CHARTER HALL

PRIMED FOR GROWTH

Charter Hall Group Annual Report 2006

"Since the Initial Public Offer, Charter Hall Group has raised $787 million of equity and equity commitments*"

*Current as at 22nd August 2006

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KEY ACHIEVEMENTS

2006 Performance Activity

Outperformed:
FY 06 Distribution
Per Security 7.10 vs
6.56c forecast at IPO

8.2% increase

3
funds launched successfully

$787m
of equity & equity commitments raised*

10
investment assets acquired*

4
development projects secured*

3
development projects crystallised profits*

35+
leases comprising over 70,000sqm signed, renewed or under Heads of Agreement across CHPT and all funds*

*Current as at 22 August 2006

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KEY ACHIEVEMENTS

SECURITY PRICE PERFORMANCE

2005 JUNE

Charter Hall Group lists on the ASX

$5.7m office asset secured for Diversified Property Fund in Mulgrave VIC (seed asset)

PDP2 asset Bourke Street, Alexandria NSW sold

JULY

$165m of wholesale equity raised to launch Charter Hall Opportunity Fund 4 (CHOF4), the largest fund of its kind in Australia at financial close

$11.1m Harvey Norman Centre secured for Diversified Property Fund (DPF) at Corio VIC (seed asset)

$7.2m industrial asset acquired (leased to LG Electronics) for CHIF 6 in Townsville QLD

PDP3 asset Zone Site 5, Sydney Olympic Park NSW, sold for $98m

Commonwealth Bank of Australia pre-leased 23,000sqm office building at Zone Site 5, Sydney Olympic Park NSW

SEPTEMBER

$28m retail fund Diversified Property Fund (DPF) launched with three seed assets. Current value $48m

NOVEMBER

CHOF4 secures first project, 420 George Street, Brisbane for $12.2m. Project end value $27m

Anchor tenants Bev Marks, Casual Living and Nick Scali sign leases at CHPT asset Home HQ, Nunawading VIC

DECEMBER

American Express pre-leases 17,000sqm office building in PDP2 project, Atrium

$139.2m office asset acquired by CPOF from PDP 2 Atrium, Pyrmont (seed asset) securing the first tranche of PDP2 performance fee

Wholesale Core Plus Office Fund (CPOF) launched with $139.2m seed asset, Atrium

$4.7m QLD office asset acquired for inclusion in DPF on Brisbane CBD Fringe

Willis Australia and Victorian Government lease 4,700sqm in CHPT asset 570 Bourke St, Melbourne VIC

2006 FEBRUARY

$14.7m Emirates House CBD office asset acquired in Perth WA for inclusion in DPF

CHOF 4 acquires QLD office tower Northbank Plaza in Brisbane CBD with $134m end value (JV)

ANZ renews 1,130sqm lease at CHPT asset 570 Bourke St, Melbourne VIC

APRIL

Macquarie Bank signs 2,330sqm lease at PDP3 asset 151 Pirie St, Adelaide SA

MAY

Final call for 2nd securities instalment through Entitlement, Placement and Public Offer raises $100m

JUNE

$100m raised in Placement and Entitlement Offer at security issue price of $1.27

2nd instalment of $0.25 received

$69m office asset acquired for CPOF at 333 George St, Sydney NSW

$23.6m industrial assets acquired at Melbourne Airport Business Park, VIC for CHPT

CHOF 4 acquires CBD office tower at Mounts Bay Rd, Perth. $160m end value (JV)

SA Super leases 1,550sqm at PDP3 asset, 151 Pirie St, Adelaide SA

JULY

PDP3 disposes Zone Sites 6&7 at Sydney Olympic Park NSW site for $8m+

DA lodged for CHOF 4 QLD project 275 George St, Brisbane, a 41,600sqm CBD office tower with an end value of $320m (JV)

Major lease secured with The Good Guys at Home HQ, Nunawading VIC

AUGUST

$500m of equity commitments raised for CPOF

$36.5m office asset acquired for CPOF at 126–144 Stirling St on Perth CBD fringe, WA

CHOF4 project 420 George St, Brisbane on-sold for $17.4m

PDP3 asset 151 Pirie Street, Adelaide SA completed and Expression of Interest campaign underway

Major leasing deals completed with JB Hi Fi, Howard's Storage and a national furniture retailer at Home HQ, Nunawading VIC

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CHAIRMAN'S LETTER

"The Group is primed for growth, with increased resources, access to wholesale, retail and listed equity and significant debt and balance sheet capacity."

Dear Investor,

On behalf of the Board of the Charter Hall Group, I am pleased to present the Annual Report for our first year as a listed Group. Our Initial Public Offering (IPO) in June last year provided a platform for strong growth in assets under management and a financial performance that exceeded the forecasts contained in our May 2005 offering document. The business model adopted by Charter Hall facilitated the off-market acquisition of a number of high quality properties and raised over $787 million of equity and equity commitments this year.

Charter Hall passed a number of significant milestones in 2005/6, including:

- Net Profit after tax of $18.0 million and gross revenue of $37.8 million
- Increased assets under management to $1.35 billion
- The establishment of three new unlisted funds namely the Core Plus Office fund (CPOF); the Charter Hall Opportunity Fund No. 4 (CHOF4) and the Diversified Property Fund (DPF)
- Off-market acquisition of 20 properties with a total value of $650 million
- Aggregate wholesale and retail capital raised of $787 million
- Completion of the Charter Hall (CHC) accelerated non-renounceable entitlement offer and placement of 78.7 million new securities at an issue price of $1.27 to raise a further $100 million*
- A total return to 30 June 2006 for IPO investors of 52%**

The full year distribution to CHC Security Holders of 7.10 cps exceeding the IPO forecast of 6.56 cps, by 8.2%. I am pleased to confirm the forecast distribution for 2006/7 of 9.53 cps contained in our recent offer document for the entitlement issue and placement. This forecast represents a solid 8.9% increase over the 2005/6 distribution, on a fully paid adjusted basis.

The company utilised debt capacity to acquire properties to seed new unlisted investment funds such as CPOF and the May 2006 entitlement issue and placement raising $100 million and refreshing its debt capacity. Net debt stood at just 14% after the novation of Atrium debt to the Core Plus Office Fund.

The Board is pleased with the progress of Charter Hall's business in 2005/6. We look forward to the new financial year, confident that the Group will realise its plans for further unlisted investment product, in which Charter Hall Property Trust (CHPT) will co-invest.

Charter Hall's strategy of co-investment by the listed CHPT in the appropriate unlisted wholesale funds, is a strong catalyst for additional capital inflow and new property investment. This along with the substantial equity and debt capacity of the Group supported the creation in 2005/6 of the CPOF, CHOF4 and DPF, each providing annuity fee income streams and co-investment returns to CHC security holders.

Our Joint Chief Executives David Harrison and David Southon along with our Executive Directors, our senior executives and our staff combine to offer an outstanding mix of competent property professionals. They have great access to the capital markets and their ability to source quality properties, off market are essential for the production of solid returns to investors and to CHC Security Holders. Charter Hall has an effective business model, that we expect will continue to perform well.

On behalf of CHC Security Holders and investors, I express the Board's thanks and appreciation to Charter Hall's management team. I also recognise and thank my fellow Charter Hall Board members for their significant contribution and support. Without these two key elements, this year's result would not have been possible.

Yours sincerely,

Kerry Roxburgh

* As part of $787 million

** On 1st instalment only

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CEOS' REPORT

Charter Hall Group has performed above expectations across all areas of the business and has proven its ability to deliver, particularly when it comes to shareholder returns. The implementation of our business strategies and co-investment model have ensured that the Group is primed for growth and we are confident that the coming year will continue this momentum.

HIGHLIGHTS

We are pleased to report that the performance and growth strategies developed at the time of the Group's listing on the ASX have been extremely effective. Throughout its first year as a listed entity Charter Hall exceeded the IPO FY06 distribution forecasts, resulting in an 8.2% upgrade to 7.10 cps from 6.56 cps.

The use of our considerable debt capacity at the time of listing, with gearing of only 15.5%, has enabled the acquisition of strategic properties to seed new unlisted fund products. It has also allowed us to develop our funds under management and enhance returns on Security Holders' capital.

The Group has further consolidated and extended its presence Australia-wide through increased interstate activity in Queensland and Western Australia. The expansion of equity sources has also strengthened the Group's risk/return profile by establishing three new managed funds. The combination of the Group's strong deal sourcing capabilities, debt capacity and access to diverse equity resources has both expanded and propelled the launch of new wholesale and retail investor products including the Core Plus Office Fund (CPOF), Charter Hall Opportunity Fund No.4 (CHOF4) and the Diversified Property Fund (DPF).

> “The year’s achievements are inspiring. We’re in a position to **further product growth to enhance returns on shareholder capital.**”

FINANCIAL CAPACITY

The Placement, non renounceable Entitlement and Public Offer in June this year created a further $100 million of listed capital for the Group. This led to two new acquisitions in the Listed Property Trust and reinforced the Group’s commitment to a co-investment model through the actively managed unlisted funds, CPOF and DPF. At the same time we have maintained the capacity to develop new products, further driving the future growth of both funds under management and increasing investor returns.

The Group has demonstrated its ability to utilise its debt capacity to drive growth and improve return on equity. The recent capital raising effectively refreshed the Group’s capacity to over $100 million. In addition to stimulating future growth by securing assets to seed future investment products and co-investing in new unlisted funds, we may now use the Group’s balance sheet more extensively for accretive transactions.

A key differentiator for Charter Hall is its access to diverse equity sources. In addition to the listed capital markets, the Group enjoys considerable access to wholesale equity, as evidenced by its $500 million of equity commitments for CPOF and $165 million of equity commitments for CHOF4, both being the largest wholesale funds of their type in Australia at the date of their respective financial closes. In extending its existing “high net worth” investor base, the Group is significantly expanding its access to retail equity through DPF, which has recently been placed on both the BT Financial and Macquarie “Wrap accounts” (retail platforms). The endorsement of this product by a number of advisers and financial planners is rapidly expanding the Group’s access to retail equity.

DEAL FLOW

Charter Hall has achieved consistent deal flow, which has been demonstrated by securing $650 million of “off market” property transactions since and including the IPO. The Group’s success in this area is clear evidence of the strength of our market relationships and our professional and timely performance.

The Group’s in-house funds management development, property management and property investment banking skills create attractive opportunities. The Group has continually performed across the full risk and return spectrum for its investors over its 15 year history and the results achieved in FY06 set a platform for continued growth and success.

The consistent out-performance of its opportunity funds demonstrates the Group’s in-house development selection and management skills, as performance fees were generated out of projects harvested from the currently active opportunity funds in the series: Property Development Portfolios 2 and 3 and CHOF4. Our delivery credentials and professionalism enabled us to secure significant leases during FY06, including American Express for approximately 17,000sqm and the Commonwealth Bank for approximately 22,500sqm. Lease contracts such as these, across both the investment and development portfolio, will continue to drive value and strong profits for the Group.

Charter Hall has established high standards of corporate governance across its various managed funds to ensure the necessary protocols are in place. This has enabled the Group to successfully execute related party transactions, such as Home

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CEOS' REPORT

HQ, Nunawading, and Atrium, Pyrmont, which were developed in two of the Group's opportunity funds and on-sold to the Listed Property Trust and CPOF respectively. This demonstrated the Group's ability to produce and retain its own investment grade product, where appropriate.

OUTLOOK

Charter Hall is pleased to confirm its FY07 forecast of 9.53 cps, representing an 8.9% increase over FY06 IPO forecast. The Group is primed for significant growth over FY07 and beyond, and will continue to focus on its co-investment strategy into establishing and actively managing new unlisted funds.

It is envisaged that the rollout of new funds throughout FY07 is likely to include "Core Plus Funds" in both the industrial and retail sectors and the next Opportunity Fund further diversifying the Group's access to equity and product offering.

The Group will also capitalise on its strength in accretive on-balance sheet transactions over FY07 and fund access to new markets. This may include exploring some strategic off-shore opportunities which are likely to accelerate the growth and earnings potential of the Group.

Charter Hall is genuinely primed for growth and we are excited by its future prospects as a leading property funds management and development group. We are committed to a strategy that will deliver strong funds under management growth, while maximising Security Holders' returns and maintaining close relationships with both wholesale and retail investors.

"We have proven our ability to deliver, particularly when it comes to shareholder returns."

David Harrison
Joint Chief Executive Officer

David Southon
Joint Chief Executive Officer

151 Pirie, Adelaide

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CHARTER HALL GROUP: STRUCTURE

"The Group currently boasts **$1.35 billion of assets under management** across its investment funds and the listed property trust."

ABOUT THE GROUP

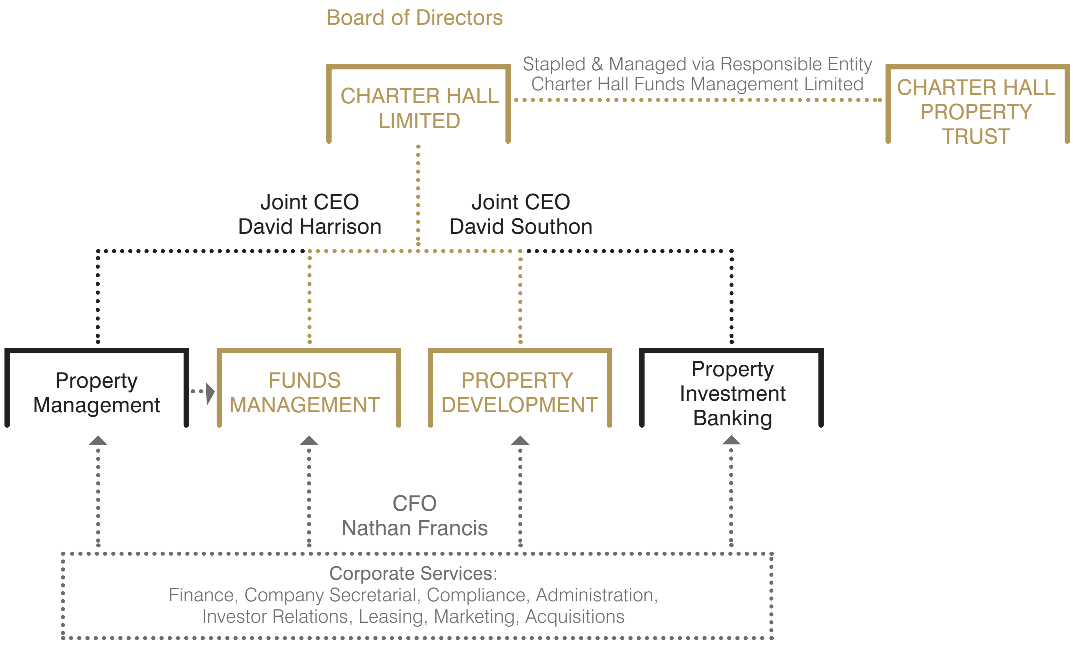
The Charter Hall Group is a property funds management and development group. Listed on the Australian Stock Exchange (ASX) as a stapled security in June 2005, the Charter Hall Group combines Charter Hall Limited with the Charter Hall Property Trust. Since its establishment in 1991, Charter Hall has achieved solid results in property funds management and property development. The company's success has been underpinned by an experienced management team with a skill-set diversified across property sectors and risk/return profiles.

Charter Hall has earned a reputation for innovation and high performance in property investment, and in managing external equity. The Group currently boasts $1.35 billion of assets under management across its funds and the listed property trust.

The Charter Hall Property Trust comprises interests in properties categorised across the retail, bulky goods, commercial and industrial sectors throughout Australia.

Charter Hall investment funds include nine separate investment vehicles holding passive properties that provide stable income and the potential for capital growth. The most recent fund, CPOF has raised $500 million of equity commitments from wholesale investors. Charter Hall is also a pioneer in the Australian wholesale property opportunity fund sector and has raised $434 million of wholesale equity commitments to date used for opportunities along the higher risk/return end of the property investment spectrum.

CHARTER HALL GROUP STRUCTURE



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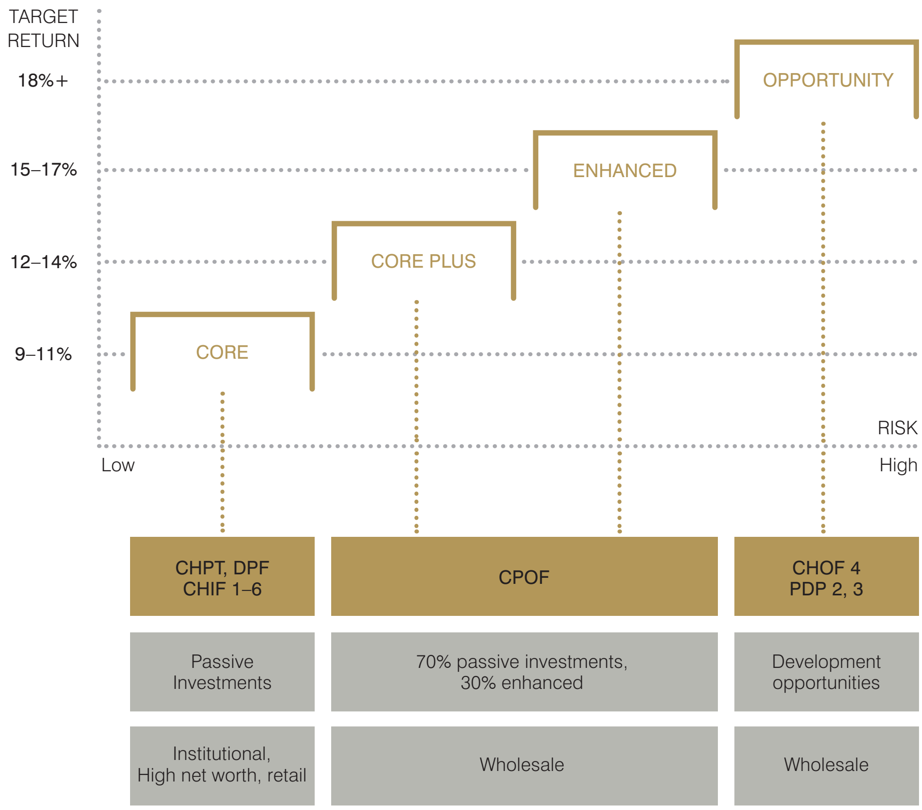
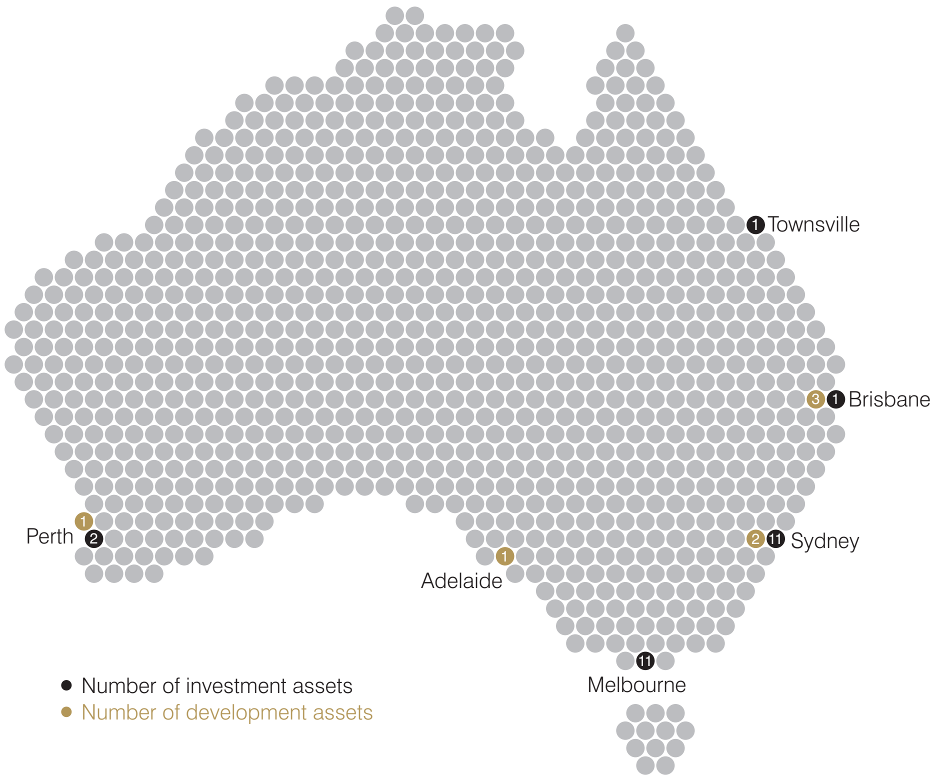
CHARTER HALL GROUP

