

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

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

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

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

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

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

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

Property Services revenue

Property services primarily include property management, development management, leasing, facilities and project management. Revenue is recognised either over time or at a point in time depending on the terms of the specific agreement for each type of service. Invoicing of funds for property services fees occurs on a monthly or quarterly basis and are receivable within 21 days.

Recovery of property and fund-related expenses revenue

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

34 Summary of significant accounting policies *continued*

(b) AASB 15 Revenue from Contracts with Customers *continued*

Development revenue

Revenue from the sale of inventory is recognised when control has been transferred to the customer. Where inventory has been recognised in relation to the enhancement of an asset controlled by the customer, revenue from the sale of that inventory is recognised over time. Revenue is calculated by reference to the total consideration expected to be received in exchange for fulfilling the performance obligations under the contract. Any variable consideration is constrained to the amount that is highly probable to not significantly reverse. Revenue is recognised based on the most appropriate method that depicts the transfer of goods and services to the customer, generally the 'cost to cost' method.

Proceeds from the sale of inventory is invoiced and receivable in accordance with the relevant terms of the contract.

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

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 30 June 2019 but are available for early adoption. The impact of these new standards and interpretations (to the extent relevant to the Group) is set out below:

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

The standard affects the recognition, measurement, presentation and disclosure of the Group's current leases as lessee. The standard removes the current distinction between operating and financing leases and requires recognition of a right-of-use asset along with a lease liability in the Consolidated Balance Sheet. The Consolidated Statements of Comprehensive Income will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics such as Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) will change.

The Group will adopt the standard in the financial year beginning 1 July 2019, applying the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. The Group estimates recognition of lease liabilities of \$12.5 million and right-of-use assets to be \$9.8 million. Overall, the net decrease to opening retained earnings on 1 July 2019 will be \$2.7 million.

Significant accounting policies

(d) Controlled entities

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

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

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

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

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

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

Group references in accounting policies

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

Compliance with IFRS

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

Historical cost convention

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

- investments in associates and joint ventures at fair value through profit or loss – measured at fair value;
- investments in financial assets held at fair value – measured at fair value; and
- derivative financial instruments.

(e) Principles of consolidation

(i) Controlled entities

The consolidated financial statements of the Charter Hall Group and the Charter Hall Property Trust Group incorporate the assets and liabilities of all controlled entities as at 30 June 2019 and their results for the year then ended.

The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Controlled entities are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

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

(ii) Investments in associates

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

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

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

(iii) Joint arrangements

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

Joint operations

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

Joint ventures

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

34 Summary of significant accounting policies continued

(e) Principles of consolidation continued

(iv) Changes in ownership interests

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

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

(f) Foreign currency translation

(i) Functional and presentation currencies

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

(ii) Transactions and balances

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

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

(iii) Foreign currency translation

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

(g) Employee benefits

(i) Wages and salaries and annual leave

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

(ii) Long service leave

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

(iii) Retirement benefit obligations

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

(iv) Bonus plans

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

(v) Termination benefits

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

- when the Group can no longer withdraw the offer of those benefits; and
- when the entity recognises costs for a restructuring that is within the scope of AASB 137 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(h) Inventories

Work in progress and finished goods are stated at the lower of cost and net realisable value; this includes the costs of acquisition, development and other holding costs such as capitalised interest and tax.

(i) Investment properties

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

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

At each balance date, the fair values of the investment properties are assessed by the Responsible Entity with reference to independent valuation reports or through appropriate valuation techniques adopted by the Responsible Entity. Specific circumstances of the owner are not taken into account. Further information relating to valuation techniques can be found in Note 24(d).

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

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

(j) Plant and equipment

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

(k) Impairment of non-monetary assets

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

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

(l) Business combinations

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

34 Summary of significant accounting policies continued

(l) Business combinations continued

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

(m) Borrowings

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

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

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

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

Borrowing costs

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

(n) Provisions

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

(o) Comparative information

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

(p) Rounding of amounts

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

Directors' Declaration to Securityholders

For the year ended 30 June 2019

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

- (a) the financial statements and notes of Charter Hall Limited and its controlled entities including Charter Hall Property Trust and its controlled entities (Charter Hall Group) and Charter Hall Property Trust and its controlled entities (Charter Hall Property Trust Group) set out on pages 54 to 110 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of Charter Hall Group's and Charter Hall Property Trust Group's financial positions as at 30 June 2019 and of their performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that both Charter Hall Limited and the Charter Hall Property Trust will be able to pay their debts as and when they become due and payable; and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in Note 32 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 32.

