

Charter
Hall



Charter Hall Group
2008 Annual Report



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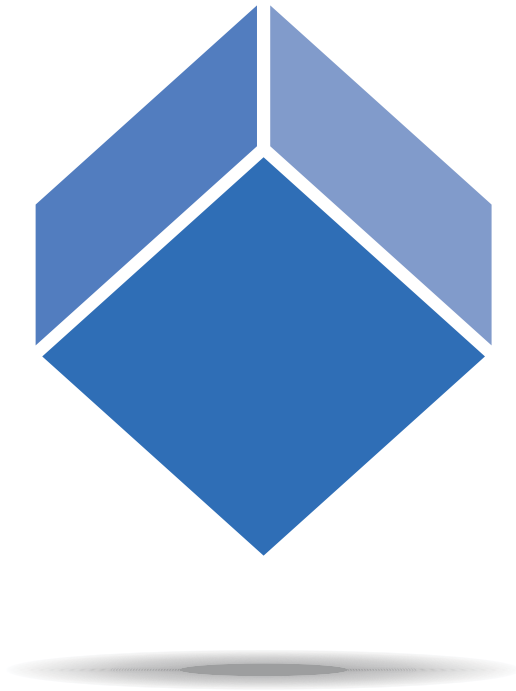
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Financial Report



Active Approach... Continued Performance.
Through an active approach Charter Hall continues to enhance its performance platform with its vertically integrated business model. A full year distribution of 12.60 cents per security has delivered Charter Hall securityholders a 21% increase on last year.



Maintaining a sharp focus
on sustainable performance
is key to delivering superior
return on equity.

Our Performance

Charter Hall's performance objective is to outperform its peers through a fundamentally based, active approach to property investment achieving strong, sustainable returns for both wholesale and retail investors.

Highlights

56%

increase in net profit after tax
of \$67.5m over FY07

39%

increase in FUM
to \$3.9 billion

34%

increase in growth of
underlying earnings per
security of 12.74cps on PCP



An aerial photograph of a city skyline at dusk. The sky is a clear, deep blue. The city is illuminated by the warm, golden light of the setting sun, which is reflected on the water in the harbor. A prominent tower with a spherical top, likely the Sydney Tower Eye, stands out in the center of the skyline. Other skyscrapers and buildings are visible, some with their lights on. In the foreground, there are some lower-rise buildings and a large, curved structure, possibly a stadium or arena, with a white, curved facade. The overall scene is a panoramic view of a modern city at twilight.

21%

increase in distribution
of 12.60cps

8.7^{YEARS}

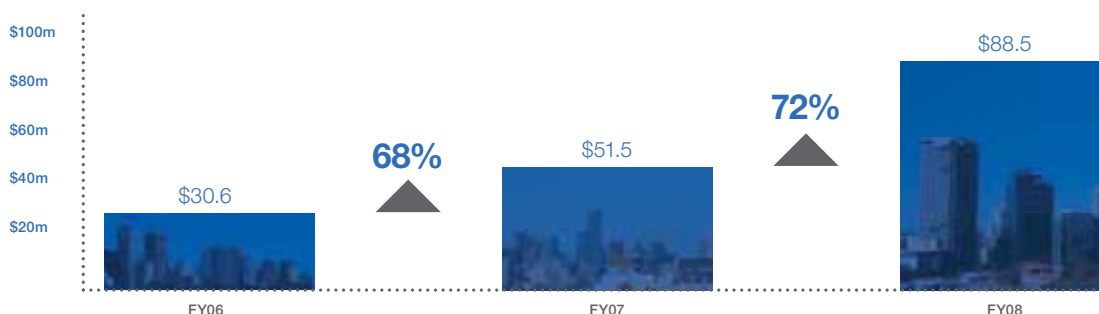
CHPT's WALE is
above industry average

8

unlisted funds including the
establishment of two new funds

Sustained Performance

Revenue growth of 72%¹

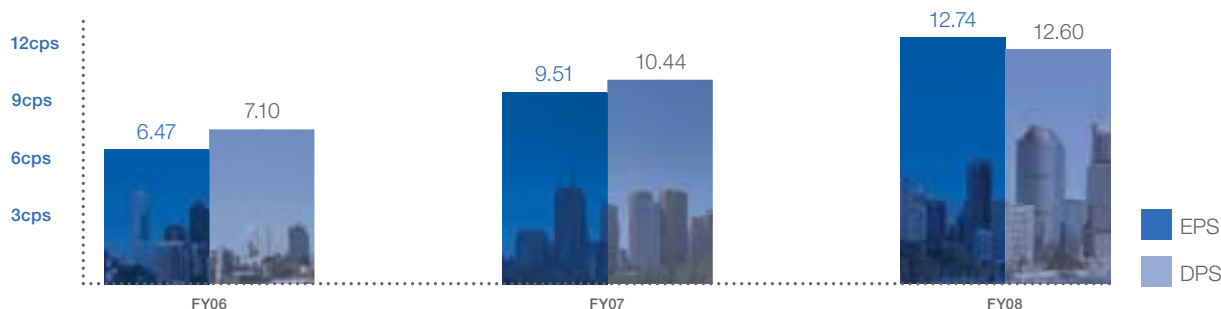


¹ Revenue in this analysis excludes interest income, is net of property expenses and includes the \$7.2 million NPAT contribution from CIP.

Strong EBITDA growth



Group Underlying EPS and DPS



	FY08	FY07	Change
NPAT (AIFRS)	\$67.5cps	\$43.2m	56%
Basic EPS (AIFRS)	16.31cps	12.00cps	36%
Underlying NPAT ²	\$52.7m	\$34.2m	54%
Underlying EPS	12.74cps	9.51cps	34%
DPS	12.60cps	10.44cps	21%

	At 30 June 08	At 30 June 07	Change
FUM	\$3.9bn	\$2.8bn	39%
Total Group Assets	\$802m	\$650m	23%
NTA	\$1.19	\$1.12	6%
Gearing ³	31%	21%	10%

² Excluding fair value adjustments, gains on sale and unrealised foreign exchange gains.

³ Calculated as Borrowings net of Cash over Total Assets net of Cash.



11 Exhibition Street, Melbourne Vic

Chairman's Letter



“One of our most important tasks is not just to ensure strong performance, but to also create the conditions for long term success”

Dear Investor,

On behalf of the Charter Hall Group Board, it is my pleasure to present the 2008 Annual Report for our third year as a listed Group.

Highlighting continued performance

Our financial performance was strong, despite challenging conditions. The operating result of \$67.5 million represented an increase of 56% on last year. A highlight was the 39% rise in the Group's funds under management from \$2.8 billion to \$3.9 billion, providing the Group with solid annuity earning streams going forward. The Group's EPS grew to 12.74cps, an increase of 34% on last year. The full year distribution to Charter Hall securityholders of 12.60 cents is up 21% up on last year. Our managed funds continue to outperform their respective internal rate of return (IRR) targets, underpinning current and future performance fees for the Group.

Enhancing our business platform

One of our most important tasks is not just to ensure strong performance, but to also build a foundation for long term success. Charter Hall has expanded its business platform with the introduction of two new funds; the Charter Hall Umbrella Fund (CHUF) and the Core Plus Retail Fund (CPRF). The Group now manages eight unlisted funds across the risk and return spectrum. The successful closing of CHUF last year was a milestone. The Fund closed almost 100% oversubscribed, raising a total of \$187 million in capital from retail investors. CPRF, with funds under management of approximately \$500 million on a fully completed basis, was established as the third Fund in a series of sector specific core plus investment offerings. CPRF's first close occurred in August 2008 with \$95 million of external equity raised, together with a \$250 million non recourse debt facility at the fund level. Charter Hall will target further equity closes to bring the Charter Hall Property Trust's (CHPT) co-investment in CPRF down to a long term target co-investment stake of 20%.

Corporate responsibility and sustainability – it's all about Balance®!

Apart from achieving corporate success that is measured financially, we at Charter Hall are mindful of our social responsibilities. As a leading property fund management group, our commitment to principles of sustainability is particularly important – for our investors, the environment, unitholders, staff and the community.

A key initiative this year is our environmental, social and corporate governance (ESG) policy, 'Balance®', which is helping to strengthen the sustainability culture throughout the Charter Hall Group. 'Balance®' will deliver Charter Hall's ESG philosophy to the market place, and set the future direction for sustainability across the entire Group's activities, ensuring optimum environmental outcomes. Our head office in Sydney demonstrated this commitment as the first commercial office project to be awarded a 4 Star Green Star – Office Interiors v1.1 certified rating.

In addition to our ESG initiatives, Charter Hall is a signatory to the United Nations Principles for Responsible Investment (UNPRI).

Capitalising on emerging markets

Charter Hall's most valuable assets are its human resources. Our experienced and motivated executive and management team is led by Joint Managing Directors, David Harrison and David Southon. This year Charter Hall announced a number of new executive appointments around Australia, and opened offices in Melbourne and Adelaide. These initiatives have improved the Group's ability to capitalise on investment opportunities in these key markets.

Consolidating our position with a new brand identity

I am pleased to announce the Group recently launched a fresh and refined new brand identity. This is a symbol of our strategic competitive brand position, visually reinforcing our drive to remain a market leader and better representing our key brand values for the long term. As one of Australia's leading property fund managers and developers, the new identity reflects our ability to deliver continued performance to our investors through expert agile thinking, and a flexible team that is best able to adapt to market changes and capitalise on investment opportunities.

New challenges provide new opportunities

With the dislocation this past financial year in the global financial markets, it is clear that volatility in the debt markets promises a challenging year, worldwide. That said, the economic fundamentals in Australia remain strong. With \$3.9 billion of funds under active management, a positive financial performance last year and a strong balance sheet at year end, Charter Hall Group has planned its position consciously in order for it to meet the challenges ahead and where appropriate, to capitalise on opportunities to provide strong risk adjusted returns for all our stakeholders.

In a year marked by challenges, opportunities and growth, Charter Hall is looking forward with confidence to the year ahead.

On behalf of all securityholders and investors in Charter Hall's suite of unlisted funds, once again it is my pleasure to express the Board's appreciation for the outstanding contribution made by the entire Charter Hall team. I look forward to what promises to be a challenging year, one that will present many opportunities my Board colleagues and our leadership team will be keen to capitalise on. I recognise and thank my fellow Board members for their invaluable contribution and support.

Yours sincerely,



Kerry Roxburgh
Chairman

Joint Managing Directors' Report



**“Our focus is to outperform
absolute return hurdles
for each fund”**

Dear Investor,

We are very pleased to report that the Charter Hall Group continues to outperform across all its managed funds and delivered strong earnings growth during FY08.

The Charter Hall trademark of applying an active asset and development approach to all property assets owned and managed has contributed to a resilient performance of net tangible assets (NTA) in each fund despite challenging property markets. Our experienced and highly professional in-house development and investment teams have created significant development margins and value, through the selection, management and delivery of key outcomes that respond favourably to the fundamentals of the property market.

The Group's low risk, diversified business model has achieved solid growth in funds under management across the full risk and return spectrum, via the implementation of the investment mandates of its various managed funds, while retaining a strong focus on sustainable performance and superior return on equity. The off-balance sheet development and investment model reduces risk to Charter Hall securityholders and leverages the Charter Hall Group to higher return on equity (ROE) and earnings per security (EPS) growth prospects than that which would be possible with an 'on-balance sheet' 100% direct property ownership model.

During FY08, assets under management increased by 39% compared to the previous corresponding period and Underlying EPS increased by 34%. The Group also deployed additional external equity of \$350 million from a variety of unlisted investors.

The Charter Hall Property Trust (CHPT) continues to generate stable property investment income through its co-investments in each of the unlisted funds managed by the corporation, Charter Hall Limited. Property income dominates the Group's earnings before interest, taxation, depreciation and amortisation (EBITDA) and is generated from a diverse portfolio of assets leased predominantly to Government, national and multi-national tenants. The portfolio has a weighted average lease expiry (WALE) profile of 8.7 years, which is substantially above industry averages. Additional annuity style income is generated by the Group from recurrent management fees paid to Charter Hall as the Manager of unlisted property funds, which combined with property income contributes 78% of Group earnings.

The balance of the Group's earnings was derived through performance fees, transaction fees and development dividends from its 50% ownership of commercial and industrial pre-lease development specialist, Commercial and Industrial Property Pty Limited (CIP). The CIP business is a low equity intensive model with the majority of development pre-leased and pre-sold early in the development phase, often prior to construction commencement.

Charter Hall believes that there will be many compelling real estate opportunities over the next 12 to 18 months. The Group is well placed to take advantage of these opportunities with substantial acquisition capacity available in the opportunistic and core plus fund series. The Group is also developing a number of new fund initiatives to take advantage of opportunities in a 'buyers market'.

Success in funds management is tied to delivering long term performance. Our focus is to outperform absolute return hurdles for each fund on an IRR basis. The Group's wholesale Core Plus Office Fund (CPOF) and Core Plus Industrial Fund (CPIF) have

achieved 19% and 16% IRRs versus return targets of 12% and 11% respectively. The retail equity fund, Diversified Property Fund (DPF), achieved an IRR of 25% versus its return target of 10% since inception three years ago. This outperformance not only establishes the potential to generate performance fees, it also reinforces Charter Hall's credentials to secure further commitments to existing and new unlisted funds.

The Group's resilient, high growth business model, whilst well established, has substantial capacity to grow. The business platform is anchored by the following features:

- ◆ highly skilled and experienced in-house property investment and development teams which create real value from property assets;
- ◆ product offering across the risk and return spectrum and diversified access to investors;
- ◆ access to secure, growing property income as a property owner through its property fund co-investment stakes;
- ◆ annuity service fee income;
- ◆ additional income from performance fees, transactional revenue and development earnings from investments in CIP and the CHOF series of opportunistic funds;
- ◆ strong relationships with a diverse range of equity and debt providers;
- ◆ conservative gearing; and
- ◆ potential new wholesale and retail equity raisings for existing and new fund initiatives driving further funds under management and hence earnings growth.

These features reinforce Charter Hall's robust position to further increase market share within the Australasian property markets during what will continue to be a very challenging business environment over FY09.

We are encouraged by the range of exciting opportunities that are emerging, allowing our team to harness its full potential to secure investment properties and projects that will drive the performance of the Group well beyond FY09.

We take this opportunity to thank the Charter Hall team, our valued tenants and investor partners for their respective roles in assisting the Group to navigate a challenging environment during FY08.

Naturally, we are disappointed with the reduction in the Charter Hall security price, which we believe is primarily due to wider market issues, however we remain confident that securityholder value will be restored in time through the recognition of the continued performance of the Group.

Yours sincerely,



David Harrison
Joint Managing Director



David Southon
Joint Managing Director

Charter Hall's New Brand Identity

Charter Hall Group has recently undergone a strategic brand review, the outcome of which is a refined competitive brand position that will build greater value and brand equity for Charter Hall long term.

The new brand logo, look and personality better reflects our position as one of Australia's leading property investors, fund managers and developers, and is a visual expression of how we have evolved into a dynamic and active three-dimensional business.

The new brand represents our ability to deliver continued performance to our investors through expert agile thinking, and a flexible team that is best able to adapt to market changes and capitalise on appropriate investment opportunities.



Achieving Balance®

As a leading property investment management group, Charter Hall Group is mindful of our responsibilities to the environment, our customers, unitholders, staff and the community.

Sustainability, in particular, will only grow in importance as an essential element in developing, maintaining and managing all forms of property investment. As a result, Charter Hall is committed to putting our guiding principles into action across all our properties and Group activities.

'Balance®' is a key initiative for our environmental, social and corporate governance (ESG), which is helping to strengthen the culture of responsibility throughout the Charter Hall Group. It formalises Charter Hall's genuine corporate commitment in these areas. As the name suggests, Balance® requires us to consider the often competing objectives of the environment, our customers, unitholders, staff and the community to ensure an optimal outcome is achieved.

An active approach to environmental and social issues is crucial to the health of all aspects of our business. It enhances our ability to secure higher quality tenant covenants, net rental value and ultimately capital value. From an economic perspective, a more environmentally responsible end product should also prove to be a more sustainable long term investment. This should enhance the exit strategy of the opportunity funds in their delivery of high quality, attractive and environmentally efficient office, retail, industrial and residential projects.

The ability to manage the risks and opportunities with the potential to affect current and future business is crucial. Putting this balanced philosophy into action will only enhance the social, environmental and economic benefits for Charter Hall's stakeholders and the community at large.

Furthermore, Charter Hall firmly believes that the demand for environmentally efficient buildings will increase over the next decade, from prospective tenants, institutional owners and Local, State and Federal Government bodies.

In line with our Balance® policy, Charter Hall is a member of the Green Building Council and is a signatory to the United Nations Principles for Responsible Investment (UNPRI). UNPRI embodies the aspirations contained in Balance®. As a signatory to this global policy on environmental and socially responsible investment principles, Charter Hall will ensure that it measures the impact of its activities on the environment and society.



An active approach to environmental and social issues is crucial to the health of all aspects of our business.



Focusing on the
fundamentals is
critical in these
challenging times.

Our Business

The Charter Hall Group believes it is essential to focus on property fundamentals when sourcing, managing, developing, repositioning and divesting property assets. Our active management strategy aims to enhance capital security and optimise returns to investors, both unlisted and listed.

Charter Hall Group

Charter Hall Group is a property investment, development and funds management group that operates across the full risk and return spectrum. The Group manages core, core plus and opportunistic property funds. The following chart outlines the Group's products across the risk and return spectrum.

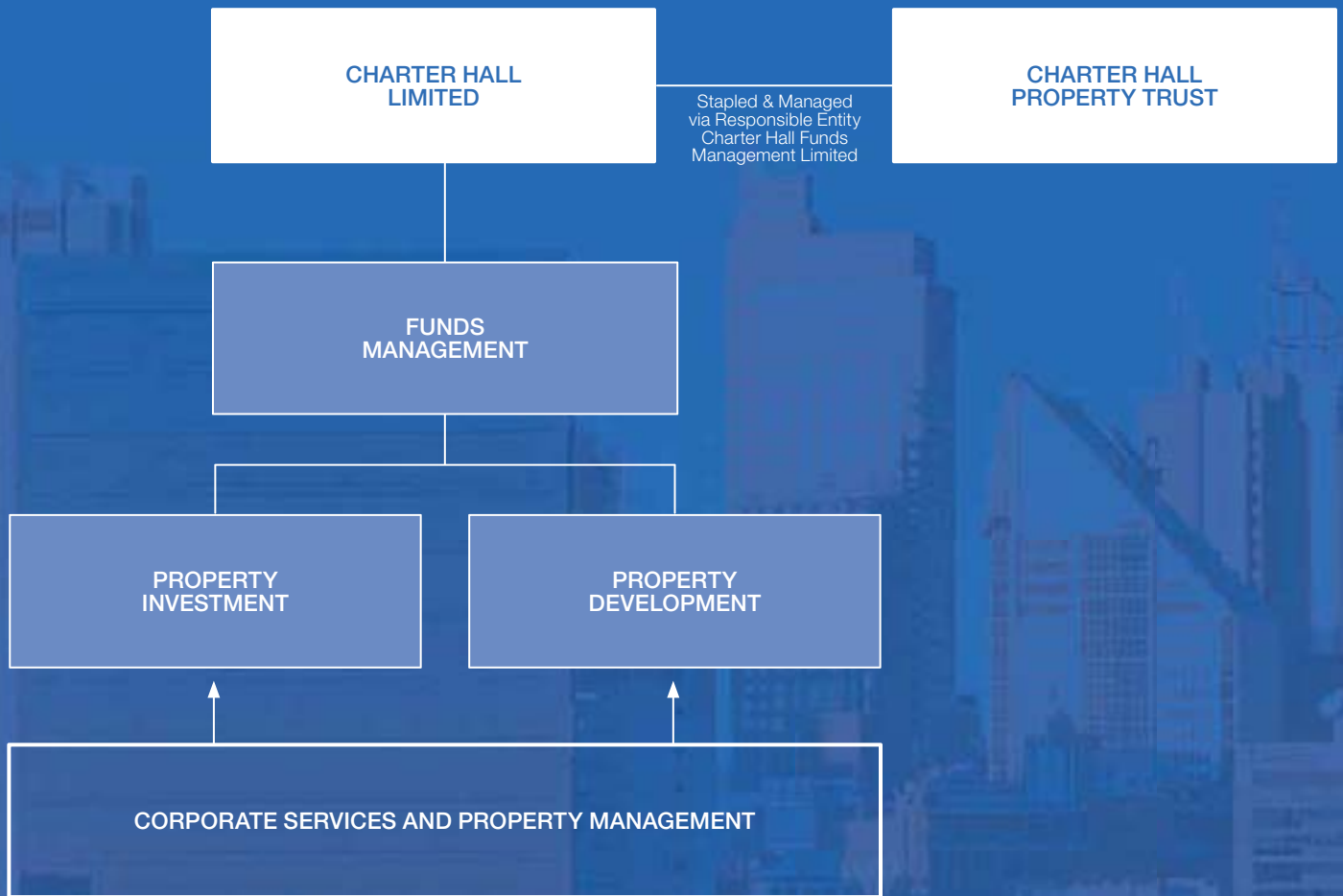


Established in 1991 and listed on the ASX in 2005 as a stapled security, the Group comprises Charter Hall Limited stapled to the Charter Hall Property Trust. Over the past 17 years, and particularly over the last three years since listing, the Group has established an impressive, off-balance sheet investment platform with funds under management of \$3.9 billion.

Charter Hall's success continues to be underpinned by its innovative and highly experienced development and investment management team, which has enabled the Group to actively manage its funds and development projects. Charter Hall has earned a strong reputation for innovation and agility to achieve outperformance in property investment and development projects undertaken within its diverse suite of off-balance sheet direct property funds.

During these challenging times, the Charter Hall Group believes it is essential to focus on property fundamentals when sourcing, managing, developing, repositioning and divesting property assets across the entire portfolio. Our active management strategy aims to preserve capital and optimise returns to investors, both unlisted and listed. Charter Hall has a strong corporate governance structure, a healthy corporate culture and a stable, experienced and professional team. These attributes are very important and ensure Charter Hall is well placed to take advantage of opportunities in the current environment.

Corporate Structure

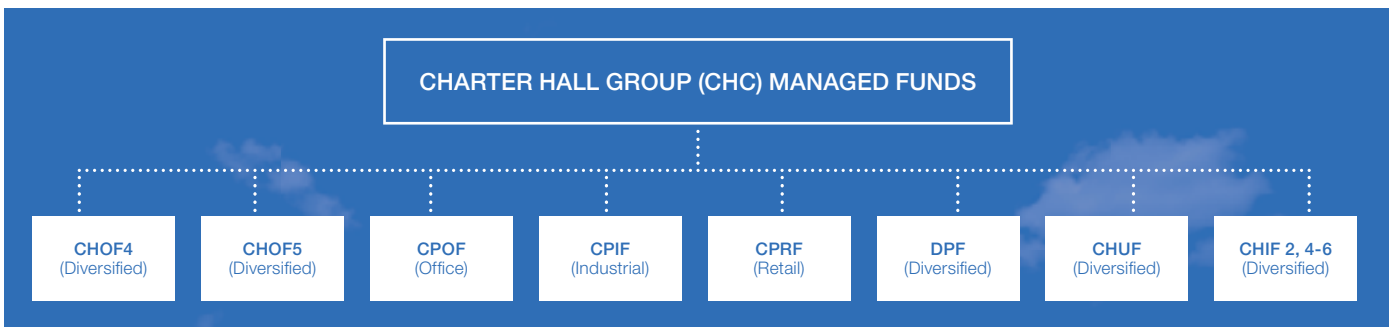


Corporate Structure

(continued)

Co-Investment Philosophy

The Charter Hall Group strongly believes in aligning its interests with those of its investors. This is achieved by targeting an initial 20% co-investment in each of its unlisted property funds. Given the current co-investments held, the Group has the ability to sell down these co-investments over time to raise capital for co-investing in future fund initiatives being implemented by the Group.

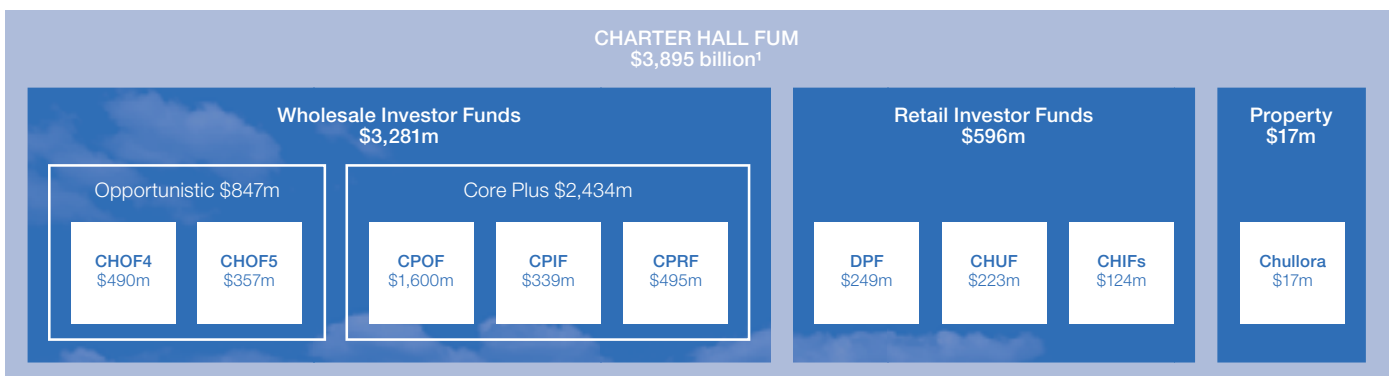


FUNDS MANAGEMENT

Charter Hall Limited currently manages eight unlisted property funds with discrete mandates across the risk and return spectrum from core through to opportunistic. Charter Hall has developed a strong reputation for an active approach and continued performance in managing external equity.

The Group's balance sheet strength continues to underpin its funds management activities. In addition to listed capital, Charter Hall has access to wholesale, high-net worth and retail investors through its unlisted funds. Approximately 85% of the \$3.9 billion of funds under management is supported by capital sourced from wholesale investors. The Group's funds continue to outperform their respective targets, delivering strong returns to investors.

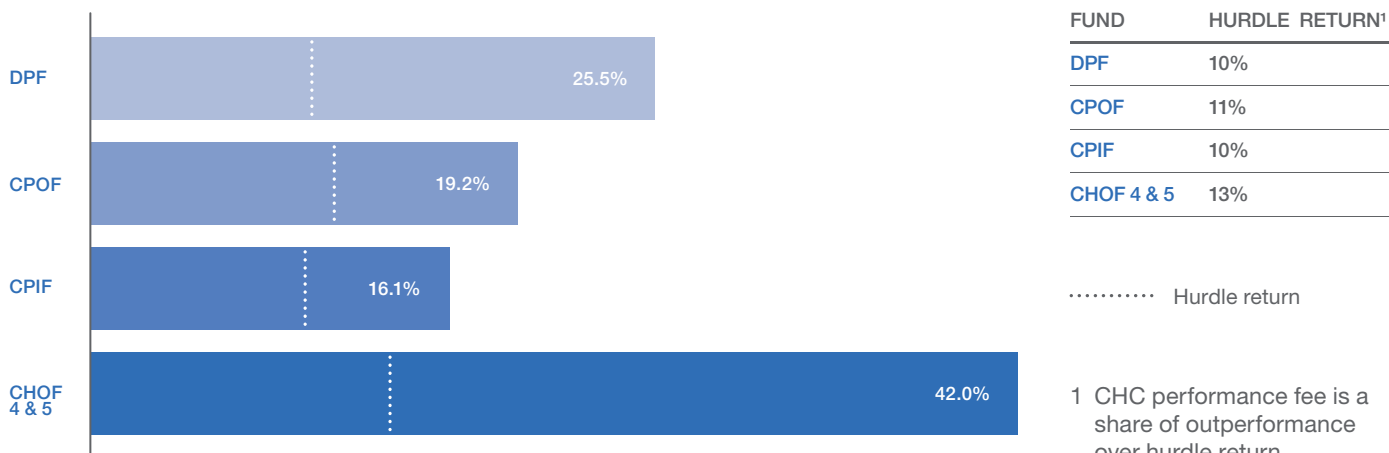
Funds Under Management (FUM)



1 Post CPRF's first close.

Corporate Structure (continued)

Actual and forecast gross equity IRRs (since inception) – outperformed target returns



PROPERTY INVESTMENT

Charter Hall is a property investor with a strong focus on property fundamentals, quality and long term expected return. The property portfolios of each of the funds managed by Charter Hall reflect these investment fundamentals and have long WALEs, strong minimum rent increases and exposure to high quality tenants.