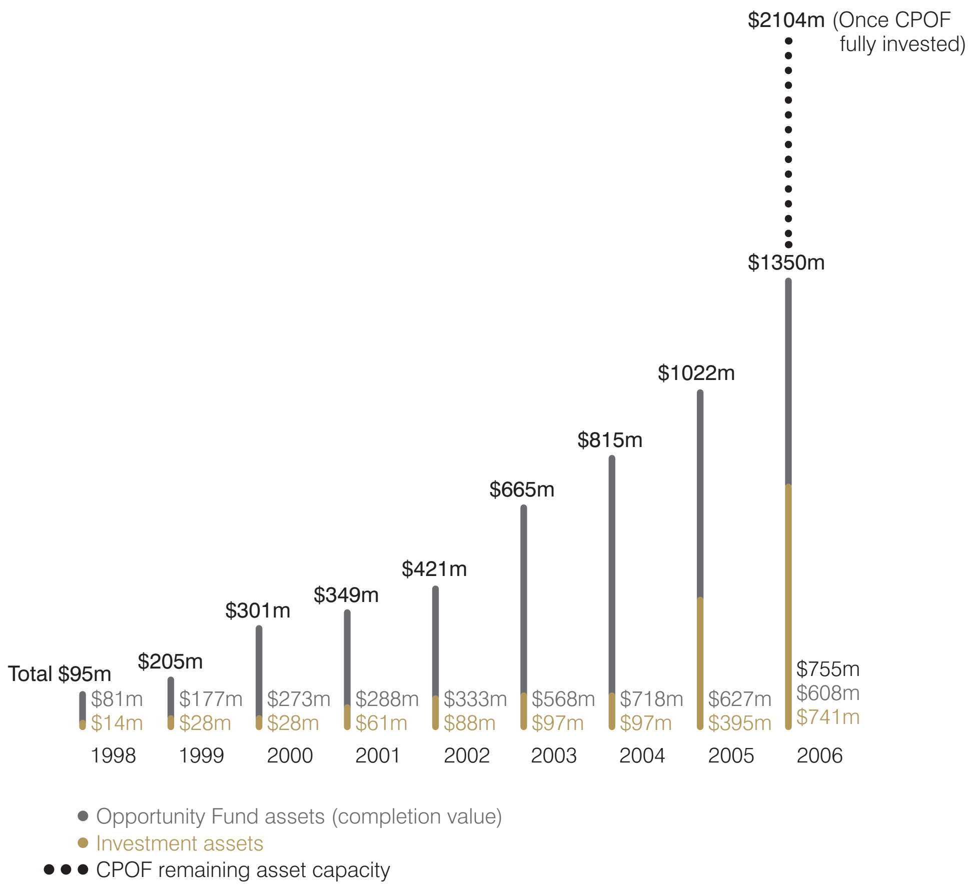
INVESTMENT PRODUCT SPECTRUM



GEOGRAPHIC DIVERSITY OF ASSETS



GROWTH IN ASSETS UNDER MANAGEMENT



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FUND UPDATE
CHARTER HALL PROPERTY TRUST

400 Kent St, Sydney

"The Group has strong deal sourcing capabilities and access to diverse equity sources."

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FUND UPDATE
CHARTER HALL PROPERTY TRUST

Charter Hall Property Trust's $327 million property portfolio consists of interests in properties diversified across the office, retail, bulky goods retail and industrial sectors. The Responsible Entity's strategy is to invest in a diversified portfolio of properties and Charter Hall Group managed funds. Assets and investments are selected for the Trust on the basis that they are forecast to provide stable and growing investment income and capital growth. The opportunity to add value through active asset management, and therefore increase returns, is also sought.

Geographically, the preference is to acquire properties in the major markets of Australia. However, emerging sectors within that market may also be considered for investment purposes. The Trust comprises eight investment grade properties located in New South Wales and Victoria. In the first twelve months to June 30, 2006, the Trust delivered a total net property income of $17.06 million.

ACQUISITIONS

Over the past financial year the Trust successfully completed the acquisition of all properties outlined at IPO. Furthermore, two additional properties were acquired using the proceeds of the Entitlement Offer and Placement during the year. These properties include Melbourne Airport Business Park, Tullamarine VIC and 25 Nepean Highway, Mentone VIC.

In addition, the Core Plus Office Fund (CPOF) acquired Atrium, a property located in Pyrmont, NSW in December 2005 from Charter Hall's second opportunity fund, Property Development Portfolio 2. CHPT will hold a long-term investment of $115 million of CPOF's equity contributions.

CHPT has also committed to a 20% investment in the Diversified Property Fund (DPF), which it intends to maintain.

The Trust will invest in other Charter Hall managed funds on the basis that this will be accretive to the Trust's earnings as a total return.

Home HQ, Nunawading VIC

An early settlement was negotiated for Home HQ, Nunawading, having originally been scheduled upon completion of development works in October 2006. A variance in the development agreement was arranged in order to utilise the equity from the final call for the stapled securities issued at IPO.

Melbourne Airport Business Park, Tullamarine VIC

These two Melbourne Airport Business Park industrial properties are located in Tullamarine, adjacent to the International Airport in Melbourne's north-west. The properties have been acquired on a leasehold basis comprising two separate leasehold titles and three tenancies with a total combined area of 30,000sqm.

A development agreement has been entered into with Australand and CIP to secure the land lease and deliver the sub-leases pre-committed to Kathmandu (10,000sqm) and Caterpillar (10,000 sqm), together with a five year income guarantee for the remaining 10,000sqm vacancy to be built on a speculative basis adjacent the Caterpillar facility. During construction of the 30,000sqm of office and warehouse facilities, CHPT will earn an interest coupon on all progress payments. Construction of the properties has commenced, and on completion these will deliver an average initial property yield of 7.85%. Completion of both facilities is expected by November 2006.

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1. Home HQ, Nunawading 2. 25 Nepean Hwy, Mentone 3. Melbourne Airport Business Park, Tullamarine

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FUND UPDATE
CHARTER HALL PROPERTY TRUST

25 Nepean Highway, Mentone VIC
This bulky retail showroom property located in the south-eastern Melbourne suburb of Mentone adjoins the Trust's co-owned Nylex property. The Nylex property has been granted ministerial consent for a 40,000sqm bulky retail development, anchored by a 16,500sqm, 12 year lease commitment to Harvey Norman.

The trust exchanged contracts in June for the property which was acquired for $21.9 million, reflecting an initial property yield of 7.33%. The complex comprises six tenancies and a 193 metre frontage to the Nepean Highway with a site area of 15,780sqm and a lettable area of approximately 8,900sqm.

Tenants include Super Cheap Auto, A-Mart All Sports, Ray's Outdoors and Subaru.

LEASING ACTIVITY

In the period to June 30, 2006 a total of 22,990sqm of space was leased, renewed or is subject to Heads of Agreement. As a result total occupancy of the Trust's portfolio is 99% (100% including income support arrangements). Similarly the weighted average lease expiry (by income) has increased from 5.2 years to 6.1 years. Leasing performance for the period includes:

Home HQ, Nunawading VIC
Lease documents for anchor tenants Bev Marks, Casual Living and Nick Scali were finalised, while Heads of Agreement were reached with The Good Guys, JB Hi Fi, Howard's Storage and another national furniture retailer. These commitments to date represent 72% of total available floor space in the project, with further specialty tenancy commitments also progressing. Project completion is scheduled for the end of October 2006.

570 Bourke Street, Melbourne VIC
The 11% vacancy rate for this property at the time of the IPO has since been eliminated thanks to some new leases, lease renewals and lease extensions. These negotiations have included a new seven year lease to Willis Australia over levels 3, 4 and 5, a lease extension until 31 December 2009 for ANZ's premises on Level 1 and increased income from the Wilson Parking management agreement.

The final lease completed within the period was for the Victorian Government on Level 20, resulting in full building occupancy and eliminating short term leasing risk. Rental and incentive levels were achieved within forecast and ahead of schedule.

400 Kent Street, Sydney NSW
Occupying 91% of Net Lettable Area, major tenant Central Queensland University (CQU) has completed its fitout and the University is operating as a fully integrated campus. CQU provides year-round classes across a broad range of postgraduate studies and contributes approximately 6.5% of the total portfolio income, which will increase annually by 3.75% until April 2017.

Menai Central, Carter Road, Menai NSW
Small tenancies on level one of Building B have been successfully leased, while the leasing of approximately 700sqm within Building C is still underway; vendor rental guarantees were utilised six months ahead of schedule.


570 Bourke St, Melbourne

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FUND UPDATE
CHARTER HALL PROPERTY TRUST

1. 27–29 & 61 Nepean Hwy, Mentone 2. 56 Anzac Street, Chullora

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2

PROJECT ACTIVITY

27–29 & 61 Nepean Highway, Mentone VIC
Following the submission of a Development Application for this property, rezoning was secured in April 2006 to enable the proposed developments identified in the IPO PDS/ Prospectus. Kingston City Council issued development consent for the preferred scheme with conditions. Negotiations are currently underway with Nylex for their relocation following the appropriate renovation of the site. It is expected that vacant possession of the site will be secured by December 2006 or early 2007.

Following the remediation and relocation of Nylex, construction will commence with developers Pivot Group, who are expected to complete the project between late 2007 and early 2008. The Trust receives an interest coupon of 7.5% applied to all progress payments including the land purchase costs upon termination of the Nylex lease.

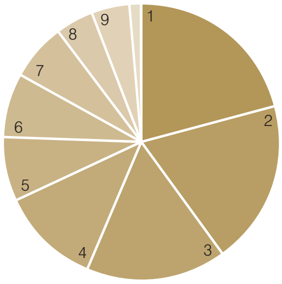
Summary of Charter Hall Property Trust's Other Interests
Charter Hall Property Trust has, since IPO, contributed funding to other Charter Hall Group managed funds including CPOF (23%) and DPF (20%). It is envisaged that CHPT will also hold stakes in other Core Plus products launched by the Group.

REVALUATIONS

570 Bourke Street, Melbourne VIC
During the period this asset was revalued, revealing a strong 6% value increase from $61 million to $65 million (50% of total asset value). This increase is primarily the result of the successful filling of vacancies and the subsequent firming of the capitalisation rate from 8.00% to 7.75%.

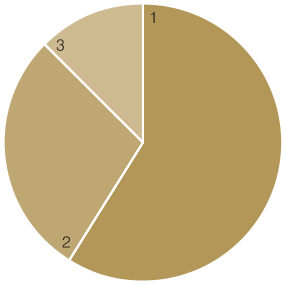
56 Anzac Street, Chullora NSW
This property was valued at $17.65 million as of June 30, 2006 — an increase of $3.65 million on the acquisition price of $14 million. However, following the successful objection to the Valuer General's land value by the vendor, the Trust received a net income benefit of $361,000 per annum which required that a further payment of $3.61 million be made to the vendor, which was paid in March 2006. Thus the new valuation supports the increased sale price, as envisaged at the time of acquisition.

CHARTER HALL PROPERTY TRUST



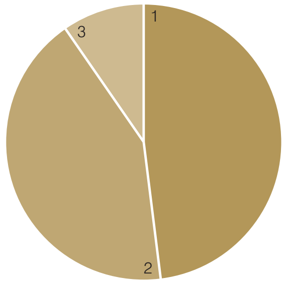
ASSET DIVERSIFICATION BY ACQUISITION PRICE

1 Nunawading 21.0%
2 Bourke 19.1%
3 Mentone 16.3%
4 Menai 11.9%
5 Kent 7.4%
6 Melbourne Airport Business Park, Tullamarine 7.4%
7 25 Nepean Highway, Mentone 6.8%
8 CPOF 4.5%
9 Chullora 4.4%
10 DPF 1.2%



SECTOR WEIGHTING BY NET INCOME

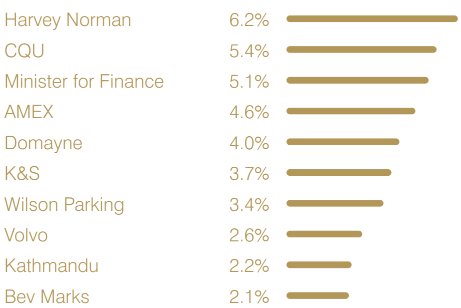
1 Retail/ Bulky Goods Retail 58.9%
2 Commercial 28.7%
3 Industrial 12.4%



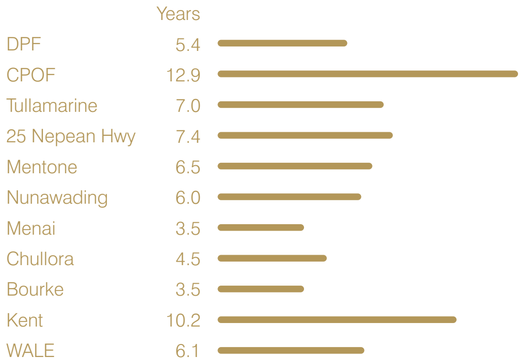
SECTOR WEIGHTING WITH CPOF FULLY INVESTED BY NET INCOME

1 Commercial 47.5%
2 Retail/ Bulky Goods Retail 42.8%
3 Industrial 9.7%

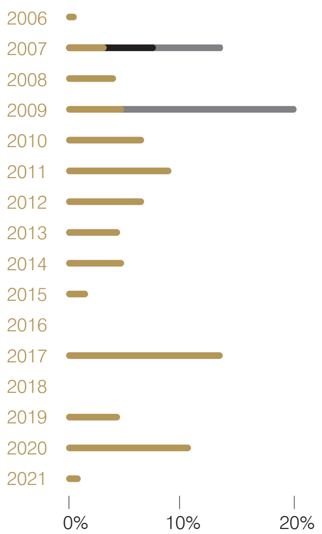
TOP 10 TENANTS



WEIGHTED AVERAGE LEASE EXPIRES



LEASE EXPIRY PROFILE BY NET INCOME



- Wilson Parking
- Nunawading and Mentone represent uncommitted tenancies

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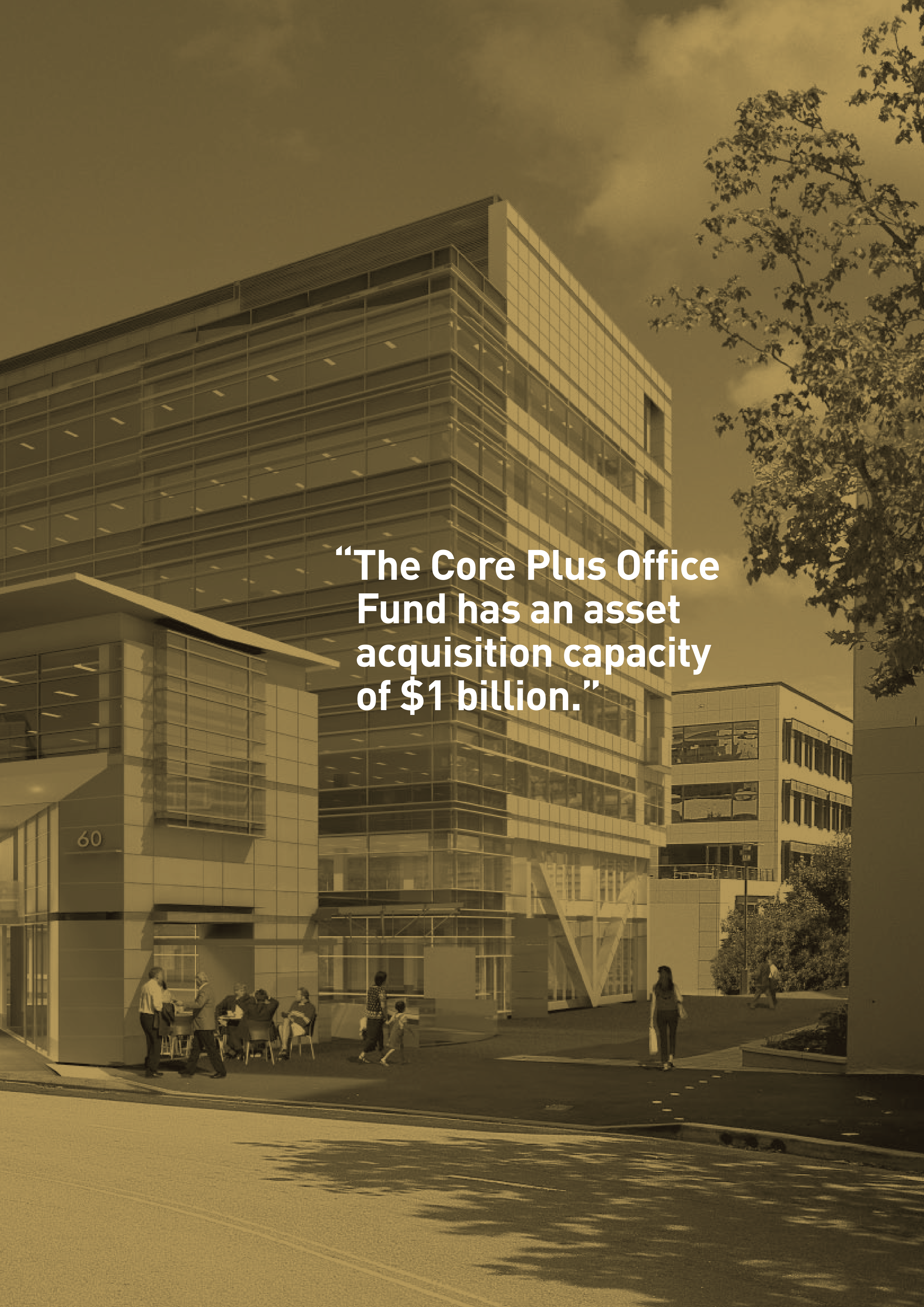
FUND UPDATE
INVESTMENT FUNDS

Atrium, Pyrmont



"The Core Plus Office Fund has an asset acquisition capacity of $1 billion."

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FUND UPDATE
INVESTMENT FUNDS

CORE PLUS OFFICE FUND (CPOF)

The Core Plus Office Fund was launched in December 2005 and is expected to become the primary platform for the Charter Hall Property Trust's investment in office property assets. The Fund has achieved its target of $500 million of equity commitments, which includes a $115 million investment by Charter Hall Property Trust. This investment will occur when the Fund draws equity from investors, as acquisition opportunities are secured and approved by the CPOF Investment Committee. With a gearing of around 50% of its assets, the Fund will initially have an asset acquisition capacity of approximately $1.0 billion on a fully invested basis, resulting in significant additional annuity fund management fees for the Charter Hall Group.

The seed asset for the fund was the Charter Hall managed Sydney commercial property, 'Atrium', located at 60 Union Street, Pyrmont. Atrium has long-term lease commitments to American Express International Inc and Coles Supermarkets for 12 and 20 years respectively. CPOF targets the office property sector in major capital city markets by incorporating a mix of core and enhanced investment grade assets, and holding those assets in the medium to long term. Investments will be sourced from CBD, CBD fringe and metropolitan office markets. Once the fund is fully invested the portfolio is expected to hold approximately 70% in stabilised passive assets and 30% in enhanced property assets.

ACQUISITIONS

333 George Street, Sydney*
Secured in an exclusive off-market deal in June 2006, this Sydney CBD property is located in the core financial precinct opposite Martin Place. Comprising 8,461sqm of B Grade office and 1,421sqm of high quality retail space, the 15 level, $69 million asset was substantially refurbished in 2003/04. This building provides strong growth opportunities and portfolio diversification benefits for CPOF.