Note 34(d) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

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



David Clarke
Chairman

Sydney
20 August 2019

Independent Auditor's Report

For the year ended 30 June 2019



Independent auditor's report

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

Report on the audit of the financial reports

Our opinion

In our opinion:

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

- (a) giving a true and fair view of Charter Hall Group's and Charter Hall Property Trust Group's financial positions as at 30 June 2019 and of their financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

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

- the consolidated balance sheets as at 30 June 2019
- the consolidated statements of comprehensive income for the year then ended
- the consolidated statement of changes in equity – Charter Hall Group for the year then ended
- the consolidated statement of changes in equity – Charter Hall Property Trust Group for the year then ended
- the consolidated cash flow statements for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration to securityholders.

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

Basis for opinion

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

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

PricewaterhouseCoopers, ABN 52 780 433 757

One International Towers Sydney, Watermans Quay, Barangaroo, 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.



Independence

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

Our audit approach

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

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



Materiality

For the purpose of our audit of Charter Hall Group we used overall materiality of \$11.06 million, which represents approximately 5% of Charter Hall Group's operating earnings.

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

Independent Auditor's Report

For the year ended 30 June 2019



Audit scope

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p>Investments accounted for using the equity method (Refer to note 2 and 3)</p> <p>Charter Hall Group and Charter Hall Property Trust Group invest in certain underlying funds managed by Charter Hall Group. These funds comprise listed and unlisted funds which invest across a range of office, industrial, retail and diversified property portfolios.</p> <p>These investments are typically classified as Associates or Joint Ventures as the investor is considered to have significant influence or joint control.</p> <p>Investments in Associates and Joint Ventures contribute a significant proportion of total income and total assets. Given the significance of these investments to the results and consolidated balance sheets of Charter Hall Group and Charter Hall Property Trust Group, we consider this to be a key audit matter. These investments are presented in the Consolidated Statements of Comprehensive Income and Consolidated Balance Sheets respectively as follows:</p> <ul style="list-style-type: none"> • Share of net profit of investments accounted 	<p>To assess the carrying amount of investments accounted for using the equity method our audit included the following procedures, amongst others:</p> <ul style="list-style-type: none"> • Updating our understanding of market conditions relating to the investments and discussing with management the particular circumstances affecting the investments where required • For financially significant components we instructed component auditors to perform a full scope audit of the financial results of the component and, amongst other things, we: <ul style="list-style-type: none"> ○ Met with component auditors to update our understanding of the components and their environments ○ Reviewed, through inquiry, the component auditors overall audit strategy and plan ○ Considered the results of the component auditor's work including



Key audit matter	How our audit addressed the key audit matter
<p><i>for using the equity method</i> (Charter Hall Group \$146.2 million and Charter Hall Property Trust Group \$128.8 million)</p> <ul style="list-style-type: none"> • <i>Investments accounted for using the equity method</i> (Charter Hall Group \$1,754.3 million and Charter Hall Property Trust Group \$1,681.2 million) <p>Australian Accounting Standards require that these investments are initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's total comprehensive income and distributions.</p>	<p>the review, through inquiry, of a sample of audit documentation.</p> <ul style="list-style-type: none"> • Reperforming the equity method of accounting calculations for a sample of material investments by reference to underlying investee financial information • For a sample of material acquisitions made during the year, agreeing certain transaction details to appropriate source documents and considering the relevant accounting classification of the investment in accordance with Australian Accounting Standards • Assessing the carrying value of a sample of equity accounted investments for impairment indicators by reference to the investor's share of the investee's net assets or market capitalisation for listed investments as appropriate.
<p>Revenue recognition – performance fees and development management fees (Refer to note 4)</p> <p>Charter Hall Group revenue for the year ended 30 June 2019 was \$378.5 million. This revenue is substantially derived from funds management activities and includes investment management fees, development management fees, performance fees, transaction fees and property services revenue.</p> <p>Australian Accounting Standards requires variable revenue, such as performance fees, to be recognised only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.</p> <p>We considered revenue recognition to be a key audit matter in relation to performance fees and development management fees due to the:</p> <ul style="list-style-type: none"> • Increased judgement required by Charter Hall Group and the complexity in the recognition of revenue, particularly as it relates to the chance of reversal, and measurement, particularly as it relates to variable consideration • Financial significance of revenue to the Charter Hall Group results. 	<p>Our audit procedures included evaluating the design and implementation of a sample of relevant controls relating to the recognition and measurement of revenue.</p> <p>Through inquiry with management and the audit work performed, we considered and assessed the appropriateness of revenue recognition for a sample of fees including performance fees and development management fees.</p> <p>We read a sample of contracts with customers to determine if the performance obligations were performed over time or at a point in time.</p> <p>For a sample of contracts, including those with performance fees, we tested the estimated variable consideration by:</p> <ul style="list-style-type: none"> • Agreeing the key inputs in Charter Hall Group's calculations to source documents, where possible • Assessing the factors Charter Hall Group considered to evaluate the probability of a revenue reversal. <p>For a sample of contracts, including those with development management fees, we:</p> <ul style="list-style-type: none"> • Recalculated the contracted transaction price