The Group enjoys stable, secure property income streams from its co-investments in each of the unlisted funds it manages. In addition to generating annuity income for CHPT, these co-investments create a strong alignment of interest with the wholesale and retail investors in our various unlisted, off-balance sheet funds.

Charter Hall has achieved significant diversity over its approximately \$500 million of property investments through its co-investments in well leased, geographically and sectorial diverse portfolios with a combined WALE of 8.7 years. This relatively long WALE is enhanced by average minimum rent increases of 3.55% per annum, together with the benefits of 7% under market rentals across the portfolios.

PROPERTY DEVELOPMENT

On behalf of its managed funds, the development division has developed or is in the process of developing more than 28 projects with an estimated completion value in excess of \$2.6 billion. Charter Hall Limited has achieved strong outperformance over the past 11 years in managing opportunistic property funds, having achieved a gross IRR on equity of 30% on realised projects.

Given the Group's solid track history and strong corporate governance, Charter Hall has been the leader in the market for wholesale opportunistic funds. This provides the Group with the best prospect of raising further wholesale capital for a new opportunistic fund to take advantage of compelling opportunities that will emerge over the next 12 to 18 months.

In addition to its co-investment in its suite of opportunistic funds, Charter Hall also accesses development returns through its 50% ownership in CIP which undertakes predominately pre-committed commercial and industrial development projects, often in joint ventures with land owners. During FY08, CIP undertook projects comprising a total area of 175,000m².

The Group's strong in-house development teams will continue to create value and generate development margins, greatly assisting with countering the impact of potential expansion in capitalisation rates in Charter Hall's core plus suite of funds.

Property Management

The property management division provides a range of property management services across the commercial, retail and industrial sectors, for properties owned by Charter Hall managed funds as well as selected external clients nationally. Services include market analysis, risk management, occupancy maximisation, environmental and engineering management, financial and information management.

Geographical Diversity of Assets

- ◆ Charter Hall offices
- ◇ Charter Hall properties

24%

Western Australia
12 properties

2%

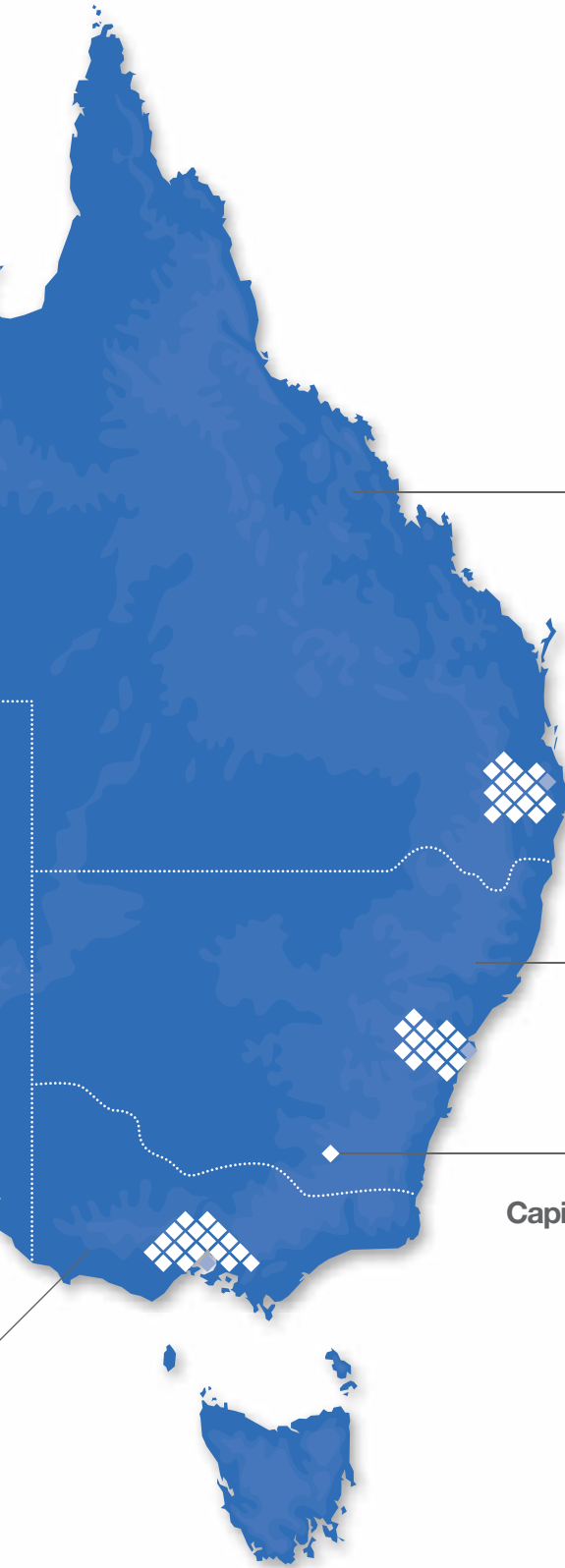
South Australia
4 properties

18%

Victoria
18 properties

Top tenants include:

- ◆ Wesfarmers
- ◆ Telstra
- ◆ Harvey Norman
- ◆ St George Bank
- ◆ Coles
- ◆ American Express
- ◆ Australian Government
- ◆ Woolworths
- ◆ Mercer Human Resourcing Consultants



22%

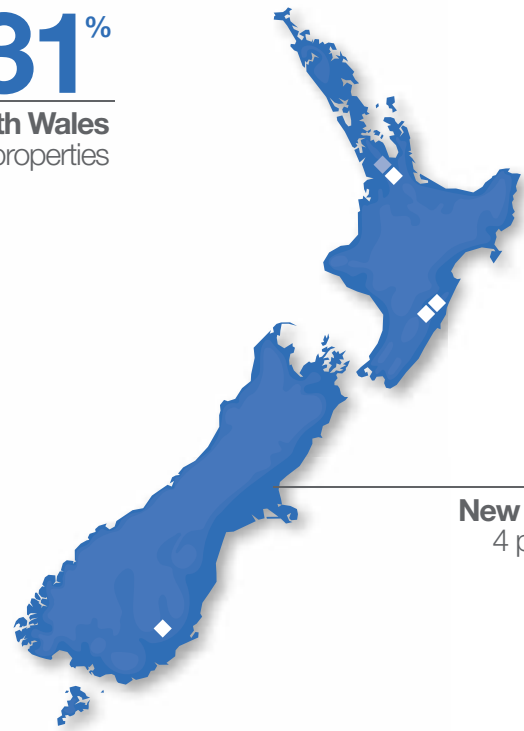
Queensland
15 properties

31%

New South Wales
14 properties

1%

**Australian
Capital Territory**
1 property

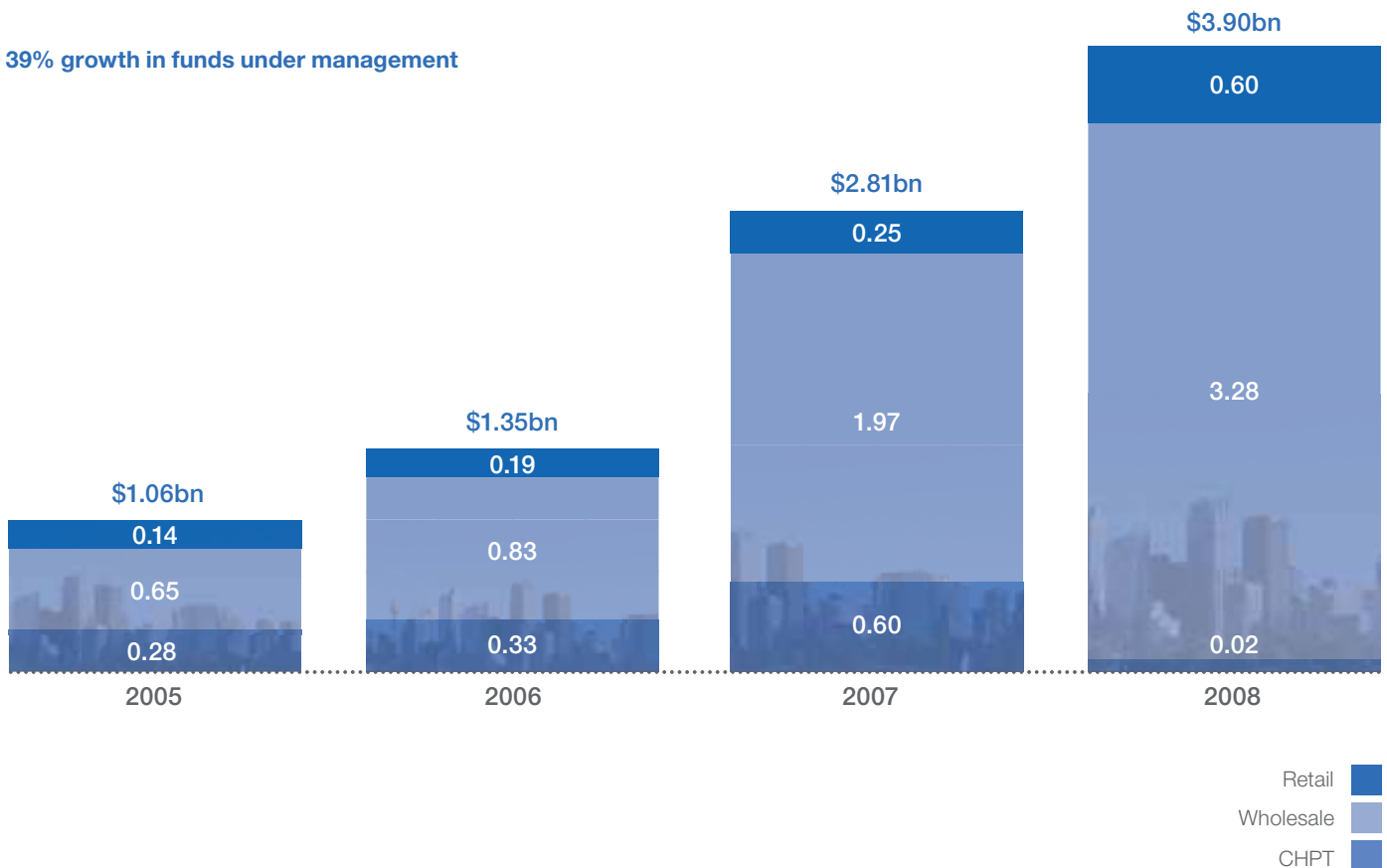


3%

New Zealand
4 properties

Growth In Assets Under Management

Through the continued implementation of its mandates in its various unlisted funds, Charter Hall Group has achieved an impressive 39% growth in funds under management from \$2.8 billion in FY07 to \$3.9 billion in FY08.







Delivering long term
performance is
key to success in
funds management.

Our Funds

With the establishment of two new funds, the Charter Hall Umbrella Fund (CHUF) and the Core Plus Retail Fund (CPRF), Charter Hall's fund portfolio comprises eight unlisted funds across the risk and return spectrum.

Charter Hall Property Trust

The Charter Hall Property Trust's (CHPT) strategy is to invest in a diversified portfolio of properties through Charter Hall's various managed funds. Assets and investments are selected for the Trust that are forecast to provide stable and growing investment income and capital growth. The opportunity to add value through active asset management increases potential returns. Charter Hall also benefits from generating fees from the management of the property funds in which it invests, enhancing its return on equity significantly above that available from the underlying property assets.

CHPT has successfully implemented its strategy of down-weighting its allocation to direct holdings, replaced by investments across Charter Hall's stable of unlisted property funds.

The majority of CHPT's property holdings are diversified across the Manager's Core Plus Office Fund (CPOF), Core Plus Industrial Fund (CPIF) and Core Plus Retail Fund (CPRF) with smaller holdings in the Diversified Property Fund (DPF) and the Charter Hall Umbrella Fund (CHUF). The Group's investments in Charter Hall Opportunity Fund No.4 (CHOF4) and Charter Hall Opportunity Fund No.5 (CHOF5), are held through Charter Hall Limited.

The establishment of CPRF in July 2008 resulted in the CHPT's balance sheet debt position reducing to a gearing ratio of approximately 10%.

Portfolio Highlights

As a consequence of challenging market conditions globally, risk premiums have been rising across all asset classes including property. The required equity return from property assets in Australia, reflected in the discount and capitalisation rate a valuer ascribes to an asset's valuation, has increased over FY08.

As at 30 June 2008, 90% of the CHPT's portfolio was re-valued independently. The outcome of these re-valuations has seen the weighted average market capitalisation rate soften by 28bps and a softening discount rate/IRR of 34bps. Whilst this dampened CHPT's capital growth over the six months since 31 December 2007, the value of the portfolio continued to rise. This increase, despite a softening capitalisation and discount rate environment, was the result of strong growth in market rents for the majority of property assets owned, in addition to the delivery of active development margin on assets under development within CHPT's investments in the opportunity and core plus funds.

The majority of the portfolio is invested across Charter Hall's core plus funds CPOF, CPIF and CPRF. These funds, particularly the office and industrial portfolios, have a strong weighting to Brisbane and Perth, both being markets which have experienced exceptionally strong growth in market rents over the last year.

The portfolio also benefits from holding positions in several under-rented assets and portfolios, which provide a further buffer against softening capitalisation rates. As at 30 June 2008, it is estimated that CPOF was over 13% under-rented, with both CPIF and CPRF portfolios being approximately 3% under-rented and the DPF 11% under-rented.

The combination of strong market rental growth, owning assets that are under-rented and the active delivery of development margin sourced from assets under development, has continued to benefit both CHPT and Charter Hall's wholesale and retail clients. The NTA of the portfolio consequently increased from \$1.18 to \$1.19 over the six months to 30 June 2008, in a period which saw significant volatility and negative sentiment towards Australian property markets.

The portfolio's cash flows remain robust, with greater than 99% occupancy, diversified exposure across over 63 assets in Australia, two assets in New Zealand and a WALE of 8.7 years. The portfolio's tenancy profile is highly exposed to major Australian and global companies, with the top 10 tenants including high quality covenants such as Wesfarmers, Telstra, Harvey Norman, Coles, American Express, the Commonwealth Government of Australia, Woolworths, Mercer and Monash University.





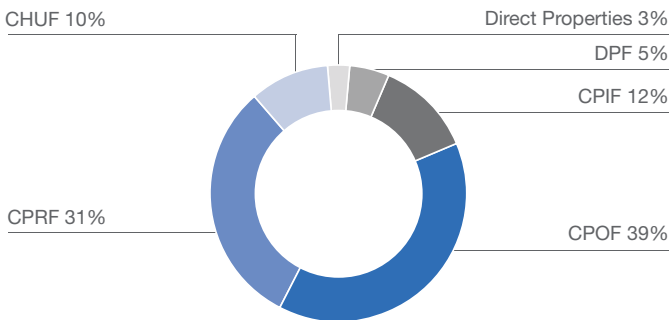
Charter Hall Property Trust (continued)



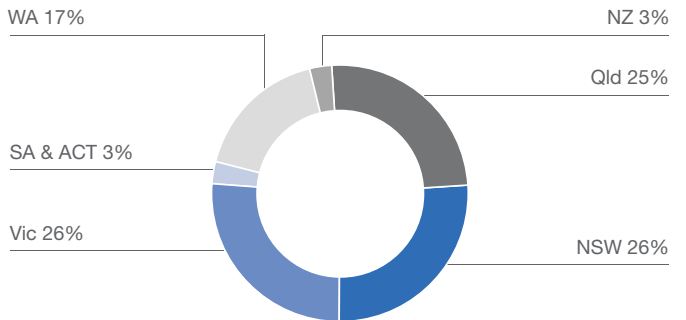
The portfolio's cash flows remain robust, with greater than 99% occupancy

Portfolio Metrics

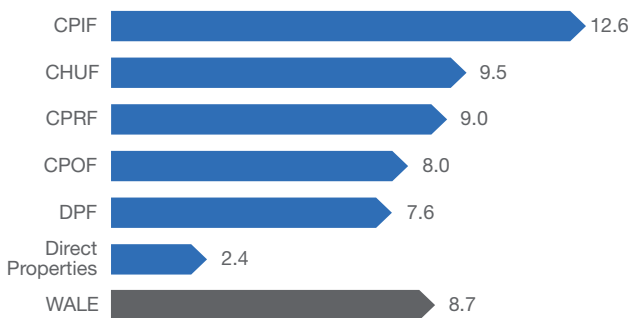
Asset Diversification (By value)



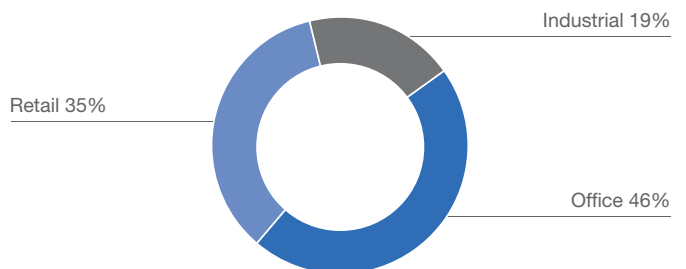
Geographical Diversification (By value)



Weighted average lease expiry (By income)



Sector Diversification (By income)





Core Plus Office Fund

Charter Hall's Core Plus Office Fund (CPOF) is the largest of the core plus series of wholesale funds. Launched in December 2005, the Fund achieved its target equity commitment of \$500 million and was officially closed in July 2006. In line with the Group's co-investment strategy, CHPT currently holds a 23% stake and intends to maintain a minimum of 20% commitment to the fund.

Portfolio Highlights

- ◆ CPOF continues to deliver strong returns for its wholesale investors, delivering a gross equity IRR of 19.2% p.a.
- ◆ Revaluation of the Fund's assets at 30 June 2008 resulted in a net uplift for the year of \$48.8 million. This resulted in a 12.57 cent increase to the unit price from 30 June 2007 to 30 June 2008, which closed at \$1.2223.
- ◆ Charter Hall committed 90% of the \$735 million CPOF equity commitment, investing in 18 high quality assets diversified throughout the Sydney, Brisbane, Melbourne, Adelaide and Perth office markets.
- ◆ Management provided an opportunity for unitholders to increase their respective commitments to the Fund in April 2008. As a result the committed equity in CPOF rose from \$625 million to \$735 million providing \$1.47 billion in gross asset value capacity.
- ◆ In a joint venture with the CHOF4, CPOF has successfully completed the redevelopment of Northbank Plaza in Brisbane's CBD. Comprising 26,000m² of net lettable area over 26 levels, the property was fully leased at completion in June 2008 with key tenants Telstra and Parsons Brinkerhoff.
- ◆ In line with the Fund's strategy to deliver enhanced returns through development of surplus land, the CPOF investment committee approved the development of a new A-grade office facility to be constructed on the underutilised car park site contained within the Fund's 144 Stirling Street property in Perth. The development, known as ONE30 Stirling Street, will provide 12,000m² of high quality office space over four levels with secure undercover parking for 250 cars. Designed to achieve 4 Star Green Star Rating and 4.5 Star NABERS Energy rating the commercial office building is due to be completed in mid 2009. Leasing pre-commitments totalling approximately 78% of the building have been achieved, with leases to the Police & Nurses Credit Society and the Australian Commonwealth Government.
- ◆ With a strong base established in New South Wales, Queensland and Western Australia, CPOF moved its focus to the Victorian market in 2008 completing the acquisition of four new assets with a combined value of \$366 million. The Victorian portfolio now represents 23% of the fund consisting of three CBD assets located at 11 Exhibition Street, 150 Queen Street and 570 Bourke Street and the Monash University anchored 399 Royal Parade in Parkville.

Investment Strategy

CPOF targets the office property sector in the major capital city and fringe markets by incorporating a mix of core and enhanced investment grade assets, and holding those assets in the medium to long term. On a fully invested basis, the Fund is expected to hold approximately 70% in stabilised core assets and 30% in enhanced, value-add property assets. In doing so CPOF aims to achieve total returns in excess of 12% p.a., with the Charter Hall Group being entitled to earn performance fees above an 11% return hurdle. Fund management fees are calculated on the gross assets of CPOF.

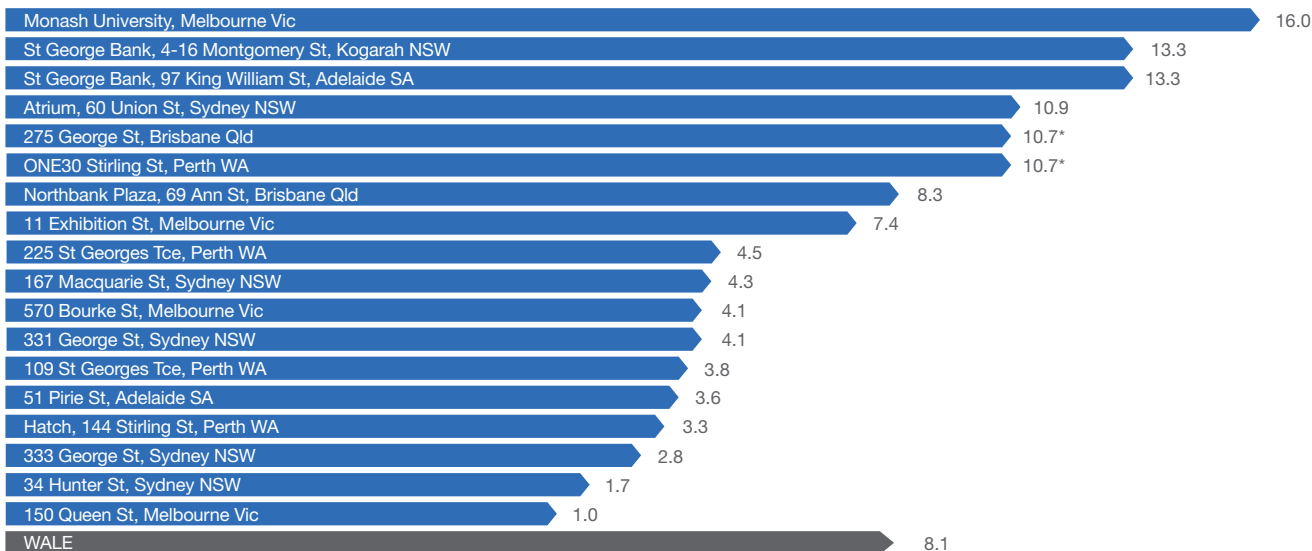


Committed equity in CPOF rose from \$625 million to \$735 million which together with asset value creation, provides \$1.6 billion in gross asset value capacity

Core Plus Office Fund (continued)

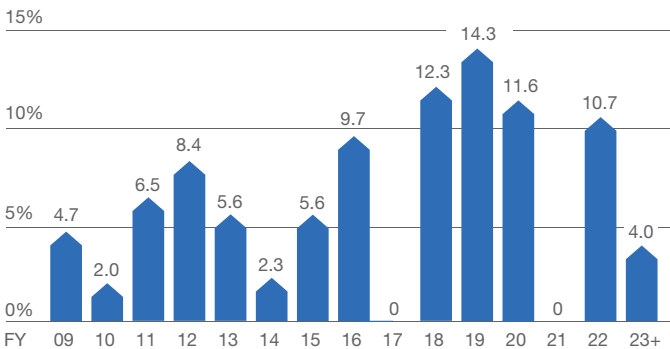
Portfolio Metrics

Weighted Average Annual Lease Expiry (By net income)

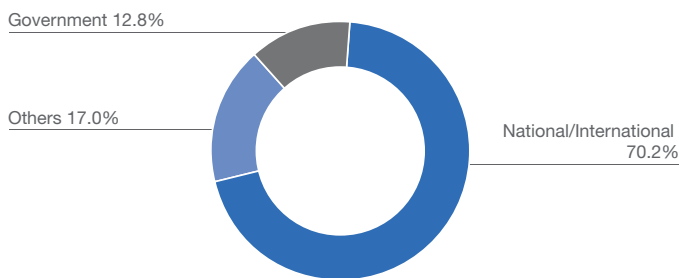


* Assumes 10 year WALE on completion

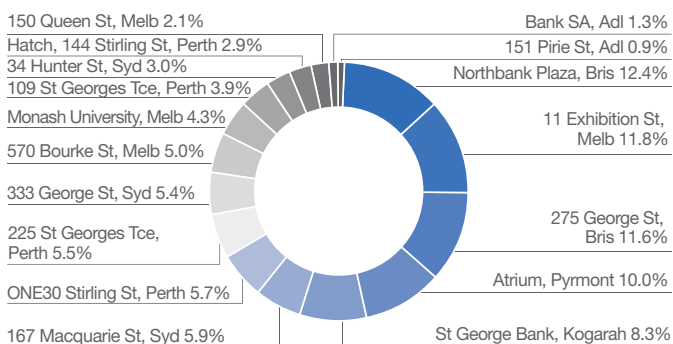
Annual Lease Expiry (By net income)



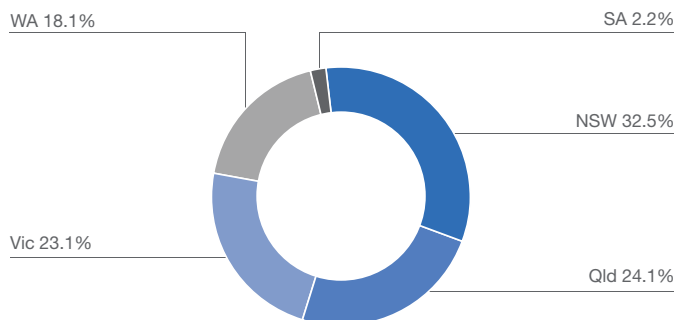
Tenant Type (By net income)



Asset Diversification (By current value)



Geographical Diversification (By net income)





Northbank Plaza, Brisbane Qld

Core Plus Industrial Fund

Charter Hall's Core Plus Industrial Fund (CPIF) is the second of the core plus series of wholesale funds. Launched in December 2006, the Fund achieved its target equity commitment of \$350 million and was officially closed in April 2007. In line with the Group's co-investment strategy, CHPT currently holds a 25% stake and intends to maintain a minimum of 20% commitment to the fund.

The Fund as at 30 June 2008, has called 61.4% of committed equity for the acquisition of eight high quality core investment assets and three enhanced asset opportunities in the Sydney, Melbourne, Brisbane and Perth industrial markets. This represents a 20/80 split between enhanced and core assets.

The Fund is well placed with a 34.7% gearing level and \$135 million of undrawn equity, which combined caters for future acquisition capacity totaling in excess of \$300 million. These conservative debt and equity fundamentals position CPIF as one of the few funds in the industrial market with acquisition capacity to take advantage of accretive opportunities.

Portfolio Highlights

- ◆ CPIF continues to deliver strong returns for its wholesale investors, delivering a gross equity IRR of 16.1% p.a. since inception.
- ◆ Revaluation of the Fund's assets at 30 June 2008 delivered a net uplift resulting in a 7.14% cent increase to the unit price from 30 June 2007 to 30 June 2008, which closed at \$1.095.
- ◆ For the 12 months to 30 June 2008, CPIF reflected an annualised weighted distribution yield of 6.97% p.a. being approximately in line with the forecast of 7% p.a. post fees.