126–144 Stirling Street, Perth*
Located on the northern fringe of Perth's CBD, this A Grade office building was secured at a sale price of $36.5 million. Tenants include Hatch Associates, HPA Limited and Broad Construction Services. A Development Application has been secured to develop a further 11,581sqm (approx) of A Grade commercial office space and 239 car spaces on the existing site adjoining the Hatch building. The property offers strong fixed and market growth prospects with surplus land providing the capacity to secure pre-commitments and higher investment returns.

* Current as at 22nd August 2006

“CPOF has achieved its target of $500 million of equity commitments.”

1. Atrium, Pyrmont 2. 333 George St, Sydney 3. 126–144 Stirling St, Perth

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FUND UPDATE
INVESTMENT FUNDS

DIVERSIFIED PROPERTY FUND (DPF)

Diversified Property Fund is an unlisted open-ended fund. The fund's mandate is to acquire and actively manage quality investment properties across the office, retail and industrial sectors.

Since its launch in September 2005, DPF has acquired five properties across four states with a total value of $48 million.

DPF met the initial forecast of 7.85% distribution yield (8.15% for wholesale investors) and is forecast to provide a distribution yield of 8% (8.25% for wholesale investors) over the next financial year. The Charter Hall Property Trust (CHPT) has also committed to co-investing 20% of the fund's equity, with equity draw downs occurring as appropriate acquisition opportunities arise.

In addition to the listing of DPF on the retail investment Wrap platforms offered by Macquarie and BT Financial, the fund has also received an upper recommended product rating by Lonsec.

ACQUISITIONS

181 St Georges Terrace, Perth WA
Acquired in February 2006 for $14.7 million, this seven level 3,580sqm office building is located in Perth's CBD. Tenants include Cape Bouvard, Elders, IAG and Emirates.

Since the purchase of this property in early 2006, two new leases of five years each have been secured, totalling 774sqm which accounts for 21.5% of the building. New lease agreements have been concluded with Geo-Subsea (formerly known as Covus corporation) and Peak Group Asia Pacific.

385 St Pauls Terrace, Brisbane QLD
Located in Fortitude Valley on the Brisbane CBD fringe, this low rise commercial office building was acquired for $4.7 million in December 2005. The building underwent extensive refurbishment in 1995 and houses tenants Growcom and the State of Queensland Department of Transport.

The State of Queensland Department of Transport occupies a 47% tenancy in the above building and has opted to extend its lease by a further four years.

CHARTER HALL INVESTMENT FUND 6 (CHIF6)

The LG Electronics Distribution Centre, a 6,300sqm industrial facility in Townsville, was acquired by CHIF6 to provide an initial property yield for investors of 8.5%. The $7.4 million property is pre-leased to international group LG Electronics and was re-valued to $8.5 million on completion in February 2006. The $36 million diversified portfolio is performing above CHIF6 investor expectations. All assets were secured within eight months of the capital raising, well ahead of schedule and predominantly via off-market transactions.

"The aggregate value of the DPF portfolio has more than doubled inside 12 months."

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1. LG Electronics Distribution Centre, Townsville 2. 181 St Georges Tce, Perth 3. 385 St Paul's Tce, Brisbane

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FUND UPDATE
OPPORTUNITY FUNDS

"Charter Hall's opportunity funds have raised $434 million of wholesale equity for investment."

Charter Hall manages a series of opportunity funds and has raised a total of $434 million of wholesale equity for investment into property development, including Property Development Portfolios 1-3 (PDP1, PDP2 and PDP3) and Charter Hall Opportunity Fund 4 (CHOF4). The most recently launched fund, CHOF4, raised $165 million in July 2005 after receiving significant oversubscriptions. 57% of its equity has been allocated to date and the remainder is expected to be allocated within the next 12 months. At the time of raising, this fund was the largest of its kind in Australia, further enhancing Charter Hall's position as a market leader.

Charter Hall established Australia's first wholesale property opportunity fund in 1997 and has achieved an average internal rate of return on equity for its investors on realised projects of approximately 25% over 9 years. Charter Hall Property Trust has a $5 million co-investment in CHOF4. This allows the Group to capitalise on its experience with these funds and achieve higher returns. Charter Hall earns fund management fees, development management fees and performance fees by managing these funds.

Sydney Wharf, Pyrmont Bay

5

FUND UPDATE
OPPORTUNITY FUNDS

CHARTER HALL OPPORTUNITY FUND 4

420 George Street, Brisbane QLD
CHOF4 purchased this 6,400sqm, 13 level commercial office building in an off-market transaction in November 2005 for $12.2 million and on-sold it ten months later for $17.4 million. The property, located on the corner of George and Tank Streets, was originally intended for refurbishing, re-positioning, re-leasing and divesting. Development Consent to undertake the refurbishment was obtained through Brisbane City Council. However, an excellent opportunity to sell this property, prior to undertaking the refurbishment, arose and crystallised an early result.

Northbank Plaza, Brisbane QLD
This joint venture with a Brisbane based developer involves the refurbishment of the 26,000sqm Brisbane CBD office building to an A-grade standard. Building works on the 22-level tower are proposed to commence in first quarter 2007, pending the move of the current owner and tenant, Brisbane City Council. Marketing for the project has commenced and a number of prospective tenants have expressed strong interest. The refurbishment is expected to take approximately 12 months, with the first new tenants moving in during the third quarter 2007. Contracts were exchanged with the option exercised in June 2006, and will settle upon the Council's vacation.

54–58 Mounts Bay Road, Perth WA
Located in the heart of Perth's CBD, CHOF4's third asset is a 50/50 joint venture with a local property development group. A Development Application has been lodged for a 21,000sqm A-grade office building for the site, which fronts onto Mounts Bay Road and has access through to St Georges Terrace. Our joint venture partner will undertake the project management component of the project, while CHOF4 will oversee the development process and manage the finance, project accounting, leasing co-ordination and marketing.

275 George Street, Brisbane QLD
A Development Application has been lodged with Brisbane City Council for a 32 storey, A-grade office tower as a joint venture with a local Brisbane based developer. Located on the corner of Adelaide and George Streets, the 41,600sqm (approx) building will comprise approximately 40,000sqm of office space and 1,600sqm of retail space, with parking for more than 225 cars. Award-winning architect, Crone Partners, has designed the building to meet a 4.5 star Australian Building Greenhouse Rating (ABGR) and Green Building Council of Australia (GBCA) 4 Star Green Star rating. Marketing has commenced and interest has been expressed by a number of high-profile tenants. Development consent will be sought by early 2007 and building completion is scheduled for mid 2009.

“CHOF4 was the largest fund of its kind in Australia at financial close; further establishing Charter Hall as a market leader.”

1. Northbank Plaza, Brisbane 2. 275 George St, Brisbane 3. Zone at Sydney Olympic Park

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FUND UPDATE
OPPORTUNITY FUNDS

PROPERTY DEVELOPMENT PORTFOLIO 3

151 Pirie, Adelaide SA
151 Pirie reached practical completion in March 2006 and was launched in June 2006 with KPMG as the major tenant. The eight level A-grade development was designed to achieve a 4.5 star Australian Building Greenhouse Rating (ABGR) and has been awarded Australia's first 4 Star Green Star rating for Office Design by the Green Building Council of Australia (GBCA). Additional leases have been finalised with Macquarie Bank, BankWest and Aussie Home Loans. The South Australian Government has also received cabinet approval to proceed with a leasing commitment in this building. An open market sales campaign has commenced for this building and a sale is expected by September/October 2006.

Home HQ, Nunawading VIC
This project was on-sold to CHPT at the time of IPO and is expected to reach practical completion in October 2006.

Zone at Sydney Olympic Park NSW
Zone at Sydney Olympic Park comprises three A-grade commercial office buildings totalling approximately 42,500sqm of commercial office space, 6,100sqm of retail space and parking for approximately 900 cars. Construction is well underway on the first building, which is being developed by PDP3 on Site 5. This building was sold for $98m in July 2005, and the Commonwealth Bank has pre-committed to leasing 100% of the office and part of the retail area. In July of this year, the leasehold interests in Sites 6 and 7 were also sold, paving the way for the development of two A-grade commercial office buildings with a total expanded Net Lettable Area of approximately 34,000sqm (subject to Authority approval). The sale of the sites generated a forecast IRR in excess of the Fund's target of 25%.

Sydney Wharf, Pyrmont Bay NSW
Construction has commenced for Sydney Wharf, a Sydney Harbour waterfront residential development comprising 104 luxury apartments and 54 marina berths. Following a successful marketing campaign, approximately 65% of this project has been pre-sold. Sydney Wharf is a 50-50 joint venture, with completion anticipated mid 2008.

PROPERTY DEVELOPMENT PORTFOLIO 2

Atrium, Pyrmont NSW
Construction is nearing completion on this 20,000sqm commercial office and retail building, which is scheduled for handover in October 2006. American Express has committed to lease 100% of the commercial office space for an initial 12 year term, while the retail component was pre-leased to Coles on a 20 year term for a full range 2,500sqm supermarket, due to open in September 2006. The American Express fitout has been integrated with the base building works and the initial data centre handover is scheduled for mid-August, before the final stage is completed in November 2006. This development was on-sold to CPOF in December 2005 on a land sale and forward funded, development agreement basis.

Parc, Bellevue Hill NSW
These 26 luxury apartments and five retail suites are complete with approximately 80% sold. This project is part of PDP2, which has achieved strong returns for its investors.

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1. 151 Pirie, Adelaide 2. Sydney Wharf, Pyrmont Bay

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BOARD OF DIRECTORS

Kerry Roxburgh
Non Executive Independent Chairman

Kerry is an SDIA Practitioner Member and holds positions on the boards of several listed and unlisted companies. He is the Chairman of E*TRADE Australia, Babcock & Brown Capital and Asian Express Airlines. Kerry is also a current director of Ramsay Health Care, Everest Babcock & Brown, PNG Sustainable Energy, the LawCover Group, the Medical Indemnity Protection Society Group and Professional Insurance Australia. A former Chairman of James Capel Australia and former director of J.Boag & Son and Climax Mining, Kerry was the CEO of E*TRADE Australia until July 2000. Prior to this he spent 10 years as an Executive Director of the Hong Kong Bank of Australia Group, five years of which he was Managing Director of their corporate finance subsidiary.

Roy Woodhouse
Non Executive Deputy Chairman

Roy has been the Deputy Chairman of Charter Hall since July 2004 and is a member of Transfield Holdings Advisory Committee. He worked for the Baillieu family for 30 years in various senior executive capacities commencing in 1975, including Director L.J. Hooker, Managing Director Knight Frank Australia and Chairman Knight Frank Australia. Roy was a co-founder of KFPW, a joint venture with PricewaterhouseCoopers specialising in outsourcing. As a qualified valuer, he was also a Fellow of the Australian Institute of Valuers and a Fellow of the Institute of Company Directors.

André Biet
Executive Director

Andre was a co-founder of Charter Hall with over 25 years of property industry experience. He was the Group's Managing Director from inception in 1991 until 2005 and is currently a Board Director of the Charter Hall Group. Andre serves as the Chairman of the Group's Investment Committees. He is a Fellow of the Australian Property Institute, a Member of the Australian Institute of Company Directors and holds a degree in Economics and an MBA.

Cedric Fuchs
Executive Director

Cedric was a co-founder of Charter Hall and has over 40 years of experience in the fields of property investment banking and financial services. He is involved in the Group's funds management business and is a member of the Investment Committees for the CPOF, CHOF4 and PDP funds. Prior to co-founding Charter Hall in 1991, Cedric worked with the Heine Group's property arm (now part of ING) and Leighton Properties where he was involved in the development and investment activities of those companies.

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BOARD OF DIRECTORS

Glenn Fraser
Non Executive Director

An executive of Transfield Holdings and a member of its Advisory Board, Glenn was instrumental in Transfield Holdings' acquisition of its interest in Charter Hall and has substantial experience in the project finance industry. He specialises in infrastructure and property projects and joined Transfield Holdings in 1996. Before his appointment as Transfield's CFO, Glenn was General Manager — Finance, Project Development, where he was responsible for the financial elements of Transfield Holdings' infrastructure and property projects. Preceding his time with Transfield Holdings, Glenn was a principal of a project finance advisory business, Perry Development Finance Pty Limited, which was sold to Hambros Corporate Finance Limited in 1995. Glenn holds a Bachelor of Commerce, is a member of the Institute of Chartered Accountants and the Australian Institute of Company Directors.

Patrice Derrington
Non Executive Independent Director

Patrice is a property investment consultant to private industry and government authorities. She was previously the executive responsible for the economics and funding of the revitalisation effort led by the Lower Manhattan Development Corporation (a Governor-appointed state agency) following the September 11, 2001 terrorist attacks on New York City. Previous positions have included Managing Director at the US asset management firm Spears, Benzak, Salomon and Farrell, and Vice President of the Real Estate Finance Group at Chemical Bank (now JPMorgan Chase) and in 1997 she founded the Victory Real Estate Investment Fund. Patrice is a recipient of the prestigious Harkness Fellowship, studying at the University of California, Berkeley for her Ph.D. in architecture/civil engineering, and holds an MBA from Harvard University.

Colin McGowan
Non Executive Independent Director

Colin is a consultant to the property industry. He was formerly CEO of the listed AMP Diversified Property Trust, Executive Vice President of Bankers Trust (Australia), founding Fund Manager of the BT Property Trust and founding Fund Manager of Advance Property Fund. Colin is a qualified valuer, Fellow of the Australian Property Institute and Fellow of the Securities Institute of Australia. He was the SIA National Principal Lecturer and Task Force Chairman for the Graduate Diploma's Property Investment Analysis course — a position he held for 10 years until 2003.

Peter McMahon
Non Executive Independent Director

With extensive experience within the property, construction, financial services and mining industries, Peter holds a number of non-executive positions on the boards of Australian companies. Peter has been the Chairman of Federation Square Management since July 1999, and was a Non-Executive Director of ING Australia. Currently a consultant to the property division of Grant Samuel, Peter's previous positions include Global Head of Property of ANZ Banking Group Limited, CEO of ANZ Asset Finance and Managing Director of Esanda Finance Corporation. Peter has qualifications in accounting and is a Fellow of the Australian Society of Accountants.

Financial Report

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DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as the Group or Charter Hall Group) consisting of Charter Hall Limited (the Company) and the entities it controlled at the end of, or during, the period ended 30 June 2006.

The Group includes Charter Hall Funds Management Limited as the Responsible Entity of Charter Hall Property Trust (the Trust). Charter Hall Limited and Charter Hall Funds Management Limited have identical Boards of Directors. The term Board hereafter should be read as references to both these Boards.

DIRECTORS

The following persons were directors of Charter Hall Limited during the whole of the period and up to the date of this report:

K Roxburgh – *Chairman*
R Woodhouse – *Deputy Chairman*
A Biet
P Derrington
G Fraser
C Fuchs
C McGowan
P McMahon

All directors were appointed on 6 April 2005 except for K Roxburgh who was appointed 12 April 2005.

PRINCIPAL ACTIVITIES

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

(a) Property investment
(b) Funds management
(c) Development management
(d) Property investment banking and property management

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

DIVIDENDS / DISTRIBUTIONS – CHARTER HALL GROUP

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

	2006 $'000	2005 $'000
Interim ordinary distribution for the period ended 31 December 2005 of 3.73 cents per security paid on 28 February 2006	**9,849**	
Final ordinary distribution for the 6 months ended 30 June 2006 of 3.82 cents per security expected to be paid on 30 August 2006	**10,182**	
Final ordinary distribution for the period ended 30 June 2004 of 48.8 cents per security paid on 2 July 2004 (on 2,690,000 securities)		1,314
Interim ordinary distribution for the period ended 30 June 2005 of 5.9 cents per security paid on 14 April 2005 (on 26,900,000 securities)		1,600
Final ordinary distribution for the period ended 30 June 2005 of 5.7 cents per security paid on 2 June 2005 (on 26,900,000 securities)		1,530
	20,031	4,444

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DIRECTORS' REPORT

RESULTS

The Group has reported a solid financial result for the period to 30 June 2006. DPS of 7.10c for the 12 months to 30 June 2006 is in line with the recent forecast provided in the PDS/Prospectus and 8.2% above the IPO PDS/Prospectus forecast DPS of 6.56c. The results have been reported under Australian equivalents to International Financial Reporting Standards (AIFRS).

The financial report includes separate financial statements for Charter Hall Limited (CHL) as an individual entity and the consolidated entity consisting of CHL and its subsidiaries and controlled entities including Charter Hall Funds Management Limited as Responsible Entity for Charter Hall Property Trust (CHPT).
CHL was incorporated on 24 March 2005 therefore the financial year of the parent company in this financial report is from 24 March 2005 to 30 June 2006.

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 has therefore been accounted for as a reverse acquisition under AASB 3. Accordingly the consolidated financial statements of CHG have been prepared as a continuation of the consolidated financial statements of CHH. The comparative information presented in the consolidated financial statements is that of CHH for the year 1 July 2004 to 30 June 2005.

As widely reported the introduction of AIFRS has created significant volatility to reported results. The most significant impacts to the Group, during the period, and expected in future periods, under AIFRS are as follows:

- Under *AASB140 Investment Property*, investment properties that are measured at fair market value record valuation increments/decrements through the income statement. Previously increments/decrements were recorded through an asset revaluation reserve and hence revaluations did not impact the income statement. As investment properties are measured at fair value, initial property acquisition costs such as stamp duty are now expensed through the income statement as a fair value adjustment, rather than capitalised which was the previous treatment under AGAAP.
- Under *AASB2 Share Based Payment* the accounting treatment of the Group's LTI Plan results in the reclassification of LTI Plan loans from receivables to equity. A remuneration expense has been recognised for the fair value of the benefit to employees.

Despite AIFRS resulting in volatility to reported profit results it is important to note that the application of AIFRS does not impact the Group's net cash flows and its ability to pay distributions.

DISTRIBUTION

The distribution for the period is 7.55 cents per security. This comprises a distribution of 0.45 cents per security for the period 6 June 2005 to 30 June 2005 and 7.10 cents per security for the period 1 July 2005 to 30 June 2006.

PERFORMANCE – 6 JUNE 2005 TO 30 JUNE 2006

The Group recorded a net profit after tax for the trading period 6 June 2005 (allotment) to 30 June 2006 of $18.0m (before fair value adjustments). Under AIFRS the Group is required to revalue properties and write off property acquisition costs through the income statement. After adjusting for revaluations and acquisition costs totalling a net $5.6m the AIFRS reported Group result is a profit after tax for the period of $12.4m.

Two properties have been independently externally revalued as at 30 June 2006, 570 Bourke Street, Melbourne and 56 Anzac Street, Chullora. This resulted in upward revaluations of $3.5m and $3.65m, respectively. However in relation to 56 Anzac Street, CHPT paid an additional sum of $3.61m to the vendor based upon the increased net income as a result of a reduction in land rent payable. Hence the valuation uplift was predominantly already reflected in the book value and there is only a minimal fair value adjustment.

The remaining properties have been internally valued with no fair value adjustments required as there were no significant movements from book value.

PERFORMANCE – 1 JULY 2005 TO 30 JUNE 2006

The latest PDS/Prospectus included an income statement forecast for the period 1 July 2005 to 30 June 2006 (that is, it excluded an income forecast for the period 6 June to 30 June 2005).

For the 12 months to 30 June 2006 net profit after tax was $17.5m (before fair value adjustments) which was in line with the PDS/Prospectus forecast.

RECONCILIATION OF FINANCIAL RESULTS

The table below reconciles profit after tax for the period 1 July 2005 to 30 June 2006 to the actual reported result per the statutory accounts being the period 6 June 2005 to 30 June 2006.