Independent Auditor's Report

For the year ended 30 June 2019



Key audit matter	How our audit addressed the key audit matter
	<ul style="list-style-type: none"> Assessed Charter Hall Group's allocation of the transaction price to the multiple performance obligations within the contract Assessed the appropriateness of Charter Hall Group's measurement of progress towards the performance obligation.
<p>Carrying value of indefinite life management rights (Refer to note 13)</p> <p>Charter Hall Group's intangible assets comprise management rights in relation to managed funds. These assets had a carrying value of \$103.9 million at 30 June 2019. This balance has increased during the year as a result of the acquisition of management rights acquired as part of the Folkestone Limited business combination.</p> <p>A number of these management rights are considered to have indefinite useful lives and accordingly an annual impairment test is required by Australian Accounting Standards.</p> <p>Charter Hall Group performed an impairment test for each of the management rights assets with indefinite useful lives by calculating the value in use of each asset.</p> <p>We considered the valuation of indefinite life intangible assets a key audit matter because of the:</p> <ul style="list-style-type: none"> judgement required by Charter Hall Group to estimate the recoverable amount of indefinite life management rights sensitivity of Charter Hall Group's assessment to changes in key assumptions such as growth rates, discount rates, and terminal value multiples. <p>The impairment tests performed by Charter Hall Group during the financial year concluded that no impairment was required on the carrying value of any indefinite life management rights asset.</p> <p>For the management rights that are considered to have a finite life, Charter Hall Group concluded that there were no impairment indicators at 30 June 2019.</p>	<p>For a sample of impairment tests performed by Charter Hall Group, our audit included the following procedures, amongst others, in conjunction with PwC valuation experts:</p> <ul style="list-style-type: none"> We evaluated cash flow forecasts, including performing tests over the mathematical accuracy of the underlying calculations and comparing forecasts to approved budgets We compared the current year (2019) results with figures included in the forecasts made in the prior period (2018) to assess the historical reliability of Charter Hall Group's forecasting process We considered the methodology applied and assessed the appropriateness of key assumptions used in light of Australian Accounting Standards, general industry valuation practice and factors specific to the underlying cashflows. <p>For a sample of the management rights acquired as part of the Folkestone Limited business combination, together with PwC valuation experts we considered the methodology applied and assessed the appropriateness of key assumptions used including discount rate, growth rate and terminal value multiples.</p> <p>We also considered whether there were any impairment indicators in relation to the management rights held over a sample of the finite life funds by reference to the underlying performance of the funds and the related fee revenue.</p>



Other information

The directors of Charter Hall Limited and the directors of Charter Hall Funds Management Limited, the Responsible Entity of Charter Hall Property Trust (collectively referred to as “the directors”) are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019, but does not include the financial reports and our auditor’s report thereon. Prior to the date of this auditor’s report, the other information we obtained included the Directors Report. We expect the remaining other information to be made available to us after the date of this auditor’s report.

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

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

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

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

Responsibilities of the directors for the financial reports

The directors are responsible for the preparation of the financial reports that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial reports that gives a true and fair view and are free from material misstatement, whether due to fraud or error.

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

Auditor’s responsibilities for the audit of the financial reports

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

Independent Auditor's Report For the year ended 30 June 2019



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

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 37 to 50 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the remuneration report of Charter Hall Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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


PricewaterhouseCoopers


E A Barron
Partner

Sydney
20 August 2019

Securityholder Analysis

A. Distribution of equity stapled securityholders as at 13 September 2019

Range	Stapled securities held	% of issued stapled securities	No. of Holders
100,001 and Over	445,576,224	95.66	49
50,001 to 100,000	2,462,774	0.53	35
10,001 to 50,000	6,953,740	1.49	372
5,001 to 10,000	4,303,032	0.92	594
1,001 to 5,000	5,477,809	1.18	2,123
1 to 1,000	1,003,552	0.22	2,641
Total	465,777,131	100.00	5,814
Unmarketable	2,498	0.00	407