CPIF is one of the few funds in the industrial market with acquisition capacity to take advantage of accretive opportunities

- ◆ Coles Distribution Centre at Perth Airport successfully reached Practical Completion on 30 May 2008. The 87,241m² industrial site is leased to Coles Group for 20 years and is one of the largest distribution centres in the country.
- ◆ After a lengthy review, management is beginning to see value emerge in New South Wales after focusing on the growth states of Queensland and Western Australia. The Fund has since settled its first New South Wales acquisition, with Chatswood Business Park in Sydney for \$29 million, at a material discount to an independent valuation of \$31 million. The acquisition provides a forecast 10 year equity IRR in excess of 12% p.a.
- ◆ CPIF either exchanged contracts or entered into Development Agreements to acquire five new assets during the year. Following these transactions, the CPIF portfolio will retain a WALE in excess of 12 years, with diversified exposure to a variety of modern industrial properties with gross assets on completion in excess of \$400 million.
- ◆ The portfolio is 100% leased as at 30 June 2008, with management continuing to focus on tenant retention and relationships. Approximately 7,888m² of industrial space has been leased or renewed, together with well negotiated market reviews, increasing market income for the subject tenancies above forecast.

Investment Strategy

Charter Hall's Core Plus Industrial Fund's (CPIF) strategy is to focus predominantly on industrial and logistics sectors in major capital city markets of Australia and to source a mix of core and enhanced investment grade property assets.

On a fully invested basis, the Fund is targeting a WALE of between 7-10 years and a target 10 year equity IRR of 11% net of fund management fees. CPIF's Management Team will work diligently to enhance the Fund's portfolio through the introduction of newly developed product and accretive acquisitions. Furthermore, the Fund is focused on efficient structures to minimise transaction costs and hence NTA dilution, while maximising tax deferred distributions to investors.

Charter Hall continues to assess opportunities that present compelling financial metrics and is witnessing consistent deal flow across the board, as some owners manage a more challenging financial environment and look to reposition their portfolios.



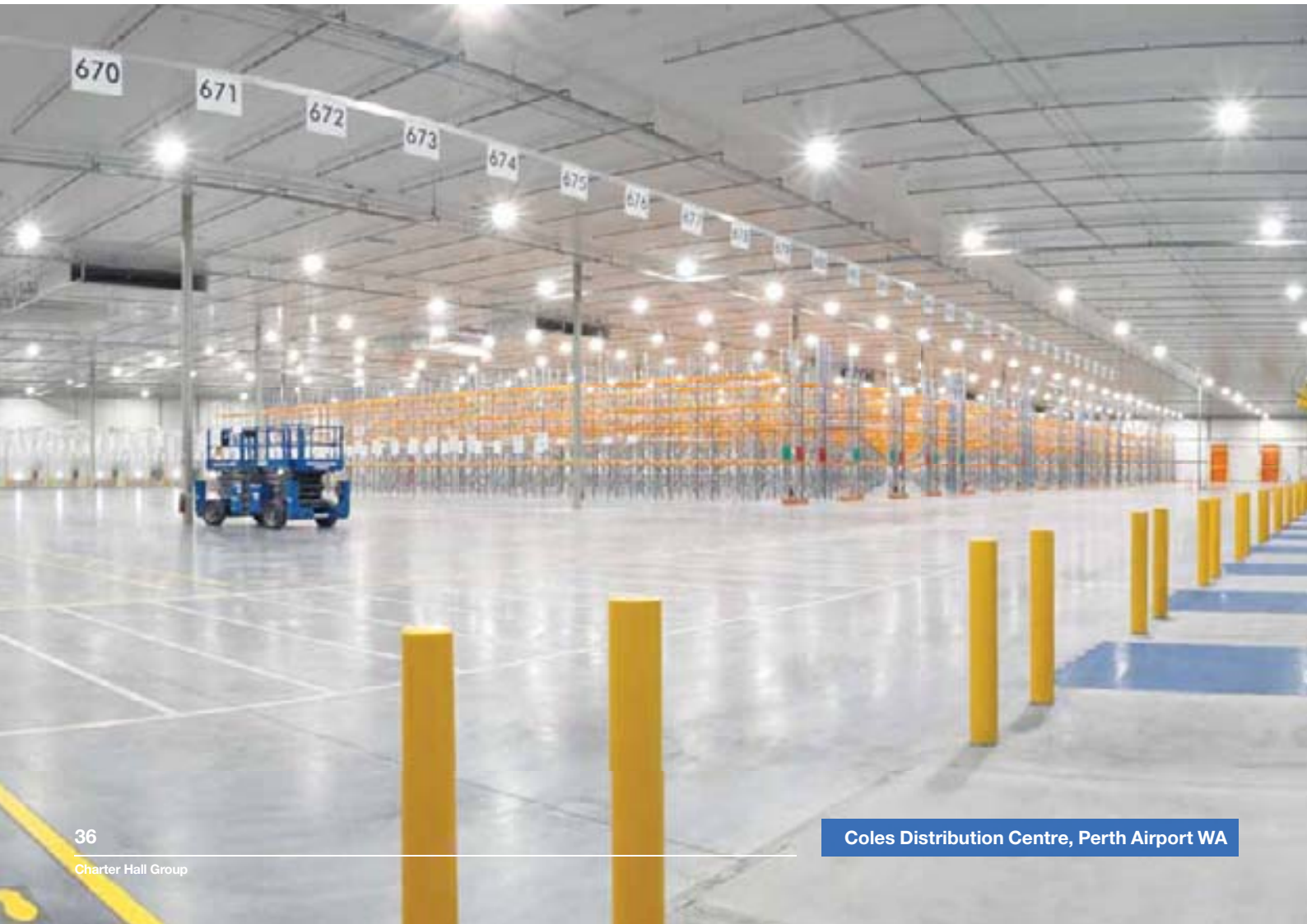
Coles Distribution Centre, Perth Airport WA



123-135 Kewdale Road, Kewdale WA



140-160 Robinson Road, Geebung Qld

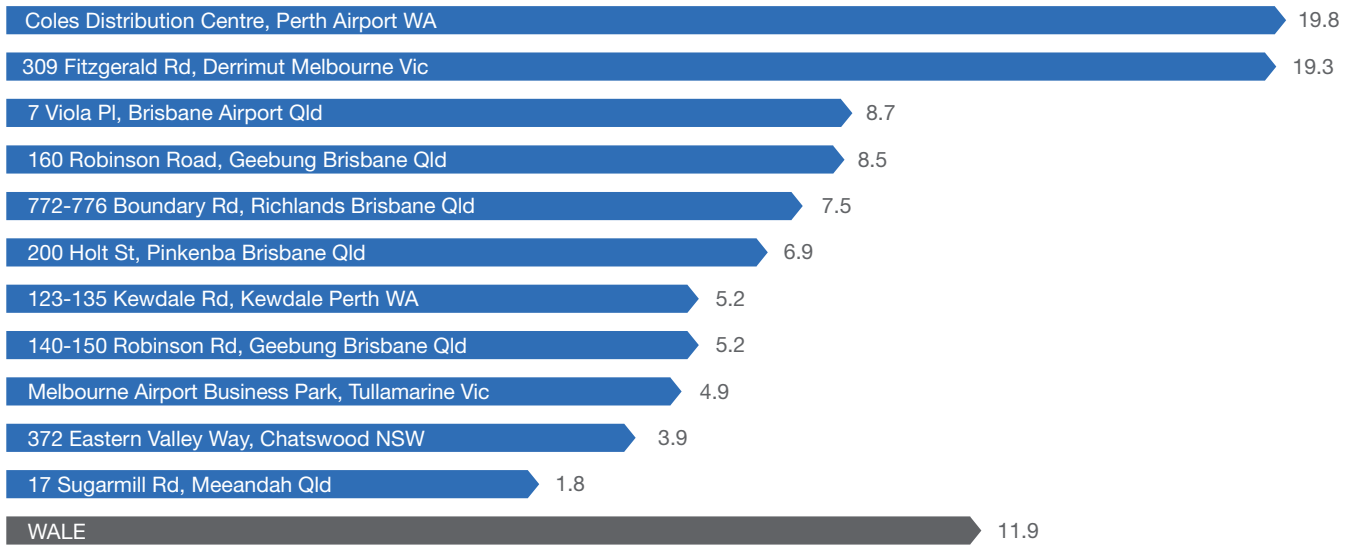


Coles Distribution Centre, Perth Airport WA

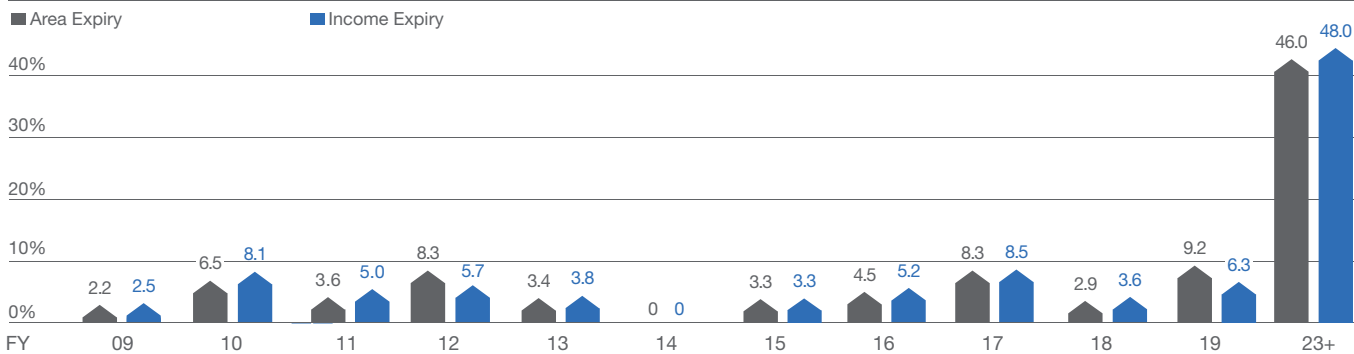
Core Plus Industrial Fund (continued)

Portfolio Metrics

Weighted Average Lease Expiry (By net income)

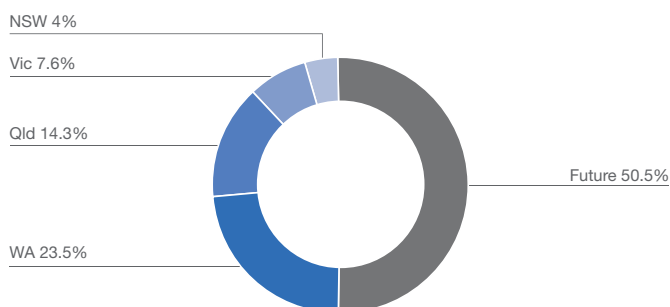


Annual Lease Expiry (By net income)

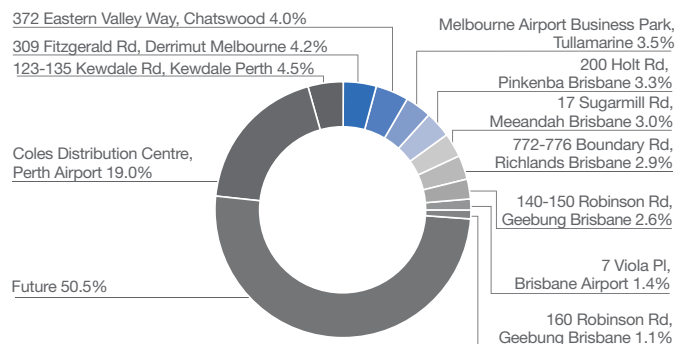


Geographical Diversification

(By acquisition price on a fully invested basis)



Asset Diversification (By acquisition price on a fully invested basis)





www.charterhall.com.au

homeHQ

open furniture

THE GOOD GUYS

Core Plus Retail Fund

In July of this year, Charter Hall announced the establishment of the Core Plus Retail Fund (CPRF), the third in a series of sector specific core plus investment vehicles managed by the Group. CPRF's first close occurred in August 2008 with \$95 million of external equity raised. A \$250 million non-recourse debt facility at the Fund level was also secured at the same time.

The Fund comprises 17 geographically diverse assets throughout Australia and New Zealand including two forward funded acquisitions and the development of a well anchored bulky goods centre known as Home HQ Ipswich.

Portfolio Highlights

- ◆ CPRF has an above average industry WALE of nine years.
- ◆ 48.5% of income is derived from the blue chip tenants such as; Bunnings, Harvey Norman, Woolworths and Coles.
- ◆ Home HQ Rothwell located in Queensland was completed in April 2008 with Harvey Norman and Petwise opening at that time.
- ◆ At Menai Central, Dan Murphy's leased additional space and entered into a further 10 year term. New leases were also signed with Dick Smith Electronics and Goodlife Gym.
- ◆ At Home HQ Nunawading, Fitness First leased approximately 1,700m² taking the total occupancy to 93.2%. Dick Smith Electronics also leased premises during the financial year for a term of six years.
- ◆ Harvey Norman's OFIS was secured for Mentone Showrooms.
- ◆ Foodtown Auckland was awarded the '2007 Top Shop Retail Excellence Award' by the New Zealand Retailers Association.
- ◆ A large number of specialty tenants were secured for Bluewater Square, Redcliffe in Queensland including Terry White Pharmacy, BWS, Brumbies, Australia Post, Suncorp, Donut King and the Department of Housing.
- ◆ National retailers are taking advantage of the Ipswich's growth corridor with Fantastic Furniture, Spotlight, Elite Fitness, Pet Café and Sleepy's all signing Agreement for Lease at Home HQ Ipswich. This development, being undertaken by Charter Hall on behalf of CPRF, is scheduled to open in December 2008.
- ◆ The CPRF portfolio comprises 36.5% speciality tenants and 63.5% anchor tenants.

Investment Strategy

On a fully invested basis, the Fund is targeting a WALE of between 7-10 years and a 10 year equity IRR of 11% net of fees. As with the Group's other core plus funds, we expect to achieve this target by expanding on the existing portfolio to achieve a 70%/30% blend of 'core/stabilised' assets and 'enhanced' assets.

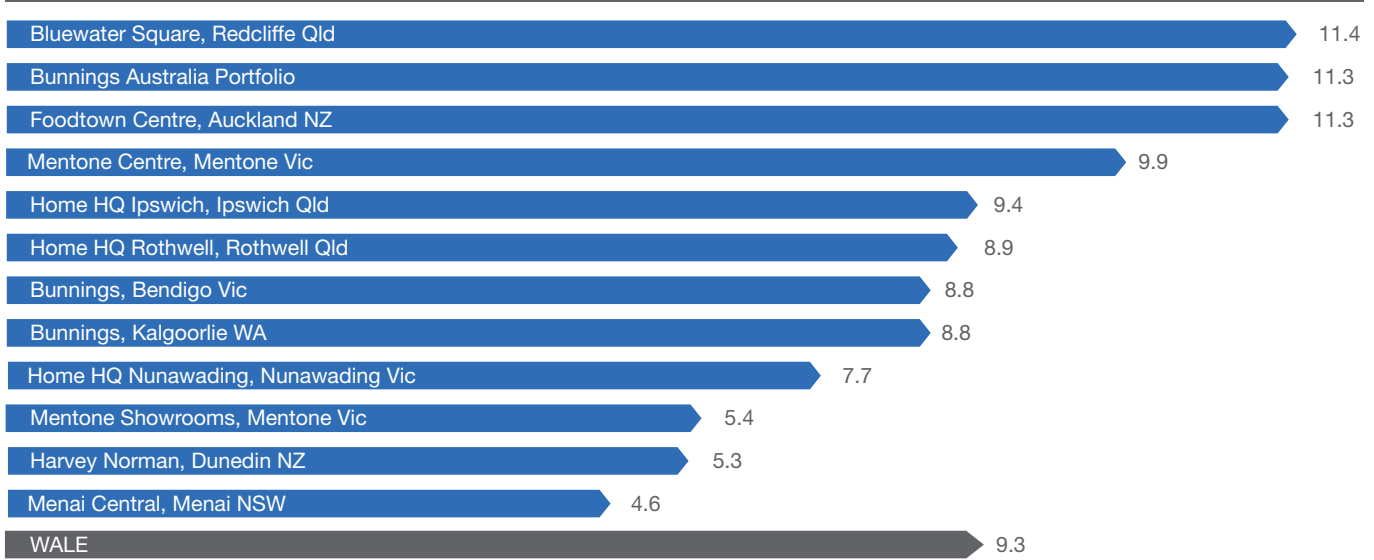


CPRF is well placed to become one of Australasia's largest retail funds that focuses on the bulky goods sector

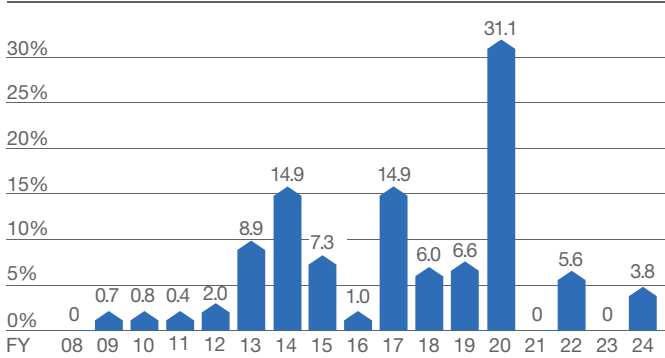
Core Plus Retail Fund (continued)

Portfolio Metrics

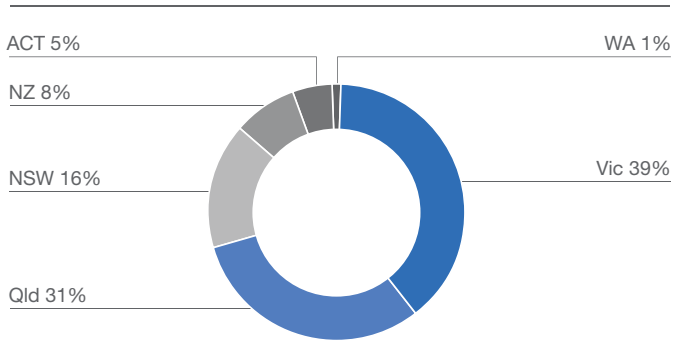
Weighted Average Lease Expiry (By net income)



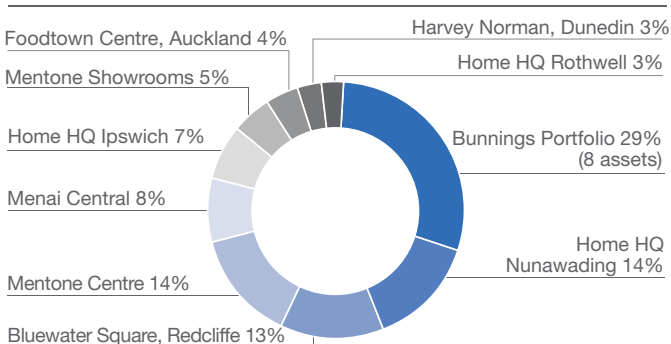
Annual Lease Expiry (By net income)



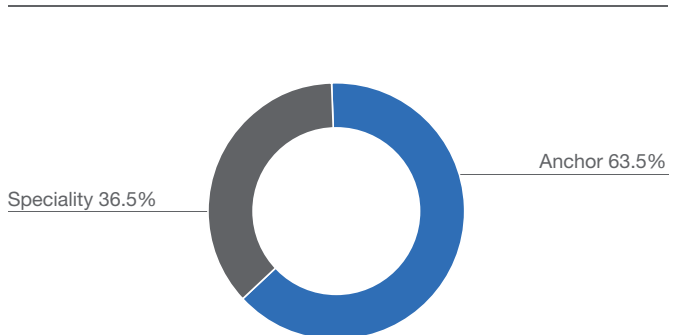
Geographical Diversification (By value)



Asset Diversification (By completion value)



Tenant diversification (By net income)





Diversified Property Fund

The Diversified Property Fund (DPF) 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 generally in the range of \$5 million to \$30 million across Australia. The fund remains open to equity flows from new and existing investors.

Since its launch in September 2005, DPF has acquired 23 properties (or 14 including the 10 assets within the Fosters portfolio) across four states with an aggregate acquisition value of approximately \$219 million. Since inception, the upward re-valuations within the portfolio, have increased the gross asset value of DPF to approximately \$249 million.

From a valuation perspective, DPF performed exceptionally well throughout the year despite negative market sentiment and softening of applied market capitalisation rates by valuers. This followed as a consequence of the credit crisis, higher local interest rates and the availability of credit. Twelve of the 14 properties underwent revaluations throughout the year with these properties either maintaining or increasing in value. DPF has acquired several significantly under rented assets in growth markets which has provided a natural "buffer" and has assisted in offsetting the effects of softening capitalisation rates. As a result of the various re-valuations throughout the year, the unit price for DPF increased from \$1.04 at 30 June 2007 to \$1.217 as 30 June 2008.

Portfolio Highlights

- ◆ DPF acquired 53 Berry Street, North Sydney in September 2007 for \$23.9 million.
- ◆ In December 2007, DPF increased its stake in 400 Kent Street, Sydney by acquiring a 50% interest for \$30.5 million. DPF now owns a 75% interest in this quality asset that has a long term lease to major tenant Central Queensland University.
- ◆ DPF acquired the Fosters Portfolio located in the inner city Melbourne suburb of Abbotsford in December 2007, in a joint venture with the Perth based Wyllie Group for \$41 million. DPF owns a 50% interest in this portfolio of 10 commercial properties.

- ◆ The third asset acquired in December 2007 was 46-50 Kings Park Road, situated in West Perth for \$25 million. The property is leased to quality tenants including Moly Mines Limited, Equinox Resources, Icon Engineering, Oilex Limited and lawyers Pullinger Redhead Lucas.
- ◆ 94% of DPF's tenants are either Government, national or international companies and the portfolio is 100% leased.
- ◆ The Fund has one of the highest WALE profiles in the industry above seven years. DPF also maintained its Upper Recommended product rating by the independent managed fund research group Lonsec and has achieved a 3.75 star rating from Adviser Edge.

Investment Strategy

The DPF Management Team continues to focus on adding value to the portfolio via actively managing rental reviews and mitigating lease expiry risks. The team constantly reviews the DPF portfolio and actively invites tenants to renew their leases years prior to expiry. By being pro-active, the DPF Management Team endeavours to secure under renting reversions earlier and provide an extended WALE.

DPF has achieved a very strong net IRR of approximately 19% p.a. since inception and remains on track to deliver on its long term objective to outperform a 10 year equity IRR target of 10%.



**The Morning Star
property survey ranked
DPF as the highest
ranking diversified unlisted
property fund in FY08**



181 St Georges Terrace, Perth WA



46-50 Kings Park Road, West Perth WA

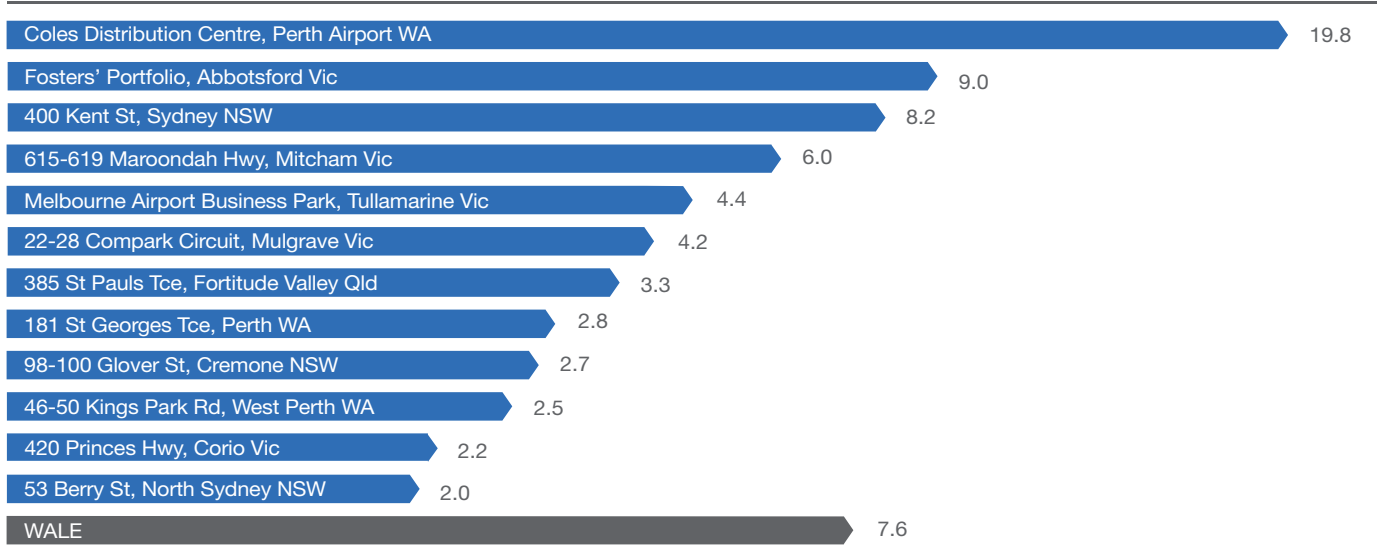


53 Berry Street, North Sydney NSW

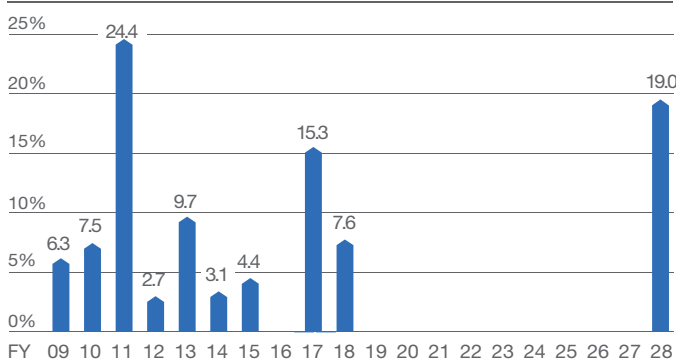
Diversified Property Fund (continued)

Portfolio Metrics

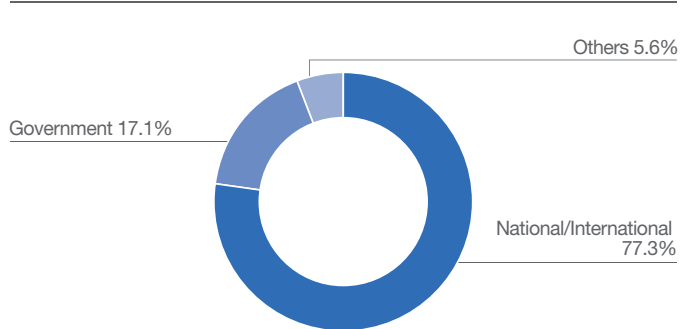
Weighted Average Annual Lease Expiry (By net income)



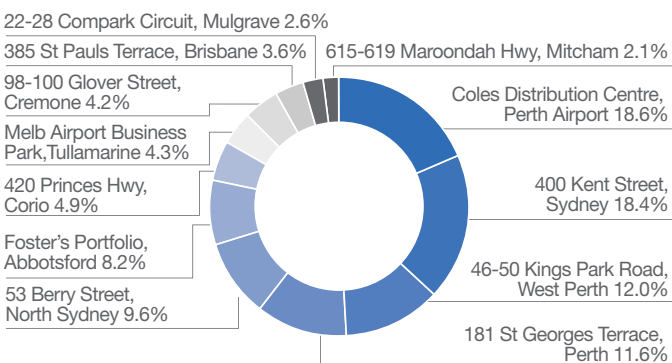
Annual Lease Expiry (By net income)



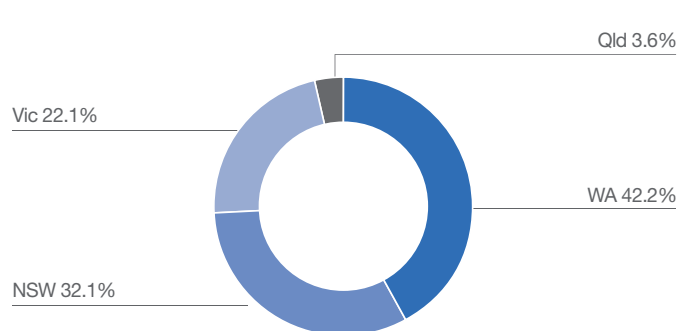
Tenant Type (By net income)



Asset Diversification (By current value)



Geographical Diversification (By current value)





Charter Hall Umbrella Fund

The Charter Hall Umbrella Fund (CHUF) provides retail investors (with a minimum of \$5,000) with a unique opportunity to invest across a suite of Charter Hall property funds, the assets of which include commercial properties in the office, industrial and retail markets.