$m	Notes	Actual
Net profit after tax – 1 July 2005 to 30 June 2006	*(i),(ii)*	**17.5**
Add: NPAT 6 June to 30 June 2005		0.5
Net profit after tax – 6 June 2005 to 30 June 2006		**18.0**
less: AIFRS fair value adjustments (property revaluations and acquisition costs)	*(ii)*	5.6
Reported net profit after tax (per statutory accounts) – 6 June 2005 to 30 June 2006		**12.4**

(i) – The PDS/Prospectus did not contain an income statement forecast for the period 6 June 2005 to 30 June 2005.
(ii) – In the PDS/Prospectus all acquisition costs were assumed to be written off during the month of June 2005. Of the total acquisition costs, $5.7m were incurred in June 2005 and $3.4m post 30 June 2005. These have been offset by property revaluations of $3.5m.

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DIRECTORS' REPORT

The 30 June 2006 financial results can be summarised as follows:

Gross revenue ($m)		38
Net profit after tax ($m)	*(i)*	18
Distribution ($m)	*(i)*	20
Earnings per stapled security excluding fair value adjustments (cents)	*(i), (ii)*	6.67
Distribution per stapled security (cents)	*(ii), (iii)*	7.55
Total Assets ($m)		505
Total Liabilities ($m)		226
Net Assets ($m)		279
NTA per security ($)	*(iii)*	0.85
Gearing – borrowings to total assets	*(iv)*	27.7%
Assets under Management ($bn)		1.2

(i) – Period 6 June 2005 to 30 June 2006. Excludes AIFRS fair value adjustment.
(ii) – DPU reflects distribution of CHPT (the trust) profit only and nil dividends from CHL (the company). CHL recorded a loss for the period (in line with PDS/Prospectus) and hence reduces Group EPU.
(iii) – excludes stapled securities issued under LTI Plan in accordance with AASB 2.
(iv) – the group temporarily increased its facility to acquire the seed asset of the Core Plus Office Fund, Atrium. As a result additional assets of $170.8m and borrowings of $93.3m are included in the gearing calculation. Without these additions the level of gearing of the group is 14%. The group's stated gearing target is 30-40% however additional equity raising has resulted in a lower level of gearing.

DISTRIBUTION RE-INVESTMENT PLAN (DRP)

The Group activated its DRP for the first time for the 31 December 2005 distribution. The participation rate was 71.7%. This equated to an equity raising of $7.2m, which has been used to fund further growth for the Group. The securities issued under the DRP were issued at $0.8936 which represented a 2% discount to the average of the 10 day Volume Weighted Average Price following the ex-distribution date. The DRP was deactivated for the 30 June 2006 distribution.

REVIEW OF OPERATIONS

During the period the Group launched 3 new property funds comprising Charter Hall Opportunity Fund No.4 ("CHOF4") and two additional investment funds, known as Charter Hall Diversified Property Fund ("DPF") and Charter Hall Core Plus Office Fund ("CPOF"). The Group has further expanded its diverse sources of equity, providing institutional, wholesale, retail and high net worth clients with these new products. The Group raised $100m in June 2006 via an entitlement offer, placement and public offer, the proceeds of which have provided funding for two new properties within CHPT and additional co-investment in CPOF and DPF.

The Group has been very active over the past 12 months and in addition to the establishment of these new funds, has acquired 17 assets totalling $554m, 100% of which have been secured as off market transactions.

The $165m oversubscribed raising for CHOF4 reinforced Charter Hall's position as the pre eminent opportunity fund manager in Australia and demonstrated the Group's access to wholesale equity. Since closing on 28th July 2005, approximately $35m of these funds have been committed to new projects.

Total funds under management as at 30 June 2006 have grown to $1.21 billion. As foreshadowed in the PDS/Prospectus, Charter Hall has utilised its balance sheet capacity to secure and warehouse a number of quality assets for new investment funds, such as DPF and CPOF. This has underpinned the success of these new funds and will accelerate the growth in the Group's funds under management, with a continued focus on security holder returns.

ENVIRONMENTAL REGULATION

There were no environmental breaches during the period.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Group during the period were as follows:

- The Group issued a further 8,089,980 securities on 28 February 2006 under the 31 December 2005 DRP.
- The Group raised $100m in June 2006 via an entitlement offer, placement and public offer. The securities were issued in two stages, 57,017,151 securities were issued on 15 June 2006 and 21,722,580 securities were issued on 3 July 2006.

MATTERS SUBSEQUENT TO THE END OF THE PERIOD

Since 30 June 2006 CHPT has completed the purchase of the following properties:

- 372 Whitehorse Road Nunawading on 4 July 2006 (as foreshadowed in the PDS/Prospectus dated 11 May 2005);
- 25 Nepean Highway, Mentone on 21 July 2006 (as foreshadowed in the PDS/Prospectus dated 19 May 2006).

The Group issued an additional 21,722,580 securities on 3 July 2006 under the entitlement, placement and public offer.

The Charter Hall Core Plus Office Fund was a wholly owned sub-trust of CHPT as at 30 June 2006. As at 1 July 2006 CHPT had an interest of 24% in CPOF as $87m has been raised from external investors.

Except for the matters discussed above, no other matter or circumstance has arisen since 30 June 2006 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

Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this annual financial report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

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DIRECTORS' REPORT

INFORMATION ON DIRECTORS

K ROXBURGH
Chairman – non-executive. Age 64.

Experience and expertise
Independent non-executive director and Chairman appointed 12 April 2005. Mr Roxburgh has extensive experience on the boards of listed and unlisted companies. SDIA Practitioner Member.

Other current listed company directorships
Non-executive Chairman of E*TRADE Australia (since 1996) and of Babcock and Brown Capital Limited (since February 2006).

Non-executive director of Ramsay Health Care Ltd (since 1997) and Non-executive director of Everest Babcock and Brown Group (since 2005).

Former listed company directorships in last 3 years
Nil

Special responsibilities
Chairman of the Board.
Chairman of remuneration committee.

Interests in securities
50,000 securities in Charter Hall Group.

R WOODHOUSE
Deputy Chairman – non-executive. Age 59.

Exerience and expertise
Appointed non-executive director and deputy Chairman of the Group on 6 April 2005. Worked for the Ballieu family for 30 years in senior executive capacities from 1975 including Director L.J. Hooker, Managing Director Knight Frank Australia and Chairman Knight Frank Australia. Fellow of the Institute of Company Directors.

Other current listed company directorships
Nil

Former listed company directorships in last 3 years
Nil

Special responsibilities
Deputy Chairman of the Board
Member of remuneration committee

Interests in securities
366,666 securities in Charter Hall Group.

C MCGOWAN
Independent non-executive director. Age 60.

Experience and expertise
Independent non-executive director since 6 April 2005. Formerly CEO of the listed AMP Diversified Property Trust, Executive Vice President of Bankers Trust (Australia), founding Fund Manager of the BT Property Trust and founding Fund Manager of the Advance Property Fund. Fellow of the Australian Property Institute and Senior Fellow of the Financial Services Institute of Australasia.

Other current listed company directorships
Nil

Former listed company directorships in last 3 years
Nil

Special responsibilities
Member of remuneration committee.

Interests in securities
Nil securities in Charter Hall Group.

A BIET
Executive director. Age 57.

Experience and expertise
Co-founder of Charter Hall and managing director of the Group from 1991 to 2005. A member of the Investment Committee for all Charter Hall Funds. He is a Member of the Australian Institute of Company Directors, a fellow of the Australian Property Institute and holds a Bachelors degree in Economics and an MBA.

Other current listed company directorships
Nil

Former listed company directorships in last 3 years
Nil

Special responsibilities
Nil

Interests in securities
5,729,724 securities in Charter Hall Group via direct and indirect interests and an interest in 1,050,000 securities in the Charter Hall Executive Loan Security Plan which vest after the satisfaction of performance and service criteria.

P DERRINGTON
Independent non-executive director. Age 50.

Experience and expertise
Independent non-executive director since 6 April 2005. Currently a property investment consultant. Formerly Managing Director of the US asset management firm Spears, Benzak, Salomon and Farrell, formerly Vice President in the Real Estate Finance Group at Chemical Bank (now J.P. Morgan Chase) and in 1997 founded the Victory Real Estate Investment Fund. Holds an MBA from Harvard University and a Ph. D from U.C. Berkeley.

Other current listed company directorships
Non-executive Director of AmeriVest Properties based in Denver, Colorado. Commenced in 2003

Former listed company directorships in last 3 years
Nil

Special responsibilities
Member of audit, risk and compliance committee

Interests in securities
Nil securities in Charter Hall Group.

G FRASER
Non-executive director. Age 49.

Experience and expertise
Non-executive director of the Group since 6 April 2005. Joined Transfield Holdings in 1996 where he was formerly the CFO and General Manager – Finance, Property Development. Currently an executive of Transfield Holdings and a member of its Advisory Board. Previously was the principal of a finance advisory business Perry Development Finance Pty Limited. Member of the Institute of Chartered Accountants in Australia and the Institute of Company Directors.

Other current listed company directorships
Nil

Former listed company directorships in last 3 years
Nil

Special responsibilities
Member of audit, risk and compliance committee.

Interests in securities
190,986 securities in Charter Hall Group.

C FUCHS
Executive director. Age 62.

Experience and expertise
Co-founder of Charter Hall in 1991. Executive director of the Group since 6 April 2005. Has over 40 years experience in property investment and financial services. Responsible for the Group's funds management business and is a member of the Investment Committee for the Charter Hall opportunity funds. Previously worked at the Heine Group's property arm and Leighton Properties.

Other current listed company directorships
Nil

Former listed company directorships in last 3 years
Nil

Special responsibilities
Nil

Interests in securities
5,656,595 securities in Charter Hall Group via direct and indirect interests and an interest in 1,443,700 securities in the Charter Hall Executive Loan Security Plan which vest after the satisfaction of performance and service criteria. The issue of 393,700 securities is subject to security holder approval at the Annual General Meeting.

P MCMAHON
Independent non-executive director. Age 64.

Experience and expertise
Independent non-executive director since 6 April 2005. Holds a number of non-executive positions on boards of Australian companies. Chairman of Federation Square Management since July 1999 and former non-executive director of ING Australia. Previously Global Head of Property of ANZ Banking Group Limited, CEO of ANZ Asset Finance and Managing Director of Esanda Finance Corporation. Fellow of the Australian Society of Accountants.

Other current listed company directorships
Nil

Former listed company directorships in last 3 years
Nil

Special responsibilities
Chairman of audit, risk and compliance committee.

Interests in securities
55,073 securities in Charter Hall Group.

COMPANY SECRETARY

The company secretary is Mr N Francis, a member of the Institute of Chartered Accountants in Australia who was appointed to the position of Company Secretary of the Group on 6 April 2005. Before joining Charter Hall Group he was the Finance and Asset Manager at Quantum Property Group and prior to that gained seven years experience with PricewaterhouseCoopers in audit and transactions services.

MEETINGS OF DIRECTORS

The numbers of meetings of the Group's board of directors and of each board committee held during the period ended 30 June 2006, and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of committees					
			Investment		Audit		Remuneration	
	A	B	A	B	A	B	A	B
K Roxburgh	10	11	6	8	*	*	2	2
R Woodhouse	8	11	8	8	*	*	2	2
A Biet	11	11	7	8	*	*	*	*
P Derrington	9	11	2	8	3	4	*	*
G Fraser	9	11	6	8	4	4	*	*
C Fuchs	9	11	7	8	*	*	*	*
C McGowan	9	11	8	8	*	*	2	2
P McMahon	9	11	2	8	4	4	*	*

A = Number of meetings attended
B = Number of meetings held during the time the director held office or was a member of the committee during the year
* = Not a member of the relevant committee

2 of the 11 "full" meetings of directors were procedural meetings in relation to the signing of a Charter Hall Opportunity No 4 undertaking and a subsidiary accounts for the year ended 30 June 2005. The attendees at the first procedural meeting were A Biet & K Roxburgh and at the second meeting A Biet and C Fuchs.

The investment committee is made up of A Biet, K Roxburgh, C McGowan and R Woodhouse together with (if required) any 2 of P Derrington, G Fraser, C Fuchs & P McMahon.

REMUNERATION REPORT

The remuneration report is set out under the following main headings:
A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Service agreements
D Security-based compensation
E Additional information.

The information provided under headings A-D includes remuneration disclosures that are required under Accounting Standard AASB 124 *Related Party Disclosures*. These disclosures have been transferred from the financial report and have been audited. The disclosures in Section E are additional disclosures required by the *Corporations Act 2001* and the *Corporations Regulations 2001* which have not been audited.

A PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION (AUDITED)

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for securityholders, and conforms with market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to security holders
- performance linkage / alignment of executive compensation
- transparency
- capital management.

In consultation with external remuneration consultants, the Group has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

Alignment to securityholders' interests:

- has economic profit as a core component of plan design
- focuses on sustained growth in securityholder wealth, consisting of distributions and dividends and growth in security price, and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value
- attracts and retains high calibre executives.

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in securityholder wealth
- provides a clear structure for earning rewards
- provides recognition for contribution.

The framework provides a mix of fixed and variable pay, and a blend of short and long term incentives. As executives gain seniority with the Group, the balance of this mix shifts to a higher proportion of "at risk" rewards.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments will be reviewed annually by the Board. The Board has also reviewed independent remuneration research to ensure non-executive directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration. Non-executive directors are not a part of the Charter Hall Limited Loan Security Plan.

Directors' fees

The current base remuneration was last reviewed with effect from 1 July 2006. Non-executive directors who are part of a committee receive additional yearly fees.

Retirement allowances for directors

There are no retirement allowances for non-executive directors.

Executive pay

The executive pay and reward framework has four components:

- base pay and other benefits
- short term performance incentives (STI)
- long term incentives (LTI) through participation in the Charter Hall Limited Executive Loan Security Plan, and
- other remuneration such as superannuation.

The combination of these comprises the executive's total remuneration. The Group intends to revisit its long term equity-linked performance incentives specifically for executives during the year ending 30 June 2007.

Base pay

Executives are offered a competitive base pay where reference is made to latest salary trends and salary surveys to ensure base pay is set to reflect the market for a comparable role. Other benefits include provision of car parking spaces at the office location.

There are no guaranteed base pay increases included in any senior executives' contracts.

Short-term incentives

Cash incentives (bonuses) are payable in July depending on Group and individual performance for the year to 30 June. Executives have a target STI opportunity depending on the accountabilities of the role and impact on the organisation.

Each year, the remuneration committee and CEO's will consider the appropriate targets and key performance indicators (KPI's) to link the STI plan and the level of payout if targets are met. This includes setting any maximum payout under the STI plan, and minimum levels of performance to trigger payment of STI.

For the period ended 30 June 2006, the KPI's linked to STI plans were based on group and personal objectives. The KPI's required performance in achieving specific targets.

The CEO's and remuneration committee are responsible for assessing whether the KPI's are met. To help make this assessment, the committee receives detailed reports on performance from management.

The short-term bonus payments may be adjusted up or down in line with under or over achievement against the target performance levels. This is at the discretion of the remuneration committee.

The STI target annual payment is reviewed annually.

STI – CEO's and Executive Directors
The Joint CEO's and Executive Directors (Andre Biet and Cedric Fuchs) short term incentive is linked to a percentage of distribution growth above the PDS/Prospectus forecast. For the year to 30 June 2006 the Joint CEO's and Executive Directors are entitled to a bonus of 20% (to be shared evenly) of the amount that the distribution for the 12 months to 30 June 2006 exceeds the distribution forecast in the IPO PDS/Prospectus dated 27 May 2005.

The Remuneration Committee has approved an FY07 bonus for the Joint CEO's and Cedric Fuchs of 15% (6% David Harrison, 6% David Southon, 3% Cedric Fuchs) of the amount that the distribution for the 12 months to 30 June 2007 exceeds the distribution forecast in the most recent PDS/Prospectus dated 19 May 2006.

Charter Hall Limited Executive Loan Security Plan
Information on the Charter Hall Limited Executive Loan Security Plan is set out in note 39 to the financial statements.

B DETAILS OF REMUNERATION (AUDITED)

Amounts of remuneration
Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures*) of Charter Hall Group are set out in the following tables.

The key management personnel of Charter Hall Group includes the directors as per pages 48–51 and the following executive officers, who with the executive directors are also the 5 highest paid executives of the Group:
- D Harrison – *Joint CEO*
- D Southon – *Joint CEO*
- M Winnem – Development Director

The cash bonuses are dependent on the satisfaction of performance conditions as set out in the section headed *Short-term incentives* (page 56). All other elements of remuneration are not directly related to performance.

KEY MANAGEMENT PERSONNEL OF THE GROUP

2006*	Short-term benefits		Post-employment benefits	Security-based payment	
Name	Cash salary and fees $	Cash bonus $	Super-annuation $	Securities $	Total $
Non-executive directors					
K Roxburgh *Chairman*	77,895	-	7,011	-	84,906
**R Woodhouse *Deputy Chairman*	-	-	-	-	-
P Derrington	58,046	-	5,224	-	63,270
**G Fraser	-	-	-	-	-
C McGowan	60,550	-	5,450	-	66,000
P McMahon	59,046	-	5,314	-	64,360
Sub-total non-executive directors	**255,537**		**22,999**		**278,536**
Executive directors					
A Biet	181,510	53,059	35,968	28,031	298,568
C Fuchs	168,182	53,059	81,818	28,031	331,090
Other key management personnel					
D Harrison	337,861	53,059	12,139	39,378	442,437
D Southon	337,861	53,059	12,139	39,378	442,437
M Winnem	210,000	40,000	12,139	-	262,139
Totals	**1,490,951**	**252,236**	**177,202**	**134,818**	**2,055,207**

* Remuneration period is 1 July 2005 to 30 June 2006. Short-term benefits to Non-Executive Directors include Director and committee fees

** Roy Woodhouse and Glenn Fraser have agreed to waive Director and Committee Fees for a period of 2 years from the date they were appointed as Directors of the Board (6 April 2005).

KEY MANAGEMENT PERSONNEL OF THE GROUP

2005*	Short term benefits		Post-employment benefits	Security-based payment	
Name	Cash salary and fees $	Cash bonus $	Super-annuation $	Securities $	Total $
Non-executive directors					
K Roxburgh *Chairman*	6,116	-	550	-	6,666
**R Woodhouse *Deputy Chairman*	-	-	-	-	-
P Derrington	4,587	-	413	-	5,000
**G Fraser	-	-	-	-	-
C McGowan	4,587	-	413	-	5,000
P McMahon	4,587	-	413	-	5,000
Sub total non-executive directors	**19,877**	**-**	**1,789**	**-**	**21,666**
Executive directors					
A Biet	234,641	-	15,359	-	250,000
C Fuchs	250,000	-	-	-	250,000
Other key management personnel					
***D Harrison	236,909	-	10,312	-	247,221
D Southon	300,620	-	16,047	-	316,667
M Winnem	189,000	30,000	13,845	-	232,845
Totals	**1,231,047**	**30,000**	**57,352**	**-**	**1,318,399**

* Period 1 July 2004 to 30 June 2005.
** *Roy Woodhouse and Glenn Fraser have agreed to waive Director and Committee Fees for a period of 2 years from the date they were appointed as Directors of the Board (6 April 2005)*
*** Commenced 18 October 2004

The remuneration for Charter Hall Limited is identical to that shown above as Charter Hall Limited does not have employees.

C SERVICE AGREEMENTS

D Harrison

- Term of agreement – 3 years commencing 18 October 2004
- Base salary, inclusive of superannuation, for the year ended 30 June 2006 of $350,000, to be reviewed annually by the remuneration committee.

D Southon

- Term of agreement – 3 years commencing 1 July 2004
- Base salary, inclusive of superannuation, for the year ended 30 June 2006 of $350,000, to be reviewed annually by the remuneration committee.

Under both agreements Charter Hall Limited needs to give 3 months notice to terminate the contract or 3 months in lieu to terminate immediately.

D EMPLOYEE SECURITY SCHEME

The Charter Hall Limited Loan Security Plan (LSP) is designed to develop a clear line of sight between business objectives and reward. It is an incentive plan aimed at creating a stronger link between executive performance and reward and increasing securityholder value by enabling plan participants to have a greater involvement with, and share in the future growth and profitability of the Group.