B. Top 20 registered equity securityholders as at 13 September 2019

Rank	Name	A/C designation	Stapled securities held	%IC of issued securities
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED		179,286,726	38.49
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED		120,243,410	25.82
3	CITICORP NOMINEES PTY LIMITED		48,286,317	10.37
4	NATIONAL NOMINEES LIMITED		29,893,947	6.42
5	BNP PARIBAS NOMINEES PTY LTD	<AGENCY LENDING DRP A/C>	16,088,848	3.45
6	CITICORP NOMINEES PTY LIMITED	<COLONIAL FIRST STATE INV A/C>	14,908,577	3.20
7	BNP PARIBAS NOMS PTY LTD	<DRP>	11,033,712	2.37
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	<NT-COMNWLTH SUPER CORP A/C>	4,690,733	1.01
9	AMP LIFE LIMITED		3,592,002	0.77
10	MILTON CORPORATION LIMITED		2,126,000	0.46
11	BNP PARIBAS NOMS (NZ) LTD	<DRP>	1,789,968	0.38
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA		1,441,343	0.31
13	MUTUAL TRUST PTY LTD		1,378,090	0.30
14	UBS NOMINEES PTY LTD		1,112,175	0.24
15	PORTMIST PTY LIMITED		841,773	0.18
16	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED		821,414	0.18
17	SARGON CT PTY LTD	<CHARTER HALL PROP A/C>	769,690	0.17
18	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP		756,698	0.16
19	BNP PARIBAS NOMINEES PTY LTD	<IB AU NOMS RETAILCLIENT DRP>	676,963	0.15
20	NATIONAL NOMINEES LIMITED	<DB A/C>	469,882	0.10
Total			440,208,268	94.51
Balance of register			25,568,863	5.49
Grand total			465,777,131	100.00

C. Substantial securityholder notices as at 13 September 2019

Ordinary securities	Date of change	Stapled securities held	% securities held
Mitsubishi UFJ Financial Group, Inc	13 Sep 2019	23,355,209	5.01%
Commonwealth Bank of Australia ACN 123 123 124 (CBA) and its related bodies corporate	09 Jul 2019	28,006,008	6.01%
The Vanguard Group, Inc	23 Apr 2019	47,641,144	10.23%
FIL Limited.	10 Apr 2019	30,162,032	6.48%

Investor Information

How do I invest in Charter Hall?

Charter Hall Group securities are listed on the Australian Securities Exchange (ASX: CHC).

Securityholders will need to use the services of a stockbroker or an online broking facility to invest in Charter Hall.

Where can I find more information about Charter Hall?

Charter Hall's website, www.charterhall.com.au contains extensive information on our Board and management team, corporate governance, sustainability, our property portfolio and all investor communications including distribution and tax information, reports and presentations. The website also provides information on the broader Charter Hall Group including other managed funds available for investment. You can also register your details on our website to receive ASX announcements by an email alert as they are being released. To register your details, please visit our website at www.charterhall.com.au and subscribe to updates.

Can I receive my Annual Report electronically?

Charter Hall provides its annual report in both PDF and online formats (HTML). You can elect via the Investor Login facility on our website to receive notification that this report is available online. Alternatively, you can elect to receive the report in hard copy.

How do I receive payment of my distribution?

Charter Hall Group pays its distribution via direct credit. This enables you to receive automatic payment of your distributions quickly and securely. You can nominate any Australian or New Zealand bank, building society, credit union or cash management account for direct payment by downloading a direct credit form using the Investor Login facility and sending it to Link Market Services. On the day of payment, you will be sent a statement via post or email confirming that the payment has been made and setting out details of the payment. The Group no longer pays distributions by cheque.

Can I reinvest my distribution?

When operating, the Distribution Reinvestment Plan (DRP) allows you to have your distributions reinvested in additional securities in Charter Hall, rather than having your distributions paid to you. If you would like to participate in the DRP, you can do so online using the Investor Login facility available on our website, or you can complete a DRP Application Form available from our registry.

Do I need to supply my Tax File Number?

You are not required by law to supply your Tax File Number (TFN), Australian Business Number (ABN) or exemption. However, if you do not provide these details, withholding tax may be deducted at the highest marginal rate from your distributions. If you wish to provide your TFN, ABN or exemption, please contact Link Market Services on 1300 303 063 or your sponsoring broker. You can also update your details directly using the Investor Login facility on our website.

How do I complete my annual tax return for the distributions I receive from Charter Hall?