CHUF provides retail investors with an unprecedented opportunity to invest across Charter Hall's range of property funds, which own a variety of quality office buildings, warehouses, logistics distribution centres, bulky goods showrooms and neighbourhood shopping centres.

The Fund retains several competitive advantages in its product category, including asset diversification, long lease duration and high quality tenant covenants.

As at July 2008, CHUF was awarded a 'Highly Recommended' rating by the independent managed fund research group, Lonsec. The Fund has also performed well since inception, relative to its peer group, providing foundation investors with a positive return of 2.6% over the Fund's initial six months. Many competing funds have recorded negative returns of between -5% and -25% over the same period.

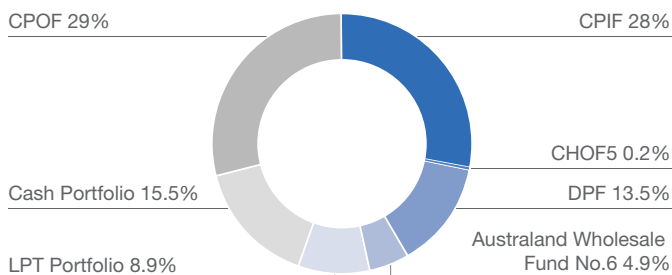
The Fund's portfolio includes investments in the Charter Hall Core Plus Office, Industrial and Retail Funds; Opportunity Fund No.5 and DPF. CHUF also has an investment in Australand Wholesale Property Fund No.6 and a portfolio of listed property trusts (LPTs), through a mandate which will be actively managed by UBS Global Asset Management.

Quarterly distributions targeted to be highly tax deferred.

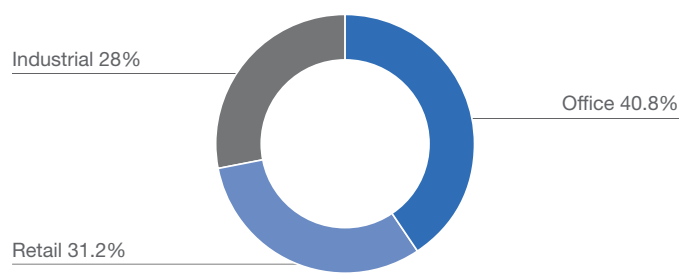
A diversified exposure to over 70 property assets, with a long WALE duration of approximately nine years.

Portfolio Metrics

Investment Allocation (By value)

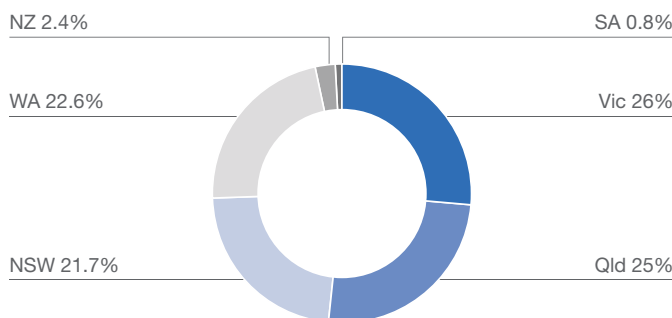


Sector Allocation (Unlisted portfolio)¹

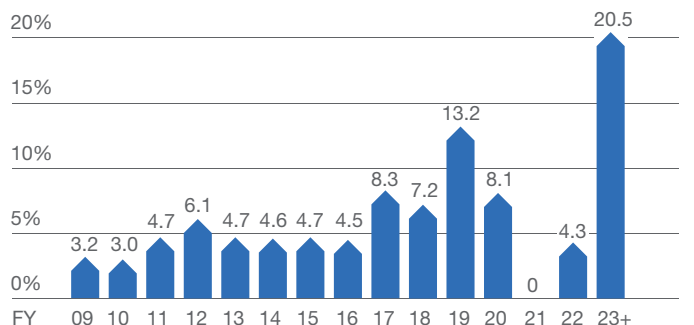


¹ Includes CPRF investments implemented July 2008.

Geographical Diversification (By asset value)



Lease Expiry Profile (By income)





Charter Hall Investment Fund No. 2, 4-6

The Charter Hall Investment Funds No. 2, 4-6 are unlisted closed-end funds anchored by investment properties that provide stable investment income and the potential for capital growth. To date, the life of each investment fund that has come up for review has been extended, while their performance has exceeded the forecasts contained in the offer documents of each fund. A high proportion of investors have invested in more than one Charter Hall offering, demonstrating the repeat business and customer focus of Charter Hall.

Charter Hall Investment Fund No.2

The Charter Hall Investment Fund No.2 (CHIF2) comprises 220 Collins Street located in Melbourne, which has three retail shops located on the ground floor of the historic Manchester Unity Building. This high profile building is located on the corner of Collins Street and Swanston Street, in the heart of the Melbourne CBD. The portion of Collins Street where the property sits is considered the most prestigious and is the location of high end retail boutiques as well as premium grade office buildings. The property is leased to Travel Money (a wholly owned subsidiary of Flight Centre), Hutchinson 3G and Swatch Group Australia.

Portfolio Highlights:

- ◆ New five year lease extension to Travel Money to June 2013.
- ◆ New five year lease extension to Swatch Group to June 2013.

Charter Hall Investment Fund No.4

The Charter Hall Investment Fund No.4 (CHIF4) comprises 121 Harrington Street located in The Rocks, Sydney, a seven level heritage building incorporating a ground floor restaurant and car park together with six upper levels of refurbished office accommodation. The property is leased to Dimension Data Australia Pty Limited, Brew Restaurant and Secure Parking (NSW) Pty Limited.

Portfolio Highlights:

- ◆ New five year lease extension to Secure Parking to February 2013.
- ◆ Valuation increase of approximately 33% from May 2006 to December 2007.

Charter Hall Investment Fund No.5

The Charter Hall Investment Fund No.5 (CHIF5) comprises a 50% interest in an office building of 4,466m² located at Wharf 10, Pyrmont Bay, Sydney leased to Hapag Lloyd, Initiative Media Australia and AEI Music Australia. An additional commercial property consists of a suburban Melbourne office building of approximately 1,950m² which is leased to Sportscover Australia Pty Limited and located at 271 Wellington Road, Mulgrave. A third asset comprises an industrial facility of approximately 10,225m² located at 137 McCredie Road, Guildford leased to Tyco International.

Portfolio Highlights:

- ◆ New four year lease extension to Initiative Media to September 2012 of over 770m² (approximately 17% of the building NLA).
- ◆ Valuation increase of approximately 40% from June 2005 to February 2008.

Charter Hall Investment Fund No.6

The Charter Hall Investment Fund No.6 (CHIF6) comprises a 25% interest in an office building located at 400 Kent Street in Sydney. The 10,461m² office building is leased to Central Queensland University, Meinhardt Engineering and Page Kirkland.

Portfolio Highlights:

- ◆ 400 Kent Street valuation increased approximately 15% from September 2006 to June 2008.



Charter Hall Opportunity Fund No.4

The Charter Hall Opportunity Fund No.4 (CHOF4) equity is now fully allocated to eight projects across five states.

CHOF4 is currently on track to deliver a gross IRR on equity of 40%, which is the highest return to date in the series of opportunity funds. Over an 11 year period the gross realised IRR on equity of the Charter Hall opportunity funds has been 30%. This is an outstanding result for investors in the opportunity funds which have produced in excess of \$1.2 billion worth of property assets around Australia.

Portfolio Highlights

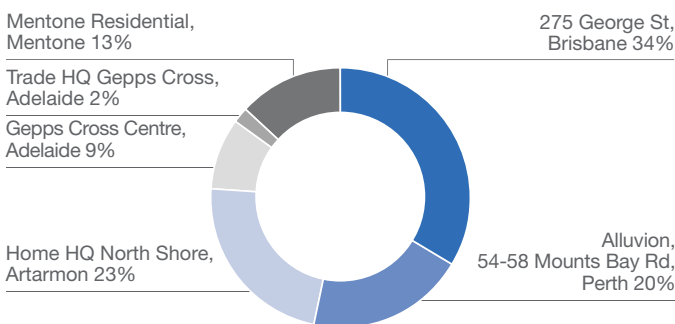
- ◆ In a 50/50 joint venture between CHOF4 and CPOF, Northbank Plaza in Brisbane's CBD underwent an extensive transformation to become a modern A-grade commercial office building. Northbank Plaza was 100% leased prior to completion in May 2008 and delivered an equity IRR of 97.6%.
- ◆ Located in the heart of Perth's CBD, Alluvion comprises commercial office development is a 50/50 joint venture with Cape Bouvard Investments. The building is under construction with Practical Completion scheduled in April 2010. Agreements for Lease have been executed over 70% of the commercial office area with the balance of the building currently under offer.
- ◆ 275 George Street is a 41,600m² A-grade office development located in Brisbane's CBD. The development was recently awarded a 5 Star Green Star – Office Design v2 rating by

the Green Building Council of Australia (GBCA). Practical Completion is scheduled for June 2009 and the project is 80% pre-leased to Telstra.

- ◆ Home HQ North Shore located in Artarmon NSW, is CHOF4's fifth investment. The development involves the adaptive reuse of a heritage warehouse as a bulky goods retail complex of approximately 22,500m² plus parking for 503 cars. Construction commenced in June 2008 and completion is scheduled for September 2009. To date, Heads of Agreement have been signed with two major tenants with further commitments expected over the next few months.
- ◆ Gepps Cross Centre located in South Australia, is a bulky goods project comprising a 32,460m² bulky goods complex with parking for 901 cars. Construction has commenced with completion scheduled for June 2009. Agreements for Lease have been executed on 14% of the project with Heads of Agreement on a further 42% of the centre.
- ◆ Trade HQ in South Australia is a light industrial/showroom project of 28,200m². The development is a joint venture with Axiom and Harvey Norman. Plans are being progressed to allow for lodgement of a Development Application.
- ◆ Mentone Residential Centre is located in Mentone Victoria. The Base Case Development Scheme for this project comprises 129 townhouses. The project and consultant team are being appointed to progress the scheme for lodgement of a Development Application.

Portfolio Metrics

Asset Diversification (By asset value)

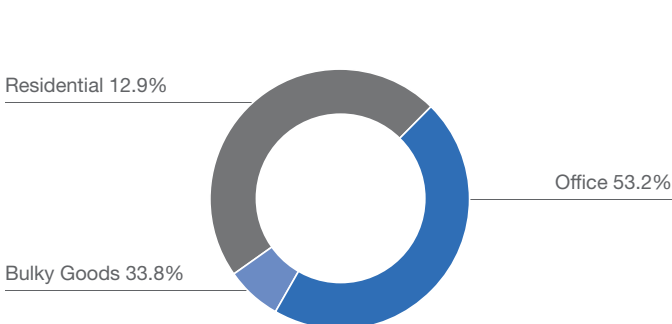


Investment Strategy

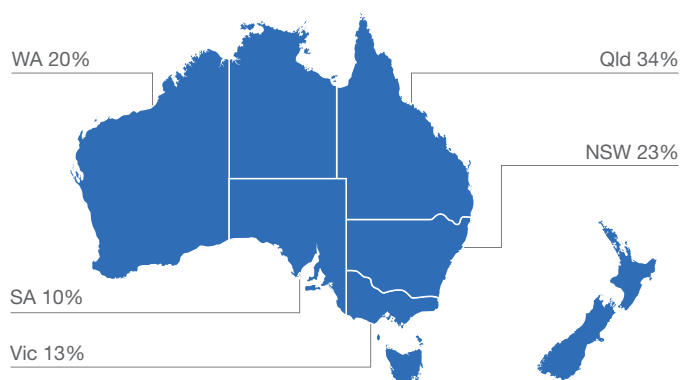
The investment strategy for CHOF4 remains consistent and unchanged from Fund inception and the Information Memorandum issued in June 2005. The Fund's mandate is to identify, acquire and deliver property development and value add opportunities across various sectors within the Manager's existing skill base, including commercial, industrial, retail, bulky goods retail and infill residential sectors located primarily in the major cities on the eastern seaboard of Australia.

CHOF4 aims to deliver an IRR on equity above 20%.

Sector Diversification (By asset value)



Geographic Diversification (By asset value)



Charter Hall Opportunity Fund No.5

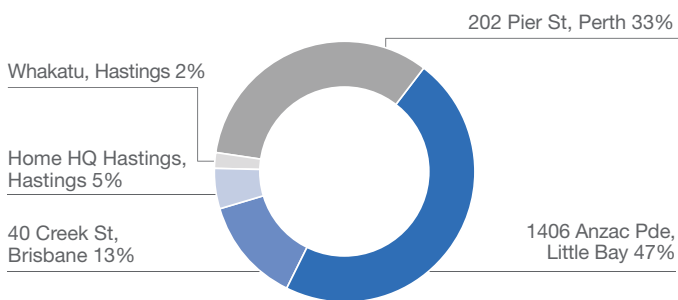
The Charter Hall Opportunity Fund No.5 (CHOF5) was established in June 2007 raising \$300 million of equity commitments. To date 65% of the equity has been allocated to five projects across four states (including New Zealand). This fund currently has a forecast gross equity IRR of 33%.

Portfolio Highlights

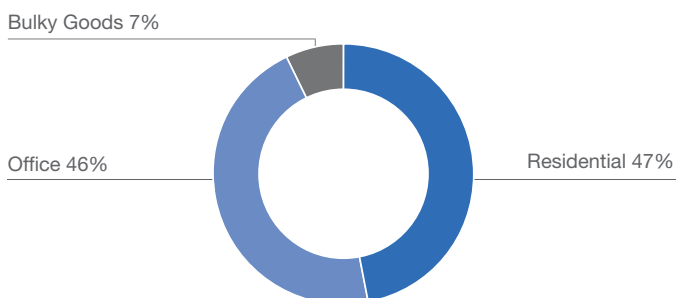
- ◆ Home HQ Hastings is a bulky goods development located in Hastings, New Zealand and comprises 21,500m² NLA with associated car parking for 773 cars. Planning approvals have been secured for the development and construction is scheduled to commence early 2009 following execution of Agreements for Lease with the anchor tenants.
- ◆ The Whakatu site is located next to the Home HQ Hastings site and providing further scope to expand the development. The site is currently leased by Whakatu Cold Storage for a further two years.
- ◆ 202 Pier Street is situated on the northern edge of the Perth CBD and has a site area of 10,129m². The site can accommodate a commercial office building of approximately 24,000m². A Development Application is being prepared and discussions have been held with several major tenants who have expressed interest.
- ◆ The 11.42 hectare site at Little Bay was acquired in January 2008. The site is situated approximately 14 kilometres from the Sydney CBD and enjoys sweeping views of the Pacific Ocean, Botany Bay and prestigious golf courses. Development plans are being prepared incorporating a mix of products across the site.
- ◆ 40 Creek Street was acquired in June 2008 and is an existing 12,437m² commercial office building located in the heart of Brisbane's financial precinct, known as the "Golden Triangle". The building will be refurbished, repositioned and released to a range of quality tenants.

Portfolio Metrics

Asset Diversification (By asset value)



Sector Diversification (By asset value)

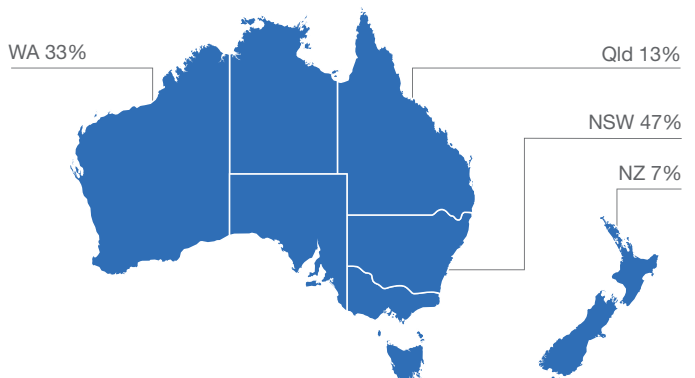


Investment Strategy

The investment strategy for CHOF5 remains consistent and unchanged from Fund inception. The Fund's mandate is to identify, acquire and deliver property development and trading opportunities across various sectors including office, industrial, bulky goods retail and residential sectors located primarily in capital city and metropolitan markets of Australia as well as New Zealand for up to 20% of the Fund, focusing on growth markets due to a positive demand and supply dynamic.

CHOF5 aims to deliver an IRR on equity above 20%.

Geographic Diversification (By asset value)



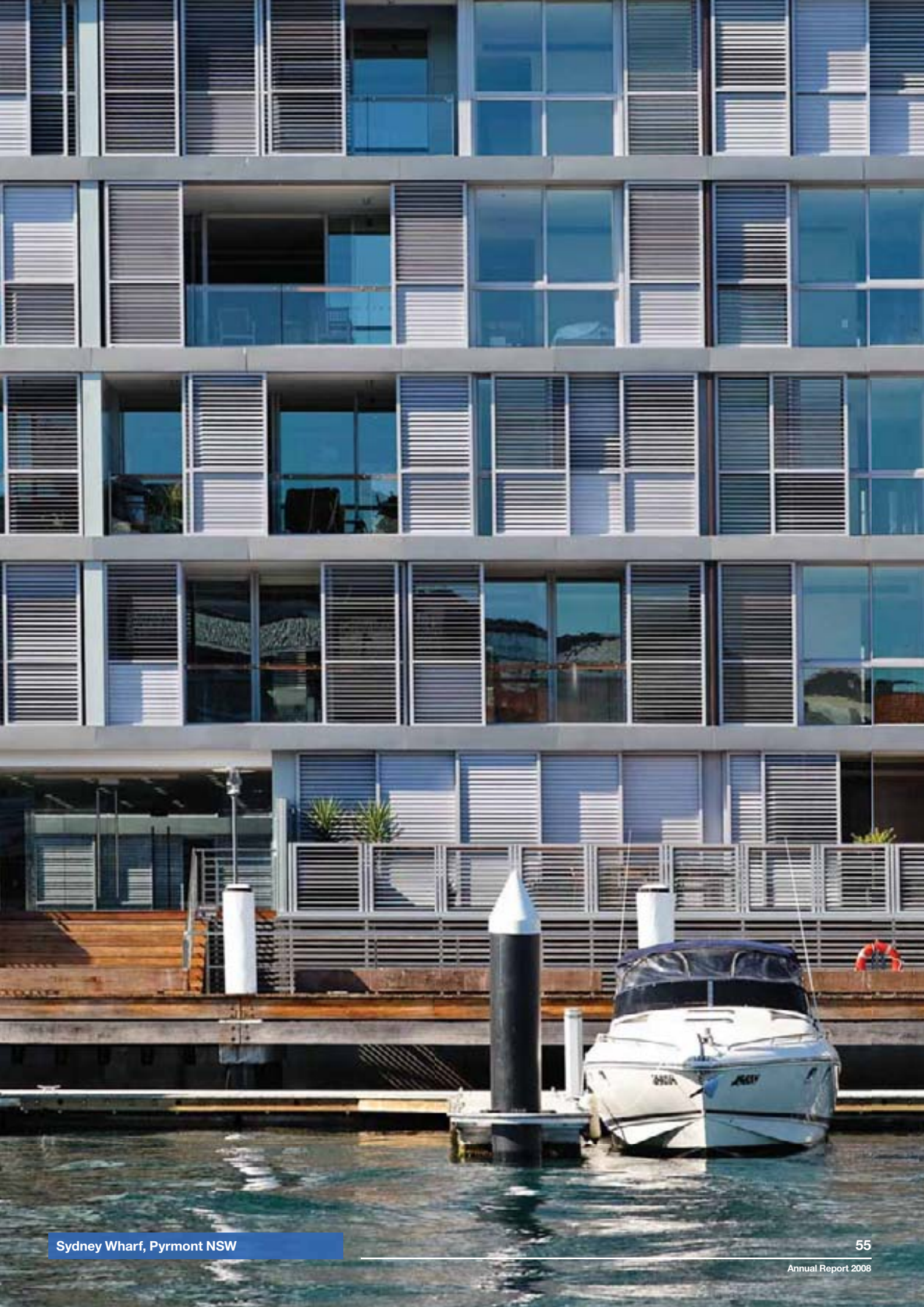


Property Development Portfolio No.3

During the last financial year, the final two projects in Property Development Portfolio No.3 (PDP3) reached completion: Zone at Sydney Olympic Park and the Sydney Wharf project in Pyrmont. These successful projects have now returned all equity and profits to investors and the Fund will be closed.



**PDP3 achieved
a gross equity IRR
of 25.3%, outperforming
its 20% IRR target.**





A motivated and agile team is vital in navigating a challenging environment.

Our Leadership

The Charter Hall Board of Directors is committed to fostering a dynamic, agile and successful business, with a dedicated and motivated team, focused on driving continued performance in 2009 and beyond.

Board of Directors



Kerry Roxburgh



Roy Woodhouse



Cedric Fuchs



Glenn Fraser



David Harrison

David Southon

Patrice Derrington

Colin McGowan

Board of Directors

Kerry Roxburgh

Chairman – Independent Non-Executive

Kerry is an SDIA Practitioner Member and holds positions on the boards of several listed and unlisted companies. He is the Chairman of Babcock & Brown Capital and of Asian Express Airlines. He is also a director of Ramsay Health Care, Everest Babcock & Brown, Money Switch Ltd., the LawCover Group, the Medical Indemnity Protection Society Group and Professional Insurance Australia. Until it was acquired by the ANZ in June this year, he was Chairman of E*TRADE Australia where he had previously served as CEO until July 2000. In the past 10 years, Kerry's prior public company directorships were at J.Boag & Son and Climax Mining. Before joining E*TRADE he spent 10 years as an Executive Director of the Hong Kong Bank of Australia Group, including roles as Executive Chairman at James Capel Australia and five years as Managing Director of the bank's corporate finance subsidiary.

Roy Woodhouse

Deputy Chairman – Independent Non-Executive Director

Roy has been the Deputy Chairman of Charter Hall since July 2004 and is a member of Transfield Holdings Advisory Board. Roy worked for the Baillieu family for 30 years in various senior executive capacities including Director of L.J. Hooker, Managing Director of Knight Frank Australia and Chairman of Knight Frank Australia. Roy co-founded KFPW, a joint venture with PricewaterhouseCoopers specialising in outsourcing. Roy is Chairman of Stephenson Mansell, an executive development and leadership company and Chairman of National Recycling Company, a waste recycling company. Roy was a Fellow of the Australian Institute of Valuers and a Fellow of the Institute of Company Directors.

Cedric Fuchs

Executive Director

Cedric is a co-founder of Charter Hall with over 40 years of experience in the fields of property investment and financial services. He is a member of the Investment Committee for all of Charter Hall's wholesale and retail property funds. Prior to co-founding Charter Hall in 1991, he 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. Cedric holds a degree in Business Management.

Glenn Fraser

Independent Non-Executive Director

A member of Transfield Holdings 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. Glenn has previously held positions of Chief Financial Officer and 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.

David Harrison

Joint Managing Director

David heads the Funds Management and Property Management Divisions of Charter Hall. His role entails responsibility for the strategic growth of the funds management business with particular focus on investment sourcing, capital raisings and structuring of transactions. David has more than 20 years of experience in the Australian commercial property markets and prior to joining Charter Hall in 2004, David was Managing Director of Savills in Australia, an international commercial real estate agency business. David has transacted approximately \$6 billion of commercial, retail and industrial property assets across all capital cities of Australia over the past 10 years. David holds a Land Economics degree from the University of Western Sydney, a graduate Diploma in Applied Finance from SIA and is a Fellow of the Australian Property Institute.

David Southon

Joint Managing Director

David is a co-founder of Charter Hall. As Joint Managing Director, David heads the Development Division and is on the Investment Committees of the Group's series of opportunity funds. He has over 20 years of property industry experience and is responsible for overseeing project origination, project strategy, development management and resourcing of projects. He is also involved in the procurement and divestment of investment properties. Prior to co-founding Charter Hall in 1991, David was a Development Manager with the Heine Group's property arm (now part of ING) and Leighton Properties. David holds a Bachelor of Business Degree (Land Economy) from the University of Western Sydney and is a Fellow Member of the Australian Property Institute (FAPI).

Patrice Derrington

Independent Non-Executive Director

Patrice is a senior property executive with recent roles including CEO of Penrith Lakes Development Corporation Limited and CEO of Campus Living; and she has also been nominated to the Board of ABC Learning. She was previously the executive responsible for the economics and funding of the revitalisation effort led by the Lower Manhattan Development Corporation following the September 11, 2001 terrorist attacks on New York City. Prior positions have included Managing Director at the New York fund management and advisory firm, Spears, Benzak, Salomon and Farrell, Vice President in the Real Estate Finance Group at Chemical Bank (now JP Morgan Chase) and in 1997 founded the Victory Real Estate Investment Fund, a portfolio of traded property securities. Patrice has a Bachelor of Architecture from University of Queensland; was a recipient of the prestigious Harkness Fellowship, studying at the University of California, Berkeley for her Ph.D. in architecture/civil engineering; and she holds a MBA from Harvard University.

Colin McGowan

Independent Non-Executive Director

Colin 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. He is a qualified valuer, a Fellow of the Australian Property Institute and a Senior Fellow of the Financial Services Institute of Australasia (formally SIA). Colin was the honorary SIA National Principal Lecturer and Task Force Chairman for the Graduate Diploma's Property Investment Analysis course – a position held for 10 years until 2003. Colin is a member of the Remuneration and Nomination Committee and is chairman and member of a number of Charter Hall Group Investment Committees.

Corporate Governance

The Group reviews its corporate governance framework on an ongoing basis. This review takes into account best practice recommendations of the Australian Securities 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.

On 2 August 2007 the ASX released the revised Corporate Governance Principles and Recommendations (the "Revised Principles"). The effective date for the Revised Principles is for financial years beginning on or after 1 January 2008. This means that the Group will be obliged to report on whether it has complied with the Revised Principles in its annual report for the year ending 30 June 2009.

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 charterhall.com.au or by contacting the Company Secretary.

Principle 1: Lay Solid Foundations for Management and Oversight

Recommendation 1.1: Formalise and disclose the functions reserved to the Board and those delegated to management

The Board operates in accordance with a formal charter which establishes its duties and responsibilities and the scope of the authority delegated to senior management.

In summary, the Board's charter states that the Board has primary responsibility, among other duties, to provide strategic guidance to the Group; monitor the operational and financial position of the Group; identify risk and ensure appropriate risk management systems are in place.

The full Charter can be found on the Corporate Governance section of the Group's website charterhall.com.au

Principle 2: Structure the board to add value

Board of Directors

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

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 on page 10.

Name & Position	Independent (Y/N)	First Appointed
Kerry Roxburgh Chairman	Yes	12 April 2005
Roy Woodhouse Deputy Chairman	Yes	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	Yes	6 April 2005
Colin McGowan Non-Executive Director	Yes	6 April 2005
David Harrison Joint Managing Director	No	30 August 2006
David Southon Joint Managing Director	No	30 August 2006

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.

Recommendation 2.1: A majority of the Board should be independent directors.

As shown in the table above, the Board comprises a majority of independent directors. Five out of the eight members of the Board are considered to be independent directors in accordance with the criteria set by Board in relation to determining directors' independence. These principles are guided principally by the criteria set by the ASX and 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.

Following Transfield's sell down of its Charter Hall Group holding to 3% in October 2007 (below the 5% threshold definition of substantial shareholder), Mr Roy Woodhouse and Mr Glenn Fraser were re-classified by Charter Hall Group's Board as Independent Directors.