Participants are offered limited recourse loans to acquire securities under the plan with interest charged at the distribution yield. If the performance and vesting conditions are satisfied, the securities become available to the plan participants after repayment of any loan obligations outstanding.

Non-executive directors do not participate in the LSP.

The executive directors of Charter Hall Group and other key management personnel of the Group did not receive any vested securities during the period from the company's employee security scheme.

Details of Charter Hall Group securities issued under the LSP are set out below:

2005 Offers: issued 5,900,000 securities on 6 June 2005 at $1.00 per security, issued 300,000 securities on 11 November at $1.0731 per security.

Performance conditions: for the period ended 30 June 2006 exceed the forecast distribution per security per the PDS/Prospectus dated 11 May 2005 and at least 5% growth in like for like distributions per security for each of the years ended 30 June 2007 and 30 June 2008.

Vesting conditions: securities may vest in three tranches. Subject to the satisfaction of the performance conditions above, one-third of the securities provided under the plan may vest after the end of the forecast period and one-third will vest after 30 June 2007 and one-third after 30 June 2008.

2006 Offer: issued 6,299,212 securities on 3 July 2006 at $1.27 per security.

Performance conditions: for the period ended 30 June 2007 exceed the forecast distribution per security per the PDS/Prospectus dated 19 May 2006 and at least 5% growth in like for like distributions per security for each of the years ended 30 June 2008 and 30 June 2009.

Vesting conditions: securities will vest in three tranches. Subject to the satisfaction of the performance conditions above, one-third of the securities provided under the plan will vest after the end of the forecast period and one-third will vest after 30 June 2008 and one-third after 30 June 2009.

Loans totalling $6,200,000 and $8,000,000 under the 2005 and 2006 offer, respectively were provided by Charter Hall Limited to participants.

Name	**LSP Securities Issued in 2005**	**LSP Securities Issued for 2006**	**Total securities**
Directors			
Andre Biet	1,050,000	Nil	1,050,000
Cedric Fuchs	1,050,000	* 393,700	1,443,700
Key management personnel			
David Harrison	1,450,000	1,161,417	2,611,417
David Southon	1,450,000	1,141,732	2,591,732
Michael Winnem	Nil	236,220	236,220

* *Subject to securityholder approval at AGM*

E ADDITIONAL INFORMATION – UNAUDITED

Loans to directors and executives
Information on loans to directors and executives, including amounts, interest rates and repayment terms are set out in note 29 to the financial statements.

Insurance of officers
During the period, Charter Hall Group paid a premium of $65,425 to insure the director and secretaries of the company and its Australian based controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-audit services

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

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the period 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.
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

During the period the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
(a) Assurance services				
Audit services				
PricewaterhouseCoopers Australian firm				
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	**157,500**	-	**-**	-
Non-PricewaterhouseCoopers audit firms for the audit or review of financial reports of any entity in the Group	**29,000**	3,000	**-**	-
Total remuneration for audit services	**186,500**	3,000	**-**	-
Other assurance services				
PricewaterhouseCoopers Australian firm				
Investigating Accountants Reports – IPO / equity raising	**446,577**	-	**-**	-
Total remuneration for other assurance services	**446,577**	-	**-**	-
Total remuneration for assurance services	**633,077**	3,000	**-**	-
(b) Taxation services				
PricewaterhouseCoopers Australian firm				
Tax compliance services, including review of company income tax returns	**52,700**	-	**10,000**	-
Tax advice on IPO / equity raising	**200,622**	-	**-**	-
Total remuneration for taxation services	**253,322**	-	**10,000**	-
(c) Advisory services				
PricewaterhouseCoopers Australian firm				
Legal advice	**42,123**	-	**-**	-
Total remuneration for advisory services	**42,123**	-	**-**	-

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DIRECTORS' REPORT

AUDITORS' INDEPENDENCE DECLARATION

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

ROUNDING OF AMOUNTS

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

AUDITOR

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

This report is made in accordance with a resolution of directors.

K Roxburgh
Chairman

Sydney
23 August 2006

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AUDITOR'S INDEPENDENCE DECLARATION

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2, 201 Sussex Street
GPO BOX 2650, SYDNEY NSW 1171
DX 77 Sydney Australia
www.pwc.com/au
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Charter Hall Group for the period ended 30 June 2006, 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 Group comprising Charter Hall Limited, and the entities it controlled during the period, including Charter Hall Property Trust.

PricewaterhouseCoopers

B K Hunter
Partner

Sydney
23 August 2006

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CORPORATE GOVERNANCE STATEMENT

An extensive review of the Group's corporate governance framework was completed prior to the Initial Public Offering. This review took into account best practice recommendations of the Australian Stock Exchange (ASX) Corporate Governance Council. The appropriate practice recommendations have been adopted so as to reflect the Group's commitment to the highest standards of corporate governance practice.

This Corporate Governance Statement has been prepared in a manner consistent with the reporting recommendations of the ASX. Additional corporate governance information may be found on the Group's website www.charterhall.com.au or by contacting the Chief Financial Officer.

BOARD OF DIRECTORS

The Board is comprised of 8 members appointed with a view to providing appropriate skills and experience likely to add value to the Group's activities.

Name	Position	Independent (Yes/No)	First Appointed
Kerry Roxburgh	Chairman	Yes	12 April 2005
Roy Woodhouse	Deputy Chairman	No	6 April 2005
André Biet	Executive Director	No	6 April 2005
Cedric Fuchs	Executive Director	No	6 April 2005
Patrice Derrington	Non-Executive Director	Yes	6 April 2005
Glenn Fraser	Non-Executive Director	No	6 April 2005
Colin McGowan	Non-Executive Director	Yes	6 April 2005
Peter McMahon	Non-Executive Director	Yes	6 April 2005

The Board operates in accordance with a formal charter which establishes its duties and responsibilities.

Details of the Directors' qualifications, experience, other responsibilities, number of meetings attended and holdings of Securities in the Group can be found in the Directors Report.

DIRECTORS' INDEPENDENCE

The Board has adopted specific principles in relation to determining directors' independence. These principles are subject to specific materiality tests which are determined on both quantitative and qualitative bases. An amount exceeding 5% of annual turnover of the Group or 5% of a director's net worth, is considered material for this purpose. Furthermore, any transaction and all relationships are deemed material if they impact a securityholder's understanding of a director's performance.

INDEPENDENT ADVICE

The terms of each Director's letter of appointment permits him or her to seek independent professional advice, including, but not limited to, legal, accounting and financial advice, at the Group's expense or any matter connected with the discharge of his or her responsibilities. The cost, nature and details of such advice must first be approved by the Chairman.

SECURITY TRADING POLICY

The Group has in place a formal Security Trading Policy which regulates the manner in which Directors and employees can buy or sell Securities in the Group. It requires that they conduct their personal investment activities in a manner that is lawful and avoids conflicts between their own interests and those of the Group.

The policy specifies trading windows as the periods during which trading Securities can occur. Trading is prohibited despite a window being open if the relevant person is in procession of non-public price sensitive information regarding the Group.

A copy of the Security Trading Policy is available on the Group's website.

AUDIT, RISK AND COMPLIANCE COMMITTEE

The Audit Risk and Compliance Committee assists the Board in fulfilling its corporate governance and oversight responsibilities relating to financial accounting practices, risk management and internal control systems, external reporting, compliance and the external audit function.

The Committee is comprised of Peter McMahon (Chairman), Patrice Derrington and Glenn Fraser, who are all non-executive Directors. The members have comprehensive financial and property industry expertise. The Committee met on four occasions during the year to 30 June 2006. Please refer to the Directors Report for information on attendance by members.

A copy of the Audit, Risk and Compliance Committee Charter is available on the Group's website.

CONTINUOUS DISCLOSURE POLICY

The Group has a Continuous Disclosure Policy consistent with the continuous disclosure obligations of the ASX and Corporations Act. The policy is designed to ensure that all investors have equal and timely access to information concerning the Group, and to ensure that price-sensitive information from any part of the Group is immediately notified to the ASX in a complete, balanced and timely manner.

A copy of the Continuous Disclosure Policy is available on the Group's website.

COMMUNICATION WITH INVESTORS

The Group is committed to communicating with its investors in an effective and timely manner so as to provide them with ready access to information relating to the Group. In addition to the Continuous Disclosure Policy, the Group maintains a website (www.charterhall.com.au) providing access to information likely to be of interest to securityholders. The Group encourages securityholders to utilise its website as their primary tool to access information and disclosures.

RISK MANAGEMENT

The Board, through the Audit, Risk and Compliance Committee, ensures that strategic, operational, legal, reputation and financial risks are identified, effectively assessed, and efficiently managed and monitored so as to achieve the Group's objectives.

Considerable importance is placed on maintaining a strong control environment through an organisation structure with clearly drawn lines of accountability and authority. Adherence to the Code of Conduct is required at all times and the Board actively promotes a culture of honesty and integrity.

At this point in time the Directors are of the opinion that the size of the Group does not warrant an internal audit function. This policy is subject to ongoing review.

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CORPORATE GOVERNANCE STATEMENT

PERFORMANCE EVALUATION

Board members are subject to an annual self-assessment of their performance. The performance of all levels of management is conducted annually in conjunction with remuneration reviews undertaken by the Remuneration Committee and Joint Chief Executive Officers.

At this time the Group has not established a Nominations Committee. The Board concurs with the ASX recommendation which recognises that a Nomination Committee is more relevant for larger companies.

REMUNERATION

The Board has established a Remuneration Committee to assist it in achieving fairness and transparency in relation to remuneration issues and overseeing the remuneration and human resource policies and practices of the Group. The Remuneration Committee endeavours to ensure that the Group's remuneration policies and outcomes strike an appropriate balance between the interests of investors and rewarding and motivating the Group's management.

Fees paid to Non-Executive Directors are set by the Board, within an aggregate limit set by securityholders. The total remuneration paid to Non-Executive Directors to 30 June 2006 is set out in the Remuneration Report.

Directors' fees are reviewed annually and are benchmarked against fees paid to Directors of similar organisations.

Non-Executive Directors are not provided with retirement benefits other than statutory superannuation and do not participate in staff security plans, receive options or bonus payments.

The Remuneration Committee comprises three non-executive directors being Kerry Roxburgh (Chairman), Colin McGowan and Roy Woodhouse. (Please refer to the Directors Report for information on the number of meetings and the attendance by members). A copy of the Remuneration Committee Charter is available on the Group's website.

RECOGNITION OF THE INTEREST OF STAKEHOLDERS

The Group recognises the need to observe the highest standards of corporate practice and business conduct. In order to ensure that these standards are met, the Group has established a formal Code of Conduct which forms the basis for ethical behaviour by all Group personnel and is the framework that provides the foundation for maintaining and enhancing the Group's reputation. The objective of the Code is to ensure that employees, suppliers, clients, competitors and the community in general can be confident that the Group conducts its affairs honestly in accordance with ethical values and practices.

All employees of the Group are required to comply with both the spirit as well as the letter of the relevant laws which govern the operations of the Group.

FINANCIAL REPORT
INCOME STATEMENTS / BALANCE SHEETS

Income statements
For the period 24 March 2005 to 30 June 2006

		Consolidated		Parent entity	
		2006	2005	**2006**	2005
	Notes	**$'000**	$'000	**$'000**	$'000
Revenue	5	**37,812**	10,241	**4,500**	-
Other income	6	**8**	1	**-**	-
Investment property expenses		**(5,065)**	-	**-**	-
Employee benefits expense		**(5,553)**	(3,370)	**-**	-
Depreciation	7	**(94)**	(53)	**-**	-
Other expenses		**(3,628)**	(2,324)	**(21)**	-
Finance costs	7	**(5,929)**	(6)	**(7,813)**	-
Share of net losses of associates accounted for using the equity method		**(22)**	-	**(22)**	-
		17,529	4,489	**(3,356)**	-
Net losses from fair value adjustments on investment property		**(5,564)**	-	**-**	-
Profit/(loss) before income tax		**11,965**	4,489	**(3,356)**	-
Income tax gain / (expense)	8	**430**	(1,376)	**1,764**	-
Net profit/(loss) after income tax attributable to stapled security holders of Charter Hall Group		**12,395**	3,113	**(1,592)**	-
Attributable to:					
Equity holders of Charter Hall Limited		**868**	3,113	**(1,592)**	-
Equity holders of Charter Hall Property Trust (minority interest)		**11,527**	-	**-**	-
Profit attributable to stapled security holders of Charter Hall Group		**12,395**	3,113	**(1,592)**	-
Earnings per share for profit attributable to the ordinary shareholders of the company:				**Cents**	Cents
Basic earnings per security	38			**(0.60)**	-
Diluted earnings per security	38			**(0.40)**	-

The above income statements should be read in conjunction with the accompanying notes, including note 38 which presents the following earnings per share for profit attributable to the stapled security holders:

Earnings per stapled security				**Cents**	Cents
Basic earnings per security	38			**4.61**	11.60
Diluted earnings per security	38			**4.65**	11.60

Balance sheets
As at 30 June 2006

	Notes	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent entity 2006 $'000	Parent entity 2005 $'000
ASSETS					
Current assets					
Cash and cash equivalents	9	**168,370**	859	**1,151**	-
Trade and other receivables	10	**30,529**	891	**1**	-
Financial assets	11	**5,120**	30	**5,050**	-
Total current assets		**204,019**	1,780	**6,202**	-
Non-current assets					
Trade and other receivables	14	**4,153**	-	**4,153**	
Investments accounted for using the equity method	15	**497**	-	**497**	-
Financial assets at fair value through the profit and loss	12	**3,988**	-	**-**	-
Other financial assets	16	**3,240**	-	**1,600**	-
Property, plant and equipment	17	**307**	283	**-**	-
Investment properties	18	**284,788**	-	**-**	-
Derivative financial instruments	13	**2,482**	-	**-**	-
Deferred tax assets	19	**1,284**	-	**1,929**	-
Other assets		**300**	-	**294**	-
Total non-current assets		**301,039**	283	**8,473**	
Total assets		**505,058**	2,063	**14,675**	-
LIABILITIES					
Current liabilities					
Trade and other payables	20	**84,454**	589	**9,691**	-
Current tax liabilities		**-**	3	**-**	-
Provisions	21	**48**	35	**-**	-
Total current liabilities		**84,502**	627	**9,691**	-
Non-current liabilities					
Borrowings	22	**140,119**	-	**55,050**	-
Deferred tax liabilities	23	**884**	-	**155**	-
Provisions	24	**83**	47	**-**	-
Total non-current liabilities		**141,086**	47	**55,205**	-
Total liabilities		**225,588**	674	**64,896**	-
Net assets		**279,470**	1,389	**(50,221)**	-
EQUITY					
Equity holders of Charter Hall Limited					
Contributed equity	25	**3,371**	1,600	**3,371**	-
Reserves	26(a)	**(51,835)**	-	**(52,000)**	-
Accumulated losses	26(b)	**(2,576)**	(211)	**(1,592)**	-
Parent entity interest		**(51,040)**	1,389	**(50,221)**	-
Equity holders of Charter Hall Property Trust (minority interest)	27	**330,510**	-	**-**	-
Total equity		**279,470**	1,389	**(50,221)**	-

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

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FINANCIAL REPORT
STATEMENT OF CHANGES IN EQUITY / CASH FLOW STATEMENTS

Statements of changes in equity
For the period 24 March 2005 to 30 June 2006

		Consolidated		Parent entity	
		2006	2005	**2006**	2005
	Notes	**$'000**	$'000	**$'000**	$'000
Total equity at the beginning of the period		**-**	1,120	**-**	-
Changes in the fair value of cash flow hedges, net of tax	13	**2,482**	-	**-**	-
Net loss recognised directly in equity		**2,482**	-	**-**	-
Profit / (loss) for the period		**12,395**	3,113	**(1,592)**	-
Total recognised income and expense for the period		**14,877**	4,233	**(1,592)**	-
Business combination reserve	26	**(52,000)**	-	**(52,000)**	-
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity, net of transaction costs *	25	**336,459**	1,600	**3,371**	-
Distributions provided for or paid *	28	**(20,031)**	(4,444)		-
Security based payments reserve	26	**165**	-	**-**	-
		316,593	(2,844)	**3,371**	-
Total equity at the end of the period		**279,470**	1,389	**(50,221)**	
Total recognised income and expense for the period					
Equity holders of Charter Hall Limited		**(2,576)**	4,233	**(1,592)**	-
Equity holders of Charter Hall Property Trust (minority interest)			**17,453**	-	**-**
-					
		14,877	4,233	**(1,592)**	-

* The equity and distributions for Charter Hall Limited and Charter Hall Property Trust are combined as the two entities are stapled together and have the same investors. As outlined in note 1, for accounting purposes, equity attributable to Charter Hall Property Trust is considered attributable to minority interest. Refer to note 27 for a breakdown of the minority interest in equity.

Cash flow statements
For the period 24 March 2005 to 30 June 2006

	Notes	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent entity 2006 $'000	Parent entity 2005 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		**44,995**	10,562	**1,381**	-
Payments to suppliers and employees (inclusive of goods and services tax)		**(28,534)**	(6,058)	**(608)**	-
		16,461	4,504	**773**	-
Interest paid		**(5,054)**	-	**(4,580)**	-
Income taxes paid		**(10)**	(1,934)	**-**	-
Net cash inflow / (outflow) from operating activities	37	**11,397**	2,570	**(3,807)**	-
Cash flows from investing activities					
Payment for purchase of subsidiary, net of cash acquired		**(39,129)**	-	**(41,303)**	-
Payments for property, plant and equipment		**(108)**	(212)	**-**	-
Payments for investment property		**(290,352)**	-	**-**	-
Payments for other financial assets		**(8,320)**	(30)	**(5,050)**	-
Loans to key employees		**(3,877)**	-	**(3,877)**	-
Investment in associates		**(4,417)**	-	**(529)**	-
Fund establishment costs for CHOF4 & CPOF		**(2,614)**	-	**-**	-
Loans from related parties		**-**	-	**48,947**	-
Loans to associates		**(544)**	(287)	**-**	-
Dividends received		**-**	-	**3,000**	-
Distributions received		**194**	-	**10**	-
Interest received		**5,615**	188	**429**	-
Net cash (outflow) inflow from investing activities		**(343,552)**	(341)	**1,627**	-
Cash flows from financing activities					
Proceeds from issues of securities and other equity securities		**319,479**	1,600	**3,443**	-
Proceeds from CPOF investors for units to be issued		**58,275**	-	**-**	-
Proceeds from borrowings		**140,062**	-	**-**	-
Security issue and buy-back transaction costs		**(7,442)**	-	**(112)**	-
Distributions paid to securityholders		**(9,849)**	(7,191)	**-**	-
Net cash inflow (outflow) from financing activities		**500,525**	5,591	**3,331**	-
Net increase / (decrease) in cash and cash equivalents		**168,370**	(3,362)	**1,151**	-
Cash and cash equivalents at the beginning of the period		-	4,221	**-**	-
Cash and cash equivalents at end of period	9	**168,370**	859	**1,151**	-

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

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FINANCIAL REPORT
NOTES TO THE FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. The financial report includes separate financial statements for Charter Hall Limited (CHL) as an individual entity and the consolidated entity consisting of CHL and its subsidiaries and controlled entities including Charter Hall Funds Management Limited as Responsible Entity for Charter Hall Property Trust (CHPT). For the purposes of AASB Interpretation 1002 Post date of transition stapling arrangements, CHL has been identified as the parent entity in relation to the stapling that occurred on 6 June 2005 which is the date of the initial public offering (IPO). CHL was incorporated on 24 March 2005 so the financial year of the parent company in this financial report is from 24 March 2005 to 30 June 2006. In accordance with AASB 1002 the results and equity, not directly owned by CHL, of CHPT have been treated and disclosed as minority interest. Whilst the results and equity of CHPT are disclosed as minority interest, the stapled security holders of CHL are the same as the stapled security holders of CHPT.