At the end of each financial year, we issue securityholders with an Annual Taxation Statement. This statement includes information required to complete your tax return. The distributions paid in February and August are required to be included in your tax return for the financial year the income was earned, that is, the distribution income paid in August 2019 should be included in your 2019 financial year tax return.

How do I make a complaint?

Securityholders wishing to lodge a complaint should do so in writing and forward it to the Compliance Manager, Charter Hall Group at the address shown in the Directory. In the event that a complaint cannot be resolved within a reasonable timeframe (usually 45 days) or you are not satisfied with our response, you can seek assistance from the Financial Ombudsman Service (FOS), an independent dispute resolution scheme available to those investors who have first raised their complaint with us and who remain dissatisfied. FOS's contact details are below:

Financial Ombudsman Service

GPO Box 3
Melbourne VIC 3001
Tel: 1300 780 808
Fax: + 61 3 9613 6399
Email: info@fos.org.au
Web: www.fos.org.au

Contact Details

Registry

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

Link Market Services Limited

Locked Bag A14
Sydney South NSW 1235

Tel: 1300 303 063 (within Australia)
+61 2 8280 7134 (outside Australia)

Fax: +61 2 9287 0303

E-mail: charterhall.reits@linkmarketservices.com.au

Web: www.linkmarketservices.com.au

Investor relations

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

Charter Hall Group

GPO Box 2704
Sydney NSW 2001

Tel: 1300 365 585 (local call cost)
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Disclaimer

Important Notice

This Annual Report has been prepared and issued by Charter Hall Limited (ABN 57 113 531 150) and Charter Hall Funds Management Limited (ABN 31 082 991 786 AFSL 262861) (CHFML) as Responsible Entity of the Charter Hall Property Trust (together, the Charter Hall Group or the 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. This report does not take into account the personal objectives, financial situation or needs of any investor. Before investing in Charter Hall Group securities, you should consider your own objectives, financial situation and needs and seek independent financial, legal and/or taxation advice. Historical performance is not a reliable indicator of future performance. Due care and attention has been exercised in the preparation of forward looking statements. However, any forward looking statements contained in this report are not guarantees or predictions of future performance and, by their very nature, are subject to uncertainties and contingencies, many of which are outside the control of the Group. Actual results may vary materially from any forward looking statements contained in this report. Readers are cautioned not to place undue reliance on any forward looking statements. Except as required by applicable law, the Group does not undertake any obligation to publicly update or review any forward looking statements, whether as a result of new information or future events.

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 nor any of its related bodies corporate, directors or employees to any such person. Neither the Charter Hall Group, its 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.

CHFML does not receive fees in respect of the general financial product advice it may provide; however, entities within the Charter Hall Group receive fees for operating the Charter Hall Property Trust in accordance with its constitution. Entities within the Group may also receive fees for managing the assets of, and providing resources to, the Charter Hall Property Trust. All information herein is current as at 30 June 2019 unless otherwise stated. All references to dollars (\$) or A\$ are to Australian Dollars unless otherwise stated.

Information regarding US Investors/US Persons:

Each person that holds Charter Hall Group securities that is in the United States (US) or is a US Person is required to be a Qualified Institutional Buyer/Qualified Purchaser (QIB/QP) at the time of the acquisition of any Charter Hall Group securities, and is required to make the representations in the confirmation letter or subscription agreement as of the time it acquired the applicable securities.

The securities can only be resold or transferred in a regular brokered transaction on the ASX in accordance with Rule 903 or 904 of Regulation S, where neither it nor any person acting on its behalf knows, or has reason to know, that the sale has been prearranged with a US Person, or that the purchaser is in the United States or a US Person (e.g. no prearranged trades ("special crossing") with US Persons or other off-market transactions). To the maximum extent permitted by law, the Charter Hall Group reserves the right to:

- (i) request any person that they deem to be in the United States or a US Person, who was not at the time of acquisition of the securities a QIB/QP, to sell its securities;
- (ii) refuse to record any subsequent sale or transfer of securities to a person in the United States or a US Person; and
- (iii) take such other action as it deems necessary or appropriate to enable the Charter Hall Group to maintain the exception from registration under Section 3(c) (7) of the Investment Company Act.

If you are not the beneficial owner of securities in the Charter Hall Group, you must pass this information to the beneficial owner of the securities.

Corporate Directory

Directors

David Clarke (Chair), Anne Brennan, Philip Garling,
David Harrison, Karen Moses, Greg Paramor and David Ross

Company Secretary

Mark Bryant

ASX Code

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

Principal registered office in Australia

Level 20, No.1 Martin Place
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Auditor

PricewaterhouseCoopers

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