Recommendation 2.2: The chairperson should be an independent director.

Recommendation 2.3: The roles of chairperson and chief executive officer should not be exercised by the same individual.

Mr Kerry Roxburgh is the Chair of the Board. Mr Roxburgh is a non-executive, independent member of the Board (in accordance with the criteria described above). The role of CEO – or Managing Director – is carried out jointly by Mr David Harrison and Mr David Southon, two executive directors of the Group.

Recommendation 2.4: The board should establish a nomination committee.

The Board has established a Nomination Committee which consists of the Group Chairman Mr Roxburgh (Committee Chairman), Mr Woodhouse and Mr Colin McGowan, who are all independent, non executive directors. Details of the committee members experience and the number of meetings held and attended can be found in the Directors Report. A copy of the Nomination Committee Charter which sets out the competencies of the Committee is available on the Group's website.

Principle 3: Promote Ethical and Responsible Decision Making

Recommendation 3.1: Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:

3.1.1 the practices necessary to maintain confidence in the company's integrity

3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices

The Group has established a formal Code of Conduct for its Directors as well as a separate Code of Conduct for all its employees, including key executives, which form the basis for ethical behaviour by Directors, key executives and employees in general, and are the framework that provides the foundation for maintaining and enhancing the Group's reputation. The objective of the Codes is to ensure that directors can be confident that the Group conducts its affairs honestly in accordance with ethical values and practices.

A full copy of the Directors' Code of Conduct can be obtained from the Corporate Governance section of the Group's website.

Recommendation 3.2: Disclose the policy concerning trading in company securities by directors, officers and employees.

The Group has in place a formal Security Trading Policy which regulates the manner in which Directors and employees can deal with 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 blackouts as the periods during which trading Securities cannot occur. Trading is always prohibited if the relevant person is in possession of non-public price sensitive information regarding the Group.

The policy has been formally reviewed and up-dated by the Board in December 2007. A copy of the current Security Trading Policy is available on the Group's website.

Principle 4: Safeguard integrity in financial reporting

Recommendation 4.1: Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.

The Joint Managing Directors and Chief Financial Officer provide a certification with the specifications contained in this Recommendation 4.1 to the Board prior to the Board's review and approval of the accounts.

Recommendation 4.2: The board should establish an audit committee.

Recommendation 4.3: Structure the audit committee so that it consists of:

- Only non-executive directors*
- A majority of independent directors*
- An independent chairperson, who is not chairperson of the board*
- At least three members.*

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 Ms Patrice Derrington (Chair), Mr Roxburgh and Mr Fraser, who are all non executive Directors and, from October 2007, all independent members (previously Mr Fraser was considered non-independent). The members have comprehensive financial and property industry expertise. The Committee met on six occasions during the year to 30 June 2008. Please refer to the Directors Report for more information on members, including attendance at committee meetings.

Recommendation 4.4: The audit committee should have a formal charter

The Audit, Risk and Compliance Committee reports to the Board has adopted a formal Charter which sets out the Committee's role and responsibilities, composition, structure and membership requirements. Responsibilities include the assessment of the internal control and compliance systems, monitoring the integrity of the financial statements, reviewing the financial reporting processes and continuous disclosure, selection and appointment of external auditors, and the rotation of external audit engagement partners, as well as monitoring their performance. A copy of the Charter is available on the Corporate Governance section on the Group's website.

Corporate Governance (continued)

Principle 5: Make timely and balanced disclosure

Recommendation 5.1: Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.

The Group has a Continuous Disclosure Policy consistent with the continuous disclosure obligations of the ASX and Corporations Act. The policy has been formally reviewed and up-dated by the Board in June 2008. 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 current Continuous Disclosure Policy is available on the Group's website.

Principle 6: Respect the rights of shareholders

Recommendation 6.1: Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.

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. The Group's communication's strategy is outlined and disclosed in the Continuous Disclosure Policy, mentioned above.

In addition to this, the Group maintains a website (charterhall.com.au) providing access to information likely to be of interest to securityholders, including an Corporate Governance Section, Investor Centre, and News Centre. The Group encourages securityholders to utilise its website, which is regularly updated, as their primary tool to access information and disclosures.

Recommendation 6.2: Request the external auditor to attend the annual general meeting and be available to answer shareholders' questions about the conduct of the audit and the preparation and content of the auditor's report.

The Group's auditor, Mr Brian Hunter of PricewaterhouseCoopers, has attended all Annual General Meeting's of the Group held to date and has been requested to attend the up-coming Meeting to answer any securityholders' questions about the conduct of the audit and the preparation and content of the auditor's report.

Principle 7: Recognise and manage risk

Recommendation 7.1: The board or appropriate board committee should establish policies on risk oversight and 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. Specifically, as per the Audit, Risk and Compliance Committee's charter, the Committee has responsibility, amongst other things, for internal control and compliance systems, assessment at regular intervals of compliance plans and risk management policies and plans.

The Board Charter, also available on the Group's website, includes the role of the Board in identifying and monitoring risks. However the Board has delegated identifying and managing operational risks and, where those risks could have a material impact on the Group, formulating strategies for managing these risks for consideration by the Board.

The financial accounts section of the Annual Report also contains a detailed description of the Group's financial risk management. The Audit, Risk and Compliance Committee's charter is posted on the Corporate Governance Section of the Group's website.

Considerable importance is placed on maintaining a strong control environment through an organisation structure with clearly drawn lines of accountability and authority.

Charter Hall has a Risk Management Statement in place which describes the main material risks facing the group, the system for identifying, assessing, monitoring and managing material risk, which is available upon request.

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.

Recommendation 7.2: The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the board in writing that:

7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board

7.2.2 the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The Joint Managing Directors and the Chief Financial Officer confirm in writing to the Board that the financial statements present a true and fair view and that the financial statements are based on a sound system of financial risk management and internal compliance and controls and that these are operating efficiently and effectively in all material respects.

Principle 8: Encourage enhanced performance

Recommendation 8.1: Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.

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 and Nominations Committees and Joint Managing Directors.

During this financial year, the Directors carried out a self-assessment via completion of a questionnaire prepared by the Chair who further reviewed each response to assess any areas requiring attention.

Principle 9: Remunerate fairly and responsibly

Recommendation 9.1: Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.

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.

The Remuneration Committee obtain the advice of independent experts to ensure the Group's remuneration policies are appropriate and follow best practice and address the requirements of the Group's stakeholders.

For further information in regards to the Group's Remuneration policies and framework please refer to the Remuneration Report.

A copy of the Remuneration Committee Charter is available on the Group's website.

Recommendation 9.2: The Board should establish a remuneration committee.

The Remuneration Committee comprises three non-executive, independent directors being Mr Woodhouse (Chairman), Mr McGowan and Mr Roxburgh (please refer to the Directors Report for information in regards to the members and the number of meetings held and attended).

Recommendation 9.3: Clearly distinguish the structure of non-executive directors' remuneration from that of executives.

Fees paid to Non-Executive Directors are set by the Board in consultation with remuneration experts, within an aggregate limit approved by securityholders. The total remuneration paid to Non-Executive Directors to 30 June 2008 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.

Executive Directors remuneration packages comprise salary, short term incentives (i.e. bonus) and long term incentives. Further details on Executive Directors' packages are set out in the Remuneration Report.

Recommendation 9.4: Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.

Payments of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders. Details of these payments are set out in the Remuneration Report.

Principle 10: Recognise the legitimate interests of stakeholders

Recommendation 10.1: Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate 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 provided with the code of conduct at induction and 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

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Directors' Report

30 June 2008

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 year ended 30 June 2008.

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 the Group during the whole of the year and up to the date of this report, unless noted otherwise:

- K Roxburgh – Chairman
- R Woodhouse – Deputy Chairman
- P Derrington
- G Fraser
- C Fuchs – Executive Director
- D Harrison – Joint Managing Director
- C McGowan
- D Southon – Joint Managing Director
- A Biet (Resigned 25/10/2007)

PRINCIPAL ACTIVITIES

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

- (a) Property investment
- (b) Funds management
- (c) Development management
- (d) Property management

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

DISTRIBUTIONS – CHARTER HALL GROUP

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

	2008 \$'000	2007 \$'000
Interim ordinary distribution for the 6 months ended 31 December 2007 of 6.30 cents per security paid on 29 February 2008	26,448	–
Final ordinary distribution for the 6 months ended 30 June 2008 of 6.30 cents per security expected to be paid on 29 August 2008	25,669	–
Interim ordinary distribution for the 6 months ended 31 December 2006 of 4.77 cents per security paid on 28 February 2007	–	17,440
Final ordinary distribution for the 6 months ended 30 June 2007 of 5.67 cents per security paid on 31 August 2007	–	20,632
	52,117	38,072

RESULTS

The Group has reported a strong financial result for the year to 30 June 2008. The underlying earnings per security of 12.74 cents for the year ended 30 June 2008 represents an increase of 34% compared to the 9.51 cents for the year ended 30 June 2007.

The profit after tax attributable to securityholders increased 56% to \$67.5m.

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).

FINANCIAL PERFORMANCE – 1 JULY 2007 TO 30 JUNE 2008

The Group revenue increased from \$60.8m to \$91.1m, a 50% increase, reflecting increased rental income of \$9.8m, increased distributions from investments of \$5.5m and increased management fees of \$14.6m. The net profit after tax including fair value adjustments, totalling a net gain of \$15.3m (2007: \$11.5m), for the year is \$67.5m (2007: \$43.2m). The Group recorded solid gains in its directly owned properties and its investments in Charter Hall managed funds (Charter Hall Core Plus Office Fund (CPOF), Charter Hall Core Plus Industrial Fund (CPIF), Charter Hall Diversified Property Fund (DPF) and Charter Hall Umbrella Fund (CHUF).

Directors' Report

30 June 2008

The Group generated additional management fee income as a result of funds under management growth.

The Group also generated strong profits from 50% owned Commercial and Industrial Property Pty Ltd whose results were in line with expectations.

The majority of properties held directly by CHPT and also in the 100% owned Charter Hall Core Plus Retail Fund (CPRF) have been independently valued as at 30 June 2008. In addition, the majority of properties held within CPOF, CPIF and DPF have been independently valued as at 30 June 2008.

During the year, the Group sold down its interest in CPOF from 23% to 20%, its interest in CPIF from 32% to 25% and its interest in CHUF from 47% to less than 1%.

The following movements, including additional equity contributed were recorded on the Group's investments in Charter Hall managed unlisted funds and in its investment in Axiom Properties Limited (Axiom):

- the value of the group's 20% investment in CPOF increased by \$63m (11% unit price growth) to \$143m
- the value of the group's 25% investment in CPIF increased by \$12m (7% unit price growth) to \$58m
- the value of the group's 5% investment in Axiom decreased \$6m (75% share price decline) to \$2m
- the value of the group's 17% investment in DPF increased \$10m (17% unit price growth) to \$24m
- the value of the group's <1% investment in CHUF decreased \$11m with the sell down to retail investors

The 30 June 2008 financial results with comparatives are summarised as follows:

	2008	2007
Gross revenue (\$m)	91	61
Net profit after tax (\$m)	67	43
Distribution (\$m)	52	38
AIFRS earnings per stapled security (EPS) (cents)	16.31	12.00
Underlying EPS (cents) ^{1,2}	12.74	9.51
Distribution per stapled security (cents) ²	12.60	10.44
Total assets (\$m)	802	650
Total liabilities (\$m)	310	189
Net assets (\$m)	492	461
NTA per security (\$) ²	1.19	1.12
Gearing – borrowings to total assets ³	31.2%	21.2%
Assets under management (\$bn)	3.9	2.8

1 Excludes AASB 140 fair value adjustments on investment property and financial assets, gains on sale of investments and non cash AIFRS charges such as share based payments expense, amortisation and tax benefit on unrealised fair value losses.

2 Calculation excludes stapled securities issued under the Executive Loan Security Plan in accordance with AASB2 Share Based Payments. The financial year ended 2007 DPS included a 0.44 cents distribution from unrealised gains on investments.

3 Calculation is net of cash.

DISTRIBUTION RE-INVESTMENT PLAN (DRP)

The DRP has been reactivated for the final distribution for the 6 month period ended 30 June 2008.

REVIEW OF OPERATIONS

During the year the Group successfully completed additional equity raisings for Charter Hall Core Plus Office Fund (CPOF) (\$235m) and the initial equity raising for Charter Hall Umbrella Fund (CHUF) (\$237m). The Group has expanded its diverse sources of equity, providing institutional, wholesale, retail and high net worth clients with these new products.

The Group issued 5,599,098 securities in July 2007 to complete the purchase of 50% of Commercial and Industrial Property Pty Ltd.

CPOF, in which CHPT now holds a 20% interest, recently acquired its 18th asset bringing the total asset value to \$1.4bn (on a fully developed basis) having increased from nearly \$1bn at 30 June 2007.

CPIF, in which CHPT now holds a 25% interest, recently acquired its 12th asset bringing the total fund size to over \$400m (on a fully developed basis) up from \$270m at 30 June 2007.

CPRF was owned 100% by CHPT as at 30 June 2008, however its beneficial ownership interest was reduced in July 2008 to 62% with the first close raising \$95m in equity.

CPRF acquired its 14th asset bringing the total fund size to \$309m with Group assets worth \$117m purchased by CPRF in July 2008 bringing the seed portfolio to \$426m.

DPF, in which CHPT holds a 17% interest, acquired its 10th property which are in total valued at approximately \$183m an increase on \$123m at 30 June 2007.

Directors' Report

30 June 2008

CHOF4 has 8 projects with 2 completed and 3 commenced during the year. Equity of \$124m representing 75% of the total has been called to date. CHOF5 has commenced 5 projects including projects in New Zealand. Equity of \$24m representing 8% of the total has been called to date. Total assets under management as at 30 June 2008 have grown to \$3.9bn (2007: \$2.8bn).

ENVIRONMENTAL REGULATION

The principal activities of the group are property investment, funds management and development management. Funds management involves minimal environmental impact. The group ensures compliance with applicable environmental standards and regulations in its property investment and development management activities.

Recent announcements by the Federal Government as to the introduction of a carbon trading scheme will be monitored to ensure that any potential impacts are understood and addressed.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Group during the year, in addition to the review of operations above, were as follows:

- CHPT sold down 3% of its holding in CPOF and 7% of CPIF to CHUF during the year.
- On 24 December 2007 CHPT sold 400 Kent Street, Sydney NSW to DPF for \$30.5m.
- On 22 February 2008 CHPT granted a leasehold interest in Carter Rd, Menai, NSW to CPRF for \$39m.
- On 30 June 2008 CHPT sold a 50% freehold interest in 570 Bourke St, Melbourne, Vic to CPOF for \$72.5m.

MATTERS SUBSEQUENT TO THE END OF THE PERIOD

Since 30 June 2008 CHPT has completed the following transactions:

- The sale of 372 Whitehorse Rd, Nunawading, Vic, 61 Nepean Hwy, Mentone, Vic and 25 Nepean Hwy, Mentone, Vic to CPRF in July 2008.
- The Group announced the first close of CPRF with CHPT's beneficial ownership reduced from 100% at 30 June 2008 to 62%.
- With the proceeds from the first close CHPT repaid debt and reduced its debt facility limit to \$100m with an expiry of July 2011.
- CHPT invested \$50m in CHUF in August 2008 equating to an interest of 22%.

Except for the matters discussed above, no other matter or circumstance has arisen since 30 June 2008 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.

Directors' Report

30 June 2008

INFORMATION ON DIRECTORS

K Roxburgh

Chairman – Independent
Non-Executive Director

Experience and expertise
Independent non-executive director and Chairman appointed 12 April 2005. One of the founders of E*TRADE in Australia, Board Member for 11 years to 2007, Chief Executive Officer from 1998 to 2000 then Chairman until its takeover by the ANZ Bank in 2007. For 10 years from 1986 to 1995, he was an Executive Director at the Hong Kong Bank of Australia Group, Chairman of their stockbroker, James Capel Australia and Managing Director of their corporate finance subsidiary. Between 1964 to 1986 practiced as a Chartered Accountant for 4 years at Arthur Andersen followed by 18 years as a partner at Mann Judd in Sydney. Experienced in the financial markets and the financial management of the insurance, healthcare, technology, property and resource sectors. Bachelor of Commerce, MBA and Practitioner Member of the Securities & Derivatives Institute of Australia.

Other current listed company directorships

- Non-executive Chairman of Babcock and Brown Capital Limited (since 2006)
- Non-executive director of Ramsay Health Care Ltd (since 1997)
- Non-executive director of Everest Babcock and Brown Ltd (since 2005)

Former listed company directorships in last 3 years

- E*TRADE Australia (Retired in June 2007)
- Everest Babcock and Brown Alternative Investment Trust (Resigned December 2006)

Special responsibilities

- Chairman of the Board
- Chairman of Nomination Committee
- Member of Remuneration Committee
- Member of Audit, Risk and Compliance Committee

Interests in securities

50,000 securities in Charter Hall Group.

R Woodhouse

Deputy Chairman – Independent
Non-Executive Director

Experience 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 Nomination Committee
- Chairman of Remuneration Committee

Interests in securities

66,666 securities in Charter Hall Group.

C Fuchs

Executive Director

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. Is involved in 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

6,862,615 securities in Charter Hall Group via direct and indirect interests including 1,806,020 securities in the Charter Hall Executive Loan Security Plan. Securities in the Plan which will vest upon the satisfaction of performance and service criteria.

Directors' Report

30 June 2008

G Fraser

Independent Non-Executive Director

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, Project Development and is currently 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

350,000 securities in Charter Hall Group via direct and indirect interests.

D Harrison

Joint Managing Director

Experience and expertise

Joint Managing Director and heads up the Funds Management Division & Property Management Division. Has more than 19 years of experience in the Australian commercial property markets. Prior to joining Charter Hall in 2004, was the Managing Director of Savills in Australia. Holds a Land Economics degree from the University of Western Sydney, a graduate Diploma in Applied Finance and is a Fellow of the Australian Property Institute.

Other current listed company directorships

Nil

Former listed company directorships in last 3 years

Nil

Special responsibilities

Nil

Interests in securities

11,855,755 securities in Charter Hall Group via direct and indirect interests including 5,328,808 securities in the Charter Hall Executive Loan Securities Plan. Securities in the Plan will vest upon the satisfaction of performance and service criteria.

D Southon

Joint Managing Director

Experience and expertise

David is a founding member of Charter Hall. As a Joint Managing Director David heads up the Development Division and has over 19 years of property industry experience. Prior to co-founding Charter Hall in 1991 worked at the Heine Group's property arm (now part of ING) and Leighton Properties. Holds a Land Economics degree from the University of Western Sydney.

Other current listed company directorships

Nil

Former listed company directorships in last 3 years

Nil

Special responsibilities

Nil

Interests in securities

12,083,704 securities in Charter Hall Group via direct and indirect interests including 5,310,501 securities in the Charter Hall Executive Loan Security Plan. Securities in the Plan will vest upon the satisfaction of performance and service criteria.

Directors' Report

30 June 2008

P Derrington

Independent Non-Executive Director

Experience and expertise

Independent non-executive director since 6 April 2005. Appointed as Non-executive Director of A.B.C. Learning Centres Limited from September 2008. Formerly the CEO of Penrith Lakes Development Corporation Limited and Managing Director of the US asset management firm Spears, Benzak, Salomon and Farrell, Patrice was also formerly the 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 A.B.C. Learning Centres Limited. Commenced 7 August 2008.

Former listed company directorships in last 3 years

Nil

Special responsibilities

Chair of Audit, Risk and Compliance Committee

Interests in securities

Nil securities in Charter Hall Group.

C McGowan

Independent Non-Executive Director

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
- Member of Nomination Committee

Interests in securities

Nil securities in Charter Hall Group.

A Biet

Non-Executive Director

(Resigned 25 October 2007)

Experience and expertise

Co-founder of Charter Hall and Managing Director of the Group from 1991 to 2005. Has over 25 years of property experience and was previously the Managing Director of the Heine Group's property arm (now part of ING) and previously Director of Operations for Leighton Properties. He is a Fellow of the Australian Institute of Company Directors, a Fellow of the Australian Property Institute and holds a Bachelors degree in Economics and an MBA. Resigned as non-executive director of the Group in October 2007.

Other current listed company directorships

Nil

Former listed company directorships in last 3 years

Nil

Special responsibilities

Nil

Interests in securities

As at the date of his resignation, Mr Biet held 5,209,724 securities in Charter Hall Group via direct and indirect interests.

Company secretary

The company secretary is Mr N Francis, a member of the Institute of Chartered Accountants in Australia and Chartered Secretaries 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. He also holds a Bachelor of Business degree from the University of Technology, Sydney.

Directors' Report

30 June 2008

MEETINGS OF DIRECTORS

The numbers of meetings of the Group's board of directors and of each board committee held during the year ended 30 June 2008, and the numbers of meetings attended by each director were:

	Full meetings of the Board of Directors		Audit, Risk and Compliance Committee		Nomination Committee		Remuneration Committee	
	A	B	A	B	A	B	A	B
K Roxburgh	12	12	6	6	3	3	3	3
R Woodhouse	11	12	*	*	3	3	3	3
A Biet (Resigned 25/10/2007)	4	4	*	*	*	*	*	*
P Derrington	12	12	6	6	*	*	*	*
G Fraser	12	12	6	6	*	*	*	*
C Fuchs	10	12	*	*	*	*	*	*
C McGowan	12	12	*	*	3	3	3	3
D Harrison	12	12	*	*	*	*	*	*
D Southon	12	12	*	*	*	*	*	*

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

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 in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

A. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

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 securityholders
- 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.

The Board has established a Remuneration Committee which provides advice on remuneration and incentive policies and practices and specific recommendations on remuneration packages and other terms of employment. The Corporate Governance Statement provides further information on the role of this committee.

Directors' Report

30 June 2008

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 are 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 Executive Loan Security Plan.

Directors' fees

The current base remuneration was last reviewed with effect from 1 July 2007. Non-executive directors who are part of a committee receive additional yearly fees. The base remuneration will be reviewed early in the year ending 30 June 2009 to determine its appropriateness.

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.

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 (STI)

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 Joint Managing Directors will consider the appropriate targets and key performance indicators (KPIs) 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 year ended 30 June 2008, the KPIs linked to STI plans were based on group and personal objectives. The KPIs required performance in achieving specific targets.

The Joint Managing Directors and Remuneration Committee are responsible for assessing whether the KPIs are met. To help make this assessment, the committee receives 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 – Executive Directors

The Executive Directors (Cedric Fuchs, David Harrison and David Southon) short-term incentive is linked to a percentage of distribution growth above the Board approved budget distribution. The Remuneration Committee has approved a year ending 30 June 2008 bonus for the Executive Directors of 15% in the aggregate (6% David Harrison, 6% David Southon, 3% Cedric Fuchs) of the amount that the distribution for the 12 months to 30 June 2008 exceeds the distribution forecast in the Board approved budget.

In order to bring the Joint Managing Directors in line with market levels and to acknowledge the earnings outperformance of the Group the Remuneration Committee approved an additional payment of \$275,000 each for David Harrison and David Southon. The financial year ended 30 June 2008 bonus has been approved by the Board subject to the completion of the audit and release of accounts. From 1 July 2008 the Joint Managing Directors bonus will be in the range of 50 – 100% of salary, subject to individual KPIs and Group performance.

The Remuneration Committee approved an FY07 bonus for the Executive Directors of 15% in the aggregate (6% David Harrison, 6% David Southon, 3% Cedric Fuchs) of the amount that the distribution for the 12 months to 30 June 2007 exceeded the distribution forecast in the Board approved budget. The total bonus of \$254,000 was split \$51,000 for Cedric Fuchs, \$102,000 for David Harrison and \$102,000 for David Southon and was paid in the financial year ended 2008.

Charter Hall Limited Executive Loan Security Plan

Information on the Charter Hall Limited Executive Loan Security Plan is set out in note 40 to the financial statements.

Directors' Report

30 June 2008

B. DETAILS OF REMUNERATION

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 70-72 and the following executive officers, who with the executive directors include the 5 highest paid executives of the Group:

- J Bakker – Corporate Development Director
- R Champion – Fund Manager and Retail Director
- M Winnem – Fund Manager and Development Director

The cash bonuses are dependent on the satisfaction of performance conditions as set out in the section headed *Short-term incentives* above.

Key management personnel of the Group

2008	Short-term benefits		Post-employment benefits	Security-based payment	Total
	Cash salary and fees	Cash bonus	Super-annuation	Securities	
Name	\$	\$	\$	\$	\$
Non-Executive Directors					
K Roxburgh, Chairman	125,344	–	11,281	–	136,625
R Woodhouse, Deputy Chairman	75,102	–	6,759	–	81,861
P Derrington	78,784	–	7,091	–	85,875
G Fraser	73,624	–	6,626	–	80,250
C McGowan	24,861	–	60,000	–	84,861
A Biet (to 25/10/07)	23,867	–	2,148	–	26,015
Sub-total non-executive directors	401,582	–	93,905	–	495,487
Executive Directors					
C Fuchs	181,420	101,000	98,580	136,208	517,208
D Harrison	484,684	477,000	13,129	700,811	1,675,624
D Southon	486,871	477,000	13,129	697,997	1,674,997
Other key management personnel					
J Bakker	334,962	100,000	13,129	59,324	507,415
R Champion	386,871	60,000	13,129	89,222	549,222
M Winnem	295,332	80,000	12,886	62,814	451,032
Totals	2,571,722	1,295,000	257,887	1,746,376	5,870,985

The bonus for the year ended 30 June 2007 paid to the executive directors was not accrued in 2007 and has consequently been included in this year together with the 30 June 2008 bonus. The amount of the 2007 bonus is discussed above.

Directors' Report

30 June 2008

Key management personnel of the Group

2007*	Short term benefits		Post-employment benefits	Security-based payment	Total
	Cash salary and fees	Cash bonus	Super-annuation	Securities	
Name	\$	\$	\$	\$	\$
Non-executive directors					
K Roxburgh, Chairman	106,422	–	9,376	–	115,798
**R Woodhouse, Deputy Chairman	13,761	–	826	–	14,587
P Derrington	59,174	–	5,326	–	64,500
**G Fraser	13,761	–	826	–	14,587
C McGowan	22,019	–	48,981	–	71,000
P McMahan	14,220	–	1,280	–	15,500
*A Biet (from 1/1/07)	22,892	–	4,579	–	27,471
Sub total non-executive directors	252,249	–	71,194	–	323,443
Executive directors					
*A Biet (until 31/12/06)	335,742	–	40,000	33,904	409,646
C Fuchs	183,813	–	103,500	70,813	358,126
D Harrison	437,314	–	12,686	156,509	606,509
D Southon	437,314	–	12,686	152,448	602,448
Other key management personnel					
R Champion	343,702	60,000	12,686	51,673	468,061
M Winnem	237,314	60,000	12,686	22,146	332,146
Totals	2,227,448	120,000	265,438	487,493	3,100,379

* Short-term benefits to Non-executive Directors include Director and committee fees. A Biet transitioned from Executive to Non-executive Director on 1 January 2007 and was paid an eligible termination payment of \$300,000 upon termination of his contract. The table above divides the remuneration received by A Biet into that received as an Executive Director and as a Non-executive Director.

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

Charter Hall Limited does not have any employees in its own right as employees are paid by a subsidiary.

C. SERVICE AGREEMENTS

The Joint Managing Directors, David Harrison and David Southon signed 3 year agreements which expired on 18 October 2007 and 1 July 2007, respectively which related to the purchase of 50% of Charter Hall Holdings Pty Limited by Transfield (CHG) Limited on 1 July 2004. Updated agreements have not been pursued because the un-vested component of the Charter Hall Limited Executive Loan Security Plan provides a strong incentive for continuity of employment.

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 strong 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 non recourse loans to acquire securities under the plan with interest charged at the distribution yield. If the performance and service 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.