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 has therefore been accounted for as a reverse acquisition under AASB 3. Accordingly the consolidated financial statements of CHG have been prepared as a continuation of the consolidated financial statements of CHH. CHL as the deemed acquirer, has acquisition accounted for CHL as at 6 June 2005. The comparative information presented in the consolidated financial statements is that of CHH for the year 1 July 2004 to 30 June 2005.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRSs
Australian Accounting Standards include AIFRSs. Compliance with AIFRSs ensures that the consolidated financial statements and notes of Charter Hall Limited comply with International Financial Reporting Standards (IFRSs). The parent entity financial statements and notes also comply with IFRSs.

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards
These financial statements are the first Group financial statements to be prepared in accordance with AIFRSs. AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing these financial statements.

Financial statements of the Group until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS.

There were no differences between the result and financial position at 1 July 2004 and 30 June 2005 under AGAAP and AIFRS. Therefore no reconciliations are required for these two periods.

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property.

Critical accounting estimates
The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

(b) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Charter Hall Limited ("company" or "parent entity") including Charter Hall Property Trust (CHPT), as at 30 June 2006 and the results of all subsidiaries for the period then ended. Charter Hall Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(g)).

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group.

Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

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

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Charter Hall Limited.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting except as noted below, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer to note 35).

The Group's share of its associates' post acquisition profits or losses is recognised in the income statement, and its share of post acquisition movements in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, 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 associate.

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

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Foreign currency translation

(i) Functional and presentation currency
The financial statements are presented in Australian Dollars which is Charter Hall Limited's functional and presentation currency.

(ii) Group companies
All the Group entities have a functional currency which is the same as the presentation currency.

(e) Revenue recognition

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

(i) Rental income
Rental income from operating leases is recognised on a straight-line basis over the lease term. Rental income relating to straight lining is included as a component of the net gain from fair value adjustments on investment property. An asset is recognised to represent the portion of operating lease income in a reporting period relating to fixed increases in operating lease rentals in future periods. Such assets are recognised as a component of the carrying amount of investment properties in the balance sheet.

(ii) Management fees
Management fees are brought to account on an accruals basis and, if not received at the balance sheet date are reflected in the Balance sheet as a receivable.

Where management fees are derived in respect of an acquisition or disposal of property the fees are recognised where it is probable that criteria for entitlement will be met.

(iii) Interest income
Interest income is recognised on a time proportion basis using the effective interest method, see note 1(k). When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(f) Income tax

The period's income tax expense or revenue is the tax payable on the current period's taxable income based on the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

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 balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation
Charter Hall Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation as of 22 August 2005.

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

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group. Details about the tax funding agreement are disclosed in note 8.

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

(g) Business combinations

The purchase method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, securities issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

(h) Impairment of assets

Assets are reviewed for impairment when 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 to sell and value in use. In 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 other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Cash and cash equivalents

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

(j) Trade receivables

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

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the income statement.

(k) Investments and other financial assets

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

(i) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for long term investment. Derivatives are also categorised as held for trading unless they are designated as hedges.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet (notes 10 and 14).

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

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

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

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

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity specific inputs.

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

(l) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. 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; (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 13. Movements in the hedging reserve in securityholders' equity are shown in note 26.

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other income or other expense.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance costs'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(m) Fair value estimation

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet 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. Quoted market prices or dealer quotes for similar instruments are used for long term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(n) Plant and equipment

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

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 income statement during the financial period 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:

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 3-8 years

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

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

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

(o) Investment property

(i) Investment properties

Investment properties comprise investment interests in land and buildings held for long term rental yields and not occupied by the Group. The group aims to have properties valued externally on a regular basis.

The carrying amount of investment properties recorded in the balance sheet includes components relating to lease incentives and assets relating to fixed increases in operating lease rentals in future periods. Changes in fair values are recorded in the income statement as part of fair value adjustments.

(ii) Investment properties under development

Investment properties under development are valued at the lower of cost and recoverable amount. An independent valuation is undertaken at practical completion of each investment property in order to assess the completion value.

(p) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(q) 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 income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not incremental cost relating to the actual draw down of the facility, are recognised as prepayments and amortised on a straight line basis over the term of the facility.

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 balance sheet date.

(r) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(s) Provisions

Provisions for legal claims 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 has been reliably estimated. Provisions are not recognised for future operating losses.

(t) Employee benefits

(i) Wages and salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick 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 balance date are accrued in respect of all employees at present values of future amounts expected to be paid, based on a projected weighted average increase in wage and salary rates. Expected future payments are discounted using interest rates on national government securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(iii) Retirement benefit obligations
Contributions to employee defined contribution superannuation funds are recognised as an expense as they become payable.

(iv) Security based payments
Security based compensation benefits are provided to employees via the Charter Hall Limited Executive Loan Security Plan. Information relating to these schemes is set out in note 39.

The fair value at grant date is independently determined using a Black Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the security price at grant date and expected price volatility of the underlying security, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the securities granted is adjusted to reflect 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 securities that are expected to vest. At each balance sheet date, the entity revises its estimate of the number of securities that are expected to vest. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the vesting of securities, the balance of the security based payments reserve relating to those securities is transferred to equity and the proceeds received, net of any directly attributable transaction costs, are credited to equity.

(v) Bonus plans
The Group recognises a liability and an expense. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(u) Contributed equity

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

(v) Distributions and dividends

Provision is made for the amount of any distribution or dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the period but not distributed at balance date.

(w) Earnings per security

(i) Basic earnings per security

Basic earnings per security is calculated by dividing the profit attributable to equity holders of CHG, excluding any costs of servicing equity other than ordinary stapled securities, by the weighted average number of ordinary securities outstanding during the period, adjusted for bonus elements in ordinary stapled securities issued during the year.

(ii) Diluted earnings per security

Diluted earnings per security adjusts the figures used in the determination of basic earnings per stapled security to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary securities and the weighted average number of stapled securities assumed to have been issued in relation to dilutive potential stapled securities.

(x) Goods and Services Tax (GST)

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

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

(y) Rounding of amounts

The company is of a kind referred to in Class order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(z) New accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2006 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out on page 88.

(i) UIG 4 *Determining whether an Asset Contains a Lease*
UIG 4 is applicable to annual periods beginning on or after 1 January 2006. The Group has not elected to adopt UIG 4 early. It will apply UIG 4 in its 2007 financial statements and the UIG 4 transition provisions. The Group will therefore apply UIG 4 on the basis of facts and circumstances that existed as of 1 July 2006. Implementation of UIG 4 is not expected to change the accounting for any of the Group's current arrangements.

(ii) UIG 5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*
The Group does not have interests in decommissioning, restoration and environmental rehabilitation funds. This interpretation will not affect the Group's financial statements.

(iii) AASB 2005 9 *Amendments to Australian Accounting Standards [AASB 4, AASB 1023, AASB 139 & AASB 132]*
AASB 2005 9 is applicable to annual reporting periods beginning on or after 1 January 2006. The amendments relate to the accounting for financial guarantee contracts. The Group has not elected to adopt the amendments early. It will apply the revised standards in its 30 June 2007 financial statements. Application of the revised rules may result in the recognition of financial liabilities in the financial statements of Charter Hall Property Trust for guarantees given on behalf of Charter Hall Funds Management Limited. The new rules will be implemented retrospectively with a restatement of the comparatives as required by AASB108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

(iv) AASB 7 *Financial Instruments: Disclosures and AASB 2005 10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]*
AASB 7 and AASB 2005 10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's financial instruments.

(v) UIG 6 *Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment*
UIG 6 is applicable to annual reporting periods beginning on or after 1 December 2006. The Group has not sold any electronic or electrical equipment on the European market and has not incurred any associated liabilities. This interpretation will not affect the Group's financial statements.

(vi) AASB 2005 6 *Amendments to Australian Accounting Standards [AASB 121]*
AASB 2005 6 is applicable to annual reporting periods ending on or after 31 December 2006. The amendment relates to monetary items that form part of a reporting entity's net investment in a foreign operation. It removes the requirement that such monetary items had to be denominated either in the functional currency of the reporting entity or the foreign operation. Charter Hall Limited does not have any monetary items forming part of a net investment in a foreign operation. The amendment to AASB 121 will therefore have no impact on the Group's financial statements.

(aa) Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 31). Payments made under operating leases are charged to the income statement on a straight-line basis.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

(ab) Going concern
Although the parent entity shows net liabilities there is no reason to believe that it will not be able to pay it's liabilities as and when they fall due. The deficiency relates to a debit to equity reserve as a result of $52m paid by CHL. Refer to note 26 for further details.

2 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks; market risk (fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as interest rate swaps to hedge certain risk exposures.

Risk management is carried out by the Chief Executive Officers in discussion with the Board of Directors. The CEO's identify, evaluate and hedge financial risks in close co operation with the finance department. The Board provides guidance for overall risk management, as well as covering specific areas, such as mitigating interest rate, price and credit risks, use of derivative financial instruments and investing excess liquidity.

(a) Market risk

(i) Price risk
The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified on the balance sheet as at fair value through the profit or loss.

(ii) Fair value interest rate risk
Refer to (d) on the following page.

(b) Credit risk
The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of services are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

(c) 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, Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

(d) Cash flow and fair value interest rate risk

As the Group has no significant long term interest bearing assets, the Group's income and operating cash flows are not materially exposed to changes in market interest rates.

The Group's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Group policy is to fix the rates for up to 100% of its long term borrowings (when appropriate). At year end 96% of debt had fixed rates.

The Group manages its cash flow interest rate risk by using floating to fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. No estimates or assumptions have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4 SEGMENT INFORMATION

(a) Description of segments

Business segments
The consolidated entity is organised into the following divisions:

Property investment
Has interests in investment properties and unlisted funds.

Funds management and corporate
Responsible for funds management, development management, property investment banking and property management.

2006	Property Investment $'000	Funds management and corporate $'000	Inter-segment eliminations/ unallocated $'000	Consolidated $'000
Revenue	31,769	13,864	(7,813)	37,820
Intersegment sales (note (ii))	-	1,589	(1,589)	-
Total sales revenue	31,769	15,453	(9,402)	37,820
Share of net loss of associates (note (iii))	-	(22)	-	(22)
Total segment revenue/income	31,769	15,431	(9,402)	37,798
Segment result before interest expense	25,978	6,350	(8,870)	23,458
Interest expense	(5,929)	(7,813)	7,813	(5,929)
Segment result after interest expense	20,049	(1,463)	(1,057)	17,529
Fair value adjustments	(6,621)	-	1,057	(5,564)
Profit/(loss) before income tax	13,428	(1,463)	-	11,965
Income tax expense	-	430	-	430
Profit for the period	13,428	(1,033)	-	12,395
Segment assets	484,458	21,918	(223)	506,153
Segment liabilities (note (ii))	159,191	67,715	(223)	226,683
Investments in associates (note (iii))	3,888	497	-	4,385
Acquisitions of plant and equipment and other non-current segment assets	288,028	307	-	228,335
Depreciation and amortisation expense	-	(94)	-	(94)
Non-cash expenses	-	(165)	-	(165)

The segment information for 2005 is not presented as the comparative shows the results for Charter Hall Holdings Pty Limited which is considered to be one segment. Charter Hall Holdings Pty Limited forms part of the funds management and corporate segment.

Geographical segments
The consolidated entity operates wholly within Australia.

(b) Notes to and forming part of the segment information

(i) Accounting policies
Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1 and accounting standard AASB 114 *Segment Reporting*.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, investment properties, property, plant and equipment net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors, employee benefits and provisions. Segment assets and liabilities include income taxes.

(ii) Inter segment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an "arm's length" basis and are eliminated on consolidation.

(iii) Investments in associates

The Group owns approximately 19.9% of Charter Hall Diversified Property Fund which is accounted for at fair value and is allocated to the property investment segment. An investment of 3.03% in Charter Hall Opportunity Fund is equity accounted and allocated to the funds management and corporate segment.

5 REVENUE

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Sales revenue				
Gross rental income	**18,354**	-	**-**	-
Management fees	**12,637**	9,824	**585**	-
Other revenue	**745**	228	**210**	**-**
	31,736	10,052	**795**	-
Other revenue				
Interest	**5,892**	189	**705**	-
Dividends / distributions (a)	**184**	-	**3,000**	-
	37,812	10,241	**4,500**	-

(a) Distributions from investments

CHPT has an investment of approximately 19.9% in Charter Hall Diversified Property Fund which is recognised at fair value. This is the distribution of income from that Fund.

6 OTHER INCOME

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Other	**8**	1	**-**	-
	8	1	**-**	-

7 EXPENSES

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Profit before income tax includes the following specific expenses:				
Depreciation				
Plant and equipment	**94**	53	**-**	-
Finance costs				
Interest and finance charges paid/payable	**5,929**	6	**7,813**	-
Defined contribution superannuation expense	**453**	261	**-**	-
Rent expense relating to operating leases				
Minimum lease payments	**329**	254	**-**	-

8 INCOME TAX EXPENSE

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
(a) Income tax expense / (gain)				
Current tax	**(30)**	1,376	**-**	-
Deferred tax	**(400)**	-	**(1,774)**	-
Under (over) provided in prior years	**-**	-	**10**	-
	(430)	1,376	**(1,764)**	-
Deferred income tax (revenue) expense included in income tax expense comprises:				
Decrease (increase) in deferred tax assets (note 19)	**(1,284)**	-	**(1,929)**	-
(Decrease) increase in deferred tax liabilities (note 23)	**884**	-	**155**	-
	(400)	-	**(1,774)**	-

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit before income tax expense	**11,965**	4,489	**(3,356)**	-
Tax at the Australian tax rate of 30%	**3,590**	1,347	**(1,007)**	-
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Charter Hall Property Trust income	**(4,028)**	-	**-**	-
Entertainment	**6**	5	**-**	-
Interest on LTI securities excluded from accounts	**-**	-	**156**	-
Non-taxable dividends	**-**	-	**(900)**	-
Sundry items	2	24	**(13)**	-
	(430)	1,376	**(1,764)**	-

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent entity 2006 $'000	Parent entity 2005 $'000
(c) Amounts recognised directly in equity				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity				
Current tax – credited directly to equity	**10**	-	**10**	-
Net deferred tax – debited (credited) directly to equity (notes 19 and 23)	**-**	-	**-**	-
	10	-	**10**	-

(d) Tax consolidation legislation

Charter Hall Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003. The accounting policy in relation to this legislation is set out in note 1(f).

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.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables (see note 32).

9 CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Cash at bank and in hand	**113,177**	257	**854**	-
Deposits at call	**55,193**	602	**297**	-
	168,370	859	**1,151**	-

(a) Cash at bank and on hand

These amounts earn between 5.4% and 5.6%.

(b) Deposits at call

The deposits are bearing floating interest rates between 5.5% and 5.93%. These deposits have an average maturity of 73 days.

10 CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Trade receivables	**2,484**	517	**-**	-
Provision for doubtful debts	**(100)**	(50)	**-**	-
	2,384	467	**-**	-
Loans to associates	**536**	287	**-**	-
GST receivable	**2,259**	-	**1**	-
Other receivables	**924**	21	**-**	-
Call receivable	**21,682**	-	**-**	-
Prepayments	**2,744**	116	**-**	-
	30,529	891	**1**	-

Further information relating to loans to associates is set out in note 32.

(a) Bad and doubtful trade receivables

The Group has recognised a loss of $116,000 (2005 $50,000) in respect of bad and doubtful trade receivables during the period ended 30 June 2006. The loss has been included in 'other expenses' in the income statement.

(b) Effective interest rates and credit risk

Information concerning the effective interest rate and credit risk of both current and non-current receivables is set out in the non-current receivables note (note 14).

(c) Call receivable

The call receivable represents the final instalment of 25c remaining payable on partly paid securities at 30 June 2006. All of this amount outstanding had been received by 10 August 2006.

11 CURRENT ASSETS – FINANCIAL ASSETS

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Nunawading performance fee right	**5,050**	-	**5,050**	-
Other assets	**70**	30	**-**	-
	5,120	30	**5,050**	

Charter Hall Limited purchased from Pivot Group Limited the right to a share in the performance fee from the development of 372 Whitehorse Road, Nunawading.

12 NON-CURRENT ASSETS – FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME STATEMENT

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Opening balance	**-**	-	**-**	-
Additions	**3,988**	-	**-**	-
Revaluation	**-**	-	**-**	-
Closing balance	**3,988**	-	**-**	-

Changes in fair values of other financial assets at fair value through profit or loss are recorded in other income in the income statement (note 6). This is the investment in Charter Hall Diversified Property Fund by CHPT of $3,888k and an option fee of $100k paid on a property.

13 DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Non-current assets				
Interest rate swap contracts – cash flow hedges ((a)(i))	**2,482**	-	**-**	-
Total non-current derivative financial instrument assets	**2,482**	-	**-**	-

(a) Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates in accordance with the Group's financial risk management policies (refer to note 2).

(i) Interest rate swap contracts – cash flow hedges

It is policy to protect up to 100% of bank loans from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Swaps currently in place cover 96% of the loan principal outstanding and are timed to expire as each loan repayment falls due. The fixed interest rates range between 5.97% and 6.29% and the variable rates for the remainder was 5.94%.

At 30 June 2006, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	2006	2005
	$'000	$'000
3-4 years	**47,000**	-
6-7 years	**87,000**	-
	134,000	-

The contracts require settlement of net interest receivable or payable each 90 days for the $47m swap and 30 days for the $87m swap. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and re classified into profit and loss when the hedged interest expense is recognised. The ineffective portion is recognised in the income statement immediately.

At balance date for both the Group and the parent entity these contracts were assets with fair value of $2,482,000.

(b) Credit risk exposures

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. This arises with amounts receivable from unrealised gains on derivative financial instruments.

The Group undertakes 100% of its transactions in interest rate contracts with financial institutions.

(c) Interest rate risk exposures

Refer to note 22 for the Group's exposure to interest rate risk on interest rate swaps.

14 NON-CURRENT ASSETS – RECEIVABLES

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Loans to key management personnel	**3,964**	-	**3,964**	-
Other receivables	**189**	-	**189**	-
	4,153	-	**4,153**	-

Further information relating to loans to key management personnel is set out in 29.

(a) Fair values

The fair values and carrying values of non-current receivables of the Group are as follows:

	2006		2005	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$'000	**$'000**	$'000	$'000
Loans to key management personnel	**3,964**	**3,964**	-	-
Other receivables	**189**	**189**	-	-
	4,153	**4,153**	-	-

(b) Interest rate risk

The Group's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following tables.

		Fixed interest maturing in:							
2006	Floating interest rate	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 to years	Non-interest bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Trade receivables	-	-	-	-	-	-	-	2,384	2,384
Loans to associates	-	519	-	-	-	-	-	17	536
Loans to others	-	150	-	-	-	-	-	-	150
Loans to key management personnel	-	-	-	-	-	3,964	-	-	3,964
Other receivables	-	-	-	-	-	189	-	27,459	27,648
	-	669	-	-	-	4,153	-	29,860	34,682
Weighted average interest rate	-	8.75%	-	-	-	8.34%	-	-	

2005	Floating interest rate $'000	1 year or less $'000	Over 1 to 2 years $'000	Over 2 to 3 years $'000	Over 3 to 4 years $'000	Over 4 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
				Fixed interest maturing in:					
Trade receivables	-	-	-	-	-	-	-	467	467
Loans to associates	-	-	-	-	-	-	-	287	287
Loans to key management personnel	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	137	137
	-	-	-	-	-	-	-	891	891
Weighted average interest rate	-	-	-	-	-	-	-	-	

(c) Credit risk

There is no concentration of credit risk with respect to current and non-current receivables, as the Group has a large number of customers. Refer to note 2 for more information on the risk management policy of the Group.

15 NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$'000		**$'000**	
Units in associates (note 35)	**497**	-	**497**	-
	497	-	**497**	-

(a) Units in associates

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity.

16 NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Shares and units in subsidiaries (note 34)	**-**	-	**1,600**	-
Share and units in associates (note 35)	-	-	**-**	-
333 George Street deposit paid	**2,178**	-	**-**	-
Option fee paid on property	**1,062**	-	**-**	-
	3,240	**-**	**1,600**	-

These financial assets are carried at cost.

17 NON-CURRENT ASSETS PROPERTY, PLANT AND EQUIPMENT

Consolidated	Furniture, fittings and equipment	Total
	$'000	$'000
Period ended 30 June 2006		
Opening net book amount	293	293
Additions	108	108
Depreciation charge	(94)	(94)
Closing net book amount	307	307
At 30 June 2006		
Cost	659	659
Accumulated depreciation	(352)	(352)
Net book amount	307	307
Period ended 30 June 2004		
Cost or fair value	336	336
Accumulated depreciation	(212)	(212)
Net book amount	124	124
Period ended 30 June 2005		
Opening balance	124	124
Additions	212	212
Depreciation charge	(53)	(53)
Closing net book amount	283	283
At 30 June 2005		
Cost or fair value	548	548
Accumulated depreciation	(265)	(265)
Net book amount	283	283

The consolidated table for 30 June 2005 represents balances for Charter Hall Holdings Pty Limited up to 30 June 2005. The consolidated table for 30 June 2006 shows the purchase of the assets held by Charter Hall Holdings Pty Limited at 6 June 2005 and the balances at that date are shown as an acquisition of subsidiary assets.

18 NON-CURRENT ASSETS – INVESTMENT PROPERTIES

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
At fair value				
Opening balance	**-**	-	**-**	-
Acquisitions	**289,207**	-	**-**	-
Capitalised subsequent expenditure	**1,145**	-	**-**	-
Net gain / (loss) from fair value adjustment	**(5,564)**	-	**-**	-
Closing balance at 30 June	**284,788**	-	**-**	-

(a) Amounts recognised in profit and loss for investment property

Rental income	**18,354**	-	**-**	-
Direct operating expenses from property that generated rental income	**(5,064)**	-	**-**	-
	13,290	-	**-**	-

Property	Type	% Owned	Date acquired	Cost incl additions $'000	Independent valuation date	Independent valuation amount $'000	Valuer	Book value 2006 $'000
61 Nepean Hwy, Mentone	Bulky retail	50	15/6/05	24,919	12/4/05	22,500	Savills	23,464
570 Bourke St, Melbourne	Office	50	20/6/05	64,990	30/6/06	65,000	CBRE	65,000
56 Anzac St, Chullora	Industrial	100	21/6/05	18,436	30/6/06	17,650	Savills	17,650
Menai Central, Menai	Retail	100	4/7/05	40,424	5/4/05	38,000	JLL	38,222
400 Kent St, Sydney	Office	50	28/7/05	25,018	12/4/05	23,900	Savills	23,961
60 Union St, Pyrmont ^	Office	100	22/12/05	106,780	20/12/05	134,000	Savills	106,780
372 Whitehorse Rd, Nunawading +	Bulky retail	100	N/A	9,785	15/3/05	14,150	JLL	9,711
				290,352				**284,788**

+ Investment property under development deposit of $9.45m paid 10/6/05 on land valued at $14.15m
^ Investment property under development

(a) Valuation basis

The basis of the valuation of investment properties is fair value being based on a discounted cash flow calculation or capitalisation approach. The 2006 revaluations were based on a combination of directors' valuations and independent valuations.

19 NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Prepayments	**-**	-	**-**	-
Employee benefits	**90**	-	**-**	-
Other provisions	**230**	-	**-**	-
Fund establishment costs	**214**	-	**-**	-
Tax losses	**750**	-	**1,929**	-
Net deferred tax assets	**1,284**	-	**1,929**	-
Movements:				
Credited/(charged) to the income statement (note 8)	**1,284**	-	**1,929**	-
Credited/(charged) to equity	**-**	-	**-**	-
Closing balance at 30 June	**1,284**	-	**1,929**	-
Deferred tax assets to be recovered after more than 12 months	**642**	-	**1,929**	-
Deferred tax assets to be recovered within 12 months	**642**	-	**-**	-
	1,284	-	**1,929**	-

20 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Trade payables	**645**	18	**-**	-
Deposits	**154**	-	**-**	-
Accruals	**2,322**	537	**-**	-
Charter Hall Holdings Pty Ltd purchase price payable	**9,691**	-	**9,691**	-
Development agreement payable	**1,337**	-	**-**	-
Cash received from Core Plus Office Fund investors for units to be issued	**58,275**	-	**-**	-
Underwriting fee payable for initial public offering	**1,771**	-	**-**	-
Distribution payable	**10,182**			
Other payables	**77**	34	**-**	-
	84,454	589	**9,691**	-

21 CURRENT LIABILITIES – PROVISIONS

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Employee benefits – long service leave	**48**	35	**-**	-
	48	35	**-**	-

(a) Movements in provisions

Refer to Note 24 for the movement in provisions and split between current and non-current.

22 NON-CURRENT LIABILITIES – BORROWINGS

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Unsecured				
Bank loans	**140,119**	-	**-**	-
Loan – Charter Hall Property Trust	**-**	-	**55,050**	-
Total unsecured non-current borrowings	**140,119**	-	**55,050**	-

(a) Total unsecured liabilities

The total unsecured liabilities
(current and non-current) are as follows:

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Bank loans	**140,119**	-	**-**	-
Loan – Charter Hall Property Trust	**-**	-	**55,050**	-
Total unsecured liabilities	**140,119**	-	**55,050**	-

(b) Financing arrangements

Unrestricted access was available at balance
date to the following lines of credit:

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Total facilities	**225,500**	-	**75,000**	-
Used at balance date	**140,119**	-	**55,050**	-
Unused at balance date	**85,381**	-	**19,950**	-

The consolidated entity has access to a National Australia Bank evergreen facility. Subject to the continuance of satisfactory loan covenants and credit ratings, the bank loan facilities may be drawn at any time.
The Parent entity has a facility given by Charter Hall Property Trust.
The current interest rates are 5.97% on the bill facility and 8.75% on the loan from Charter Hall Property Trust.

(c) Interest rate risk exposures

The following table sets out the Group's exposure to interest rate risk, including the contractual repricing dates and the effective weighted average interest rate by maturity periods.

Exposures arise predominantly from liabilities bearing variable interest rates as the Group intends to hold fixed rate liabilities to maturity.

2006 Consolidated	Floating interest rate $'000	Fixed interest rate 1 year or less $'000	Over 1 to 2 years $'000	Over 2 to 3 years $'000	Over 3 to 4 years $'000	Over 4 to 5 years $'000	Over 5 years $'000	Total $'000
Bank and other loans	140,119	-	-	-	-	-	-	140,119
Interest rate swaps	(134,000)						134,000	-
	6,119	-	-	-	-	-	134,000	140,119
Weighted average interest rate	6.24%						5.99%	

2006 – Parent	Floating interest rate $'000	Fixed interest rate 1 year or less $'000	Over 1 to 2 years $'000	Over 2 to 3 years $'000	Over 3 to 4 years $'000	Over 4 to 5 years $'000	Over 5 years $'000	Total $'000
Loan from CHPT	-	-	-	-	-	-	55,050	55,050
	-	-	-	-	-	-	55,050	55,050
Weighted average interest rate							8.75%	

* Notional principal amounts

(d) Fair value

The carrying amounts and fair values of borrowings at balance date are:

	Consolidated 2006		**Parent** 2006	
	Carrying amount $'000	**Fair value $'000**	Carrying amount $'000	Fair value $'000
On-balance sheet				
Non-traded financial liabilities				
Bank loans	**140,119**	**140,119**	-	-
Other loans	**-**	**-**	55,050	55,050

Fair value is inclusive of costs which would be incurred on settlement of a liability.

(i) On-balance sheet
The fair value of borrowings 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.

(ii) Off-balance sheet
There are no off-balance sheet liabilities

23 NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Prepayments	**170**	-	**155**	-
Fund establishment costs	**714**	-	**-**	-
Tax payable in subsidiary offset by losses	**-**	-	**-**	-
Net deferred tax liabilities	**884**	-	**155**	-
Movements:				
Charged/(credited) to the income statement (note 8)	**884**	-	**155**	-
Closing balance at 30 June	**884**	-	**155**	-
Deferred tax liabilities to be settled after more than 12 months	**564**	-	-	-
Deferred tax liabilities to be settled within 12 months	**320**	-	**155**	-
	884	-	**155**	-

24 NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Employee benefits – long service leave	**83**	47	**-**	-

(a) Movements in provisions

Movements in each class of provision during the period, other than employee benefits, are set out below:

	$'000	$'000
Long service leave		
Opening balance	82	54
Additional provisions recognised	49	28
Carrying amount at end of period	131	82
Current	48	35
Non-current	83	47
Total	131	82

25 CONTRIBUTED EQUITY

	Notes	Parent 2006 Securities	Parent 2005 Securities	Parent 2006 $'000	Parent 2005 $'000
(a) Security capital*					
Ordinary securities	(b),(c)				
Fully paid		**242,457,179**	-	**257,852**	-
Partly paid		**92,928,962**	-	**70,880**	-
Final instalment to be paid		**-**	-	**23,232**	-
		335,386,141	-	**351,964**	-

(b) Movements in ordinary security capital:

Details	Notes	Number of securities	Issue price	$'000
Initial allotment		100	$1.0000	-
Initial public offering		264,078,910	$0.7500	198,059
Dividend reinvestment plan issues	(d)	8,090,980	$0.8936	7,229
Employee security scheme issue	(e)	5,900,000	$0.7500	4,425
Employee security scheme issue	(e)	300,000	$0.8231	247
Final call of $0.25 on 278,368,890 partly paid securities				69,592
Entitlement issue	(f)	57,017,151	$1.2700	72,412
		335,386,141		351,964
Less: Transaction costs on security issues		-		(9,283)
Less: LTI securities reversed		(6,200,000)		(6,222)
Balance		329,186,141		336,459
Charter Hall Limited				3,371
Charter Hall Property Trust				333,088

The primary purpose of the call on partly paid securities was to fund the purchase of the investment property at 372-394 Whitehorse Road, Nunawading, Victoria. Funds raised from the entitlement, placement and public offer will be used to purchase properties at Melbourne Airport Business Park, Tullamarine and 25 Nepean Highway, Mentone and fund investments in Charter Hall Core Plus Office Fund and Charter Hall Diversified Property Fund.

* This includes security capital of Charter Hall Limited and Charter Hall Property Trust which are stapled. Refer to note 1 for details of the accounting for this stapling arrangement.

(c) Ordinary securities

Ordinary securities entitle the holder to participate in distributions/dividends and the proceeds on winding up of the trust/company in proportion to the number of and amounts paid on the securities held. The securities issued under the rights issue are fully paid with no entitlement to the distribution for 30 June 2006.

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

(d) Distribution/dividend reinvestment plan

The company has established a distribution/dividend reinvestment plan (DRP) under which holders of ordinary securities may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary securities rather than by being paid in cash. Securities are issued under the plan at a discount to the market price. The DRP was active for the December 2005 distribution however it was deactivated for the 30 June 2006 distribution.

(e) Employee security scheme

Information on the employee security scheme, including details of securities issued under the scheme, is set out in note 39.

(f) Entitlement, placement and public offer

On 19 May 2006 the company invited its securityholders to subscribe to a entitlement, placement and public offer of $61.8m ordinary securities at an issue price of $1.27 per security on the basis of 2 securities for every 9 fully or partly paid ordinary securities held, such securities to be issued on 15 June 2006 or 3 July 2006 and rank for distributions/dividends after 30 June 2006. Securities not taken up under the entitlement offer were subscribed for under a placement and public offer.

26 RESERVES AND RETAINED PROFITS

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
(a) Reserves				
Hedging reserve – cash flow hedges	**2,482**	-	**-**	-
Business combination reserve	**(52,000)**	-	**(52,000)**	-
Security-based payments reserve	**165**	-	**-**	-
	(49,353)	-	**(52,000)**	-
Charter Hall Limited	**(51,835)**			
Charter Hall Property Trust	**2,482**			
	(49,353)			

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Movements:				
Hedging reserve – cash flow hedges				
Revaluation (note 13)	**2,482**	-	**-**	-
Balance 30 June	**2,482**	-	**-**	-
Security-based payments reserve				
Expense relating to LTI scheme	**165**	-	**-**	-
Balance 30 June	**165**	-	**-**	-
Business combination reserve				
Amount paid for Charter Hall Holdings Pty Limited	**(52,000)**	-	**(52,000)**	-
Balance 30 June	**(52,000)**	-	**(52,000)**	-

(b) Retained profits / (accumulated losses)

Movements in retained profits were as follows:	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Opening balance	**-**	1,120	**-**	-
Net profit / (loss) for the period	**12,395**	3,113	**(1,592)**	-
Distributions / dividends	**(20,031)**	(4,444)	**-**	-
Balance 30 June	**(7,636)**	(211)	**(1,592)**	-

Charter Hall Limited	**(2,576)**
Charter Hall Property Trust	**(5,060)**
	(7,636)

(c) Nature and purpose of reserves

(i) Hedging reserve – cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 1(l).

(ii) Security-based payments reserve

The security-based payments reserve is used to recognise the fair value of securities issued to the Charter Hall Limited Executive Loan Security Plan but not issued to employees.

(iil) Business combinations reserve

This reserve relates to the reverse acquisition at IPO as described in note 1. 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.

27 MINORITY INTEREST

The financial report includes separate financial statements for Charter Hall Limited (CHL) as an individual entity and the consolidated entity consisting of Charter Hall Limited and its subsidiaries and controlled entities including Charter Hall Property Trust (CHPT). For the purposes of AASB Urgent Issues Group Interpretation 1002 Post date of transition stapling arrangements (UIG 1002), Charter Hall Limited has been identified as the Parent Entity in relation to the stapling. In accordance with UIG 1002 the results and equity, not directly owned by CHL, of CHPT have been treated and disclosed as minority interest. Whilst the results and equity of CHPT are disclosed as minority interest, the stapled security holders of CHL are the same as the stapled security holders of CHPT.

		Consolidated		Parent entity	
		2006	2005	**2006**	2005
	Notes	**$'000**	$'000	**$'000**	$'000
Interest in:					
Contributed equity	25	**333,088**	-	**-**	-
Reserves	26(a)	**2,482**	-	**-**	-
Retained profits	26(b)	**(5,060)**	-	**-**	-
		330,510	-	**-**	-

28 DISTRIBUTIONS/DIVIDENDS

	Consolidated entity	
	2006	2005
(a) Ordinary securities	**$'000**	$'000
Unfranked final distribution for the period ended 30 June 2006 of 3.82 cents per partly paid security to be paid on 30 August 2006	**10,420**	
Unfranked Interim distribution for the period ended 31 December 2005 of 3.28 cents per partly paid security paid 28 February 2006	**8,868**	
Unfranked Interim distribution for the period ended 30 June 2005 of 0.45 cents per partly paid security paid 28 February 2006	**1,215**	
Final ordinary distribution for the period ended 30 June 2004 of 47.5 cents per security paid on 2 July 2004 (on 2,690,000 securities)		1,314
Interim ordinary distribution for the period ended 30 June 2005 of 5.9 cents per security paid on 14 April 2005 (on 26,900,000 securities)		1,600
Final ordinary distribution for the period ended 30 June 2005 of 5.7 cents per security paid on 2 June 2005		1,530
Total dividends provided for or paid	**20,503**	4,444
Less: distributions paid to holders of LTI securities	**(472)**	-
	20,031	4,444
Distributions paid in cash or satisfied by the issue of securities under the distribution reinvestment plan during the period ended 30 June 2006 were as follows:		
Paid in cash	**13,274**	4,444
Satisfied by issue of securities	**7,229**	
	20,503	4,444

29 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

The following persons were directors of Charter Hall Limited during the period:

(i) Chairman – non-executive
K Roxburgh

(ii) Executive directors
A Biet
C Fuchs

(iii) Non-executive directors
R Woodhouse (Deputy Chairman)
P Derrington
G Fraser
C McGowan
P McMahon

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the period:

Name	*Position*	*Employer*
D Harrison	Joint Chief Executive Officer	Charter Hall Holdings Pty Ltd
D Southon	Joint Chief Executive Officer	Charter Hall Holdings Pty Ltd
M Winnem	Development Director	Charter Hall Holdings Pty Ltd

(c) Key management personnel compensation

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Short term employee benefits	**1,814,925**	1,261,047	**-**	-
Post employment benefits	**182,301**	57,352	**-**	-
Security-based payment	**134,818**	-	**-**	-
	2,132,044	1,318,399	**-**	-

The company has taken advantage of the relief provided by ASIC Class Order 06/50 and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in sections A-C of the remuneration report on pages 52 to 59.

(d) Equity instrument disclosures relating to key management personnel

(i) Security holdings

The numbers of securities in the company held during the period by each director of Charter Hall Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no securities granted during the reporting period as compensation.

2006 Name	Opening balance	Purchased during the period	Balance at the end of the period
Directors of Charter Hall Limited			
Ordinary securities			
A Biet	5,576,595	153,129	5,729,724
P Derrington	-	-	-
G Fraser	156,262	-	156,262
C Fuchs	5,656,595	-	5,656,595
C McGowan	-	-	-
P McMahon	55,073	-	55,073
K Roxburgh	50,000	-	50,000
R Woodhouse	366,666	-	366,666
Other key management personnel of the Group			
Ordinary securities			
D Harrison	5,339,208	559,909	5,899,117
D Southon	4,424,092	184,703	4,608,795
M Winnem	1,482,982	-	1,482,982

2005 Name	Opening balance	Purchased during the period	Balance at the end of the period
Directors of Charter Hall Limited			
Ordinary securities			
A Biet	-	5,576,595	5,576,595
P Derrington	-	-	-
G Fraser	-	156,262	156,262
C Fuchs	-	5,656,595	5,656,595
C McGowan	-	-	-
P McMahon	-	55,073	55,073
K Roxburgh	-	50,000	50,000
Other key management personnel of the Group			
Ordinary securities			
D Harrison	-	5,339,208	5,339,208
D Southon	-	4,424,092	4,424,092
M Winnem	-	1,482,982	1,482,982

(e) Loans to key management personnel

Details of loans made to directors of Charter Hall Limited and other key management personnel of the Group, including their personally related parties, are set out below.

(i) Aggregates for key management personnel

Group	Balance at the start of the period $	Interest paid and payable for the period $	Interest not charged $	Balance at the end of the period $	Number in Group at the end of the period $
2006	6,758,366	534,647	-	3,964,504	3

(ii) Individuals with loans above $100,000 during the period

2006 Name	Balance at the start of the period $	Interest paid and payable for the period $	Interest not charged $	Balance at the end of the period $	Number in Group at the end of the period $
D Harrison	4,004,400	230,365	-	1,970,720	4,004,400
D Southon	1,875,000	190,548	-	1,970,720	1,970,720
M Winnem	370,746	48,660	-	23,064	370,746

Loans to key management personnel are for periods of 5 years at interest rates equivalent to the distribution, and are secured by mortgages over the securities that have been purchased with the loan.

30 REMUNERATION OF AUDITORS

During the period the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
(a) Assurance services				
Audit services				
PricewaterhouseCoopers Australian firm				
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	**157,500**	-	**-**	-
Non-PricewaterhouseCoopers audit firms for the audit or review of financial reports of any entity in the Group	**29,000**	3,000	**-**	-
Total remuneration for audit services	**186,500**	3,000	**-**	-
Other assurance services				
PricewaterhouseCoopers Australian firm				
Investigating Accountants Reports	**446,577**	-	**-**	-
Total remuneration for other assurance services	**446,577**	-	**-**	-
Total remuneration for assurance services	**633,077**	3,000	**-**	-
(b) Taxation services				
PricewaterhouseCoopers Australian firm				
Tax compliance services, including review of company income tax returns	**52,700**	-	**10,000**	-
Tax advice on IPO / equity raising	**200,622**	-	**-**	-
Total remuneration for taxation services	**253,322**	-	**10,000**	-
(c) Advisory services				
PricewaterhouseCoopers Australian firm				
Legal fees	**42,123**	-	**-**	-
Total remuneration for advisory services	**42,123**	-	**-**	-

The Group's policy to employ PricewaterhouseCoopers (PwC) on assignments additional to their statutory audit duties where PwC's expertise and experience with the Group are important. These assignments are principally tax advice and Investigating Accountants Reports reporting on acquisitions, or where PwC is awarded assignments on a competitive basis. It is the Group's policy to seek competitive tenders for all major consulting projects.

31 COMMITMENTS

(a) Capital Commitments

Expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Investment property				
Payable:				
Within one year	**165,885**	-	**-**	-
Later than one year but not later than five years	**-**	-	**-**	-
Later than five years	**-**	-	**-**	-
	165,885	-	**-**	-

(b) Lease commitments: Group company as lessee

Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Within one year	**313**	305	**-**	-
Later than one year but not later than five years	**1,075**	1,303	**-**	-
Later than five years	**-**	85	**-**	-
	1,388	1,693	**-**	-

32 RELATED PARTIES

(a) Parent Entity

The parent entity within the Group is Charter Hall Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 34.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 29.

In addition to these amounts the director C McGowan received $20,000 for acting on the due dilligence committee for the initial public offering.

(d) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Sales of services				
Commitment fees from related parties	**300,000**	-	**-**	-
Staff loan establishment and spotters fee received from subsidiary			**285,400**	-
Tax consolidation legislation				
Current tax payable assumed from wholly-owned tax consolidated entities	**-**	-	**1,158,182**	-
Dividend revenue				
Subsidiaries	**-**	-	**3,000,000**	**-**

(e) Guarantees

Guarantee of $3,900,000 provided for Charter Funds Management Limited.

(f) Outstanding balances arising from sales of services

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated		Parent entity	
	2006	2005	2006	2005
	$	$	$	$
Current receivables (tax funding agreement)				
Wholly-owned tax consolidated entities	**-**	-	**1,158,182**	-

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

(g) Loans to/from related parties

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Loans from associates				
Loans advanced	**11,401,476**	287,064	**-**	-
Loan repayments received	**(10,930,697)**	-	**-**	-
Interest charged	**211,631**	-	**-**	-
Interest received	**(146,213)**	-	**-**	-
End of period	**536,197**	287,064	**-**	-

	Consolidated 2006 $	Consolidated 2005 $	Parent entity 2006 $	Parent entity 2005 $
Loans to subsidiaries				
Beginning of the period	**-**	-	**-**	-
Loans received	**-**	-	**55,570,475**	-
Loan repayments paid	**-**	-	**(4,333,708)**	-
Interest charged	**-**	-	**7,393,582**	-
Interest paid	**-**	-	**(3,580,368)**	-
End of period	**-**	-	**55,049,981**	-

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

33 BUSINESS COMBINATION

(a) Summary of acquisition

At initial allotment (6 June 2005), Charter Hall Limited acquired Charter Hall Holdings Pty Limited and its subsidiaries by purchasing 100% of the equity in Charter Hall Holdings Pty Limited.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	Consolidated	Parent
	$'000	$'000
Purchase consideration (refer to (b) on page 118):		
Purchase consideration	52,000	53,600
Fair value of net identifiable assets acquired (refer to (c) on page 118)	-	(1,600)
Debit to equity reserve	52,000	52,000

$2.9m of the purchase consideration was provided to vendors of CHH as equity. $1.6m was paid in cash to the vendors. 80% of the $49.1m left was paid on 6/6/05 with the remaining 20% deferred. This has been offset by minimal amounts of the call owed as at 30 June 2006.

(b) Purchase consideration

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent entity 2006 $'000	Parent entity 2005 $'000
Outflow of cash to acquire subsidiary, net of cash acquired				
Purchase price	**52,000**	-	**53,600**	-
Less: equity consideration	**(2,900)**	-	**(2,900)**	-
Less: consideration due	**(9,691)**	-	**(9,691)**	-
Add: stamp duty on transfer of shares	**294**	-	**294**	-
	39,703	-	**41,303**	-
Less: Cash balances acquired	**(574)**	-	**-**	-
Outflow of cash	**39,129**	-	**41,303**	-

(c) Assets and liabilities acquired*

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount $'000	Fair value $'000
Cash	**574**	**574**
Trade receivables	**1,805**	**1,805**
Plant and equipment	**293**	**293**
Trade payables	**(890)**	**(890)**
Provisions	**(131)**	**(131)**
Deferred tax liability	**(51)**	**(51)**
Net identifiable assets acquired	**1,600**	**1,600**

* This acquisition is only relevant to the parent entity as it was part of the reverse acquisition referred to in note 1.

(d) Summary of stapling

At the time of the IPO CHL acquired CHPT for nil consideration. The net assets and results of CHPT were nil at 6 June 2005 as there were no transactions between the formation of the Trust and this date. Refer to note 1 for further details of the accounting for the stapling arrangement.

34 SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Class of securities	Equity holding	
			2006	2005
			%	%
Charter Hall Holdings Pty Limited	Australia	Ordinary	**100**	N/A
Atrium Pyrmont Pty Limited	Australia	Ordinary	**100**	N/A
Charter Hall Funds Management Pty Limited	Australia	Ordinary	**100**	100
Bowvilla Pty Limited	Australia	Ordinary	**100**	100
Charter Hall Real Estate Pty Limited	Australia	Ordinary	**100**	100
Frolish Pty Limited	Australia	Ordinary	**100**	100
Stelridge Pty Limited	Australia	Ordinary	**100**	100
Visokoi Pty Limited	Australia	Ordinary	**100**	100
Bieson Pty Limited	Australia	Ordinary	**100**	100
Sandkilt (No 2) Pty Limited	Australia	Ordinary	**100**	100
Charter Hall Real Estate (Vic) Pty Limited	Australia	Ordinary	**100**	100
Charter Hall Core Plus Office Fund	Australia	Ordinary	**100**	N/A
Atrium Trust	Australia	Ordinary	**100**	N/A
333 George Street Trust	Australia	Ordinary	**100**	N/A
Stirling Street Trust	Australia	Ordinary	**100**	N/A

35 INVESTMENTS IN ASSOCIATES

(a) Carrying amounts

Information relating to associates is set out below.

Name of company	Principal activity	Ownership Interest		Consolidated		Parent entity	
		2006	2005	**2006**	2005	**2006**	2005
		%	%	**$'000**	$'000	**$'000**	$'000
Unlisted							
Charter Hall Diversified Property Fund	Property Investment	**19.9%**	N/A	**3,888**	-	**-**	-
Charter Hall Opportunity Fund No 4	Property Development	**3.03%**	N/A	**497**	-	**497**	-

The above associates are incorporated in Australia. The investment in Charter Hall Opportunity Fund No 4 is held by Charter Hall Limited and is equity accounted. The investment in Charter Hall Diversified Property Fund is held by Charter Hall Property Trust and as such is accounted for at fair value.

	Consolidated	
	2006	2005
	$'000	$'000
(b) Movements in carrying amounts		
Charter Hall Diversified Property Fund		
Investment and carrying amount at the end of the period	**3,888**	
Distributions on this investment of $184k are in the income statement		
Charter Hall Opportunity Fund No 4		
Investment	**529**	
Share of losses after income tax	**(22)**	
Distributions received/receivable	**(10)**	
Carrying amount at the end of the period	**497**	
(c) Fair value of unlisted investments in associates		
Charter Hall Diversified Property Fund	**3,888**	
Charter Hall Opportunity Fund No 4	**497**	

	Consolidated	
	2006	2005
	$'000	$'000

(d) Share of associates' profits or losses

	2006 $'000	2005 $'000
Profit before income tax	**(31)**	
Income tax expense	**9**	
Profit after income tax	**(22)**	

(e) Summarised financial information of associates

	Group's share of:			
	Assets	**Liabilities**	**Revenues**	**Profit/(Loss)**
	$'000	**$'000**	**$'000**	**$'000**
2006				
Charter Hall Diversified Property Fund	8,727	5,627	484	(538)
Charter Hall Opportunity Fund No 4 Pty Limited	1,068	586	3	(22)

36 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

(a) Equity of $86.4m in Charter Hall Core Plus Office Fund was issued to external investors on 1 July 2006. CHPT's investment was increased to $27.1m so it will be accounted for at fair value in future years.

(b) The purchase of 372 White Horse Road, Nunawading was completed on 3 July with the outstanding amount of $4.7m paid to the vendor. In addition, $40m was paid as a first instalment under the development agreement.

(c) The purchase of 25 Nepean Highway, Mentone, Victoria was completed on 21 July 2006 with a total of $21.9m paid to the vendor.

37 RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FLOW INFLOW FROM OPERATING ACTIVITIES

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Profit for the period	**12,395**	3,113	**(1,592)**	-
Depreciation and amortisation	**94**	53	**-**	-
Non-cash employee benefits expense – security-based payments	**165**	-	**-**	-
Dividend and interest income	**(6,075)**	(189)	**(3,705)**	-
Fair value adjustment to investment property	**5,564**	-		-
Share of profits of associates not received as dividends	**22**	-	**22**	-
Change in operating assets and liabilities, net of effects from purchase of controlled entity				
Decrease / (increase) in trade debtors	**(3,763)**	508	**-**	-
(Decrease) / increase in operating liabilities	**3,106**	(394)	**3,232**	-
Increase / (decrease) in provision for income taxes payable	**1,938**	(558)	**(1,764)**	-
Increase / (decrease) in provision for deferred income tax	**(2,379)**	-	**-**	-
Increase in other provisions	**330**	37	**-**	-
Net cash inflow / (outflow) from operating activities	**11,397**	2,570	**(3,807)**	-

38 EARNINGS PER SECURITY

	Consolidated		Parent	
	2006	2005	**2006**	2005
	Cents	Cents	**Cents**	Cents
(a) Basic earnings / (loss) per security				
Profit before fair value adjustments	**6.67**	11.60	**(0.60)**	-
Fair value adjustments	**(2.06)**	-	**-**	-
Profit attributable to the ordinary equity holders of the company	**4.61**	11.60	**(0.60)**	-
(b) Diluted earnings / (loss) per security				
Profit before fair value adjustments	**6.67**	11.60	**(0.40)**	-
Fair value adjustments	**(2.02)**	-	-	-
Profit attributable to the ordinary equity holders of the company	**4.65**	11.60	**(0.40)**	-
(c) Reconciliations of earnings used in calculating earnings per security				
Basic earnings per security				
Profit / (loss) before fair value adjustments	**17,959**	3,113	**(1,592)**	-
Fair value adjustments	**(5,564)**	-	**-**	-
Profit / (loss) attributable to the ordinary equity holders of the consolidated entity used in calculating basic earnings per security	**12,395**	3,113	**(1,592)**	-
Diluted earnings per security				
Profit / (loss)	**12,395**	3,113	**(1,592)**	-
Interest received from LTI securities	**404**	-	**404**	-
Profit / (loss) attributable to the ordinary equity holders of the consolidated entity used in calculating diluted earnings per security	**12,799**	3,113	**(1,188)**	-
Fair value adjustments	**5,564**	-	**-**	-
Profit / (loss) attributable to the ordinary equity holders of the consolidated entity used in calculating diluted earnings per security before fair value adjustments	**18,363**	3,113	**(1,188)**	-

(d) Weighted average number of securities used as the denominator

	Consolidated		Parent entity	
	2006 Number	2005 Number	**2006 Number**	2005 Number
Weighted average number of ordinary securities used as the denominator in alculating basic earnings per security	269,115,828	26,830,685	**269,115,828**	-
Adjustments for calculation of diluted earnings per security:				
Securities issued to the Charter Hall Limited Executive Loan Security Plan	**(6,078,462)**	-	**(6,078,462)**	-
Weighted average number of ordinary securities and potential ordinary securities used as the denominator in calculating diluted earnings per security	**275,194,290**	26,830,685	**275,194,290**	-

(e) Information concerning the classification of securities

(i) Securities issued under the Charter Hall Limited Executive Loan Security Plan

Securities issued under the Charter Hall Limited Executive Loan Security Plan have been issued in trust and have a corresponding loan given to the employee. Under AIFRS the loan, securities, interest received on the loan and the distribution paid and payable is derecognised for the preparation of the financial report but recognised for the calculation of diluted earnings per security.

39 SECURITY-BASED PAYMENTS

(a) Employee Security Plan

The establishment of the Charter Hall Limited Executive Loan Security Plan was approved by the Board in the process of the initial public offering. Staff who are eligible to participate in the plan are determined by the Chief Executive Officers in discussion with the Board. Please refer to the Remuneration Report for details relating to vesting conditions.

Securities are granted under the plan at market value and are purchased with a loan to the employee. Recourse on the loan is limited to the value of the securities. The securities are intended to vest over a three year period in equal portions. The amount of interest due on the loan is equivalent to the amount of the distribution receivable on the underlying securities.

Set out below are summaries of securities granted under the plan:

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
Securities issued under the plan to participating employees on 6 June 2005	**6,200,000**	-	**6,200,000**	-

(b) Expenses arising from security-based payment transactions

Total expenses arising from security-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Securities issued under employee security plan	**165**	-	**-**	-

40 TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS

There were no differences between the result and financial position at 1 July 2004 and 30 June 2005 under AGAAP and AIFRS. Therefore no reconciliations are required for these two periods.

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DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on the preceding pages 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 the company's and consolidated entity's financial position as at 30 June 2006 and of its performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(c) the audited remuneration disclosures set out on pages 52 to 59 of the directors' report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*; and

The directors have been given the declarations by the chief executive officer 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.

K Roxburgh
Chairman

Sydney
23 August 2006

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INDEPENDENT AUDIT REPORT TO THE STAPLED SECURITY HOLDERS OF CHARTER HALL GROUP

PRICEWATERHOUSECOOPERS

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ABN 52 780 433 757

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INDEPENDENT AUDIT REPORT TO THE STAPLED SECURITY HOLDERS OF CHARTER HALL GROUP

MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL REPORT

This audit report relates to the financial report and remuneration disclosures of Charter Hall Limited (the company) and Charter Hall Group for the period ended 30 June 2006 included on Charter Hall Limited's web site. The company's directors are responsible for the integrity of the Charter Hall Limited web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report and remuneration disclosures identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or the remuneration disclosures. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration disclosures to confirm the information included in the audited financial report and remuneration disclosures presented on this web site.

AUDIT OPINION
In our opinion:

1. the financial report of the Charter Hall Group:
   - gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of the Charter Hall Group (defined below) as at 30 June 2006, and of its performance for the period ended on that date, and
   - is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001* and
2. the remunerations disclosures that are contained on pages 52 to 59 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures* (AASB 124) and the *Corporations Regulations 2001*.

This opinion must be read in conjunction with the rest of our audit report.

SCOPE

The financial report, remunerations disclosures and directors' responsibility

The financial report comprises the balance sheets, income statements, cash flow statements, statements of changes in equity, accompanying notes to the financial statements, and the directors' declaration for both Charter Hall Limited and Charter Hall Group (the consolidated entity) for the period ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that period.

The company has disclosed information about the remuneration of directors and executives (remuneration disclosures) as required by AASB 124, under the heading "remuneration report" on pages 52 to 59 of the directors' report, as permitted by the *Corporations Regulations 2001*.

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INDEPENDENT AUDIT REPORT TO THE STAPLED SECURITY HOLDERS OF CHARTER HALL GROUP

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the remuneration disclosures contained in the directors' report.

AUDIT APPROACH

We conducted an independent audit in order to express an opinion to the stapled securityholders of the group. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with AASB 124 and the *Corporations Regulations 2001*. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations, changes in equity and cash flows. We also performed procedures to assess whether the remuneration disclosures comply with AASB 124 and the *Corporations Regulations 2001*.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and remuneration disclosures, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

INDEPENDENCE

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

PricewaterhouseCoopers

B K Hunter
Partner

Sydney
23 August 2006

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SECURITY HOLDER INFORMATION

The Security Holder information set out below was applicable as at 31 July 2006.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	Ordinary Securities
1 – 1000	13,746
1,001 – 5,000	239,641
5,001 – 10,000	1,228,399
10,001 – 100,000	20,115,759
100,001 and over	335,262,176
	356,859,721

B. Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest holders of quoted equity securities are listed below:

Name	Ordinary securities Number held	Percentage of issued securities
Transfield (CHG) Limited	59,250,131	16.60
Westpac Custodian Nominees Limited	57,472,526	16.11
National Nominees Limited	40,933,516	11.47
J P Morgan Nominees Australia Limited	29,102,007	8.16
CHL Executive Loan Security Plan Managers Pty Limited	12,507,013	3.50
Westpac Financial Services Limited	11,375,548	3.19
Citicorp Nominees Pty Limited	11,289,595	3.16
Doverville Holdings Pty Limited	10,760,040	3.02
ANZ Nominees Limited	9,037,611	2.53
Citicorp Nominees Pty Limited	7,420,964	2.08
Cogent Nominees Pty Limited	6,634,028	1.86
Bond Street Custodians Pty Limited	5,927,826	1.66
Cogent Nominees	5,606,056	1.57
Portmist Pty Limited	5,562,117	1.56
Citicorp Nominees Pty Limited	4,829,465	1.35
AMP Life Limited	3,815,081	1.07
Transport Accident Commission	3,358,626	0.94
Victorian Workcover Authority	2,607,636	0.73
David John Southon	2,499,997	0.70
Queens Hill Pty Ltd	2,407,683	0.67
	292,397,466	81.93

C. Substantial holders

Substantial holders in the group are set out below:

Ordinary securities	Number held	Percentage
Transfield (CHG) Pty Limited	59,250,131	16.59%
Deutsche Asset Management (Australia) Limited	32,136,526	9.00%
Westpac Banking Corporation (BT)	28,531,810	7.99%
UBS Nominees Pty Ltd	27,348,669	7.66%
Legg Mason Asset Management Australia Ltd	18,067,729	5.06%

D. Voting rights

The voting rights attaching to each class of equity securities are set out below:

(a) Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

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CORPORATE DIRECTORY

Charter Hall Group
Charter Hall Limited and Charter Hall Funds Management Limited as Responsible Entity for the Charter Hall Property Trust

Directors
Kerry Roxburgh – *Chairman*
Roy Woodhouse – *Deputy Chairman*
André Biet – *Executive Director*
Cedric Fuchs – *Executive Director*
Patrice Derrington
Glenn Fraser
Colin McGowan
Peter McMahon

Company Secretary
Nathan Francis

Joint Chief Executive Officers
David Harrison
David Southon

Principal Registered Office
Level 6, 110 Walker Street
North Sydney NSW 2060
PO Box 1367 North Sydney NSW 2059
Telephone: 02 8908 4000
Fax: 02 8908 4040

Website
www.charterhall.com.au

Stock Exchange listing details
Charter Hall Group is listed on the Australian Stock Exchange (ASX) as a stapled entity with the code 'CHC'.
Stapled securities are traded weekdays on the ASX between the hours of 10.00am and 4:00pm (AEST).

Registry
Charter Hall Group's stapled security registration and distribution communication is managed by Link Market Services.

Any queries regarding change of details, mailing address, distribution and communication instructions should be forwarded to:

Link Market Services
Level 12, 680 George Street
Sydney NSW 2000
Locked Bag A14
Sydney South NSW 1235

Telephone: 02 8280 7111
International: +61 2 8280 7111
Fax: 02 9287 0303
Fax: 02 9287 0309 (for proxy voting)
Email: registrars@linkmarketservices.com.au
Website: www.linkmarketservices.com.au

Auditor
PricewaterhouseCoopers
Darling Park Tower 2
201 Sussex Street
Sydney NSW 2000

Legal Advisers
Allens Arthur Robinson
Level 23, The Chifley Tower
2 Chifley Square
Sydney NSW 2000

Bankers
National Australia Bank
Level 24, NAB House
255 George Street
Sydney NSW 2000

Notice of Annual General Meeting
The Annual General Meeting of Charter Hall Group

Will be held at:	City Recital Hall Angel Place Function Room 123 Pitt Street, Sydney
Time:	2.30pm
Date:	Thursday 26 October 2006