2006 Offers: issued 5,900,000 securities on 6 June 2005 at \$1.00 per security and issued 300,000 securities on 11 November at \$1.0731 per security.

Service conditions: the plan participants must be an employee at 30 September each year which is the time of vesting.

Performance conditions: for the period ended 30 June 2006 at least meet 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 and service 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. Loans totalling \$6,200,000 under the 2005 offer were provided by Charter Hall Limited to participants.

Directors' Report

30 June 2008

2007 Offers: issued 6,299,212 securities on 3 July 2006 at \$1.27 per security, 352,564 securities on 5 October at \$1.56, 807,453 securities on 16 October 2006 at \$1.61, 50,000 securities on 15 December 2006 at \$2.00 and 202,428 securities on 7 March 2006 at \$2.47.

Performance conditions: for the year ended 30 June 2007 at least meet 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 and service conditions above, one-third of the securities provided under the plan will vest after the end of the forecast year and one-third will vest after 30 June 2008 and one-third after 30 June 2009.

Loans totalling \$10,449,997 under the offer were provided by Charter Hall Limited to participants.

2008 Offer: issued 10,041,015 securities on 2 July 2007 at \$2.76 per security (includes directors and KMPs). In addition the Group purchased, on market, 70,534 securities on 6 July 2007 at \$2.8355, 35,714 securities on 30 August 2007 at \$2.80, 17,008 securities on 21 November 2007 at \$2.9397 and 73,366 securities on 7 December 2007 at \$2.7260.

Performance conditions: for the year ended 30 June 2008 at least meet the Board approved budgeted DPS and at least 5% growth in like for like distributions per security for each of the years ended 30 June 2009 and 30 June 2010.

Vesting conditions: securities will vest in three tranches. Subject to the satisfaction of the performance and service conditions above, one-third of the securities provided under the plan will vest after the end of the 30 June 2008, one-third will vest after 30 June 2009 and one-third after 30 June 2010. The loan is repayable after 5 years.

Loans totalling \$27,713,201 under the offer were provided by Charter Hall Limited to participants.

The executive directors of Charter Hall Group and other key management personnel of the Group received the following vested securities during the year from the company's employee security scheme:

	LSP Securities Issued in 2006	LSP Securities Issued in 2007	LSP Securities Issued in 2008	LSP Securities Forfeited in 2008	Total securities	LSP Securities Vested in 2007 ³	LSP Securities Vested in 2008 ³	LSP unvested securities 30/6/08
Issue price	\$1.00	\$1.27	\$2.76					
Executive Directors								
A Biet ¹	1,050,000	–	–	(700,000)	350,000	(350,000)	–	–
C Fuchs	1,050,000	393,700	362,319	–	1,806,019	(350,000)	(481,233)	974,786
D Harrison	1,475,000	1,161,417	2,717,391	–	5,353,808	(491,667)	(878,806)	3,983,335
D Southon	1,475,000	1,118,110	2,717,391	–	5,310,501	(491,667)	(864,370)	3,954,464
Key management personnel								
J Bakker ²	–	621,118	362,319	–	983,437	–	(207,039)	776,398
R Champion	–	551,181	326,087	–	877,268	–	(183,727)	693,541
M Winnem	–	236,220	289,855	–	526,075	–	(52,493)	473,582

1 A Biet's securities were forfeited as the service criteria could not be met as a non-executive director.

2 J Bakker's 2007 securities were issued at a price of \$1.61.

3 Securities that have vested but have not been exercised by repayment of the loan and removal from the LTI plan.

The model inputs for the Black-Scholes method for assessing the fair value at loan date for the LSP securities issued during the year ended 30 June 2008 include the following:

- (a) security share price at grant date was \$2.76
- (b) loan value per security was \$2.76
- (c) grant date 2 July 2007 and expiry of loan 30 September 2012
- (d) expected price volatility 32.62%
- (e) expected distribution yield 4.244%
- (f) risk-free interest rate 6.465%.

Directors' Report

30 June 2008

E. ADDITIONAL INFORMATION

Details of the short term incentives and the vesting of the securities are shown above. The table below shows the percentage of securities forfeited for not satisfying the service and performance criteria that make up the vesting conditions. No options will vest if the conditions are not satisfied. The maximum value of the options yet to vest has been determined as the amount of the grant date fair value of the options that is yet to be expensed.

Name	Year granted	Vested %	Forfeited %	Minimum total value of grant yet to vest \$	Maximum total value of grant yet to vest \$
A Biet	2006	33%	67%	nil	–
C Fuchs	2008	–	–	nil	99,193
	2007	33%	–	nil	11,309
	2006	66%	–	nil	2,302
D Harrison	2008	–	–	nil	743,936
	2007	33%	–	nil	33,360
	2006	66%	–	nil	3,234
D Southon	2008	–	–	nil	743,936
	2007	33%	–	nil	32,116
	2006	66%	–	nil	3,234
J Bakker	2008	–	–	nil	51,891
	2007	33%	–	nil	20,568
R Champion	2008	–	–	nil	46,702
	2007	33%	–	nil	15,832
M Winnem	2008	–	–	nil	41,513
	2007	33%	–	nil	6,785

Further details relating to the LSP are set out below:

Name	Remuneration consisting of LSP	Value at grant date \$	Value at vesting date (30 September 2007) \$	Value at 30 June 2008 \$	Value at forfeit date \$
A Biet	–	–	–	–	1,225,000
C Fuchs	26.3%	176,291	854,848	17,500	–
D Harrison	41.7%	1,322,164	1,526,123	24,583	–
D Southon	41.8%	1,322,164	1,498,454	24,583	–
J Bakker	16.2%	111,215	256,728	–	–
R Champion	11.7%	100,094	290,289	–	–
M Winnem	13.9%	88,972	82,939	–	–

The value of securities at grant date is nil as the grant value is equivalent to the loan provided. The value at the vesting date of 30 September 2007 reflects a security price of \$2.85 however these securities have remained in the plan. The value at the security price at 30 June 2008 is shown above. The value at forfeit date is based on a security price of \$2.85 with a loan of \$1.00.

Loans to directors and executives

Information on loans to directors and executives, including amounts, interest rates and repayment terms are set out in note 30 to the financial statements.

Insurance of officers

During the year, Charter Hall Group paid a premium of \$72,300 (2007: \$56,561) 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.

Directors' Report

30 June 2008

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 year are set out below.

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

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

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

	Consolidated		Parent entity	
	2008 \$	2007 \$	2008 \$	2007 \$
(a) Assurance services				
Audit services				
PricewaterhouseCoopers Australian firm				
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	206,901	207,887	-	-
Non-PricewaterhouseCoopers audit firms for the audit or review of financial reports of any entity in the Group	56,417	33,290	-	-
Total remuneration for audit services	263,318	241,177	-	-
Other assurance services				
PricewaterhouseCoopers Australian firm				
Investigating Accountants Reports – equity raising	219,000	-	-	-
Total remuneration for other assurance services	219,000	-	-	-
Total remuneration for assurance services	452,318	241,177	-	-
(b) Taxation services				
PricewaterhouseCoopers Australian firm				
Tax compliance services, including review of company income tax returns	21,090	37,610	-	-
Tax advice on equity raising	-	97,123	-	-
Total remuneration for taxation services	21,090	134,733	-	-
(c) Advisory services				
PricewaterhouseCoopers Australian firm				
Long term incentive plan structure	-	38,500	-	-
Total remuneration for advisory services	-	38,500	-	-

Directors' Report

30 June 2008

Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 81.

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
25 August 2008

Auditors' Independence Declaration



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Auditors' Independence Declaration

As lead auditor for the audit of Charter Hall Limited for the year ended 30 June 2008, I declare that, to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink that reads 'B K Hunter'.

B K Hunter
Partner

Sydney
25 August 2008

Charter Hall Group Income Statements

For the year ended 30 June 2008

	Notes	Consolidated		Parent entity	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Revenue	6	91,060	60,829	16,398	4,376
Gain on sale of investments		838	-	-	-
Other income		-	35	-	-
Investment property expenses		(8,275)	(7,120)	-	-
Employee benefits expense		(17,412)	(9,893)	(66)	-
Depreciation	8	(252)	(197)	-	-
Other expenses		(5,052)	(4,084)	(2)	(82)
Finance costs	8	(20,111)	(6,496)	(27,548)	(14,163)
Foreign exchange gain		922	-	-	-
Share of net profit of associates accounted for using the equity method		7,534	287	-	-
		49,252	33,361	(11,218)	(9,869)
Net gain from fair value adjustments	7	15,287	11,493	-	-
Profit/(loss) before income tax		64,539	44,854	(11,218)	(9,869)
Income tax benefit/(expense)	9	2,959	(1,686)	7,834	3,540
Net profit/(loss) after income tax attributable to stapled security holders of Charter Hall Group		67,498	43,168	(3,384)	(6,329)
Attributable to:					
Equity holders of Charter Hall Limited		(3,888)	1,239	(3,384)	(6,329)
Equity holders of Charter Hall Property Trust (minority interest)		71,386	41,929	-	-
Profit/(loss) attributable to stapled securityholders of Charter Hall Group		67,498	43,168	(3,384)	(6,329)
		Cents	Cents		
Group earnings per stapled security					
Basic earnings per security	39	16.31	12.00		
Diluted earnings per security	39	16.14	11.94		

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

Charter Hall Group Balance Sheets

As at 30 June 2008

	Notes	Consolidated		Parent entity	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
ASSETS					
Current assets					
Cash and cash equivalents	10	16,183	26,507	328	168
Trade and other receivables	11	32,344	26,564	64	–
Financial assets available for sale	12	–	218	–	–
Total current assets		48,527	53,289	392	168
Non-current assets					
Trade and other receivables	15	5,082	7,405	13,763	12,424
Investments accounted for using the equity method	16	50,340	760	–	–
Financial assets at fair value through the profit and loss	13	227,283	149,945	–	–
Other financial assets	17	18,182	–	48,693	2,360
Property, plant and equipment	18	1,577	1,355	–	–
Investment properties	19	439,645	430,701	–	–
Derivative financial instruments	14	5,880	5,345	–	–
Deferred tax assets	20	5,110	1,283	10,105	5,687
Other assets		295	295	295	295
Total non-current assets		753,394	597,089	72,856	20,766
Total assets		801,921	650,378	73,248	20,934
LIABILITIES					
Current liabilities					
Trade and other payables	21	42,491	28,043	58	5
Provisions	22	109	149	–	–
Total current liabilities		42,600	28,192	58	5
Non-current liabilities					
Borrowings	23	260,981	158,572	129,008	75,351
Deferred tax liabilities	24	3,408	2,562	555	368
Financial liabilities	19	2,462	–	–	–
Provisions	25	150	41	–	–
Total non-current liabilities		267,001	161,175	129,563	75,719
Total liabilities		309,601	189,367	129,621	75,724
Net assets/(liabilities)		492,320	461,011	(56,373)	(54,790)
EQUITY					
Equity holders of Charter Hall Limited					
Contributed equity	26	5,272	5,131	5,272	5,131
Reserves	27(a)	(46,679)	(50,952)	(50,340)	(52,000)
Retained profits / (accumulated losses)	27(b)	(3,683)	207	(11,305)	(7,921)
Parent entity interest		(45,090)	(45,614)	(56,373)	(54,790)
Equity holders of Charter Hall Property Trust (minority interest)	28	537,410	506,625	–	–
Total equity		492,320	461,011	(56,373)	(54,790)

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

Charter Hall Group Statements of Changes in Equity

For the year ended 30 June 2008

	Notes	Consolidated		Parent entity	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Total equity at the beginning of the year		461,011	279,470	(54,790)	(50,221)
Changes in the fair value of cash flow hedges, net of tax	14,27	(379)	(1,340)	-	-
Foreign currency reserve movement	27	(1,257)	22	(57)	-
Net loss recognised directly in equity		(1,636)	(1,318)	(57)	-
Profit / (loss) for the year		67,498	43,168	(3,384)	(6,329)
Total recognised income and expense for the year		65,862	41,850	(3,441)	(6,329)
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity, net of transaction costs *	26	13,225	177,138	141	1,760
Distributions provided for or paid *	29	(52,117)	(38,072)	-	-
Other		(47)	(258)	-	-
Security based payments reserve	27	4,386	883	1,717	-
		(34,553)	139,691	1,858	1,760
Total equity at the end of the year		492,320	461,011	(56,373)	(54,790)
Total recognised income and expense for the year					
Equity holders of Charter Hall Limited		(4,001)	1,238	(3,441)	(6,329)
Equity holders of Charter Hall Property Trust (minority interest)		69,863	40,612	-	-
		65,862	41,850	(3,441)	(6,329)

* 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 28 for a breakdown of the minority interest in equity.

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

Charter Hall Group Cash Flow Statements

For the year ended 30 June 2008

	Notes	Consolidated		Parent entity	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		80,456	78,099	53	5,050
Payments to suppliers and employees (inclusive of goods and services tax)		(37,933)	(43,380)	(16)	(77)
		42,523	34,719	37	4,973
Interest paid		(17,323)	(6,506)	(27,498)	(14,163)
Distributions and dividends from investments		13,990	2,931	15,642	4,222
Interest received		6,092	5,043	1,166	450
Net cash inflow / (outflow) from operating activities	38	45,282	36,187	(10,653)	(4,518)
Cash flows from investing activities					
Payment for purchase of subsidiary, net of cash acquired		–	(9,691)	–	(9,691)
Payments for property, plant and equipment		(377)	(1,244)	–	–
Payments for investment property		(102,829)	(248,173)	–	–
Proceeds on disposal of investment property		98,943	–	–	–
Payments for other financial assets		(18,182)	–	–	–
Loans to / (repaid by) employees		(3,894)	(2,936)	(3,945)	(2,936)
Investment in associates		(113,715)	(134,091)	(5,944)	(875)
Proceeds on disposal of investments in associates		41,700	–	–	–
Investment in joint venture		(25,510)	–	(25,510)	–
Repayments from / (loans to) associates		9,115	(9,081)	–	–
Loans to subsidiaries		–	–	–	(5,019)
Net cash (outflow) from investing activities		(114,749)	(405,216)	(35,399)	(18,521)
Cash flows from financing activities					
Proceeds from issues of securities and other equity securities		4,337	201,584	189	1,755
Proceeds from forfeited LTI securities		–	–	1,717	–
Proceeds from CPOF investors for units to be issued		–	(58,318)	–	–
Proceeds from borrowings		209,187	116,357	44,306	20,301
Repayment of borrowings		(106,921)	–	–	–
Security issue and transaction costs		(380)	(4,621)	–	–
Distributions paid to securityholders		(47,080)	(27,836)	–	–
Net cash inflow from financing activities		59,143	227,166	46,212	22,056
Net increase / (decrease) in cash and cash equivalents		(10,324)	(141,863)	160	(983)
Cash and cash equivalents at the beginning of the year		26,507	168,370	168	1,151
Cash and cash equivalents at the end of the year	10	16,183	26,507	328	168

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

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Notes to the Financial Statements

30 June 2008

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* (AASB I – 1002), 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). In accordance with AASB Interpretation 1002 the results and equity, not directly owned by CHL, of CHPT have been treated and disclosed as a minority interest. Whilst the results and equity of CHPT are disclosed as minority interest, the stapled securityholders of CHL are the same as the stapled securityholders 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. CHH as the deemed acquirer, has acquisition accounted for CHL as at 6 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 financial report complies with International Financial Reporting Standards (IFRSs) in accordance with AASB 101 *Presentation of financial statements*.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property, financial assets and liabilities (derivative financial instruments) at fair value through the profit and loss.

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 CHPT, as at 30 June 2008 and the results of all subsidiaries for the year 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 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 de-consolidated 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)).

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.

Notes to the Financial Statements

30 June 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Principles of consolidation (continued)

(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 as financial assets at fair value through the profit and loss 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 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.

Investments in associates held by CHPT are accounted for as financial assets at fair value through the profit and loss. Investments are initially and in subsequent periods carried at fair value. Gain or losses arising from changes in the fair value of the "financial assets at fair value through the profit or loss" category are presented in the income statement within fair value gains / (losses) in the period in which they arise. Distribution income from financial assets accounted at fair value through the profit and loss is recognised in the income statement as part of revenue.

(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

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet (NZ\$1.2641 for A\$1.00 for 30 June 2008)
- income and expenses for each income statement are translated at average exchange rates (NZ\$1.16742 for A\$1.00); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings are taken to a separate component of equity.

(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. In the case of performance fees receivable a judgement on the likelihood of receipt is made under a percentage of completion basis method based on the actual service provided as a percentage of the services to be provided.

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.

Notes to the Financial Statements

30 June 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Revenue recognition (continued)

(iv) Dividends

Dividends are recognised as revenue when the right to receive payment is established.

(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

On 22 August 2005 Charter Hall Limited and its wholly owned Australian controlled entities implemented the tax consolidation legislation.

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 9.

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.

Notes to the Financial Statements

30 June 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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. Their treatment is discussed at Note 1b(ii). 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 11 and 15).

(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.

Notes to the Financial Statements

30 June 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 14. Movements in the hedging reserve in securityholders' equity are shown in note 27.

(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.

(ii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement and are included in fair value adjustment gains / (losses). The fair value previously recognised for hedges which are no longer effective is amortised over the remaining period of the hedge.

(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:

- 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.

Notes to the Financial Statements

30 June 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Investment property

Investment properties comprise investment interests in land and buildings held for long-term rental yields and not occupied by the Group. Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any differences in the nature, location and condition of the specific asset. 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.

(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 and annual leave

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

(ii) Long service leave

Liabilities for other employee entitlements which are not expected to be paid or settled within 12 months of 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 40.

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 and repayment of the loan, 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.

Notes to the Financial Statements

30 June 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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

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 98/100, 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 2008 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 8 *Operating Segments* and AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8*

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a "management approach" to reporting on the financial performance. The information being reported will be based on what the key decision —makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different type of information being reported in the segment note of the financial report. However, it will not affect any of the amounts recognised in the financial statements.

(ii) Revised AASB 123 *Borrowing Costs* and AASB 2007-6 *Amendments to Australian Accounting Standards* arising from AASB 123

[AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and interpretations 1 & 12]

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and when adopted – will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. This is consistent with the Group's current accounting policy.

(iii) Revised AASB 101 *Presentation of Financial Statements* and AASB 2007-8 *Amendments to Australian Accounting Standards* arising from AASB 101

A revised AASB 101 was issued in September 2007 and is applicable to annual reporting periods beginning on or after 1 January 2009. It ensures the presentation of a statement of comprehensive income and make changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group intends to apply the revised standard from 1 July 2009.

(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 32). 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 its liabilities as and when they fall due. The deficiency relates to a \$52m debit to a business combination reserve as a result of \$52m paid by CHL to acquire Charter Hall Holdings Pty Ltd.

Notes to the Financial Statements

30 June 2008)

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 Joint Managing Directors in discussion with the Board of Directors. The Managing Directors 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

(a) Listed equity securities price risk

The Group is exposed to equity securities price risk. This arises from an investment in a publicly listed entity held by the Group and classified on the balance sheet as at fair value through the profit or loss.

Price rate sensitivity analysis

The table below illustrates the potential impact a change in listed share prices by +/-20% would have on the Group's profit and equity. The movement in the price variable has been determined based on management's best estimate, having regard to a number of factors, including historical levels of price movement, historical correlation of the Group's investments with the relevant benchmark and market volatility. However, actual movements in the price may be greater or less than anticipated due to a number of factors. As a result, historic price variations are not a definitive indicator of future price variations.

	Carrying amount \$'000	-20%		+20%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
2008					
Assets					
Listed shares	2,004	(281)	(281)	281	281
Total increase/(decrease)		(281)	(281)	281	281

(b) Unlisted units price risk

The Group is exposed to unlisted units price risk. This arises from an investment in unlisted property funds managed by the Group. These funds invest in direct property.

Price rate sensitivity analysis

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

	Carrying amount \$'000	-10%		+10%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
2008					
Assets					
Unlisted units	225,279	(22,528)	(22,528)	22,528	22,528
Total increase/(decrease)		(22,528)	(22,528)	22,528	22,528

(ii) 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 receipts are not materially exposed to changes in market interest rates.

The Group's interest rate risk arises from long term borrowings of \$260,982,000 (2007: \$158,572,000). 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 75% (2007: 70%) of debt had fixed interest rates through the use of derivatives.

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. Refer to note 15(c) for interest rate sensitivity analysis on assets and note 23(d) for sensitivity analysis for liabilities.

Notes to the Financial Statements

30 June 2008

2. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) 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 Finance aims at maintaining flexibility in funding by keeping committed credit lines available.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, except for interest rate swaps.

Maturities of financial liabilities

	Carrying Amount \$'000	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total cash flows \$'000
2008 Consolidated						
Non-interest bearing	1,002	1,002	–	–	–	1,002
Bank and other loans	260,981	22,430	283,411	–	–	305,841
Interest rate swaps	(5,880)	(2,901)	(2,868)	–	–	(5,769)
	256,103	20,531	280,543	–	–	301,074

	Carrying Amount \$'000	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total cash flows \$'000
2007 Consolidated						
Non-interest bearing	1,252	1,252	–	–	–	1,252
Bank and other loans	158,572	11,372	169,944	–	–	181,316
Interest rate swaps	(5,345)	(727)	(694)	(661)	–	(2,082)
	154,479	11,897	169,250	(661)	–	180,486

	Carrying Amount \$'000	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total cash flows \$'000
2008 Parent						
Non-interest bearing	53	53	–	–	–	53
Bank and other loans	129,008	30,014	30,014	90,042	228,299	378,369
	129,061	30,067	30,014	90,042	228,299	378,422

	Carrying Amount \$'000	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total cash flows \$'000
2007 Parent						
Non-interest bearing	5	5	–	–	–	5
Bank and other loans	75,351	14,104	14,104	42,311	128,264	161,903
	75,356	14,109	14,104	42,311	128,264	161,908

Notes to the Financial Statements

30 June 2008

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. The estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Estimated value of investments

Critical judgements are made by the Group in respect of the fair value of investments in associates (note 35) and investment properties (note 19). These investments are reviewed regularly for impairment by reference to external independent property valuations and market conditions, using generally accepted market practices.

(ii) Estimated performance fees

Critical judgements are made by the Group in respect of recognising performance fee revenue. Performance fees are only recognised if it is probable a fee will be received. Detailed calculations are completed and the risks associated with the fee are assessed when deciding when it is appropriate to recognise revenue.

4. UNDERLYING EARNINGS PER SECURITY

The Responsible Entity does not consider it appropriate to use profit under certain Australian Accounting Standards to determine distributions to securityholders. The table below outlines the Responsible Entity's adjustments to profit under Australian Accounting Standards to determine the amount the Responsible Entity believes should be available for distribution for the current year. The Responsible Entity uses this amount as guidance for determination.

Underlying earnings is a financial measure which is not prescribed by Australian Accounting Standards and represents the profit under Australian Accounting Standards adjusted for certain unrealised and non-cash items. Per the Trust Constitution, the adjustments, and therefore the amount distributed to securityholders are at the discretion of the Responsible Entity. The Responsible Entity will use the underlying earnings calculated as a guide to assessing an appropriate distribution to declare.

The adjustments made to profit under Australian Accounting Standards in order to solely determine underlying earnings may change from time to time depending on future changes to accounting standards and the Responsible Entity's assessment as to whether non-recurring or infrequent items (such as realised gains on the sale of properties) will be distributed to securityholders.

	Consolidated	
	2008	2007
Earning per security per note 39 (cents)	16.31	12.00
Underlying earning per security (cents)	12.74	9.51
Earnings used in the calculation of underlying earnings per security ('000s)	52,742	34,223
Weighted average number of ordinary securities used in the calculation of underlying earnings per security ('000s) (note 39)	413,905	359,384
	\$'000	\$'000
Net profit attributable to stapled securityholders of the Group	67,498	43,168
Net gain from fair value adjustments	(15,287)	(11,493)
Foreign exchange gain	(922)	–
Gains on sale of investments	(838)	–
Tax expense / (benefit) on unrealised gains or losses	(1,552)	852
Non cash long term incentive plan	2,669	882
Amortisation of fees paid for raising of wholesale equity	755	480
Amortisation of lease incentives	419	344
Underlying earnings	52,742	34,233
Distribution paid/payable	52,117	3 8,072
Distribution paid/payable per security (cents)	12.60	10.44

Notes to the Financial Statements

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5. 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 property funds.

Funds management and corporate

Property funds management, development management and property management.

	Property Investment \$'000	Funds management and corporate \$'000	Inter-segment eliminations/ unallocated \$'000	Consolidated \$'000
2008				
Revenue	78,394	40,214	(27,548)	91,060
Inter-segment sales (note (ii))	–	745	(745)	–
Total sales revenue	78,394	40,959	(28,293)	91,060
Gain on sale of Investments	838	–	–	838
Share of net profit of associates (note (iii))	–	7,534	–	7,534
Total segment revenue/income	79,232	48,493	(28,293)	99,432
Segment result before interest expense	70,566	26,345	(27,548)	69,363
Interest expense	(20,109)	(27,550)	27,548	(20,111)
Segment result after interest expense	50,457	(1,205)	–	49,252
Fair value adjustments	21,132	(5,845)	–	15,287
Profit before income tax	71,589	(7,050)	–	64,539
Income tax benefit	(203)	3,162	–	2,959
Profit for the period	71,386	(3,888)	–	67,498
Segment assets	842,817	93,762	(134,658)	801,921
Segment liabilities (note (ii))	299,758	144,501	(134,658)	309,601
Investments in associates (note (iii))	225,279	52,344	–	277,623
Acquisitions of plant and equipment and other non-current segment assets	8,944	474	–	9,418
Depreciation and amortisation expense	–	(252)	–	(252)
Long term incentive expenses	–	(2,669)	–	(2,669)
	Property Investment \$'000	Funds management and corporate \$'000	Inter-segment eliminations/ unallocated \$'000	Consolidated \$'000
2007				
Revenue	49,379	25,648	(14,163)	60,864
Inter-segment sales (note (ii))	–	1,997	(1,997)	–
Total sales revenue	49,379	27,645	(16,160)	60,864
Share of net profit of associates (note (iii))	–	287	–	287
Total segment revenue/income	49,379	27,932	(16,160)	61,151
Segment result before interest expense	41,005	14,307	(15,455)	39,857
Interest expense	(6,496)	(14,163)	14,163	(6,496)
Segment result after interest expense	34,509	144	(1,292)	33,361
Fair value adjustments	7,363	2,838	1,292	11,493
Profit before income tax	41,872	2,982	–	44,854
Income tax expense	57	(1,743)	–	(1,686)
Profit for the period	41,929	1,239	–	43,168
Segment assets	690,301	36,740	(76,663)	650,378
Segment liabilities (note (ii))	184,170	81,860	(76,663)	189,367
Investments in associates (note (iii))	142,096	8,609	–	142,856
Acquisitions of plant and equipment and other non-current segment assets	145,913	1,245	–	147,158
Depreciation and amortisation expense	–	(197)	–	(197)
Long term incentive expenses	–	(882)	–	(882)

Notes to the Financial Statements

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5. SEGMENT INFORMATION (CONTINUED)

(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 17% of Charter Hall Diversified Property Fund, 20% of Charter Hall Core Plus Office Fund, 25% of Charter Hall Core Plus Industrial Fund and <1% of Charter Hall Umbrella Fund which are all accounted for at fair value and are allocated to the property investment segment. Investments of 3% in Charter Hall Opportunity Fund 4, 15% in Charter Hall Opportunity Fund 5 and 50% of Commercial and Industrial Property Pty Ltd are equity accounted and allocated to the funds management and corporate segment.

6. REVENUE

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Sales revenue				
Gross rental income	36,548	26,726	-	-
Management and performance fees	39,570	24,977	49	-
	76,118	51,703	49	-
Other revenue				
Interest	5,401	5,043	707	766
Distributions / dividends	9,541	4,083	15,642	3,610
	91,060	60,829	16,398	4,376

7. FAIR VALUE ADJUSTMENTS

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Investment properties	4,156	(3,791)	-	-
Investments in financial assets	10,218	11,080	-	-
Derivative financial instruments	913	4,204	-	-
	15,287	11,493	-	-

Notes to the Financial Statements

30 June 2008

8. EXPENSES

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Profit before income tax includes the following specific expenses:				
Depreciation				
Plant and equipment	252	197	-	-
Finance costs				
Interest and finance charges paid/payable	20,111	6,496	27,548	14,163
Defined contribution superannuation expense	1,046	654	-	-
Rent expense relating to operating leases				
Minimum lease payments	444	349	-	-
Doubtful Debts				
Impairment losses – Financial assets				
Trade receivables	300	190	-	-

9. INCOME TAX EXPENSE

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
(a) Income tax expense / (gain)				
Current tax	(165)	(180)	(3,623)	-
Deferred tax	(2,981)	1,674	(4,231)	(3,545)
Under provided in prior years	187	192	20	5
	(2,959)	1,686	(7,834)	(3,540)
Deferred income tax (revenue) expense included in income tax expense comprises:				
Increase in deferred tax assets (note 20)	(3,827)	(4)	(4,418)	(3,758)
Increase in deferred tax liabilities (note 24)	846	1,678	187	213
	(2,981)	1,674	(4,231)	(3,545)
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit before income tax expense	64,539	44,854	(11,218)	(9,869)
Tax at the Australian tax rate of 30%	19,362	13,456	(3,365)	(2,961)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Charter Hall Property Trust income	(21,321)	(12,562)	-	-
Entertainment	16	7	-	-
Share based payments expense	801	341	-	341
Reversal of tax losses previously recognised	-	131	-	131
Non-taxable dividends	(2,167)	-	(4,599)	(997)
Adjustments to current tax of prior periods	187	192	20	5
Sundry items	163	121	110	(59)
	(2,959)	1,686	(7,834)	(3,540)
(c) Amount recognised directly in equity				
Net deferred tax debited directly to equity (note 26)	-	5	-	-

Notes to the Financial Statements

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9. INCOME TAX EXPENSE (CONTINUED)

(d) Tax consolidation legislation

Charter Hall Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation 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 33).

10. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Cash at bank and in hand	16,153	3,808	328	168
Deposits at call	30	22,699	–	–
	16,183	26,507	328	168

(a) Cash at bank and on hand

These amounts earn between 6.8% and 7.2% (2007: 5.5% and 5.8%).

(b) Deposits at call

The deposits are bearing floating interest rates between 7.3% and 7.4% (2007: 6.0% and 6.3%). These deposits have an average maturity of 28 days (2007: 25 days).

11. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Trade receivables	19,529	9,715	–	–
Provision for doubtful debts	(300)	(290)	–	–
	19,229	9,425	–	–
Loans to associates	–	9,283	–	–
GST receivable	–	33	–	–
Other receivables	9,936	4,173	64	–
Prepayments	3,179	3,650	–	–
	32,344	26,564	64	–

Further information relating to loans to associates is set out in note 33.

Notes to the Financial Statements

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11. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Bad and doubtful trade receivables

The Group has recognised a loss of \$300,000 (2007: \$190,000) in respect of bad and doubtful trade receivables during the period ended 30 June 2008. The loss has been included in 'other expenses' in the income statement.

Movements in the provision for impairments of receivables are as follows:

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Opening balance	(290)	–	–	–
Provision for impairment recognised during the year	(300)	(290)	–	–
Receivables written off during the year	290	–	–	–
	(300)	(290)	–	–

(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 15).

12. CURRENT ASSETS – FINANCIAL ASSETS AVAILABLE FOR SALE

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Other assets	–	218	–	–
	–	218	–	–

13. NON-CURRENT ASSETS – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Opening balance	149,945	3,988	–	–
Additions	102,862	134,990	–	–
Reallocation	–	(100)	–	–
Revaluation	12,120	11,067	–	–
Disposals	(37,644)	–	–	–
Closing balance	227,283	149,945	–	–
Share and units in associates (note 35)	225,279	142,096	–	–
Shares in listed securities	2,004	7,849	–	–
	227,283	149,945	–	–

Changes in fair values of other financial assets at fair value through profit or loss are recorded in fair value gains / (losses) in the income statement.

These investments have been designated at fair value through the profit and loss.

Information about the Group's and parent entity's material exposure to security price risk is provided in note 2(a)(i).

Notes to the Financial Statements

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14. DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Non-current assets				
Interest rate swap contracts	5,880	5,345	-	-
Total non-current derivative financial instrument assets	5,880	5,345	-	-

(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).

Interest rate swap contracts

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 75% (2007: 70%) of the loan principal outstanding and are timed to expire as each loan repayment falls due. The fixed interest rates range between 6.55% and 7.74% for \$AUD swaps (including margin and line fees) (2007: 6.02% and 6.70%). There is one \$NZ swap which has a rate of 8.56%. Hedging is at 75% to allow for the raising of external equity in the Charter Hall Core Plus Retail Fund which was a wholly owned subsidiary as at 30 June 2008.

At 30 June 2008, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	2008 \$'000	2007 \$'000
1 – 2 years	47,000	-
3 – 4 years	33,000	47,000
4 – 5 years	-	-
5 – 6 years	-	63,450
6 – 7 years	40,000	-
8 – 9 years	-	-
9 – 10 years	40,000	-
10 – 11 years	-	-
11 – 12 years	35,598	-
	195,598	110,450

The contracts require settlement of net interest receivable or payable each 90 days. 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 was previously deferred in equity in the hedging reserve. With the hedge no longer tested for effectiveness \$1,331,000 was recorded in equity at 31 December 2006 and is currently being amortised to fair value adjustments over the period of the hedge remaining. The amount amortised in the year ended 30 June 2008 was \$378,865 (2007: \$189,432). The amount of the hedge recorded directly in fair value adjustments in the profit and loss statement was \$534,424 (2007: \$4,014,000).

(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 23(c) for the Group's exposure to interest rate risk on interest rate swaps.

Notes to the Financial Statements

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15. NON-CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Loans to key management personnel	5,082	7,062	5,082	7,062
Loans to subsidiaries	–	–	8,681	5,019
Other receivables	–	343	–	343
	5,082	7,405	13,763	12,424

Further information relating to loans to key management personnel is set out in note 30.

(a) Fair values

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

	2008		2007	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Loans to key management personnel	5,082	5,082	7,062	7,062
Other receivables	–	–	343	343
	5,082	5,082	7,405	7,405

(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.

	Floating interest rate \$'000	Fixed interest maturing in:						Non interest bearing \$'000	Total \$'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		
2008									
Trade receivables	–	–	–	–	–	–	–	19,229	19,229
Loans to key management personnel	–	–	–	5,082	–	–	–	–	5,082
Other receivables	–	–	–	–	–	–	–	13,115	13,115
	–	–	–	5,082	–	–	–	32,344	37,426
Weighted average interest rate	–	–	–	12.60%	–	–	–	–	

	Floating interest rate \$'000	Fixed interest maturing in:						Non interest bearing \$'000	Total \$'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		
2007									
Trade receivables	–	–	–	–	–	–	–	9,425	9,425
Loans to associates	–	7,901	–	–	–	–	–	1,382	9,283
Loans to others	–	–	–	–	343	–	–	–	343
Loans to key management personnel	–	–	–	–	7,062	–	–	–	7,062
Other receivables	–	–	–	–	–	–	–	7,856	7,856
	–	7,901	–	–	7,405	–	–	18,663	33,969
Weighted average interest rate	–	8.75%	–	–	10.44%	–	–	–	

Notes to the Financial Statements

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15. NON-CURRENT ASSETS – TRADE AND OTHER RECEIVABLES (CONTINUED)

(c) Interest rate sensitivity analysis

The following table illustrates the potential impact a change in interest rates by +/-1% would have on the Group's profit and equity.

Consolidated 2008	Carrying amount \$'000	-1%		+1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Assets					
Cash and cash equivalents	16,183	(162)	(162)	162	162
Derivative financial instruments	5,880	(9,579)	(9,579)	9,006	9,006
Total increase/(decrease)		(9,741)	(9,741)	9,168	9,168

Consolidated 2007	Carrying amount \$'000	-1%		+1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Assets					
Cash and cash equivalents	26,507	(265)	(265)	265	265
Derivative financial instruments	5,345	(2,794)	(2,794)	2,693	2,693
Total increase/(decrease)		(3,059)	(3,059)	2,958	2,958

Parent 2008	Carrying amount \$'000	-1%		+1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Assets					
Cash and cash equivalents	328	(3)	(3)	3	3
Total increase/(decrease)		(3)	(3)	3	3

Parent 2007	Carrying amount \$'000	-1%		+1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Assets					
Cash and cash equivalents	168	(2)	(2)	2	2
Total increase/(decrease)		(2)	(2)	2	2

Notes to the Financial Statements

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15. NON-CURRENT ASSETS – TRADE AND OTHER RECEIVABLES (CONTINUED)

(d) Credit risk

There is a limited 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.

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

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
1 to 3 months	139	–	–	–
3 to 6 months	96	201	–	–
	235	201	–	–

The receivables that are aged 1 to 3 months are considered past due but not impaired while the receivables aged 3 to 6 months are considered to be impaired and have been provided for in addition to other provisions required.

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

	Consolidated	
	2008 \$'000	2007 \$'000
Units in associates (note 35)	6,502	760
Shares in joint venture entity (note 36)	43,838	–
	50,340	760

(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.

(b) Shares in joint venture entity

The interest in CIP is accounted for in the consolidated financial statements using the equity method of accounting and is carried at cost by the parent entity.

17. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Shares and units in subsidiaries (note 35)	–	–	1,600	1,600
Shares and units in associates (note 35)	–	–	6,584	760
Shares in joint venture (note 36)	–	–	40,509	–
Units to be issued for equity contributed	18,182	–	–	–
	18,182	–	48,693	2,360

These financial assets are carried at cost.

\$18,182,000 was invested by CHPT into CPOF on 27 June 2008 with units not being issued until 1 July 2008

Movements in other financial assets

Opening balance	–	–	2,360	2,097
Additions	18,182	–	46,333	–
Revaluation	–	–	–	263
Closing balance	18,182	–	48,693	2,360

Notes to the Financial Statements

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18. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

Consolidated	Furniture, fittings and equipment \$'000	Fixtures \$'000	Total \$'000
Year ended 30 June 2007			
Opening net book amount	307	–	307
Additions	211	1,034	1,245
Depreciation charge	(111)	(86)	(197)
Closing net book amount	407	948	1,355
At 30 June 2007			
Cost	870	1,034	1,904
Accumulated depreciation	(463)	(86)	(549)
Net book amount	407	948	1,355
Year ended 30 June 2008			
Opening net book amount	407	948	1,355
Additions	472	2	474
Depreciation charge	(217)	(35)	(252)
Closing net book amount	662	915	1,577
At 30 June 2008			
Cost	1,207	1,073	2,280
Accumulated depreciation	(545)	(158)	(703)
Net book amount	662	915	1,577

19. NON-CURRENT ASSETS – INVESTMENT PROPERTIES

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
At Fair value				
Opening balance	430,701	284,788	–	–
Acquisitions and additions	103,563	253,738	–	–
Lease incentives paid	761	2,957	–	–
Lease incentives amortised	(419)	(211)	–	–
Asset removed on deconsolidation	–	(106,780)	–	–
Disposals	(99,117)	–	–	–
Net gain / (loss) from fair value adjustment	4,156	(3,791)	–	–
Closing balance at 30 June	439,645	430,701	–	–
(a) Amounts recognised in profit and loss for investment property				
Rental income	36,548	26,726	–	–
Direct operating expenses from property that generated rental income	(8,275)	(7,120)	–	–
	28,273	19,606	–	–

Notes to the Financial Statements

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19. NON-CURRENT ASSETS – INVESTMENT PROPERTIES (CONTINUED)

Property	Type	% Owned	Date acquired	Cost incl additions \$'000	Independent valuation date	Independent valuation amount \$'000	Valuer	Book value 2008 \$'000	Book value 2007 \$'000
61 Nepean Hwy, Mentone ¹	Bulky retail	50	15/6/05	27,399	31/12/07	27,595	Savills	27,595	23,615
570 Bourke St, Melbourne ³	Office	0	20/6/05	–	30/6/07	72,000	CBRE	–	72,000
56 Anzac St, Chullora ⁵	Industrial	100	21/6/05	18,589	30/6/07	19,250	Savills	17,150	19,250
400 Kent St, Sydney ³	Office	0	28/7/05	–	30/9/07	26,650	Savills	–	26,650
372 Whitehorse Rd, Nunawading ²	Bulky retail	100	31/10/06	72,922	30/6/08	69,000	Savills	69,000	67,931
25 Nepean Hwy, Mentone	Bulky retail	100	21/7/06	23,059	30/6/08	24,600	Savills	24,600	21,900
CPRF properties⁴									
Bunnings, Kalgoorlie	Bulky retail	100	20/12/06	6,571	30/6/08	6,600	CBRE	6,600	6,200
Bunnings, Bendigo	Bulky retail	100	20/12/06	9,213	30/6/08	9,100	CBRE	9,100	8,700
Harvey Norman, Dunedin, NZ	Bulky retail	100	2/2/07	14,253	30/6/08	14,239	CBRE	14,239	16,343
Bunnings, Box Hill	Bulky retail	100	20/6/07	27,722	30/6/08	25,400	Colliers	25,400	26,220
Bunnings, Nerang	Bulky retail	100	20/6/07	20,058	30/6/08	18,750	Colliers	18,750	19,100
Bunnings, Nowra	Bulky retail	100	20/6/07	14,588	30/6/08	13,800	Colliers	13,800	13,720
Bunnings, Penrith	Bulky retail	100	20/6/07	28,020	30/6/08	25,600	Colliers	25,600	26,520
Bunnings, Stafford	Bulky retail	100	20/6/07	21,669	30/6/08	21,250	Colliers	21,250	20,640
Bunnings, Belconnen	Bulky retail	100	27/6/07	25,475	30/6/08	23,500	Colliers	23,500	23,800
Foodtown, Auckland, NZ ^(c)	Retail	100	N/A	24,643	30/6/08	22,150	Colliers	24,613	1,271
							Knight		
Home HQ, Ipswich ¹	Retail	100	14/8/07	12,547	30/6/08	12,547	Frank	11,047	–
Home HQ, Rothwell ¹	Bulky retail	100	28/9/07	17,923	30/6/08	17,300	Savills	17,300	–
Menai Central, Menai ⁴	Retail	100	4/7/05	224	30/6/08	39,000	CBRE	39,000	36,746
Bluewater Square, Redcliffe ¹	Retail	100	N/A	53,217	30/6/08	53,217	CBRE	51,101	95
				418,092				439,645	430,701

1 Development assets which have been valued by directors from CPRF's perspective. The valuation includes capitalised interest paid to CHPT which is eliminated on consolidation.

2 Valuation is based on a capitalised value of \$72.3m less an allowance for incentives required to be paid for the property to be fully leased.

3 400 Kent St, Sydney was sold on 24 December 2007. 570 Bourke St, Melbourne was sold on 27 June 2008. CPRF properties are properties held in a wholly owned sub trust of CHPT.

4 Menai Central was purchased by CHPT on 4 July 2005. A lease transferred ownership to Charter Hall MMN Trust a subsidiary of CPRF on 22 February 2008.

5 This property is shown at directors valuation.

(b) 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 2008 revaluations were based on a combination of directors' valuations and independent valuations.

(c) Foodtown financial liability

The independent valuation reflects the net property value after deducting the Foodtown ground rent lease value \$2,462,000 from the valuation of total income to be received.

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Foodtown financial liability	2,462	–	–	–

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20. NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
The balance comprises temporary differences attributable to:				
Prepayments	-	15	-	210
Employee benefits	256	247	-	-
Other provisions	26	256	-	-
Financial assets at fair value through profit and loss	902	-	-	-
Fund establishment costs	-	214	-	-
Tax losses	3,926	551	10,105	5,477
	5,110	1,283	10,105	5,687
Movements:				
Opening balance	1,283	1,284	5,687	1,929
Credited to the income statement (note 9)	3,827	4	4,418	3,758
Amounts recognised in equity	-	(5)	-	-
Closing balance at 30 June	5,110	1,283	10,105	5,687
Deferred tax assets to be recovered after more than 12 months	5,110	1,283	10,105	5,687
Deferred tax assets to be recovered within 12 months	-	-	-	-
	5,110	1,283	10,105	5,687

21. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Trade payables	1,002	2,991	53	5
Deposits	-	86	-	-
Accruals	11,705	4,268	-	-
Distribution payable	25,670	20,677	-	-
GST payables	2,083	-	5	-
Other payables	2,031	21	-	-
	42,491	28,043	58	5

22. CURRENT LIABILITIES – PROVISIONS

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Employee benefits – long service leave	109	149	-	-
	109	149	-	-

(a) Movements in provisions

Refer to note 25 for the movement in provisions and split between current and non-current.

23. NON-CURRENT LIABILITIES – BORROWINGS

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Unsecured				
Bank loans	260,981	158,572	-	-
Loan – Charter Hall Property Trust	-	-	129,008	75,351
Total unsecured non-current borrowings	260,981	158,572	129,008	75,351

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23. NON-CURRENT LIABILITIES – BORROWINGS (CONTINUED)

(a) Total unsecured liabilities

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

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Bank loans	260,981	158,572	–	–
Loan – Charter Hall Property Trust	–	–	129,008	75,351
Total unsecured liabilities	260,981	158,572	129,008	75,351

(b) Financing arrangements

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

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Total facilities	304,079	160,000	150,000	150,000
Used at balance date	260,981	158,572	129,008	75,351
Unused at balance date	43,098	1,428	20,992	74,649

The consolidated entity has access to a National Australia Bank \$270m 3 year evergreen facility and a \$34m year facility. Subject to the continuance of satisfactory loan covenants and credit ratings, the bank loan facilities may be drawn at any time.

In August 2008 CPRF secured a 3 year debt facility of \$250m from National Australia Bank and St George Bank and used the facility to repay loans from CHPT. CHPT used the proceeds to repay the \$34m year facility and the \$270m facility. In August 2008 CHPT obtained a new \$100m debt facility that expires in July 2011.

The Parent entity has a facility provided by CHPT.

(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.

	Floating interest rate \$'000	Fixed interest rate						Total \$'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	
2008 Consolidated								
Bank and other loans	260,981	–	–	–	–	–	–	260,981
Interest rate swaps	(195,598)	–	47,000	33,000	–	–	115,598	–
	65,383	–	47,000	33,000	–	–	115,598	260,981
Weighted average interest rate	8.46%	–	6.55%	7.44%	–	–	7.99%	

	Floating interest rate \$'000	Fixed interest rate						Total \$'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	
2007 Consolidated								
Bank and other loans	158,572	–	–	–	–	–	–	158,572
Interest rate swaps	(110,450)	–	–	–	47,000	–	63,450	–
	48,122	–	–	–	47,000	–	63,450	158,572
Weighted average interest rate	7.02%	–	–	–	6.02%	–	6.52%	

Notes to the Financial Statements

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23. NON-CURRENT LIABILITIES – BORROWINGS (CONTINUED)

(d) Interest rate sensitivity analysis

The following table illustrates the potential impact a change in interest rates by +/-1% would have on the Group's profit and equity.

Consolidated 2008	Carrying amount \$'000	-1%		+1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Liabilities					
Trade and other payables	42,491	–	–	–	–
Financial liabilities	2,462	–	–	–	–
Borrowings	260,981	654	654	(654)	(654)
Total increase/(decrease)		654	654	(654)	(654)

Consolidated 2007	Carrying amount \$'000	-1%		+1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Liabilities					
Trade and other payables	28,043	–	–	–	–
Financial liabilities	–	–	–	–	–
Borrowings	158,572	481	481	(481)	(481)
Total increase/(decrease)		481	481	(481)	(481)

Parent 2008	Carrying amount \$'000	-1%		+1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Liabilities					
Trade and other payables	58	–	–	–	–
Borrowings	129,008	1,178	1,178	(1,178)	(1,178)
Total increase/(decrease)		1,178	1,178	(1,178)	(1,178)

Parent 2007	Carrying amount \$'000	-1%		+1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Liabilities					
Trade and other payables	5	–	–	–	–
Borrowings	75,351	601	601	(601)	(601)
Total increase/(decrease)		601	601	(601)	(601)

(e) Fair value

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

	2008		2008 Parent	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
On-balance sheet				
Non-traded financial liabilities				
Bank loans	260,981	261,270	–	–
Other loans	–	–	129,008	129,008

Notes to the Financial Statements

30 June 2008

23. NON-CURRENT LIABILITIES – BORROWINGS (CONTINUED)

(e) Fair value (continued)

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.

Capital risk management

Gearing is a measure used to monitor levels of debt capital used by the business to fund its operations. This ratio is calculated as interest bearing debt divided by tangible assets, net of cash and cash equivalents.

The gearing ratios at 30 June 2008 and 30 June 2007 were 31.0% and 21.2% respectively.

24. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
The balance comprises temporary differences attributable to:				
Financial assets at fair value through profit and loss	–	832	–	–
Prepayments	11	16	–	–
Fund establishment costs	739	946	–	–
Accrued revenue	2,370	367	555	367
Depreciation on New Zealand assets	288	–	–	–
Other	–	401	–	1
	3,408	2,562	555	368
Movements:				
Opening balance	2,562	884	368	155
Charged/(credited) to the income statement (note 9)	846	1,678	187	213
Closing balance at 30 June	3,408	2,562	555	368
Deferred tax liabilities to be settled after more than 12 months	3,408	2,562	555	368
Deferred tax liabilities to be settled within 12 months	–	–	–	–
	3,408	2,562	555	368

25. NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Employee benefits – long service leave	150	41	–	–

(a) Movements in provisions

Movements in employee benefits provisions are set out below:

	Consolidated	
	2008 \$'000	2007 \$'000
Long service leave		
Opening balance	190	131
Additional provisions recognised	69	59
Carrying amount at end of period	259	190
Current	109	149
Non-current	150	41
Total	259	190

Notes to the Financial Statements

30 June 2008

26. CONTRIBUTED EQUITY

(a) Security capital*

	Notes	Parent		Parent	
		2008 Securities	2007 Securities	2008 \$'000	2007 \$'000
Ordinary securities	(b),(c)				
Fully paid		413,983,609	409,120,620	526,822	513,597
		413,983,609	409,120,620	526,822	513,597

(b) Movements in ordinary security capital:

Details	Notes	Number of securities	Issue price	\$'000
Opening balance		329,186,141		336,459
Addback LTI securities reversed last year		6,200,000		6,222
Entitlement issue	(f)	15,423,367	\$1.27	19,588
Employee security scheme issue	(e)	6,299,213	\$1.27	8,000
Employee security scheme issue	(e)	352,564	\$1.56	550
Employee security scheme issue	(e)	807,453	\$1.61	1,300
Employee security scheme issue	(e)	50,000	\$2.00	100
Employee security scheme issue	(e)	202,428	\$2.47	500
Securities issued to Wyllie as part of asset purchase	(g)	18,000,000	\$1.48	26,764
Placement	(h)	44,444,445	\$3.00	133,333
Balance at 30 June 2007		420,965,611		532,816
Less: Transaction costs on security issues		–		(4,621)
Less: LTI securities reversed		(11,844,991)		(14,598)
Balance per accounts at 30 June 2007		409,120,620		513,597
Addback LTI securities reversed last year		11,844,991		14,598
Employee security scheme issue	(e)	10,041,015	\$2.76	27,713
Issue for purchase of CIP	(i)	5,599,098	\$2.68	15,000
Gift to employee issue	(j)	23,320	\$2.83	66
Security purchase plan	(k)	68,976	\$3.00	207
Employee security scheme issue	(e)	793,701	\$1.51	1,198
Balance at 30 June 2008		437,491,721		572,379
Less: Transaction costs on security issues		–		(246)
Less: LTI securities reversed		(23,508,112)		(45,311)
Balance per accounts at 30 June 2008		413,983,609		526,822
Charter Hall Limited				5,272
Charter Hall Property Trust				521,550

* 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.

In 2007 the issued capital of \$513,597,000 was divided between Charter Hall Limited \$5,131,000 and Charter Hall Property Trust \$508,466,000.

Notes to the Financial Statements

30 June 2008

26. CONTRIBUTED EQUITY (CONTINUED)

(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 placement are fully paid with no entitlement to the distribution for 30 June 2008.

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 reinvestment plan

The company has established a distribution reinvestment plan (DRP) under which holders of ordinary securities may elect to have all or part of their distribution 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 activated for the 30 June 2008 distribution.

(e) Employee security scheme

Information on the employee security scheme, including details of securities issued under the scheme, is set out in note 40.

(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.

(g) Wyllie issue

On 11 December 2006, 18,000,000 securities were issued to Wyllie Group and \$26,764,000 was received as proceeds. This was part of the purchase of 225 St Georges Terrace, Perth by Charter Hall Core Plus Office Fund.

(h) Placement

On 6 June 2007 44,444,445 securities were issued at \$3.00 partially used to fund the acquisition of the Bunnings Portfolio and a 50% interest in Commercial and Industrial Property Pty Limited. The securities were not entitled to the distribution for the six months ended 30 June 2007.

(i) Issue for purchase of CIP

On 20 July 2007 5,599,098 securities were issued at \$2.68 as part payment for the purchase of a 50% interest in Commercial and Industrial Property Pty Limited.

(j) Gift to employees

On 23 July 2007 23,320 securities were issued at \$2.83 to employees of the Group to mark the market capitalisation of CHG reaching \$1bn. 530 securities per employee were granted to 44 employees and are subject to escrow conditions governing the sale of the securities.

(k) Security purchase plan

In line with the placement all securityholders were given the opportunity to purchase securities in the Group at \$3.00. As a result on 23 July 2007 68,976 securities were issued at \$3.00 per security.

Notes to the Financial Statements

30 June 2008

27. RESERVES AND RETAINED PROFITS

(a) Reserves

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Hedging reserve – cash flow hedges	763	1,142	–	–
Business combination reserve	(52,000)	(52,000)	(52,000)	(52,000)
Security-based payments reserve	5,434	1,048	1,717	–
Foreign currency reserve	(1,235)	22	(57)	–
	(47,038)	(49,788)	(50,340)	(52,000)
Charter Hall Limited and controlled entities	(46,679)	(50,952)		
Charter Hall Property Trust	(359)	1,164		
	(47,038)	(49,788)		

Movements:

Hedging reserve – cash flow hedges				
Opening balance	1,142	2,482	–	–
Hedge novated to Charter Hall Core Plus Fund	–	(1,512)	–	–
Revaluation	–	361	–	–
Amortisation	(379)	(189)	–	–
Closing balance	763	1,142	–	–

Security-based payments reserve				
Opening balance	1,048	165	–	–
Expense relating to LTI scheme	4,386	883	1,717	–
Closing balance	5,434	1,048	1,717	–

Business combination reserve				
Opening and closing balance	(52,000)	(52,000)	(52,000)	(52,000)

Foreign currency reserve				
Opening balance	22	–	–	–
Translation	(1,257)	22	(57)	–
Closing balance	(1,235)	22	(57)	–

(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.

(iii) Business combination reserve

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

(b) Retained profits / (accumulated losses)

Movements in retained profits were as follows:

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Opening balance	(2,798)	(7,636)	(7,921)	(1,592)
Net profit / (loss) for the year	67,498	43,168	(3,384)	(6,329)
Distributions / dividends	(52,117)	(38,074)	–	–
Other	(47)	(256)	–	–
Balance 30 June	12,536	(2,798)	(11,305)	(7,921)
Charter Hall Limited and controlled entities	(3,683)	207		
Charter Hall Property Trust	16,219	(3,005)		
	12,536	(2,798)		

Notes to the Financial Statements

30 June 2008

28. 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 Interpretation 1002 *Post date of transition stapling arrangements* (AASB 1 – 1002), Charter Hall Limited has been identified as the Parent Entity in relation to the stapling. In accordance with AASB 1 – 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 securityholders of CHL are the same as the stapled securityholders of CHPT.

	Notes	Consolidated		Parent entity	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Interest in:					
Contributed equity	26(b)	521,550	508,466	–	–
Reserves	27(a)	(359)	1,164	–	–
Retained profits	27(a)	16,219	(3,005)	–	–
		537,410	506,625	–	–

29. DISTRIBUTIONS

(a) Ordinary securities

	Consolidated entity	
	2008 \$'000	2007 \$'000
– Interim ordinary distribution for the 6 months ended 31 December 2007 of 6.30 cents per security paid on 29 February 2008	27,512	–
– Final ordinary distribution for the 6 months ended 30 June 2008 of cents per security expected to be paid on 29 August 2008	27,562	–
– Interim ordinary distribution for the 6 months ended 31 December 2007 of 4.77 cents per security paid on 28 February 2007	–	17,950
– Final ordinary distribution for the 6 months ended 30 June 2007 of 5.67 cents per security paid on 31 August 2007	–	21,349
Total distributions provided for or paid	55,074	39,299
Less: distributions paid to holders of LTI securities	(2,957)	(1,227)
	52,117	38,072

Distributions paid in cash or satisfied by the issue of securities under the distribution reinvestment plan during the period ended 30 June were as follows:

Paid in cash	27,512	39,299
Satisfied by issue of securities	27,562	–
	55,074	39,299

30. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

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

(i) Chairman – non-executive
K Roxburgh

(ii) Executive directors
C Fuchs

D Harrison (Joint Managing Director)

D Southon (Joint Managing Director)

(iii) Non-executive directors
R Woodhouse (Deputy Chairman)

A Biet (resigned 24/10/07)

P Derrington

G Fraser

C McGowan

Notes to the Financial Statements

30 June 2008

30. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(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 year:

Name	Position	Employer
J Bakker	Corporate Development Director	Charter Hall Holdings Pty Ltd
R Champion	Fund Manager and Retail Director	Charter Hall Holdings Pty Ltd
M Winnem	Fund Manager and Development Director	Charter Hall Holdings Pty Ltd

(c) Key management personnel compensation

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Short term employee benefits	3,866,722	2,347,448	-	-
Post-employment benefits	257,887	265,438	-	-
Security-based payment	1,746,376	487,493	-	-
	5,870,985	3,100,379	-	-

Detailed remuneration disclosures are provided in sections A-C of the remuneration report on pages 73 to 76.

(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.

Name	Opening balance	Purchased/ (sold) during the period	LTI securities	Balance at the end of the period ¹
			vesting during the period	
Directors of Charter Hall Limited				
Ordinary securities				
A Biet (resigned 24/10/07) ²	5,559,724	(350,000)	-	5,209,724
P Derrington	-	-	-	-
G Fraser	225,000	125,000	-	350,000
C Fuchs	5,486,595	(80,000)	481,233	5,887,828
D Harrison	8,666,809	(1,648,195)	878,806	7,897,420
C McGowan	-	-	-	-
K Roxburgh	50,000	-	-	50,000
D Southon	8,754,870	(1,490,000)	864,370	8,129,240
R Woodhouse	366,666	(300,000)	-	66,666
Other key management personnel of the Group				
Ordinary securities				
J Bakker	14,666	530	207,039	222,235
R Champion	-	530	183,727	184,257
M Winnem	1,654,548	(1,349,109)	52,493	357,932

1 This total includes securities that have vested but have not been exercised by repayment of the loan and removal from the LTI plan.

2 The balance for Andre Biet when he resigned as a director was \$5,209,724. After this time his holding was not monitored.

Notes to the Financial Statements

30 June 2008

30. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(d) Equity instrument disclosures relating to key management personnel (Continued)

2007

Name	Opening balance	Purchased/ (sold) during the period	LTI securities vesting during the period	Balance at the end of the period
Directors of Charter Hall Limited				
Ordinary securities				
A Biet	5,729,724	(520,000)	350,000	5,559,724
P Derrington	–	–	–	–
G Fraser	156,262	68,738	–	225,000
C Fuchs	5,656,595	(520,000)	350,000	5,486,595
D Harrison	5,899,117	2,276,025	491,667	8,666,809
C McGowan	–	–	–	–
K Roxburgh	50,000	–	–	50,000
D Southon	4,608,795	3,654,408	491,667	8,754,870
R Woodhouse	366,666	–	–	366,666
Other key management personnel of the Group				
Ordinary securities				
M Winnem	1,482,982	171,566	–	1,654,548
R Champion	–	–	–	–

(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 \$	Balance at the end of the period \$	Number in Group at the end of the period
2008	7,062,280	1,134,126	9,928,333	6
2007	3,964,504	378,946	7,062,280	4

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

2008	Balance at the start of the period \$	Interest paid and payable for the period \$	Balance at the end of the period \$	Highest indebtedness during the period \$
Name				
D Harrison	3,161,295	315,000	2,541,064	2,657,500
D Southon	3,161,295	315,000	2,541,064	2,657,500
C Fuchs	369,845	–	–	–
A Biet (resigned 25/10/07)	369,845	–	–	–
2007				
Name				
D Harrison	1,970,720	312,330	3,161,295	3,161,295
D Southon	1,970,720	312,330	3,161,295	3,161,295
C Fuchs	–	36,540	369,845	369,845
A Biet	–	36,540	369,845	369,845

Notes to the Financial Statements

30 June 2008

30. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(e) Loans to key management personnel (continued)

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

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.

As predicated in the Product Disclosure Statement dated 11 May 2005, on 6 June 2005 the Joint Managing Directors, David Harrison and David Southon entered into loan agreements, which are full recourse, with CHL. Loans of \$2.5m each were provided to acquire Charter Hall Group securities. The interest on the loans is equivalent to the Charter Hall Group distribution paid in respect of the securities purchased using the loan proceeds. The provision of the loans further aligns the Joint Managing Directors interests with those of the Group and Securityholders. The loans, which were for a period of 3 years, have been extended for a further 3 years until 6 June 2011, under the same terms and conditions, by resolution of the Board.

31. 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	
	2008	2007	2008	2007
	\$	\$	\$	\$
(a) Assurance services				
Audit services				
PricewaterhouseCoopers Australian firm				
Audit and review of financial reports and other audit work under the Corporations Act 2001	206,901	207,887	-	-
Non-PricewaterhouseCoopers audit firms for the audit or review of financial reports of any entity in the Group	56,417	33,290	-	-
Total remuneration for audit services	263,318	241,177	-	-
Other assurance services				
PricewaterhouseCoopers Australian firm				
Investigating Accountants Reports	219,000	-	-	-
Total remuneration for other assurance services	219,000	-	-	-
Total remuneration for assurance services	452,318	241,177	-	-
(b) Taxation services				
PricewaterhouseCoopers Australian firm				
Tax compliance services, including review of company income tax returns	21,090	37,610	-	-
Tax advice on equity raising	-	97,123	-	-
Total remuneration for taxation services	21,090	134,733	-	-
(c) Advisory services				
PricewaterhouseCoopers Australian firm				
Long term incentive plan	-	38,500	-	-
Total remuneration for advisory services	-	38,500	-	-

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.

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32.COMMITMENTS

(a) Capital Commitments

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

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Investment property				
Payable:				
Within one year	6,054	-	-	-
Later than one year but not later than five years	-	-	-	-
Later than five years	-	-	-	-
	6,054	-	-	-

(b) Lease commitments: Group as lessee

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

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Within one year	124	-	-	-
Later than one year but not later than five years	2,210	1,506	-	-
Later than five years	153	1,173	-	-
	2,487	2,679	-	-

33.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 30.

(d) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated		Parent entity	
	2008 \$	2007 \$	2008 \$	2007 \$
Sales of services				
Management and performance fees from associates	29,135,241	15,296,464	-	-
Acquisition fees from associates	6,513,024	2,008,273	-	-
Commitment fees from associates	180,225	173,218	-	-
Tax consolidation legislation				
Current tax payable assumed from wholly owned tax consolidated entities	-	-	3,612,254	4,901,957
Dividend revenue				
Subsidiaries	-	-	11,354,988	3,322,674

Transactions with associates and joint ventures are disclosed in note 35 and note 36 respectively.

Notes to the Financial Statements

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33.RELATED PARTIES (CONTINUED)

(e) Loans to/from related parties

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Loans to associates				
Beginning of the period	9,283,306	536,197	-	-
Loans advanced	-	57,492,387	-	-
Loan repayments received	(9,283,306)	(49,051,395)	-	-
Interest charged	144,670	1,152,920	-	-
Interest received	(144,670)	(846,803)	-	-
End of period	-	9,283,306	-	-
Loans to subsidiaries				
Beginning of the period	-	-	5,018,510	-
Loans advanced	-	-	3,612,254	5,010,000
Interest charged	-	-	50,725	8,510
End of period	-	-	8,681,489	5,018,510
Loans from subsidiaries				
Beginning of the period	-	-	75,350,694	55,049,981
Loans received	-	-	42,297,921	20,027,776
Loan repayments paid	-	-	-	(2,939,812)
Interest charged	-	-	27,548,475	14,162,749
Interest paid	-	-	(16,190,052)	(10,950,000)
End of period	-	-	129,007,038	75,350,694

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.

Notes to the Financial Statements

30 June 2008

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	
			2008 %	2007 %
Controlled entities of Charter Hall Limited				
Charter Hall Holdings Pty Limited	Australia	Ordinary	100	100
Charter Hall CUB Pty Ltd	Australia	Ordinary	100	N/A
Controlled entities of Charter Hall Holdings Pty Ltd				
Charter Hall (NZ) Pty Limited	Australia	Ordinary	100	100
CH Management Australia Pty Limited	Australia	Ordinary	100	100
Charter Hall Funds Management Limited	Australia	Ordinary	100	100
Bowwilla Pty Limited	Australia	Ordinary	100	100
Charter Hall Holdings 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
Controlled entities of Charter Hall Holdings Real Estate Pty Ltd				
Charter Hall Holdings Real Estate (Vic) Pty Limited	Australia	Ordinary	100	100
Controlled Entities of Charter Hall Property Trust				
Charter Hall Investment Fund 15	Australia	Ordinary	100	100
Charter Hall Core Plus Retail Fund	Australia	Ordinary	100	100
Controlled entities of Charter Hall Core Plus Retail Fund				
Core Plus Retail Fund New Zealand	Australia	Ordinary	100	100
Redcliffe Retail Property Trust	Australia	Ordinary	100	100
Belconnen Retail Warehouse Trust	Australia	Ordinary	100	100
Box Hill Retail Warehouse Trust	Australia	Ordinary	100	100
Nerang Retail Warehouse Trust	Australia	Ordinary	100	100
Nowra Retail Warehouse Trust	Australia	Ordinary	100	100
Penrith Retail Warehouse Trust	Australia	Ordinary	100	100
Stafford Retail Warehouse Trust	Australia	Ordinary	100	100
Ipswich Retail Property Trust	Australia	Ordinary	100	N/A
Rothwell Retail Property Trust	Australia	Ordinary	100	N/A
Mentone Property Trust	Australia	Ordinary	100	N/A
Charter Hall MMN Property Trust	Australia	Ordinary	100	N/A
CPRF Gepps X Trust	Australia	Ordinary	100	N/A
CPRF Gepps 109 Trust	Australia	Ordinary	100	N/A
CPRF MSN Property Trust	Australia	Ordinary	100	N/A

Notes to the Financial Statements

30 June 2008

35. INVESTMENT IN ASSOCIATES

(a) Carrying amounts

Information relating to associates is set out below.

Name of company	Principal activity	Ownership Interest		Consolidated		Parent entity	
		2008 %	2007 %	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Unlisted							
Charter Hall Diversified Property Fund	Property Investment	17.0%	11.7%	24,332	5,179	–	–
Charter Hall Core Plus Office Fund	Property Investment	20.0%	23.0%	143,178	80,058	–	–
Charter Hall Core Plus Industrial Fund	Property Investment	25.0%	32.1%	57,698	45,986	–	–
Charter Hall Umbrella Fund	Property Investment	<1.0%	47.3%	71	10,873	–	–
				225,279	142,096		
Charter Hall Opportunity Fund No. 4	Property Development	3.0%	3.0%	3,214	662	3,115	662
Charter Hall Opportunity Fund No. 5	Property Development	15.0%	20.0%	3,288	98	3,469	98
				6,502	760	6,584	760

The above associates are incorporated in Australia. The investments in Charter Hall Opportunity Fund No 4 & 5 held by Charter Hall Limited are equity accounted in the consolidated financial statements and are other financial assets in the parent financial statements (note 17).

The investments in Charter Hall Diversified Property Fund, Charter Hall Core Plus Office Fund, Charter Hall Core Plus Industrial Fund and Charter Hall Umbrella Fund are held by Charter Hall Property Trust and as such are accounted for at fair value through the profit and loss (note 13).

The investment in Charter Hall Diversified Property Fund consists of units which consist of a 17% interest but also an additional investment in the form of a bridging equity loan provided.

Notes to the Financial Statements

30 June 2008

35. INVESTMENT IN ASSOCIATES (CONTINUED)

(b) Movements in carrying amounts

	Consolidated	
	2008 \$'000	2007 \$'000
Charter Hall Diversified Property Fund		
Opening balance	5,179	3,888
Investment	18,184	1,096
Fair value increase	969	195
Closing balance	24,332	5,179
Charter Hall Core Plus Office Fund		
Opening balance	80,058	10,000
Investment	67,002	63,011
Fair value increase	12,516	7,047
Disposal of units	(16,398)	–
Closing Balance	143,178	80,058
Charter Hall Core Plus Industrial Fund		
Opening balance	45,986	–
Investment	18,754	45,000
Fair value increase	3,404	986
Disposal of units	(10,446)	–
Closing Balance	57,698	45,986
Charter Hall Umbrella Fund		
Opening balance	10,873	10,873
Investment	11,030	–
Disposal of units	(21,828)	–
Fair value decrease	(4)	–
Closing Balance	71	10,873
Charter Hall Opportunity Fund No. 4		
Opening balance	662	497
Investment	2,458	777
Share of profit/(loss) after income tax	454	287
Distributions received/receivable	(360)	(899)
Carrying amount at the end of the period	3,214	662
Charter Hall Opportunity Fund No. 5		
Opening balance	98	–
Investment	3,486	98
Share of loss after income tax	(142)	–
Distributions received/receivable	(38)	–
Reserves	(116)	–
Fair value increase	–	–
Closing Balance	3,288	98

(c) Fair value of unlisted investments in associates

	Consolidated	
	2008 \$'000	2007 \$'000
Charter Hall Diversified Property Fund	24,332	5,179
Charter Hall Core Plus Office Fund	143,177	80,058
Charter Hall Core Plus Industrial Fund	57,696	45,986
Charter Hall Umbrella Fund	74	10,873
Charter Hall Opportunity Fund No. 4	3,214	662
Charter Hall Opportunity Fund No. 5	3,289	98

Notes to the Financial Statements

30 June 2008

35. INVESTMENT IN ASSOCIATES (CONTINUED)

(d) Share of associates' profits or losses

	Consolidated	
	2008 \$'000	2007 \$'000
Profit before income tax	312	287
Income tax expense	-	-
Profit after income tax	312	287

(e) Summarised financial information of associates

	Group's share of:			
	Assets \$'000	Liabilities \$'000	Revenues \$'000	Profit/(Loss) \$'000
2008				
Charter Hall Diversified Property Fund	49,922	25,569	2,899	4,242
Charter Hall Core Plus Office Fund	286,119	139,342	12,833	15,957
Charter Hall Core Plus Industrial Fund	102,472	40,669	5,559	7,690
Charter Hall Umbrella Fund	63	1	3	-
Charter Hall Opportunity Fund No. 4	5,974	2,749	1,104	466
Charter Hall Opportunity Fund No. 5	9,376	5,436	47	139

36. INTEREST IN JOINT VENTURE

(a) Carrying amounts

Information relating to joint ventures is set out below.

Name of company	Principal activity	Ownership Interest		Consolidated		Parent entity	
		2008 %	2007 %	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Unlisted							
Commercial and Industrial Property Pty Ltd	Property Development	50%	N/A	43,838	N/A	40,510	N/A

	Consolidated	
	2008 \$'000	2007 \$'000
Opening balance	-	-
Investment	40,510	-
Share of profit after income tax	7,222	-
Dividends received/receivable	(3,894)	-
Closing balance	43,838	-

(b) Movements in carrying amounts

Commercial and Investment Properties Pty Limited

Opening balance	-	-
Investment	40,510	-
Share of profit after income tax	7,222	-
Dividends received/receivable	(3,894)	-
Closing balance	43,838	-

(c) Fair value of joint venture entity

Commercial and Investment Property Pty Ltd	43,838	-
--	--------	---

(d) Share of joint venture's revenue, expenses and results

Revenues	19,129	-
Expenses	(8,829)	-
Profit before income tax	10,300	-

Notes to the Financial Statements

30 June 2008

36. INTEREST IN JOINT VENTURE (CONTINUED)

	Consolidated	
	2008 \$'000	2007 \$'000
(e) Share of joint venture's assets and liabilities		
Current assets	6,017	–
Non-current assets	4,166	–
Total assets	10,183	–
Current liabilities	1,862	–
Non-current liabilities	2,492	–
Total liabilities	4,354	–
Net assets	5,829	–

37. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Since 30 June 2008 CHPT has completed the following transactions:

- The sale of 372 Whitehorse Rd, Nunawading, Vic, 61 Nepean Hwy, Mentone, Vic and 25 Nepean Hwy, Mentone, Vic to CPRF in July 2008.
- The Group announced the first close of CPRF with CHPT's beneficial ownership reduced from 100% at 30 June 2008 to 62% with further equity raising expected.
- With the proceeds from the first close CHPT repaid debt and reduced its debt facility to \$100m with an expiry of July 2011.
- CHPT invested \$50m in CHUF in August 2008.

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

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Profit / (loss) for the year	67,498	43,168	(3,384)	(6,329)
Depreciation and amortisation	252	197	–	–
Non-cash employee benefits expense – security-based payments	2,669	883	–	–
Gain on sale of investments	(838)	–	–	–
Fair value adjustments	(15,287)	(11,493)	–	–
Change in operating assets and liabilities, net of effects from purchase of controlled entity				
Decrease / (increase) in trade debtors	(11,683)	3,282	515	5,050
Decrease / (increase) in accrued revenue	(5,548)	602	–	–
Decrease / (increase) in other operating assets	(142)	124	–	296
Increase / (decrease) in trade creditors	1,988	(2,347)	–	–
Increase / (decrease) in accrued expenses	9,167	(184)	–	–
Increase / (decrease) in other operating liabilities	165	327	50	5
Increase / (decrease) in provision for income taxes payable	–	–	–	–
Increase / (decrease) in provision for deferred income tax	(2,959)	1,686	(7,834)	(3,540)
Increase in other provisions	–	(58)	–	–
Net cash inflow / (outflow) from operating activities	45,282	36,187	(10,653)	(4,518)

Dividend and interest income received on investments has been reclassified from cash flow from investing activities in the year ended 30 June 2007 to cash flow from operating activities in the year ended 30 June 2008.

Notes to the Financial Statements

30 June 2008

39. EARNINGS PER SECURITY

(a) Basic earnings per security

	Consolidated	
	2008 Cents	2007 Cents
Profit before fair value adjustments	12.61	8.80
Fair value adjustments	3.70	3.20
Profit attributable to the ordinary equity holders of the Group	16.31	12.00

(b) Diluted earnings per security

Profit before fair value adjustments	12.64	8.84
Fair value adjustments	3.50	3.10
Profit attributable to the ordinary equity holders of the Group	16.14	11.94

(c) Underlying earnings per security

Refer to note 4 for further details.

(d) Reconciliations of earnings used in calculating earnings per security

	Consolidated	
	2008 \$'000	2007 \$'000
Basic earnings per security		
Profit before fair value adjustments	52,211	31,675
Fair value gains	15,287	11,493
Profit attributable to the ordinary equity holders of the consolidated entity used in calculating basic earnings per security	67,498	43,168
Diluted earnings per security		
Profit	67,498	43,168
Interest received from LTI securities	2,957	1,136
Profit attributable to the ordinary equity holders of the consolidated entity used in calculating diluted earnings per security	70,455	44,304
Fair value gains	(15,287)	(11,493)
Profit attributable to the ordinary equity holders of the consolidated entity used in calculating diluted earnings per security before fair value adjustments	55,168	32,811

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

	Consolidated	
	2008 Number	2007 Number
Weighted average number of ordinary securities used as the denominator in calculating basic earnings per security	413,905,265	359,384,110
Adjustments for calculation of diluted earnings per security:		
Securities issued to the Charter Hall Limited Executive Loan Security Plan	22,711,623	11,298,942
Weighted average number of ordinary securities and potential ordinary securities used as the denominator in calculating diluted earnings per security	436,616,888	370,683,052

(f) 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 are derecognised for the preparation of the financial report but recognised for the calculation of diluted earnings per security.

Notes to the Financial Statements

30 June 2008

40. 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 Joint Managing Directors 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	
	2008	2007	2008	2007
Opening balance (number of securities)	13,931,343	6,200,000	13,931,343	6,200,000
Number of securities issued on 03/07/06 at \$1.27	–	6,318,898	–	6,318,898
Number of securities issued on 05/10/06 at \$1.56	–	352,564	–	352,564
Number of securities issued on 16/10/06 at \$1.61	–	807,453	–	807,453
Number of securities issued on 15/12/06 at \$2.00	–	50,000	–	50,000
Number of securities issued on 07/03/07 at \$2.47	–	202,428	–	202,428
Number of securities issued on 02/07/07 at \$2.76	10,041,016	–	10,041,016	–
Number of securities purchased on market on 06/08/07 at \$2.84	70,534	–	70,534	–
Number of securities purchased on market on 30/08/07 at \$2.80	35,714	–	35,714	–
Number of securities purchased on market on 05/02/08 at \$1.67	54,970	–	54,970	–
Number of securities purchased on market on 11/02/08 at \$1.49	100,376	–	100,376	–
Number of securities purchased on market on 19/02/08 at \$1.53	197,180	–	197,180	–
Number of securities issued on 19/02/08 at \$1.51	793,701	–	793,701	–
Number of securities forfeited or transferred out during the year	(1,716,722)	–	(1,716,722)	–
	23,508,112	13,931,343	23,508,112	13,931,343

(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	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Securities issued under employee security plan	2,669	883	–	–

Directors' Declaration

30 June 2008

In the directors' opinion:

- (a) the financial statements and notes set out on pages 82 to 127 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 2008 and of their performance 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 remuneration disclosures set out on pages 75 to 79 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*.

The directors have been given the declarations by the joint managing directors 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
25 August 2008

Independent Auditor's Report to the Stapled Securityholders of Charter Hall Group



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

Report on the financial report

We have audited the accompanying financial report of Charter Hall Limited (the company), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Charter Hall Limited and the Charter Hall Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report. Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

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

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

Independence

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

Independent Auditor's Report to the Stapled Securityholders of Charter Hall Group

(continued)



Auditor's opinion

In our opinion:

- (a) the financial report of Charter Hall Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 15 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the Remuneration Report of Charter Hall Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in blue ink that reads "PricewaterhouseCoopers".

PricewaterhouseCoopers

A handwritten signature in blue ink that reads "B K Hunter".

B K Hunter
Partner

Sydney
25 August 2008

Charter Hall Group Securityholder Information

30 June 2008

The shareholder information set out below was applicable as at 30 June 2008.

A. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity securityholders by size of holding:

	Ordinary Securities
1 – 1000	86,353
1,001 – 5,000	982,376
5,001 – 10,000	2,262,924
10,001 – 100,000	17,645,813
100,001 and over	416,514,255

B. EQUITY SECURITYHOLDERS

Twenty largest quoted equity securityholders

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

Name	Ordinary securities	
	Number held	Percentage of issued securities
Commonwealth Bank (Institutional Group)	42,356,388	9.68%
UBS (Institutional Group)	38,900,284	8.89%
Deutsche (Institutional Group)	29,378,309	6.72%
AMP Capital Investors (Institutional Group)	24,543,601	5.61%
CHL Executive Loan Security (Various Private Investors)	23,508,112	5.37%
Wyllie Group	23,172,000	5.30%
Quest Asset Partners Pty. Ltd.	20,702,336	4.73%
BT Funds Mgt (Institutional Group)	18,141,569	4.15%
Vanguard Investments Australia Ltd.	15,898,881	3.63%
Macquarie (Institutional Group)	15,097,084	3.45%
ING (Institutional Group)	13,015,440	2.98%
Transfield (CHG) Pty Ltd	13,000,000	2.97%
Fidelity (Institutional Group)	11,152,774	2.55%
Credit Suisse (Institutional Group)	10,347,066	2.37%
Barclays (Institutional Group)	10,075,755	2.30%
Natixis (Institutional Group)	9,164,512	2.09%
Perpetual Investments Ltd.	7,887,878	1.80%
Resolution Capital	7,227,881	1.65%
David John Southon	6,773,203	1.54%
David William Harrison	6,526,947	1.49%

C. SUBSTANTIAL HOLDERS

Substantial holders in the group are set out below:

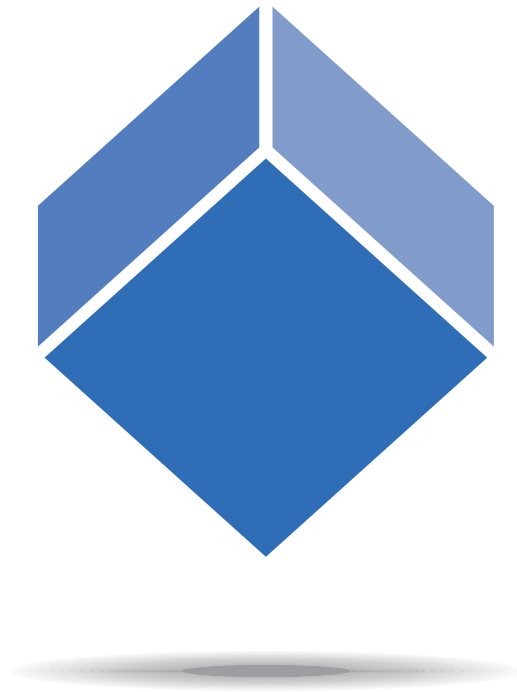
	Number held	Percentage
Ordinary securities		
Commonwealth Bank (Institutional Group)	42,356,388	9.68%
UBS (Institutional Group)	38,900,284	8.89%
Deutsche (Institutional Group)	29,378,309	6.72%
AMP Capital Investors (Institutional Group)	24,543,601	5.61%
Wyllie Group	23,172,000	5.30%

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.



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 – Independent Non-Executive Director

Roy Woodhouse

Deputy Chairman – Independent Non-Executive Director

Cedric Fuchs

Executive Director

Glenn Fraser

Independent Non-Executive Director

David Harrison

Joint Managing Director

David Southon

Joint Managing Director

Patrice Derrington

Independent Non-Executive Director

Colin McGowan

Independent Non-Executive Director

Peter Roberts

Chief Financial Officer

Nathan Francis

Deputy Chief Financial Officer and Company Secretary

Principal Registered Office

Level 11, 333 George Street
Sydney NSW 2000
PO Box 2704 Sydney NSW 2001
Telephone: +61 2 8908 4000
Fax: +61 2 8908 4040

Website

www.charterhall.com.au

ASX Listing Details

Charter Hall Group is listed on the Australian Securities 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 8, 580 George Street
Sydney NSW 2000
Telephone: 1300 664 498
Fax: +61 2 9287 0303
Fax: +61 2 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 28, Deutsche Bank Place
Corner of Hunter & Phillip Streets
Sydney NSW 2000

Bankers

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

The Annual General Meeting of Charter Hall Group will be held at:

The Westin Hotel
No.1 Martin Place
Sydney NSW 2000
Date: 10 November 2008
Time: 2.00pm



Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland