Charter Hall

Annual Report 2010

ARSN 113 339 147

Charter Hall is one of Australia's leading specialist property fund managers with over $10 billion in funds under management across wholesale, listed and unlisted equity sources.

Weighted Average Lease Expiry (WALE)

6.6yrs

$10.2b

in Funds Under Management (FUM)

Development pipeline

$2.3b

Operating earnings [1]

$34.9m

[1] Operating earnings was previously referred to as 'underlying earnings' and excludes fair value adjustments, gains/losses on sale, any non-cash gain or loss arising from the re-measurement of equity interests, non-cash tax benefits, non cash LTI expenses and other non cash expenses.

PDP3: SYDNEY WHARF, PYRMONT NSW

Chairman's Letter

Dear Investor,

On behalf of the Board of Directors, it is our pleasure to present the 2010 Annual Report. In March this year, the Charter Hall Group achieved a significant milestone when it completed a transformational acquisition, increasing its funds under management to more than $10 billion.

Charter Hall is now one of Australia's largest specialist property fund managers with the Group managing property funds for wholesale, unlisted retail and listed investors. I am pleased to report that our balance sheet retained its strength during the year. This, along with a high quality portfolio, places Charter Hall Group in an excellent position to capitalise on opportunities as the world economies and the property and financial markets improve.

Transformational acquisition

The transformational acquisition of the majority of Macquarie Group Limited's core real estate management platform was completed in March this year. This represented an important strategic move for Charter Hall Group, substantially expanding our funds management platform to include listed products and increasing the Group's property funds management exposure to the unlisted sector.

The Macquarie platform and the majority of their personnel have been integrated into the Group enhancing our capacity to grow funds under management and to proceed with the vertical integration of our property funds management, co-investment business model.

The Charter Hall team, specialising in property management and development has grown to over 230 people.

Strong capital position

This year, the Group further strengthened its capital position. At 30 June 2010, Charter Hall reported a 56% increase in security holders' equity to $772.5 million and a closing cash and deposits balance of $28.4 million.

The Group also implemented a number of capital management initiatives across its managed funds, improving the balance sheet and liquidity position of each of these funds. These initiatives were designed to deliver future earnings and equity capital growth.

Creating a sustainable company and portfolio

Sustainability is a key focus for the Group. The Board believes investors will be rewarded by Charter Hall taking a balanced approach, as it is not only the right thing to do but it makes good business sense principally through reduced energy consumption. Understanding and managing the impact of our activities helps to reduce our consumption of scarce resources, while also decreasing both our own costs and those of our customers.

This year we continued to make progress with this commitment by delivering Australia's first 4 Star Green Star household retail centre, Home HQ North Shore, Sydney and by initiating NABERS (the National Australian Built Environment Rating System) Energy ratings across our managed office portfolio.

Developing our people

The successful integration of the Macquarie platform within Charter Hall has significantly increased the depth of our talent pool and broadened our reach into all markets in which we invest.

With offices in Sydney, Melbourne, Brisbane, Adelaide, Perth, Chicago and Warsaw, Charter Hall remains as committed as ever to developing our teams to drive our performance in each of these markets.

As part of this commitment, the Board is currently finalising its policy to formalise the Group's focus on creating a diverse workforce. In particular our policy is to provide equality by encouraging the employment of and to offer career development for women at Charter Hall.

The Community

The development business established a local charity partnership program across our opportunistic fund portfolio in 2009. We are pleased to report that over $95,000 has been raised for Young Care Brisbane from our 40 Creek Street, Brisbane project to date. Our residential development in Mentone, Melbourne, known as Aqulio, is committed to raising $50,000 for Statewide Autistic Services.

Well positioned for a market recovery

Charter Hall's vertically integrated business model and diversification of its equity sources in fund products across the risk/return spectrum allowed the Group to successfully navigate its way through the Global Financial Crisis (GFC) and the difficult economic conditions the world has experienced since 2008. Charter Hall has performed solidly and it is currently well positioned with a strong balance sheet and a high quality portfolio with long leases to strong covenant tenants.

Whilst we are seeing signs of recovery across most of the economies and markets in which we operate, Charter Hall is continuing to review and adopt strategies designed to best place our listed and unlisted funds to take advantage of conditions as they improve.

The next year will see Charter Hall continue its focus on driving income and capital growth across the property funds management platform. We look forward to delivering solid results for all investors.

On behalf of all securityholders and investors, it is my pleasure to again recognise and say thanks to my fellow Board members and to our much enlarged Charter Hall team for their continued support through what has been an exciting and challenging transformational year. In particular, I would like to give thanks to Patrice Derrington who retires from the Board at this year's Annual General Meeting, following her move to New York. Until recently she served us with distinction as Chair of the Audit, Risk and Compliance Committee.

Yours sincerely,

Kerry Roxburgh
Chairman

CHOF4: ALLUVION, 54-58 MOUNTS BAY ROAD, PERTH WA

Joint Managing Directors' Report

The past 12 months has been a significant year for the growth of the Charter Hall business. We expanded our funds management platform to include listed products, substantially increased our exposure to the unlisted retail investor sector and successfully raised over $85 million of capital for these funds.

David Southon
Joint Managing Director

David Harrison
Joint Managing Director

Successful expansion of funds management platform

In March this year, the Group acquired the majority of Macquarie Group Limited's core real estate management platform, increasing our funds under management from $3.4 billion to over $10 billion.

This transformational acquisition was in line with our strategy of further diversifying our equity sources to include listed funds while maintaining our focus on unlisted wholesale and retail funds management.

The successful integration of the former Macquarie funds and resources has added substantial scale and growth potential to the Group, which in turn will deliver long term value for all our investors.

Strong results

Despite continuing difficult market conditions, the Group delivered a solid result at 30 June 2010 reporting operating earnings of $34.9 million and distributions of $27.2 million, in line with guidance provided in February 2010. This translates to operating earnings per share (EPS) of 4.11 cents and full year distributions per share (DPS) of 3.20 cents.

At a property level, we continue to maintain strong alignment of interest with investors, co-investing in our managed funds. Our managed fund's portfolio is well diversified across the mainstream property sectors of office, retail and industrial.

Our portfolio remains weighted to Australia, at 76%, which will increase over the coming years as our listed Office REIT and Retail REIT's repatriate equity from non-core offshore markets into Australia.

Overall the portfolio's occupancy was 94%, supported by our high quality tenants, with government, national and international tenants contributing 80% of net income. The portfolio maintains a weighted average lease expiry of 6.6 years.

Our development business delivered three projects for a total value of $400 million during the year and maintains a $2.3 billion pipeline of committed future work. The Group's strategic 50% investment in the industrial developer, CIP, also continues to provide our funds with access to a robust industrial pipeline of high quality, long lease investment opportunities.

Access to high quality assets

Charter Hall continues to provide investors with access to portfolios of prime, investment grade assets in Australia. We successfully raised over $85 million of new equity for the 130 Stirling Street Trust and the Macquarie Martin Place Trust, which owns 50% of the $460 million No. 1 Martin Place office complex in the Sydney CBD.

Post year end, we also launched a new unlisted fund for retail investors, Charter Hall Direct Industrial Fund (DIF). DIF is anchored by a new logistics property in Melbourne leased to Toll Holdings for 15 years, which is being developed by CIP.

Enhancing the unlisted wholesale platform

Charter Hall's Core Plus Office Fund (CPOF) and the Core Plus Industrial Fund (CPIF) are also seeking new equity commitments for future acquisitions and opportunities. To date, these Funds have collectively secured more than 50% of the targeted $300 million, with further commitments at an advanced stage.

Positioned for a recovery in property markets

The Group's outlook improved over the year with economic indicators pointing to a gradual recovery in the global economy. Property fundamentals in Australia in particular have improved, highlighted by the increased transaction activity and available capital across this market. We are also starting to see increased investor and tenant interest the United States and Europe, however these markets are recovering more slowly.

We expect equity flows, in particular from Australian superannuation, to continue to improve into next year, underpinning the growth of our managed funds business. Significantly, according to research undertaken by APRA, Australia's superannuation funds under management is currently $1.26 trillion and is forecast to grow to between $2.5 trillion and $3 trillion by 2020, with net positive inflows of approximately $60 billion per annum to be invested.

We remain committed to becoming Australia's leading specialist property fund manager and to provide investors with a combination of income and capital growth. We will continue to focus on growing earnings in all funds with an improvement in occupancy levels and growth in property income, together with recycling capital toward the highest total return opportunities in the marketplace.

We are excited by the opportunities ahead and believe we are well positioned to take advantage of a continuing flow of capital into property.

We expect to capture a growing proportion of these flows into the various property funds we manage across wholesale, retail and listed property sectors, driving performance at both a fund and Group level.

Charter Hall currently expects FY11 EPS earnings growth in the region of 20%, which would allow for an increase in DPS in the region of 25%.

Thank you to our investors and customers for your support during the year. We look forward to a strong year ahead.

Yours sincerely,

David Harrison
Joint Managing Director

David Southon
Joint Managing Director

About Charter Hall Group

Charter Hall is a leading specialist property fund manager, with funds under management in excess of $10 billion across wholesale, listed and unlisted equity sources.

Established in 1991, Charter Hall was listed on the Australian Securities Exchange (ASX) in 2005 as a stapled security and is part of the S&P/ASX 200 A-REIT Index. Through active funds management and superior property management, Charter Hall aims to outperform investment benchmarks, achieving high levels of tenant retention and rental growth across more than 300 assets.

Charter Hall also invests in and provides management services across the full spectrum of real estate investment and development activities.

Charter Hall acquired the majority of Macquarie Group Limited's core real estate management platform in March 2010. The platform complements Charter Hall's existing operations, enhancing the current vertically integrated business and increasing the Group to over 230 employees across Australia, Europe and the United States.

The Group is committed to delivering performance for investors through its:

- focus on property fundamentals driving both income and capital growth;
- asset, advisory, property and development management activities across the risk/return spectrum;
- significant co-investments in its property funds;
- sourcing of investment opportunities, predominantly off-market;
- consistent track-record of strong relative performance through cycles;
- focus on securing long leased assets and portfolios;
- alignment with 'best of breed' joint venture partners;
- strong corporate governance principles; and
- highly regarded listed and unlisted property funds management and in-house development team.

Charter Hall aims to outperform investment benchmarks, achieving high levels of tenant retention and rental growth across more than 300 assets.

Corporate Structure

Charter Hall Group (ASX:CHC)
Stapled Security

Charter Hall Limited (CHL)	Charter Hall Property Trust (CHPT)

Charter Hall invests $582 million in its funds

- Funds Management
- Asset Management
- Development Services
- Property Management
- Transaction Services
- Leasing Services

Fund Platform $10.2 billion FUM

Wholesale Investor Funds $2.5 billion FUM	Retail Investor Funds $1.5 billion FUM	Listed Funds $6.2 billion FUM
◆ Opportunistic ◆ Core Plus ◆ Third party mandates	◆ Diversified ◆ Sector specific ◆ Single asset funds	◆ Charter Hall Office REIT (ASX:CQO) ◆ Charter Hall Retail REIT (ASX:CQR)

CHIF7: 130 STIRLING STREET, PERTH WA

CHARTER HALL OFFICE REIT: NO.1 MARTIN PLACE, SYDNEY NSW

Charter Hall Property Trust

Alignment with investors is a key element of Charter Hall's approach, with the Group co-investing in its managed funds. The Group provides specialist property services to the funds, driving income and capital growth for the funds while generating fees for the Group, collectively enhancing Charter Hall's return on equity.

Charter Hall Property Trust (CHPT) has continued its strategy of investing across the Group's managed funds with the majority of CHPT's property holdings being diversified across the listed Charter Hall Office REIT and Charter Hall Retail REIT and the unlisted wholesale Core Plus Office Fund (CPOF), Core Plus Industrial Fund (CPIF) and Core Plus Retail Fund (CPRF).

Co-investments are also held in the Charter Hall Direct Property Fund (CHDPF), 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.

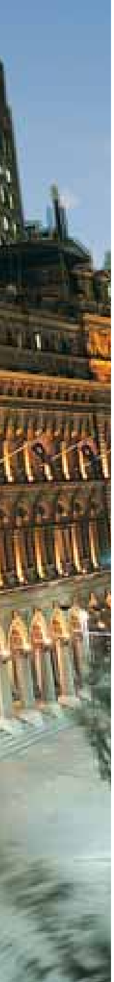
Portfolio highlights

The portfolio is well diversified across the office, retail and industrial sectors and has maintained strong occupancy at 94%. The Australian portfolio in particular benefited from strong leasing activity with significant success in securing tenant renewals and rental growth via both fixed and market rental reviews.

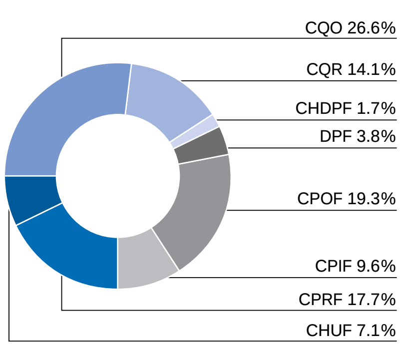
The portfolio has weighted average fixed rent reviews of 3.6% p.a, with 93% of the portfolio having fixed or Consumer Price Index (CPI) increased rent reviews.

Tenant relationships remain a key focus with the portfolio's tenancy quality remaining very high, with 80% of net income being derived from Australian government or leading national and international companies. The portfolio maintains a weighted average lease expiry (WALE) of 6.6 years.

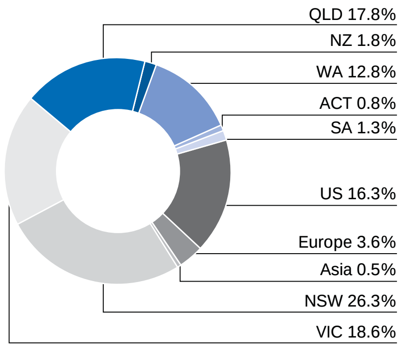
The Group's funds continue to focus on active asset management to deliver strong performance across its portfolios.



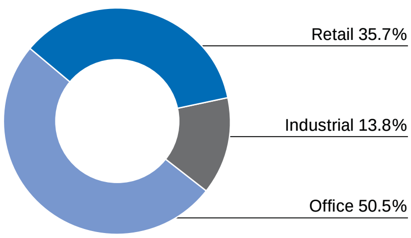
Asset Diversification



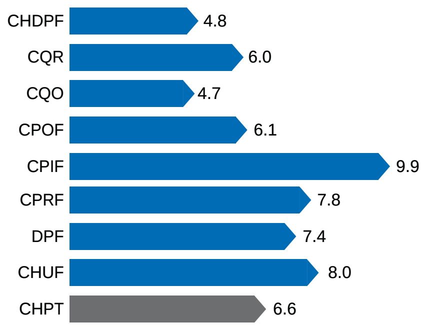
Geographical Diversification
(by latest independent valuation)



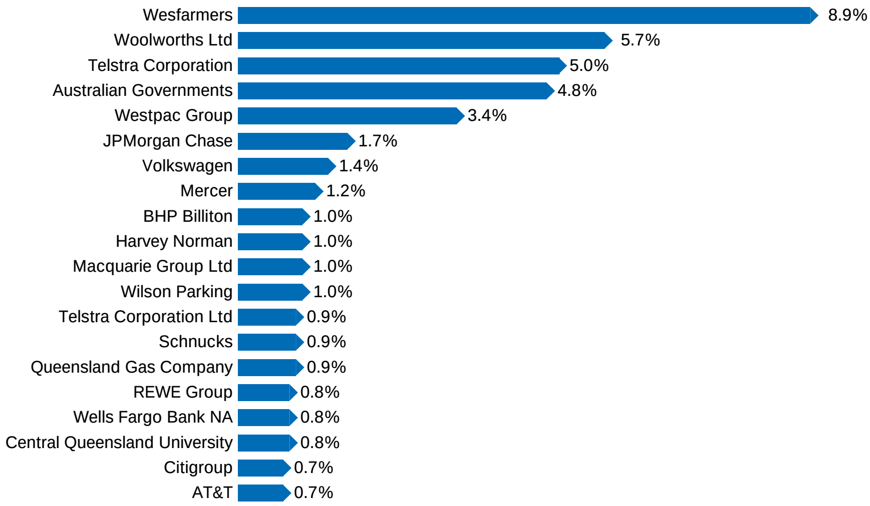
Sector Split
(by latest independent valuation)



WALE
(by income)



Top 20 Tenants (by income)

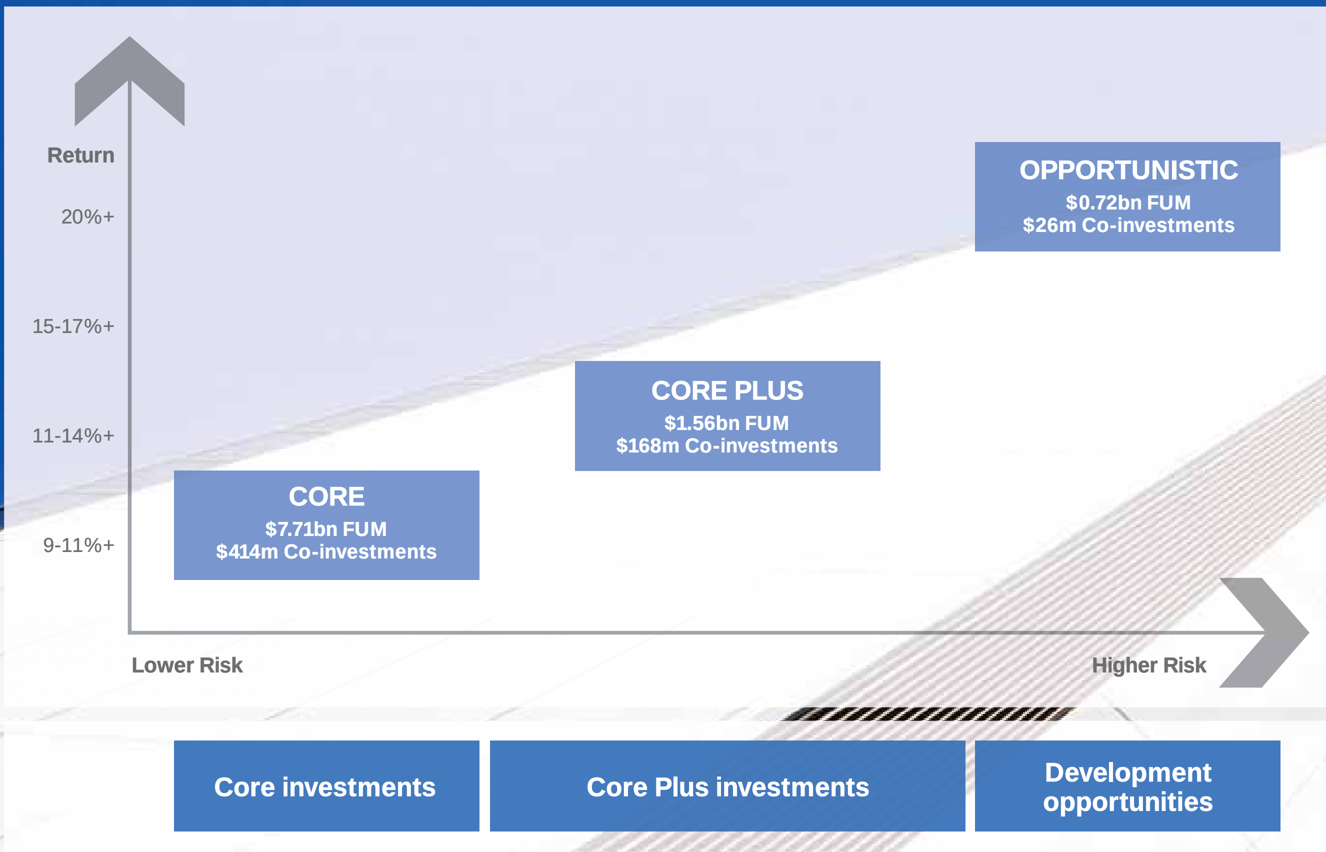


Our Funds

Charter Hall is one of Australia's largest managers of listed and unlisted property funds with $10.2 billion in funds under management.

The Group manages two listed funds, 12 retail unlisted funds and six wholesale unlisted funds across a diverse range of property sectors.

Risk/return spectrum



Charter Hall's strong balance sheet underpins its funds management platform.

DIRECT PROPERTY FUND: 200 QUEEN STREET, MELBOURNE VIC

Our Funds

Wholesale Funds

As one of the largest managers of Core Plus and Opportunistic property funds in Australia, Charter Hall's wholesale funds provide exposure to a diversified stable of quality assets and tenants with long lease durations.

Wholesale investors, with an investment upwards of $5 million (average $30 million to $50 million), have the opportunity to invest in a diversified range of Core Plus and Opportunistic investment strategies. These funds have delivered strong outperformance since inception.

Charter Hall's Opportunistic funds include:

Charter Hall Opportunity Fund No.4 (CHOF4)

Total assets	8
Total equity raised	$165 million
Total project value	$552 million
Total project value realised	$435 million

Launched in 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, household retail and infill residential sectors across Australia.

Key development assets include 275 George Street, Brisbane; Alluvion, Perth; and Home HQ North Shore, Sydney.

Charter Hall Opportunity Fund No.5 (CHOF5)

Total assets	6
Total equity raised	$300 million
Total project value	$916 million

Launched in early 2007, 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. These include commercial, industrial, retail, household retail and infill residential sectors located primarily in capital cities and metropolitan markets across Australia and New Zealand.

Key development assets include Pier Street, Perth; Little Bay, Sydney; and Lacrosse, Docklands and Aquilo, Mentone in Melbourne.

Charter Hall's Core Plus funds include:

Charter Hall Core Plus Office Fund (CPOF)

Total assets	16
Total property assets	$1,148 million
Fund gearing	44%
WALE	6.1 years
Occupancy	96%

Launched in December 2005, the Fund's investment strategy is to target property predominately focused on the office sector in major capital city markets of Australia and to source a mix of core and enhanced investment grade properties. The investment mandate extends to mixed use assets that have, or have the potential to include, a significant office component.

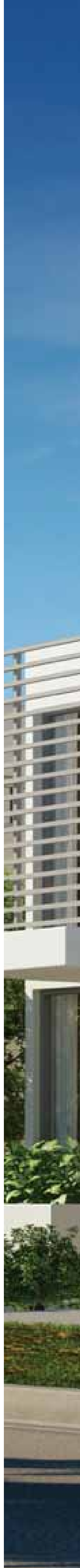
Key assets include 275 George Street, Brisbane; 11 Exhibition Street, Melbourne; and 225 St Georges Terrace, Perth.

Charter Hall Core Plus Industrial Fund (CPIF)

Total assets	15
Total property assets	$420 million
Fund gearing	39%
WALE	9.9 years
Occupancy	98%

Launched in April 2007, the Fund predominantly targets industrial and logistics sectors in major capital city markets of Australia.

Key assets include, Coles Regional Distribution Centre, Perth Airport and the Volkswagen Distribution Centre, Chullora, Sydney.



Case Study

Aquilo, Mentone, Melbourne – residential investment property

Aquilo is Charter Hall's new medium density townhouse development in Mentone, Melbourne. The $75 million project is being developed by the Charter Hall Opportunity Fund No.5 (CHOF5).

The energy efficient development aims to set a new benchmark in contemporary living and will comprise 119 high quality two and three bedroom, two-storey townhouses.

Off the plan sales have been strong with 80% of the development sold since the official marketing launch in May 2010. Debt funding has been secured and construction is scheduled to commence in late 2010. The development is due to be completed by late 2012.

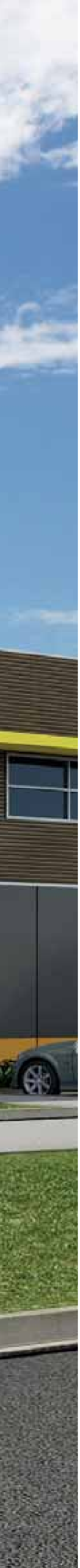
CHOF5: AQUILO, MENTONE VIC

Toll Fleet and Auto Logistics Centre Altona, Melbourne – industrial investment property

Toll Fleet and Auto Logistics Centre is the seed asset for Charter Hall's new Direct Industrial Fund (DIF). The 49,515 square metre site, located in Melbourne's established western industrial area of Altona North, has convenient access to Melbourne Port, Tullamarine Airport and Melbourne's CBD.

The Group's 50% owned industrial developer, CIP, is developing a purpose-built 6,318 square metre automotive logistics facility on the site for Toll Holdings. Toll will lease 100% of the premises for 15 years, with a five year option and fixed rental increases of 3.5% per annum. The facility will incorporate administration offices and a high clearance warehouse, together with motor vehicle storage.

TOLL FLEET AND AUTO LOGISTICS CENTRE ALTONA, MELBOURNE, VIC



Our Funds

Retail Funds

Charter Hall Direct Property manages a diverse suite of unlisted property funds for retail investors and their financial advisers. Investors in the unlisted funds can access institutional grade property with a minimum investment of $10,000. Charter Hall Direct Property's funds access a range of office, retail and industrial property assets with quality tenants and long weighted average lease expiries located across Australia.

Charter Hall's retail funds include:

Charter Hall Direct Industrial Fund (DIF)

Asset	1
Gross asset value	$24.4 million
Fund gearing	45%
WALE	15 years
Occupancy	100%

Established in 2010, DIF is a new unlisted property fund which seeks to invest in a selection of Australian industrial assets focusing on the eastern seaboard. DIF's first investment, which is currently under construction, is located in Altona North, Melbourne and is underpinned by a 15 year lease pre-commitment by Toll Holdings Limited. The Fund aims to provide investors with sustainable and stable, tax-advantaged income quarterly.

There is currently still an opportunity to invest in DIF.

Charter Hall Direct Property Fund (CHDPF)

Total Australian direct assets	9
Gross asset value	$520 million
Fund gearing	46%
WALE	4.8 years
Occupancy	90%

Established in 2006, the Fund primarily invests in high quality direct office property in Sydney, Melbourne and Brisbane; with additional smaller holdings in unlisted wholesale property funds and listed A-REITs. The Fund's strategy is to provide regular, tax effective income payable quarterly. Key assets include 68 Pitt Street, Sydney and 200 Queen Street, Melbourne.

Charter Hall Umbrella Fund (CHUF)

Launched in 2007, the Fund provides retail investors with an opportunity to invest across a suite of Charter Hall's wholesale property funds, including office, industrial and retail sectors. The portfolio of Charter Hall funds that CHUF invests in comprises more than 60 assets with a secure WALE profile.

Charter Hall's nationwide tenant list includes BHP Billiton, Federal and State Governments, Bunnings, Coles, Westpac Group, Harvey Norman, Telstra, Toll Holdings, Myer, Wesfarmers and Woolworths, demonstrating the diversity of the Fund's underlying cash flow.

Charter Hall Diversified Property Fund (DPF)

Total assets	10
Gross asset value	$176 million
Fund gearing	55%
WALE	7.4 years
Occupancy	95%

Launched in 2005, DPF invests in quality assets across office, retail and industrial sectors throughout Australia. The Fund predominately invests in properties which range in acquisition value between $5 million to $30 million. The Fund's investment objective is to provide stable distribution returns for investors with capital growth over the medium term from a well diversified portfolio of assets, with a high proportion of tax advantaged distributions. Key assets include 400 Kent Street, Sydney and 53 Berry Street, North Sydney.

Macquarie Martin Place Trust (MMPT)

Total asset	1
Gross asset value	$230 million (50% interest)
Fund gearing	33%
WALE	4.4 years
Occupancy	100%

MMPT was established in 2002 to acquire a 50% interest in the office tower and carpark located at No.1 Martin Place, Sydney. Set in the financial heart of Sydney, No.1 Martin Place is one of Australia's most esteemed business addresses.

In June 2010, the Trust successfully completed a capital raising offer to existing and new investors of more than $50 million, positioning MMPT to deliver capital and income returns for investors.

130 Stirling Street Trust (CHIF7)

Total asset	1
Gross asset value	$71.6 million
Fund gearing	47.5%
WALE	9 years
Occupancy	100%

Established in 2010, CHIF7 is a single asset unlisted property trust that invests in a brand new high quality A-grade office building in the growth corridor of the Perth CBD fringe. The Fund aims to provide monthly distributions and a high tax advantage income.

There is currently still an opportunity to invest in the 130 Stirling Street Trust.

Charter Hall Core Plus Retail Fund (to be renamed and relaunched in late 2010 as Direct Retail Fund (DRF))

Total assets	9
Gross asset value	$245 million
Fund gearing	36%
WALE	7.8 years
Occupancy	96%

In May 2010 the Group announced the restructure of its Core Plus Retail Fund (CPRF) into the Direct Retail Fund (DRF). This Fund will provide retail investors with an opportunity to invest in a portfolio of investment grade retail assets anchored by some of Australia's leading household retailers, including Bunnings, Harvey Norman, JB Hi Fi, Spotlight, The Good Guys, Dick Smith; supermarkets leased to Woolworths, Coles, IGA and Franklins; together with BIG W and many other household names.

Charter Hall Investment Funds (CHIF)

CHIF's 2 to 6 are unlisted closed-ended funds anchored by investment properties providing 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 each of the funds' offer documents. A high proportion of the investors have invested in multiple Charter Hall funds, demonstrating the repeat business and customer focus of Charter Hall.

Our Funds

Listed Funds

Charter Hall Office REIT

ASX code	CQO
Total assets	37 (1)
Portfolio value	$3,922 million
Total value of assets (look through)	$4,550 million
NTA	$2,068 million ($0.424/unit) (2)
Balance sheet gearing (net of cash)	33.5%
Average cap rate	7.81%

Charter Hall Office REIT is a listed real estate investment trust focused on investing in high grade office buildings predominantly located in major business districts across Australia and the United States. A customer focused approach to asset management drives the leasing and refurbishment initiatives with a view to maximising returns of the underlying assets.

The REIT's strategy is focused on investing in high quality office property with the aim to provide investors with stable and growing earnings and capital growth.

Charter Hall Retail REIT

ASX code	CQR
Total assets	136
Portfolio value	$2,055 million
NTA	$1,110 million ($0.74/unit) (3)
Balance sheet gearing (net of cash)	38.3%
Average cap rate	8.07%

Charter Hall Retail REIT is a listed investment trust that invests in high quality, predominately grocery anchored, shopping centres. Current investments exist in Australia, New Zealand, the United States and Europe, with Australia being the REIT's core market going forward.

Through an active management strategy focused on maximising total returns through attracting and retaining credit-worthy tenants, the REIT aims to deliver strong performance across its quality portfolio, with focus on investing in neighbourhood, sub regional and household retail assets in Australia. This, combined with a commitment to redevelopment and asset enhancement programs, is aimed at maximising the capital and income growth for investors by seeking to increase the return for each asset.

Case Study

Lake Macquarie Fair and Mount Hutton Shopping Centre, Lake Macquarie

Charter Hall Retail REIT purchased 50% of Lake Macquarie Fair and Mount Hutton in July 2010, with the remaining 50% being owned by Charter Hall's Direct Retail Fund (DRF).

Lake Macquarie Fair, a fully refurbished centre, is anchored by a strongly performing Woolworths supermarket and a Big W discount department store and Mount Hutton Shopping Centre is anchored by a Coles supermarket.

The centres are located in Lake Macquarie's well established town centre in the Newcastle region of NSW, servicing a local area with average household income over 10% higher than the Regional NSW average (4). The properties were acquired on a year one yield of 8.75% before acquisition costs, approximately $3,200 per square metres of lettable area, and benefit from a combined anchor tenant WALE of 13 years and in excess of $100 million moving annual turnover generated by the anchor tenants alone.

(1) Excluding Quintana.
(2) Pre-unit consolidation of 1 for 10 effective 1 September, 2010.
(3) Pre-unit consolidation of 1 for 5 effective 1 September, 2010.
(4) Source: Deep End Services, Australian Bureau of Statistics (2006 Census).

Case Study

2 Market Street, Sydney

A 24 level A-grade office building, 2 Market Street is conveniently located in the heart of Sydney's CBD. With a net lettable area of approximately 40,000 square metres, the building is 99% leased to a number of high quality tenants, with over 5,300 square metres of leases being signed during the 2010 financial year with new and existing leases.

The office building has achieved a 5 star NABERS Energy rating.

Charter Hall Office REIT owns 50% of the property in joint venture with Allianz.

CHARTER HALL OFFICE REIT: 2 MARKET STREET, SYDNEY NSW

Sustainability

Key Achievements

Resource efficiency

We are committed to active asset management to improve the performance of our properties. This year, we have initiated NABERS Energy ratings across our managed office portfolio. Our Australian Charter Hall Office REIT properties are at the forefront of the industry with an average NABERS Energy rating of 4.4 stars.

Regeneration and communities

Charter Hall is committed to backing local initiatives and to giving back to the communities in which we operate.

In 2009, Charter Hall established a program where each new development project adopted and supported a local charity. The first project in this program was the redevelopment of 40 Creek Street in Brisbane where over $95,000 was raised for Young Care, a Brisbane based charity that assists young Australians with full time care needs. This was achieved through the generosity of Charter Hall employees, the project consultants and contractors through a range of initiatives such as a celebrity abseiling event, golf days and barbecues to support this charity. This year, the team undertaking the Aquilo residential project in Mentone, Victoria has committed to raising $50,000 for Statewide Autistic Services. To date $20,000 has been raised.

Charter Hall was also the first business to achieve a Green Star rating for a household retail centre in Australia. The adaptive re-use of the Home HQ North Shore, a household retail centre in Sydney, NSW resulted in a 4 Star Retail Design Rating under the Green Building Council of Australia's Green Star scheme.

Shareholders and Investors

Sustainability contributes to the long term value of our shareholders and investors. We remain a signatory to United Nations Principles of Responsible Investment and will endeavour to apply these principles through our investment decisions.

CHOF5: HOME HQ NORTH SHORE, ARTARMON NSW

Charter Hall Group is committed to implementing sustainable business practices. We believe that a balanced approach to managing environmental and social issues makes good business sense.

Recognising this, Charter Hall Group seeks to adopt business practices that balance our economic, environmental and social responsibilities through the management of risks and the creation and enhancement of opportunities that strengthen our business.

Our environmental and social governance policy, 'Balance', identifies core areas that relate to our current operations and that will continue to be a key consideration going forward.

◆ **Resource efficiency**
- Improving the environmental performance of our assets, including all Charter Hall offices.
- Reducing the environmental footprint of our development activities.

◆ **Communities and regeneration**
- Protecting biodiversity and preserving cultural heritage.
- Supporting and enhancing communities that are local to our business.

◆ **Shareholders and Investors**
- Optimising returns for our shareholders and investors.
- Aligning our business with the expectations of our shareholders and investors.
- Implementing the principles of responsible investment (UN PRI).

◆ **Customers**
- Strengthening our relationships with our customers and tenants through a dynamic proactive asset and development management approach.

◆ **Our people**
- Educating, motivating and training our staff to adopt a balanced approach to sustainability.
- Providing a supportive and flexible work environment.

Charter Hall achieved the first Green Star rating for a household retail centre in Australia.

Board of Directors

The Board's extensive experience and commitment to Charter Hall, underpins the Group's performance.

Colin McGowan
Independent
Non-Executive Director

Cedric Fuchs
Executive Director

Peter Kahan
Non-Executive Director

Patrice Derrington
Independent
Non-Executive Director

Glenn Fraser
Independent
Non-Executive Director

David Southon
Joint Managing Director

Roy Woodhouse
Deputy Chairman
and Independent
Non-Executive Director

Kerry Roxburgh
Chairman and Independent
Non-Executive Director

David Harrison
Joint Managing Director

Board of Directors

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.

Colin 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 he held for 11 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.

Cedric Fuchs

Executive Director
Cedric is a co-founder of Charter Hall with over 40 years of experience in the fields of property investment, development and financial services.

Cedric 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 diploma in Business Management.

Peter Kahan

Non-Executive Director
Peter Kahan joined the Charter Hall Board in October 2009, following an investment in the Charter Hall Group. Peter Kahan is the CEO of The Gandel Group and has over 15 years of property and funds management experience. He joined The Gandel Group in 1994 and became the Group's Finance Director in 2001, prior to his appointment as the Group's CEO in 2007.

Prior to joining The Gandel Group, Peter worked as a Chartered Accountant and has held senior financial roles in various industry sectors. Between 2002 and 2006, Peter was a Director of Gandel Retail Management Pty Ltd and Colonial First State Property Retail Pty Ltd, a leading property and fund manager, managing a portfolio of approximately $8 billion of retail assets in Australia.

Peter is a member of the Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors and holds a Bachelor of Commerce and Bachelor of Accountancy degree from the University of The Witwatersrand Johannesburg, South Africa.

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. Patrice 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 attacks on New York City. Prior positions have included Managing Director at the New York funds management and advisory firm, Spears, Benzak, Salomon and Farrell, where Patrice was responsible for David Rockefeller's property portfolio, and in 1997 founded the Victory Real Estate Investment Fund, a portfolio of traded property securities. Patrice has a Bachelor of Architecture and University Medal 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.

Glenn Fraser

Independent Non-Executive Director
Glenn Fraser is a professional non executive director. Hewas instrumental in Transfield Holdings' acquisition of 50% of Charter Hall and its expansion and asx listing in 2005.

Glen's career has largely focused on infrastructure and property finance. He joined Transfield Holdings in 1996 as General Manager – Finance Project Development, where he was responsible for the financial elements of infrastructure and property projects. He became Chief Financial Officer in 1998 and is currently a non executive member of its advisory board.

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 is the Chairman of the Charter Hall Group Audit and Risk Committee and holds a Bachelor of Commerce, is a member of the Institute of Chartered Accountants and the Australian Institute of Company Directors.

David Southon

Joint Managing Director
David is a co-founder of Charter Hall. As Charter Hall Group's Joint Managing Director, one of David's key focuses is wholesale opportunistic funds and the operation of the Development Division. David is an Executive Director on the Boards of Charter Hall Retail REIT (CQR – Chairman) and Charter Hall Office REIT (CQO) as well as the Responsible Entity Board of Charter Hall Direct Funds. He is also on the Investment Committees of the Group's series of opportunity funds.

David has over 22 years of property industry experience and is responsible for overseeing project origination, project strategy and the formulation and implementation of Group strategy together with the CHC Executive Committee and the Board. In addition, David is involved in the procurement and divestment of investment properties for the various Funds managed by the Group.

Prior to co-founding Charter Hall in 1991, David was a Development Manager with Eurolynx Limited, the Heine Group's property arm (now part of ING), and prior to that with 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).

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 is a past Fellow of the Australian Institute of Valuers and a Fellow of the Institute of Company Directors.

Kerry Roxburgh

Chairman and Independent Non-Executive Director
Kerry is an SDIA Practitioner Member. He holds positions on the Boards of several listed and unlisted companies.

Kerry is the non-executive Chairman of Tasman Cargo Airlines and of Money Switch Ltd. He is also a non-executive director of Ramsay Health Care, the LawCover Group and of the Medical Indemnity Protection Society Group. Until it was acquired by the ANZ in June 2007, 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 as Chairman of Eircom Holdings Ltd and as a non-executive director of the Everest Financial Group and of Climax Mining. Before joining E*TRADE Kerry 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.

David Harrison

Joint Managing Director
As Charter Hall Group's Joint Managing Director, David Harrison is jointly responsible for all aspects of the Charter Hall business, with specific focus on Funds, Asset and Property Management operations. David also substantially contributes to investment sourcing, capital raisings and structuring of transactions. In addition to his responsibilities on the various unlisted Fund Boards and Investment Committees, David is Chairman of the Charter Hall Office REIT Board, Board Director of the Charter Hall Retail REIT and is Chairman of the Charter Hall Direct Responsible Entity Board.

David has more than 24 years of experience in the Australian commercial property market and has jointly overseen the growth of the Charter Hall Group from $500 million to $10 billion of assets under management in six years. David has been principally responsible for transactions exceeding $13 billion of commercial, retail and industrial property assets across all property sectors.

Prior to joining Charter Hall, David was Managing Director of Savills in Australia, an international commercial real estate agency business.

Corporate Governance

This statement has been prepared by the Charter Hall Group (comprising Charter Hall Limited and the Charter Hall Property Trust, listed jointly on the ASX as a stapled security) (the Group or Charter Hall) in a manner consistent with the revised Corporate Governance Principles and Recommendations released by the Australian Securities Exchange (ASX) Corporate Governance Council on 2 August 2007 (Principles). The Principles can be viewed at asx.com.au. The Principles are not prescriptive; however, listed entities (including Charter Hall) are required to disclose the extent of their compliance with the Principles, and to explain why they have not adopted a Principle if they consider it inappropriate in their particular circumstances.

As previously announced, the Charter Hall Group has acquired the majority of Macquarie Group Limited's core real estate management platform and as a result a substantial review of its corporate governance arrangements has been conducted with the view to adjusting it to the new operating environment and strengthening corporate governance practices.

The appropriate practice recommendations have been adopted so as to reflect the Group's commitment to the highest standards of corporate governance practice. Additional corporate governance information may be found on the Group's website charterhall.com.au or by contacting the Company Secretary. Charter Hall's corporate governance statement is in the form of a report against each Recommendation.

Below is a detailed outline of the arrangements currently in operation.

Charter Hall's approach to Corporate Governance

Charter Hall is committed to the achievement of superior financial performance and long-term prosperity, while meeting stakeholders' expectations of sound corporate governance practices. This statement outlines the Group's main corporate governance practices as at 30 June 2010. Unless otherwise stated, they reflect the practices in place throughout the financial year ended on that date.

The Charter Hall Board determines the corporate governance arrangements for the Group. As with all its business activities, Charter Hall is proactive in respect of corporate governance and puts in place those arrangements which it considers are in the best interests of the Group and securityholders, and consistent with its responsibilities to other stakeholders.

Charter Hall has a strong governance framework to safeguard the interests of investors in the investment vehicles, which at times may conflict with those of Charter Hall as sponsor of related vehicles.

The pivotal elements of the Charter Hall framework are:

- conflicts of interest arising between Charter Hall-managed vehicles and their related parties must be managed appropriately and, in particular:
  - related party transactions should be identified clearly and conducted on arm's length terms;
  - related party transactions should be tested by reference to whether they meet market standards;
  - decisions about transactions between Charter Hall-managed vehicles and Charter Hall or its affiliates should be made by parties independent of Charter Hall;
- the Board must have a majority of independent directors.

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

Responsibility for corporate governance and the internal working of the Group rests with the Board. The Board has adopted a formal charter of directors' functions and matters that are delegated to management, having regard to the recommendations in the Principles.

Charter Hall's approach to Corporate Governance (continued)

An outline of the Board's responsibilities under the charter is set out below:

- *providing strategic direction and deciding upon Charter Hall's business strategies and objectives with a view to seeking to optimise the risk adjusted returns to investors;*
- *monitoring the operational and financial position and performance of Charter Hall;*
- *overseeing risk management for Charter Hall;*
- *ensuring that Charter Hall's financial and other reporting mechanisms result in adequate, accurate and timely information being provided to the Board;*
- *ensuring that unitholders and the market are fully informed of all material developments;*
- *overseeing and evaluating the performance of the Joint Managing Directors and other senior executives in the context of Charter Hall's strategies and objectives and, where appropriate, removing the Joint Managing Directors, approving other key executive appointments and planning for executive succession; and*
- *overall management of Charter Hall.*

In addition to the matters outlined above, there is a formal delegation structure in place. Under this structure, the Joint Managing Directors have delegated authority to make decisions in respect of the day to day management of the Group and its assets up to certain delegated levels, including appointment of advisers, approvals of asset business plans, budgets, capital expenditure and hedging (within approved Hedging Policy).

Each independent director of Charter Hall has received a letter of appointment which details the key terms of their appointment. This letter has been enhanced for the more recent Board appointments to include all of the recommended matters in the Principles.

Charter Hall's senior executives, including the Joint Managing Directors and Chief Financial Officer, have formalised job descriptions and, as all Charter Hall employees, letters of appointment.

Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.

To ensure that Charter Hall's senior executives properly perform their duties, the following procedures are in place:

- *performance is assessed in June each year as part of Charter Hall's formal employee performance evaluation process.*
- *employees are assessed against set behavioural and technical competencies. Assessment criteria used in determining remuneration are outlined in the Remuneration Report at page 44;*
- *a formal induction program to allow senior executives to participate fully and actively in management decision making; and*
- *access by executives to continuing education to update and enhance their skills and knowledge.*

The above process was followed for the year ended 30 June 2010.

What you can find on our website:

- Charter Hall's Board Charter.

Principle 2: Structure the Board to add value

a) Composition

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

Name	Position	Independent (Yes/No)	First appointed
Kerry Roxburgh	Chairman	Yes	12 April 2005
Roy Woodhouse	Deputy Chairman	Yes	6 April 2005
Cedric Fuchs	Executive Director	No	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
Glenn Fraser	Non-executive Director	Yes	6 April 2005
Patrice Derrington	Non-executive Director	Yes	6 April 2005
Peter Kahan	Non-executive Director	No	1 October 2009

Charter Hall's approach to Corporate Governance (continued)

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

The Board satisfies the requirements that the Board have a majority of independent directors.

Profiles of these directors, including details of their skills, experience and expertise can be found later in the director's report.

Independence
Independence of directors determined by objective criteria is acknowledged as being desirable to protect investor interests and optimise the financial performance of the managed vehicle and returns to investors. The Board regularly assesses independence of its directors.

In determining the status of a director, Charter Hall considers that a director is independent when he or she is independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with the exercise of unfettered and independent judgement. The standards set in the ASX Corporate Governance Principles are also adhered to by the Board when assessing independence of directors, in line with the Charter Hall policy.

The relationships that affect the independent status of the directors classed as non-independent are as follows:

- *Mr Harrison, Mr Southon and Mr Fuchs are employed in an executive capacity by the Group;*
- *Mr Kahan is the Chief Executive Officer and a director of The Gandel Group of Companies, which is a substantial securityholder in the Charter Hall Group.*

Recommendation 2.2: The chair should be an independent director.

Recommendation 2.3: The roles of the chair 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 Chief Executive Officer – or Managing Director – is carried out jointly by Mr Harrison and Mr 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 Kerry Roxburgh (Committee Chairman), Roy Woodhouse and 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.

The following Board composition and membership criteria have been adopted by the Committee and nominations to the Board are also approved by Charter Hall. Charter Hall also nominates executives to the Board.

- *the Board is to comprise at least three directors. Additional directors may be appointed if the Board feels that additional expertise is required in specific areas, or when an outstanding candidate is identified;*
- *directors nominated for election are approved by the Board;*
- *a majority of the directors must be independent as defined by Charter Hall (refer above); and*
- *the Board is to be comprised of directors with an appropriate range of qualifications and expertise.*

The following guidelines apply to director selection and nomination by the Board:

- *integrity;*
- *particular expertise (sector and functional) and the degree to which they complement the skill set of the existing Board members;*
- *reputation and standing in the market; and*
- *in the case of prospective independent directors, actual (as prescribed by the Charter Hall definition of independence above) and perceived independence from Charter Hall.*

Charter Hall's approach to Corporate Governance (continued)

Recommendation 2.5: Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.

To ensure that the directors of Charter Hall are properly performing their duties, the following procedures are in place:

- *a formal annual performance self-assessment of the Board, the Audit, Risk and Compliance Committee, Nominations Committee and Remuneration Committee and individual directors;*
- *an induction program for directors; and*
- *access by directors to continuing education to update and enhance their skills and knowledge.*

The procedure for evaluation of the Board's performance is:

- *each independent director will complete an annual performance evaluation which will be submitted to an independent party (during this financial year, the lead corporate legal advisor of the Group was engaged for this process), who collates and provides summarised and anonymous results to the Chairman, who then distributes the results to the full Board; and*
- *the Board as a whole discusses and analyses Board and committee performance during the year, including suggestions for change or improvement, based on the results of the survey and Chairman's feedback.*

Six or more full Board meetings are held each year. Other meetings are called as required.

Directors are provided with Board reports in advance of Board meetings which contain sufficient information to enable informed discussion of all agenda items.

Independent professional advice
The directors are entitled to obtain independent professional advice at the cost of the Group, subject to the estimated costs being first approved by the Chairman as reasonable.

Principle 3: Promote ethical and responsible decision-making

Charter Hall is committed to being a good corporate citizen and has a robust framework of policies to achieve this.

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

Charter Hall Group has established a Code of Conduct for all its employees, including the Joint Managing Directors and key executives, which form the basis for ethical behaviour by staff 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 directors, other stakeholders and the broader community can be confident that the Group conducts its affairs honestly in accordance with ethical values and practices.

The Code sets the standards for dealing ethically with employees, investors, customers, regulatory bodies and the financial and wider community, and the responsibility and accountability of individuals for reporting and investigating reports of unethical behaviour.

In addition to this, in order to deal specifically with the responsibility and accountability of individuals for reporting and investigating reports of fraudulent and unethical practices, Charter Hall has adopted a Fraud Risk Management Policy which addresses these matters. A full copy of this policy is posted on the Corporate Governance section of the Group's website.

A full copy of the Directors' Code of Conduct and a summary of the Charter Hall Code of Conduct can be obtained from the Corporate Governance section of the Group's website. A full copy of the Charter Hall Code of Conduct is also available upon request from the Company Secretary.

Managing conflicts
The Group has established protocols for identifying and managing conflicts.

In the case of the Board:

- *Board members declare their interests as required under the Corporations Act, ASX Listing Rules and other general law requirements;*
- *Board members with a material personal interest in a matter are not present at a Board meeting during the consideration of the matter and subsequent vote unless the Board (excluding the relevant Board member) resolves otherwise;*
- *Board members with a conflict not involving a material personal interest may be required to absent themselves from the relevant deliberations of the Board.*

Charter Hall's approach to Corporate Governance (continued)

The Group also has a policy for dealing with actual, apparent or potential conflicts of interest which arise out of the fact that Charter Hall is also the manager of other listed and unlisted vehicles and the Group may transact with them from time to time or share staff or information with other Charter Hall companies or managed vehicles. In particular there is a comprehensive related party protocol.

Personal conflicts that might arise generally for directors and staff are covered by the Code of Conduct referred to above.

Recommendation 3.2: Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

The Group has in place a formal Security Trading Policy, in line with the Charter Hall Group Policy, which regulates the manner in which directors and staff involved in the management of the Group can deal in Group securities. 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 and contains all contents suggested in the ASX Corporate Governance.

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 updated by the Board of Charter Hall in April 2010. A copy of the current Security Trading Policy is available on the Group's website.

Diversity

The ASX Corporate Governance Council has released a new proposed Recommendation (Recommendation 3.2) regarding diversity. Under the proposed changes, listed entities (including Charter Hall) will need to establish a policy concerning diversity and disclose such policy (or a summary thereof). The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and to assess annually both the objectives and progress in achieving them. They will be also required to disclose the level of these achievements and the proportion of women on the board, in senior management and employed throughout the whole organisation. As at 30 June 2010, the proportion of women on the Board is 11%, in senior management 16% and across all staff 43%.

The Nomination Committee, the Audit, Risk and Compliance Committee and the Charter Hall Board have considered Recommendation 3.2 and commenced work towards the drafting of a suitable policy. For this purpose, the Nomination Committee has assessed the current gender mix at Board level, within senior management and in the business as a whole, also looking at it on a divisional basis. It has been proposed that a mentoring forum be established for women to have a direct dialogue with key executives within the business as a means to assist in their professional development.

Further initiatives are being discussed and Charter Hall is committed not only to achieve compliance with the new proposed Recommendation but to further fostering a culture which embraces and recognises the value of diversity.

What you can find on our website:

- a summary of the Charter Hall Code of Conduct;
- the Securities' Trading Policy; and
- the Related Party Transactions Policy.

Principle 4: Safeguard integrity in financial reporting

The Board has the responsibility for the integrity of Charter Hall's financial reporting. To assist the Board in fulfilling its responsibility, the processes discussed below have been adopted with a view to ensuring that the Group's financial reporting is a truthful and factual presentation of Charter Hall's financial position.

Recommendation 4.1: The Board should establish an audit committee.

Recommendation 4.2: 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; and*
- *At least three members.*

To assist the Board in fulfilling its responsibility for overseeing the quality and integrity of the accounting, audit, financial and risk management practices of Charter Hall, Charter Hall has appointed an Audit, Risk and Compliance Committee comprising only independent directors and which complies with the requirements of the Principles.

The Committee is comprised of Glenn Fraser (Chair), Kerry Roxburgh and Patrice Derrington, who are all non-executive independent directors. The members have comprehensive financial and property industry expertise. The Committee met on seven (7) occasions during the year to 30 June 2010. Please refer to the Director's report for more information on members, including attendance at committee meetings.

The Audit, Risk and Compliance Committee also meet privately with the external auditors at least twice a year.

Charter Hall's approach to Corporate Governance (continued)

Recommendation 4.3: The Audit Committee should have a formal Charter.

In establishing the Audit, Risk and Compliance Committee, the Board has developed a charter which sets out the Committee's role, responsibilities, composition, structure and membership requirements. This Charter has been last updated and reviewed in August 2010.

The key responsibilities of the Audit, Risk and Compliance Committee under the Charter in relation to financial reporting are to:

- *review the internal control and compliance systems of the Company and Charter Hall;*
- *monitor the integrity of the financial statements of the Company and Charter Hall;*
- *consider significant financial reporting issues and judgements made in connection with Charter Hall's financial statements;*
- *monitor and review the performance of the external audit function and make recommendations to the Board;*
- *monitor compliance by the Company with legal and regulatory requirements;*
- *regularly monitor risk management reports provided by management;*
- *assess at regular intervals whether Charter Hall's compliance plan, internal financial control systems, risk management policies and risk management systems are adequate;*
- *where appropriate, and at least twice a year, meet privately with the external auditor to discuss an matters that the Committee or the External Auditor believe should be discussed privately; and*
- *where appropriate, meet with the Group's external legal counsel, any member of management or the internal audit team (if any) in separate session to discuss any matters that the Committee, the Group's external legal counsel, the member of management or the internal audit team believe should be discussed privately.*

Details of the risk monitoring duties of the Audit, Risk and Compliance Committee are set out in the Principle 7 commentary below.

Auditor independence
The Audit, Risk and Compliance Committee has adopted a policy which includes the following to ensure the independence of the external auditor:

- *the external auditor must remain independent from Charter Hall and Charter Hall at all times and must comply with APES 110: Code of Ethics for Professional Accountants pertaining to financial independence, and business and employment relationships;*
- *the external auditor must monitor its independence and report to the Board every six months that it has remained independent;*
- *significant permissible non-audit assignments awarded to the external auditor must be approved in advance by the Audit, Risk and Compliance Committee (or its chairman between meetings);*
- *all non-audit assignments are to be reported to the Audit, Risk and Compliance Committee every six months; and*
- *the Group's audit engagement partner and review partner must be rotated every five years. Charter Hall's audit engagement partner rotated at the conclusion of the 31 December 2009 half-year financial reporting period.*

The Board and the Audit, Risk and Compliance Committee are of the view that, at the present time, PricewaterhouseCoopers (PwC) is best placed to provide the Group's audit services because PwC is a top tier professional services firm. It has provided audit services to the Group since its establishment and is familiar with its structure and assets. The auditor is required to be independent from the Group and Charter Hall. PwC meets this requirement.

The auditor attends Charter Hall's annual meeting and is available to answer securityholder questions on the conduct of the audit, and the preparation and content of the auditor's report.

What you can find on our website:
- the Audit, Risk and Compliance Committee Charter; and
- Auditors' Independence Policy.

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.

It is Charter Hall's policy to provide timely, open and accurate information to all stakeholders, including securityholders, regulators and the wider investment community.

Charter Hall has a Continuous Disclosure and External Communications Policy which includes policies and procedures in relation to disclosure and compliance with the disclosure requirements in the ASX Listing Rules.

These policies include procedures for dealing with potentially price-sensitive information which includes referral to the Joint Managing Directors and company secretary and sometimes the Board for a determination as to disclosure required. The ASX liaison person is the Company Secretary of Charter Hall.

What you can find on our website:
- Continuous Disclosure and Communications Policy.

Charter Hall's approach to Corporate Governance (continued)

Principle 6: Respect the right of shareholders

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

As mentioned above, Charter Hall has adopted a Continuous Disclosure and Communications Policy. The cornerstone of this policy is the delivery of timely and relevant information as described below.

Investors receive an annual report and updates which keep them informed of Charter Hall's performance and operations.

After lodging market-sensitive information with ASX, Charter Hall's policy is to place the information on its website, including annual and half year results announcements and analyst presentations as soon as practically possible. Charter Hall's website (charterhall.com.au) contains recent announcements, presentations, past and current reports to securityholders, answers to frequently asked questions and a summary of key financial data since inception. Investors may also register here to receive email copies of the Group's significant ASX announcements.

Domestic investor roadshows are held periodically throughout Australia. International roadshows are also held for institutional securityholders. Where they contain new information, analyst and roadshow presentations are released to the ASX and included on the Group's website.

For formal meetings, an explanatory memorandum on the resolutions is included with the notice of meeting. Presentations by the chairman and Joint Managing Directors are webcast.

Full copies of notices of meetings are placed on the Charter Hall website. Unless specifically stated in the notice of meeting, all holders of fully paid securities are eligible to vote on all resolutions. In the event that securityholders cannot attend formal meetings, they are able to lodge a proxy on line in accordance with the Corporations Act. Proxy forms can be mailed or faxed.

What you can find on our website:

- Continuous Disclosure and Communications Policy;
- the latest annual report and full financial statements; and
- Charter Hall's latest 'Investor Focus' newsletter.

Principle 7: Recognise and manage risk

Recommendation 7.1: The Board or appropriate board committee should establish policies on risk oversight and management.

Charter Hall has a formalised risk management framework. Compliance with risk management policies is monitored by the Audit, Risk and Compliance Committee.

As part of its risk monitoring duties, the Audit, Risk and Compliance Committee is required to:

- *review the internal control and compliance systems of the Company and Charter Hall;*
- *regularly monitor risk management reports provided by management; and*
- *assess at regular intervals whether Charter Hall's compliance plan, internal financial control systems, risk management policies and risk management systems are adequate.*

The Audit, Risk and Compliance Committee members must satisfy the independence criteria set out in s601JB(2) of the Corporations Act and are required to certify their compliance with these requirements annually and otherwise notify Charter Hall if they cease to satisfy the criteria.

Recommendation 7.2: The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

The Audit, Risk and Compliance Committee and designated compliance staff also assist the Charter Hall Board in overseeing the risk management framework of the Group by monitoring the observance of the compliance plans and ensuring that there is an underlying compliance framework including detailed policies and procedures, staff training and supervision and appropriate compliance reporting. The compliance officer for the Group is responsible for reviewing and monitoring the efficiency of compliance systems on an ongoing basis so that appropriate compliance procedures, staff education and compliance committee reporting arrangements are in place to enable observance of the compliance plans.

Charter Hall's approach to Corporate Governance (continued)

During the year, management has reported to the Audit, Risk and Compliance Committee as to the effectiveness of Charter Hall's management of its material risks. Charter Hall has a Risk Management framework in place for identifying, assessing, monitoring and managing its risks. Each financial year, an Operational Risk Assessment is conducted whereby management identifies key risks and controls in place and their effectiveness. Findings resulting from this assessment are reported to the Audit, Risk and Compliance Committee.

Considerable importance is placed on maintaining a strong control environment through an organisation structure with clearly drawn lines of accountability and authority. At this point in time, the Board is of the opinion that the size of the Group does not warrant an internal audit function. This policy is subject to ongoing review.

Recommendation 7.3: The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Board of Charter Hall has received assurance from the Joint Managing Directors and Chief Financial Officer that their confirmation given to the Board in respect of the integrity of financial statements is founded on a sound system of risk management and internal control which implements the policies adopted by the Board and that the system is operating in all material respects in relation to financial reporting risks.

What you can find on our website:

- Group's Risk Management framework.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1: The Board should establish a remuneration committee.

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 aims 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 comprises three non-executive, independent directors being Kerry Roxburgh (Chairman), Colin McGowan and Roy Woodhouse (please refer to the Directors Report for information in regard to the members and the number of meetings held and attended).

The Remuneration Committee obtains 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 regard to the Group's remuneration policies and framework, please refer to the Remuneration Report, including a detailed description of the structure of non-executive directors' remuneration and executive directors' and senior executives' remuneration.

A copy of the Remuneration Committee Charter is available on the Group's website. The Security Trading Policy, also posted on the website, deals with the Group's policy on entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration scheme.

Recommendation 8.2: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives

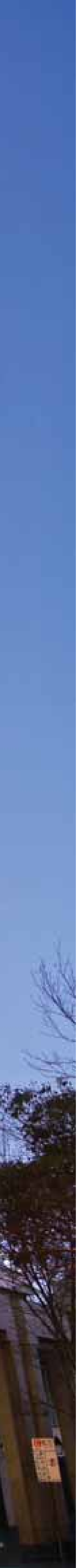
Fees paid to non-executive directors are set by the Board in consultation with remuneration experts, within an aggregate limit approved by securityholders. The total remuneration paid to non-executive directors to 30 June 2010 is set out in the Remuneration Report.

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 or receive options or bonus payments.

Executive directors', as well as senior executives', 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.

CPOF: 225 ST GEORGES TERRACE, PERTH WA



Financial Report

Directors' Report

For the year ended 30 June 2010

Your directors present their report on the consolidated entity (referred to hereafter as the Group or Charter Hall Group) consisting of Charter Hall Limited (Company or CHL) and the entities it controlled at the end of, or during, the year ended 30 June 2010. Charter Hall Group is a stapled entity comprising CHL and its controlled entities and Charter Hall Property Trust (Trust or CHPT) and its controlled entities.

The Group includes Charter Hall Funds Management Limited (CHFML) as the responsible entity of CHPT. CHL and CHFML 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:

- **Kerry Roxburgh** – *Chairman*
- **Roy Woodhouse** – *Deputy Chairman*
- **Patrice Derrington** – *Non-executive Director*
- **Glenn Fraser** – *Non-executive Director*
- **Cedric Fuchs** – *Executive Director*
- **David Harrison** – *Joint Managing Director*
- **Peter Kahan** – *Non-executive Director (appointed 1 October 2009)*
- **Colin McGowan** – *Non-executive Director*
- **David Southon** – *Joint Managing Director*

Principal activities

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

a) Property investment
b) Funds management services
c) Development management services
d) Other property services

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:

	2010 $'000	2009 $'000
Interim ordinary distribution for the six months ended 31 December 2009 of 1.60 cents per security paid on 26 February 2010	11,204	–
Final ordinary distribution for the six months ended 30 June 2010 of 1.60 cents per security expected to be paid on 27 August 2010	18,598	–
Interim ordinary distribution for the six months ended 31 December 2008 of 3.96 cents per security paid on 27 February 2009	–	17,679
Final ordinary distribution for the six months ended 30 June 2009 of 1.00 cent per security paid on 28 August 2009	–	6,980
	29,802	24,659

Earnings per security and operating earnings		
Earnings per security per note 40 (cents)	0.02	(17.98)
Operating earnings per security per note 5 (cents)	4.11	7.61
Earnings used in the calculation of operating earnings per security ('000)	34,900	34,828
Weighted average number of ordinary securities used in the calculation of operating earnings per security ('000) (note 40)	850,161	457,410
Net profit/(loss) attributable to stapled securityholders of the Group	207	(82,222)
Fair value losses	52,847	93,982
Net gain on remeasurement of equity interest	(59,725)	–
Loss/(gain) on sale of investments, property and derivatives	10,529	(1,339)
Impairment of goodwill on consolidation of CPRF and investments	15,328	17,644
Business combination acquisition costs	6,636	–
Non-operating movements in equity accounted investments	7,838	3,625
ELSP and PROP expense	1,317	616
Amortisation	734	744
Tax benefit	(950)	(1,222)
Foreign exchange loss	139	–
Performance fee accrual reversal	–	3,000
Operating earnings (excluding non-controlling interest)	**34,900**	**34,828**

The adjustments above exclude the non-controlling interest in CPRF.

Directors' Report

For the year ended 30 June 2010

Results

The Group recorded a statutory gain attributable to stapled securityholders for the financial year of $0.2 million compared to a loss of $82.2 million in 2009. After adding back fair value adjustments, impairment, gains on sale and other non-cash items such as the mark to market of derivatives, the Group generated operating earnings (formerly called Underlying Earnings) of $34.9 million compared to $34.8 million in 2009.

Operating Earnings per Security (OEPS) of 4.11 cents fell from 7.61 cents in 2009 due to the increase in the weighted average number of securities from 457,410,018 to 850,161,196. As a result, the Distribution per Security (DPS) fell from 4.96 cents to 3.20 cents.

Net Tangible Assets per Security (NTA) has reduced from $0.71 at 30 June 2009 to $0.56, largely as a result of additional securities issued as part of capital raisings and due to devaluations of investments.

Funds Under Management (FUM) has increased from $3.4 billion at 30 June 2009 to $10.2 billion as a result of the acquisition of the management rights of the majority of the Macquarie Group Limited's (Macquarie) core real estate management platform and the co-investments in funds.

Gearing has increased from 2.4% at 30 June 2009 to 6.5% at 30 June 2010 as a result of Charter Hall Core Plus Retail Fund (CPRF) being consolidated.

The 30 June 2010 financial results with comparatives are summarised as follows:

	Note	2010	2009
Revenue including non-controlled interests ($m)		77	61
Profit/(loss) after tax attributable to stapled securityholders ($m)		0.2	(82)
Operating earnings attributable to stapled securityholders ($m)		35	35
Distributions to stapled securityholders ($m)		30	25
Statutory earnings per stapled security (EPS) (cents)		0.02	(17.98)
Operating EPS per stapled security (OEPS) (cents)	1, 2	4.11	7.61
Distribution per stapled security (cents)	2	3.20	4.96
Total assets ($m)		988	524
Total liabilities ($m)		165	30
Net assets ($m)		823	494
Net assets attributable to stapled securityholders ($m)		772	494
Securities on issue (m)	2	1,162	698
NTA per security ($)	2	0.56	0.71
Gearing – borrowings to total assets	3	6.5%	2.4%
Funds under management ($bn)		10.2	3.4

1) Excludes AASB 140 fair value adjustments on investment properties and fair value adjustments on financial assets, impairment of assets, gains on sale of investments and non-cash charges such as share-based payments expense, amortisation, tax benefit and acquisition costs.
2) Calculation excludes stapled securities issued under the Executive Loan Security Plan in accordance with AASB 2 *Share-based Payment*.
3) Calculation is net of cash.

Distribution Re-investment Plan (DRP)

The DRP is currently activated.

Review of operations

The Group has maintained its strategy to de-risk its managed funds and the listed balance sheet and ensured emergence from the Global Financial Crisis in a healthy position.

In March 2010, the Group completed the transformational acquisition of the majority of the Macquarie real estate management platform.

The acquisition involved the purchase of management rights for two listed and three unlisted real estate funds for $108 million and co-investment in Charter Hall Office REIT, Charter Hall Retail REIT and Charter Hall Direct Property Fund for $189 million. The purchase has positioned Charter Hall as one of Australia's largest specialist real estate fund managers with assets under management increased from $3.4 billion at 30 June 2009 to $10.2 billion.

Charter Hall has diversified its equity sources with access to listed equity and increased exposure to core funds.

The funding for the transaction was provided by a $305 million equity raising with an underwritten placements and entitlement offer.

Following is an update of the managed funds in which the Group has a co-investment.

Charter Hall Office REIT (CQO) – $4.1 billion FUM, CHPT interest 7.5%

The CQO portfolio comprises 37 (excluding Quintana) high grade office assets located in major business districts in Australia and the United States, with four office assets in Europe and Japan.

CQO announced its 30 June 2010 asset revaluations of A$3.9 billion with external valuations carried out on 12 assets, representing 53% of assets by value, and internal (directors) valuations were undertaken on the balance. The weighted average age of the external valuations is now five months. The 30 June 2010 valuations indicate a $97.3 million decrease against the 31 December 2009 book values, representing a decrease of 2.42%. The weighted average portfolio capitalisation rate remained unchanged with a 13 basis points movement in discount rates.

Despite continued weakness and slow demand across the majority of office markets, CQO's high quality portfolio has remained resilient, with 140,505 square metres, or 13%, of the portfolio leased during the year. Other key results for the period to 30 June 2010 include portfolio occupancy of 91%, a stable like for like property income and a portfolio weighted average lease expiry of 4.5 years.

Charter Hall Retail REIT (CQR) – $2.1 billion FUM, CHPT interest 7.4%

CQR's investment strategy is to invest in retail properties, with the existing portfolio of 136 properties predominantly focusing on food and mainly anchored by market leading grocery retailers.

The result of its asset revaluations at 30 June 2010 saw the value of its portfolio increase 1.1% over the June 2010 book value to $2.1 billion. The portfolio's overall weighted average capitalisation rate decreased from 8.15% to 8.07%, resulting in a 0.9% increase in asset value, with the remaining 0.2% movement being driven by growth in the portfolio's overall net income.

Portfolio occupancy increased to 96.7% at 30 June 2010, from 96.6% at 31 March 2010. Same property income growth increased to 1.2% across the portfolio, indicating improving market conditions across the three regions in which the REIT is invested.

Core Plus Office Fund (CPOF) – $1.1 billion FUM, CHPT interest 17%

CPOF has continued to focus on investment fundamentals and strengthen its balance sheet throughout financial year 2010. With occupancy of 96% and a long lease expiry profile of six years, CPOF is positioned to take advantage of an improving commercial real estate market. Continued tenant demand coupled with an upswing in demand from private, institutional and international investors for quality assets across the Australian market is a positive sign for a sustained recovery across the majority of office markets.

After a review of the entire CPOF portfolio in both the March and June quarters of this financial year CPOF has a current weighted average capitalisation rate of 7.76%. Including the 31 December 2009 valuations, 86% of this portfolio (by value) has now been revalued over the last six months.

Core Plus Industrial Fund (CPIF) – $0.4 billion FUM, CHPT interest 25%

CPIF has also undertaken June quarterly reviews of its entire portfolio, with valuations on 73% of the portfolio (by value). Including the 30 September 2009 valuations, 100% of the portfolio has now been revalued over the last nine months. The current weighted average capitalisation rate of the portfolio is 8.34%. Current CPIF occupancy is 98.9% with a WALE of 9.5 years, underpinned by strong tenant covenants with, for example, 17 and 14 year leases to Coles and Smorgon Steel respectively.

CPIF has demonstrated a solid performance in what has been a challenging market environment. CPIF continues to secure lease renewals and extensions above forecast rental levels.

On 4 August 2010, CPIF purchased a prominent seven hectare industrial site in Chullora which will be developed to provide a 27,000 square metre facility for Volkswagen Group Australia.

Core Plus Retail Fund (CPRF) – $0.3 billion FUM, CHPT interest 66%

The CPRF portfolio consists of eight properties with a current weighted average cap rate of 8.35%. June quarterly reviews of the CPRF portfolio showed that market capitalisation rates have stabilised across the retail market.

A long dated WALE of 7.8 years backs the current occupancy of 96% and provides income stability into the future, with no significant lease expiries until 2014.

CPRF is in the process of being restructured into the unlisted Direct Retail Fund, offering retail investors the chance to invest in an institutional quality portfolio of assets.

Diversified Property Fund (DPF) – $0.2 billion FUM, CHPT interest 32%

After a review of the entire DPF portfolio in both the March and June quarters of this financial year, 67% of the portfolio was independently revalued, resulting in a current weighted average cap rate of 8.17%.

The WALE remains steady at 7.4 years due to new leases and extension of existing leases. The DPF portfolio currently has an occupancy rate of 95%.

Charter Hall Umbrella Fund (CHUF) – $0.1 billion FUM, CHPT interest 25%

CHUF is a fund with investments predominantly in Charter Hall Group managed funds. CHUF has effectively had 66% of its portfolio revalued over the March and June quarters of this financial year. CHUF provides exposure to high quality assets with a WALE of 7.8 years and a current occupancy of 96%.

Charter Hall Direct Property Fund – $0.5 billion FUM, CHPT interest 4%

Charter Hall Direct Property Fund (CHDPF) is an unlisted open-ended property fund that aims to provide regular, tax effective income payable quarterly from a portfolio of direct property (86% of the portfolio), unlisted wholesale funds (6% of the portfolio) and listed A-REITs (3% of the portfolio). As at 30 June 2010, 83% of the portfolio was invested in the office sector and 94% of the portfolio was invested in Australia.

In the year to 30 June 2010, in line with PDS requirements, all of the direct properties in CHDPF have been independently revalued. The weighted average cap rate was 8.7%, the weighted average lease expiry was 4.8 years and portfolio occupancy was 92% as at 30 June 2010.

Since July 2008, in excess of A$270 million debt has been repaid to maintain gearing at the lower end of the 40-55% target range.

CHDPF is currently closed for applications and redemptions. However, following the successful capital and portfolio management initiatives throughout the recent market downturn, CHDPF is targeted to reopen in the fourth quarter of 2010.

Opportunity funds update

The market remains challenging for development and repositioning projects due to the tight credit markets, reduction in asset values and a decline in demand for space due to the economic downturn.

Charter Hall Opportunity Fund 4 (CHOF4) – $0.1 billion FUM, CHL interest 3%

Charter Hall Opportunity Fund No.4 (CHOF4) announced in June 2010 that it has sold its 50% interest in half of the Gepps X Homemaker Centre in Gepps Cross, Adelaide for $34.8 million.

Home HQ North Shore continues to trade well following the grand opening on 27 March 2010. Agreement for Lease documentation has been executed on approximately 96% of the centre's area, which equates to 95% of the centre's estimated income. The centre has achieved the first 4 star Green Star Rating for a household retail development in Australia.

Construction of Alluvion, 58 Mounts Bay Road, Perth reached practical completion on 2 June 2010. The project is 100% leased and was pre-sold to Colonial's Commonwealth Office Property Fund (CPA) for $95 million with settlement occurring on 25 June 2010.

Charter Hall Opportunity Fund 5 (CHOF5) – $0.6 billion FUM, CHL interest 15%

At Home HQ Hastings, contracts have now been exchanged for the sale of a 22,350sqm lot to Mitre 10 Mega for the development of a timber and hardware trade store. In addition, commercial terms have also been agreed with The Warehouse Shop to lease a new 6,300 square metre facility on the site.

The soft launch of Aquilo, a residential development in Mentone, Victoria has been well received by the market with 46 contracts exchanged and a further 30 townhouses reserved by potential purchasers with the payment of a holding deposit. The on-site sales and marketing suite has now been completed and the final 33 townhouses (Stage 3) are being marketed for sale.

CHOF5 announced in April 2010 that it has acquired the development rights to develop stage one of the Lacrosse Apartments in the Docklands precinct. The project comprises 312 apartments and includes 1,300sqm of retail space. The average apartment price is approximately $500,000 and to date around 98% of apartments have been sold.

Environmental regulation

The principal activities of the Group are property investment, funds management services, development management services and other property services. Funds management involves minimal environmental impact. The Group ensures compliance with applicable environmental standards and regulations in its property investment and development management activities. To the best of the directors' knowledge, the operations of the Group have been undertaken in compliance with the applicable environmental regulations that apply to the Group's activities.

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:

- As previously mentioned, the Group raised $305 million via an entitlement offer and placement in March 2010 through the issue of 193.2 million securities at 65 cents per security and $108.7 million securities at 70 cents per security.
- Proceeds were used to purchase the majority of the Macquarie real estate platform for $108 million with purchases of co-investments in the underlying funds totalling $189 million.

Matters subsequent to the end of the period

Since 30 June 2010, the Group has completed the following transactions:

- The settlement of the purchase of 33 Windorah Street, Stafford by CPRF on 20 July 2010 for $11.2 million.
- The completion of the purchase by CPRF of 50% of Lake Macquarie Shopping Centre and Mount Hutton Shopping Centre on 30 July 2010 for $66 million. The purchase is a joint venture with Charter Hall Retail REIT.
- CPRF completed the sale of Bluewater Plaza, located at Redcliffe, to the Anthony John Group Pty Ltd on 10 August 2010 for $47.8 million.
- On 27 July 2010, the Group launched the Charter Hall Direct Industrial Fund for investment by retail and self managed superannuation fund investors. The seed asset is a development property at Altona North, Melbourne. The Group will be financing the development while equity is raised.

Except for the matters discussed above, no other matter or circumstance has arisen since 30 June 2010 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

For the year ended 30 June 2010

Information on directors

Kerry Roxburgh *Chairman – Independent non-executive director*

Experience and expertise
Kerry is a Practitioner Member of the Stockbrokers Association of Australia. He holds positions on the boards of several listed and unlisted companies. He is the non-executive Chairman of Tasman Cargo Airlines and Money Switch Ltd. He is also a non-executive director of Ramsay Health Care, the Law Cover Group and the Medical Indemnity Protection Society Group. Until it was acquired by the ANZ in June 2007, 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 Everest Financial Group and Eircom Holdings Limited. 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.

Kerry is also a Bachelor of Commerce and a Master of Business Administration.

Other current listed company directorships
Non-executive director of Ramsay Health Care Ltd (since 1997)

Former listed company directorships in last three years
Everest Finance Group
(from 2006 until May 2009)
Non-executive Chairman and a director of Eircom Holdings Limited
(from 2006 to January 2010)

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

Interests in securities
125,000 securities in Charter Hall Group

Roy Woodhouse *Deputy Chairman – Independent non-executive director*

Experience and expertise
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 is a Fellow of the Institute of Company Directors and was a Fellow of the Australian Institute of Valuers.

Other current listed company directorships
Nil

Former listed company directorships in last three years
Nil

Special responsibilities
Deputy Chairman of the Board
Member of the Nomination Committee
Member of the Remuneration Committee

Interests in securities
85,713 securities in Charter Hall Group

Patrice Derrington *Independent non-executive director*

Experience and expertise
Patrice is a senior property executive with recent roles including CEO of Penrith Lakes Development Corporation Limited and CEO of Campus Living.

Patrice 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 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.

Other current listed company directorships
Nil

Former listed company directorships in last three years
Nil

Special responsibilities
Member of the Audit, Risk and Compliance Committee

Interests in securities
Nil securities in Charter Hall Group

Information on directors (continued)

Glenn Fraser *Independent non-executive director*

Experience and expertise
Glenn Fraser is a professional non-executive director. He is currently a member of Transfield Holdings Advisory Board and was instrumental in the acquisition of its interest in Charter Hall and its expansion and listing in 2005.

Glenn 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 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.

Other current listed company directorships
Nil

Former listed company directorships in last three years
Nil

Special responsibilities
Chair of Audit, Risk and Compliance Committee

Interests in securities
627,733 securities in Charter Hall Group via indirect interests

Cedric Fuchs *Executive director*

Experience and expertise
Cedric is a co-founder of Charter Hall with over 40 years of experience in the fields of property investment, development and financial services.

Cedric 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 Diploma in Business Management.

Other current listed company directorships
Nil

Former listed company directorships in last three years
Nil

Special responsibilities
Member of the Valuation Committee

Interests in securities
5,434,593 securities in Charter Hall Group via indirect interests. 1,621,403 securities in the Charter Hall Executive Loan Security Plan; securities in the Plan vest upon the satisfaction of performance and service criteria. 225,481 Performance Rights and 625,625 Options in the Charter Hall Performance Rights and Options Plan; options and performance rights also vest after performance and service conditions are met.

David Harrison *Joint Managing Director*

Experience and expertise
As Charter Hall Group's Joint Managing Director, David Harrison is jointly responsible for all aspects of the Charter Hall business, with specific focus on Funds, Asset and Property Management operations. David also substantially contributes to investment sourcing, capital raisings and structuring of transactions. In addition to his responsibilities on the various unlisted Fund Boards and Investment Committees, David is Chairman of the Charter Hall Office REIT (CQO) Board, Director of the Charter Hall Retail REIT (CQR) and is Chairman of the Charter Hall Direct Responsible Entity Board.

David has more than 24 years of experience in the Australian commercial property market and has jointly overseen the growth of the Charter Hall Group from $500 million to $10 billion of assets under management in six years. David has been principally responsible for transactions exceeding $13 billion of commercial, retail and industrial property assets across all property sectors.

Prior to joining Charter Hall, David was Managing Director of Savills in Australia, an international commercial real estate agency business.

David 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
Charter Hall Office REIT (CQO) (Chairman)
Charter Hall Retail REIT (CQR)

Former listed company directorships in last three years
Nil

Special responsibilities
Member of the Valuation Committee

Interests in securities
8,038,080 securities in Charter Hall Group via direct and indirect interests. 10,801,884 securities in the Charter Hall Executive Loan Securities Plan; securities in the Plan will vest upon the satisfaction of performance and service criteria. 1,153,846 Performance Rights and 2,681,250 Options in the Charter Hall Performance Rights and Options Plan; performance rights and options also vest after performance and service criteria are met.

Information on directors (continued)

Peter Kahan *Non-executive director*

Experience and expertise
Peter Kahan joined the Charter Hall Board in October 2009, following an investment in the Charter Hall Group by the Gandel Group. Peter Kahan is the CEO of The Gandel Group and has over 15 years of property and funds management experience. He joined The Gandel Group in 1994 and became the Group's Finance Director in 2001, prior to his appointment as the Group's CEO in 2007.

Prior to joining The Gandel Group, Peter worked as a Chartered Accountant and has held senior financial roles in various industry sectors. Between 2002 and 2006, Peter was a Director of Gandel Retail Management Pty Ltd and Colonial First State Property Retail Pty Ltd, a leading property and fund manager, managing a portfolio of approximately $8 billion of retail assets in Australia.

Peter is a member of the Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors and holds a Bachelor of Commerce and Bachelor of Accountancy degree from the University of The Witwatersrand Johannesburg, South Africa.

Other current listed company directorships
Nil

Former listed company directorships in last three years
Nil

Special responsibilities
Nil

Interests in securities
Nil securities in Charter Hall Group

Colin McGowan *Independent non-executive director*

Experience and expertise
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.

Colin 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 he held for 11 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.

Other current listed company directorships
Nil

Former listed company directorships in last three years
Nil

Special responsibilities
Member of the Remuneration Committee
Member of the Nomination Committee
Chair of the Valuation Committee

Interests in securities
Nil securities in Charter Hall Group

David Southon *Joint Managing Director*

Experience and expertise
David is a co-founder of Charter Hall. As Charter Hall Group's Joint Managing Director, David is jointly responsible for all aspects of the Charter Hall business with specific focus on wholesale opportunistic funds and the operation of the Development Division. David is an Executive Director on the Boards of Charter Hall Retail REIT (CQR – Chairman) and Charter Hall Office REIT (CQO) as well as the Responsible Entity Board of Charter Hall Direct Funds. He is also on the Investment Committees of the Group's series of opportunity funds.

David has over 22 years of property industry experience and is responsible for overseeing project origination, project strategy and the formulation and implementation of Group strategy together with the CHC Executive Committee and the Board. In addition, David is involved in the procurement and divestment of investment properties for the various Funds managed by the Group.

Prior to co-founding Charter Hall in 1991, David was a Development Manager with Eurolynx Limited, the Heine Group's property arm (now part of ING), and prior to that with 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).

Other current listed company directorships
Charter Hall Retail REIT (CQR – Chairman)
Charter Hall Office REIT (CQO)

Former listed company directorships in last three years
Nil

Special responsibilities
Member of the Valuation Committee

Interests in securities
8,193,435 securities in Charter Hall Group via direct interests. 10,758,577 securities in the Charter Hall Executive Loan Security Plan; securities in the Plan will vest upon the satisfaction of performance and service criteria. 2,681,250 Options and 1,153,846 Performance Rights in the Charter Hall Performance Rights and Options Plan; options and performance rights also vest after performance and service conditions are met.

Company Secretary

The company secretary is Mr Nathan Francis, a member of the Institute of Chartered Accountants in Australia and Chartered Secretaries Australia. Before joining Charter Hall Group, Nathan 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. Nathan also holds a Bachelor of Business degree from the University of Technology, Sydney.

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 2010, 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		Valuation Committee	
	A	B	A	B	A	B	A	B	A	B
K Roxburgh	13	13	7	7	2	2	7	8	*	*
R Woodhouse	13	13	*	*	1	2	7	8	*	*
P Derrington	11	13	7	7	*	*	*	*	*	*
G Fraser	13	13	7	7	*	*	*	*	*	*
C Fuchs	12	13	*	*	*	*	*	*	3	4
D Harrison	12	13	*	*	*	*	*	*	4	4
P Kahan	12	12	*	*	*	*	*	*	*	*
C McGowan	11	13	*	*	2	2	7	8	4	4
D Southon	12	13	*	*	*	*	*	*	3	4

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

Remuneration Report

Introduction

This Remuneration Report is prepared in accordance with Section 300A of the *Corporations Act 2001* (the Act) for the Company and its controlled entities (the Group) for the year ended 30 June 2010. The information provided in this report has been audited in accordance with the requirements of Section 308(3C) of the Act.

This year, having regard to the recommendations made by the Productivity Commission in its final report on executive remuneration and in response to the acquisition in March 2010 of the majority of Macquarie's real estate platform, the Group and the Remuneration Committee undertook a comprehensive review of the remuneration structure. The Remuneration Committee directly engaged and received expert advice from three remuneration consultants who provided reports to the committee under the following headings:

- *Alternate long-term incentive approaches – July 2009*
- *Executive remuneration benchmarking report – June 2010;*
- *Non-executive director benchmarking report – June 2010; and*
- *Recommendations on Top Executive Remuneration (Joint Managing Directors and Chief Financial Officer)*

The July 2009 report resulted in the suspension of the Executive Loan Security Plan (ELSP) and adoption of the Performance Rights and Options Plan (PROP) as the Long Term Incentive Plan (LTI) with effect from 1 July 2009.

The 2010 remuneration report is presented in a revised format to provide investors with a clear understanding of the Group's remuneration policies and structure. The key management personnel of the Group include the directors listed on pages 40 – 42 and the following executive officers, who with the executive directors include the five highest paid executives of the Group.

- J Bakker – Group Chief Financial Officer
- A Glass – Head of Wholesale Investment Funds Management
- N Kelly – Head of Investor Relations
- S Sewell – Chief Executive Officer – Charter Hall Retail REIT
- R Stacker – Chief Executive Officer – Charter Hall Direct Property
- A Taylor – Chief Executive Officer – Charter Hall Office REIT
- M Winnem – Head of Wholesale Opportunistic Funds Management

Information presented in this report

This Remuneration Report is presented under the following main headings:

A Principles used to determine the nature and amount of remuneration – this section provides a summary of Group remuneration objectives, policies, framework and principles
B Details of the remuneration in the past 2 years of the executive directors and the other key management personnel listed above and where applicable, their service agreements
C Long term incentives (share-based component of remuneration)
D Additional long term incentive information
E Non-executive director remuneration for the past 2 years

A Principles used to determine the nature and amount of remuneration

The Board has responsibility for ensuring that the executive remuneration framework:

1. remains competitive so as to attract and retain the Group's most talented personnel
2. has strong investor support
3. has the appropriate nexus with the Group's overall performance
4. is strongly aligned with short term corporate goals and its long term strategies
5. is transparent and easily understood.

To discharge its responsibilities, the Board is assisted by the Group's Remuneration Committee which is comprised solely of independent non-executive directors who are completely independent of all executive personnel. The Chair of the committee (Mr K Roxburgh) is the independent Chairman of the Board.

The Corporate Governance Statement provides more information about the role of the Remuneration Committee.

The Group's remuneration framework is designed to strike the right balance between the interests of its employees and those of its investors. To achieve this balance, the executive base pay, other benefits and any short term incentive (STI) represent the major components of the remuneration framework designed to be competitive in the market place, so as to attract and retain talented personnel whilst offering additional rewards where Group results deliver value to investors.

A Principles used to determine the nature and amount of remuneration (continued)

The long term incentive (LTI) is the third component of the framework. Its role is to encourage the executive to successfully implement the longer term strategic objectives of the Group that over time also deliver value to investors. This component of remuneration also engenders staff loyalty. With the benefit of expert professional advice obtained in July last year, the LTI was thoroughly re-designed to adopt the significant changes in market best practice.

Overall, the remuneration framework comprises a mix of fixed and variable ("incentive or at risk") pay representing a blend of fixed base pay, short term incentives and longer term non-cash incentives. As executives gain seniority with the Group, the balance of this mix shifts towards an increasing proportion of the "incentive or at risk" components. This framework is designed to provide:

1. Alignment to investors' interests that:
   - has economic profit as a core component of plan design;
   - focuses on the effective implementation of strategies designed to deliver sustained growth in investor wealth, in the form of distributions and dividends, along with growth in asset values; and
   - will attract and retain talented personnel.
2. Alignment to employee interests that:
   - rewards experience, performance, commitment and loyalty;
   - recognises their contribution to growth in investor wealth; and
   - provides a clear and easily understood structure for earning rewards.

The following table summarises the Group executive remuneration framework and component guidelines that were applicable in the year ended 30 June 2010:

	FY10 remuneration component guidelines		
	Base and other	STI	LTI[1]
Joint Managing Directors	40% to 100%	0% to 40%	0% to 20%[2]
Executive Director	60% to 100%	0% to 30%	0% to 10%[2]
Other key management personnel[3]	60% to 100%	0% to 30%	0% to 10%
Key management personnel ranges	**47.5% to 100%**	**0% to 40%**	**0% to 12.5%**
Strategic alignment with Group requirements and performance	Operational performance to budget	Outperformance of financial and non-financial KPIs	Delivery of longer term investor returns

1) This is the accounting non-cash amount charged for the LTI in the Group's consolidated income statement.
2) Subject to securityholder approval.
3) Excludes non-executive directors.

A Principles used to determine the nature and amount of remuneration (continued)

Base pay and other benefits

Executives are offered a market based pay where reference is made to latest salary trends and the benchmarking report and recommendations referred to above, 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 generally payable in July each year depending on Group and individual performance in the financial year to 30 June. Executives have an STI opportunity depending on the accountabilities of their role and their individual contribution.

Each year the Remuneration Committee and Joint Managing Directors meet to determine what are the appropriate targets and key performance indicators (KPI's). This includes a determination of the indicative overall maximum payout under the STI plan and the minimum levels for Group financial performance that would trigger payment of any STI. The Committee's recommendations are made to the Board for their consideration and adoption.

The Joint Managing Directors are responsible for determining the extent to which the KPI's of individual personnel other than their own have been achieved.

The Joint Managing Directors' and the Executive Directors' short term incentive are each subject to individual KPI's set by the Board that apply provided Group performance targets are achieved.

In the year ended 30 June 2009, Group operational performance was negatively impacted by unfavourable market conditions and the three executive directors were not awarded any STI bonus.

In the year ended 30 June 2010, the Group financial targets were achieved, so the three executive directors were entitled to an STI. The Board did not consider that all of the executive director's individual KPIs were fully achieved, however the Board did consider completion in March 2010 of the Macquarie real estate platform acquisition was exceptional.

For exceptional performance such as this acquisition, at its discretion and based upon a recommendation from the Remuneration Committee, the Board may award additional payments. For the three executive directors, the Board resolved to make total STI payments out of the 30 June 2010 profits of $2.15 million.

Long-term incentives (LTI)

The LTI is a non-cash Group expense. Its value in the remuneration framework is the amount recognised in the Group's consolidated income statement. On this measure, the LTI is the smallest of the three components that make up the Group's remuneration framework.

The LTI is currently provided by participation in the Performance Rights and Options Plan (PROP). Some personnel also have an interest in the Executive Loan Security Plan (ELSP) that was suspended on 1 July 2009. The PROP and its predecessor, the ELSP are both designed to reward personnel for the effective implementation of strategies that deliver sustained growth in investor wealth and to attract and retain talented personnel.

The number of offers that can be made under any employee incentive plan is limited to 10% of issued Stapled Securities from time to time. As approved at the 2008 AGM, securities issued under an employee incentive scheme to Directors, that have been approved by securityholders, are excluded from the 10% limit. It should be noted that this 10% limit is not imposed by any law, regulation or the Listing Rules.

PROP participants are granted performance rights and options which may be exercised in two equal tranches in the 2nd and 3rd years following their grant, provided performance and service conditions have been satisfied.

Participants in the now suspended ELSP were offered limited recourse loans to acquire securities within that plan. The interest charge on any such loan is equal to the Charter Hall Group distribution yield on the related securities held in that plan. If performance and service conditions are satisfied, securities will only become available for release to plan participants when any loan obligations outstanding have been repaid. Whilst 50.3 million ELSP securities remain in the plan no further issues are proposed.

Non-executive directors do not participate in either the PROP or the ELSP.

Further information about these plans is provided in note 41 to the financial statements

A Principles used to determine the nature and amount of remuneration (continued)

Long-term incentives (LTI) (continued)

The following table provides a breakdown of the proportion of the three remuneration components recorded in the Group's consolidated income statement in the year ended 30 June 2010:

	FY 10 remuneration component guidelines		
	Base and other	STI	LTI (1)
Joint Managing Directors (4)	37.4%	50.0%	12.6% (2)
Executive Director	64.0%	27.4%	8.6% (2)
Other key management personnel (3)	60.3%	30.4%	9.3%
Key management personnel totals (3)	**48.1%**	**40%**	**11.9%**
Strategic alignment with Group requirements and performance	Operational performance to budget	Outperformance of financial and non-financial KPIs	Delivery of longer term investor returns

1) This is the accounting non-cash amount charged for the LTI in the Group's consolidated income statement.
2) Subject to securityholder approval.
3) Excludes non-executive directors.
4) Impacted by an additional STI allocated to the Joint managing Directors as noted above.

Non-executive directors' fees

Fees and payments to non-executive directors reflect the demands which are made upon and the responsibilities of these directors. Non-executive directors' fees and payments are reviewed annually by the Remuneration Committee. The Chairman's fees are determined independent of the fees of non-executive directors. Fees have been based on comparative roles in similar enterprises.

There are no retirement allowances for non-executive directors.

In June this year, the Remuneration Committee commissioned an independent remuneration benchmarking report to determine whether the Group's non-executive directors' fees and payments are appropriate and remain comparable with similar enterprises.

As the size and complexity of the Group has recently increased, the independent report concluded that:

"Charter Hall's Board Chairman and Member fees are generally at the 25th percentile against all peer groups".

The June 2010 benchmarking report revealed that for the industry peer group at the 25th percentile, base non-executive directors' fees are $100,000. The report notes it is common for the Chairman's fee to be 2 to 3 times the base fee. Committee fees are paid in addition. The report noted the peer group median base fee is $127,700.

If Group non-executive director's base and committee fees were set at the median, the fee pool would need to increase by 75% from the current $575,000 to approximately $1 million.

To provide the Group with an ability to remunerate its non-executive directors between the peer group 25th percentile and the median, at the 2010 Annual Meeting, investors will be invited to consider a 40% increase in the fee pool to $800,000.

B Details of key management personnel remuneration – the last 2 years

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

The key management personnel of Charter Hall Group include the directors and the executive officers listed above, comprising the five highest paid executives of the Group.

Key management personnel of the Group and Company – statutory accounting

2010	Short-term benefits		Post-employment benefits	Share-based payment	Long-term benefits	
Name	Salary and fees $	Short-term incentive $	Super-annuation $	Securities, options and performance rights $	Long service leave $	Total $
Executive directors						
C Fuchs	300,000	150,000	50,000	47,087	–	547,087
D Harrison	735,539	1,000,000	14,461	251,720	–	2,001,720
D Southon	735,539	1,000,000	14,461	251,492	–	2,001,492
Other key management personnel						
J Bakker	410,539	650,000	14,461	82,385	–	1,157,385
A Glass	486,255	70,000	14,461	41,577	–	612,293
N Kelly	360,171	100,000	25,000	55,623	–	540,794
S Sewell	163,645	67,000	5,143	3,372	–	239,160
R Stacker	102,233	40,100	4,569	2,024	–	148,926
A Taylor	163,645	67,000	5,143	3,372	–	239,160
M Winnem	371,403	50,000	14,461	55,463	14,136	505,463
Totals	**3,828,969**	**3,194,100**	**162,160**	**794,115**	**14,136**	**7,993,480**

S Sewell, R Stacker and A Taylor have been employees since 20 March 2010.

Key management personnel of the Group and Company – statutory accounting

2009	Short-term benefits		Post-employment benefits	Share-based payment	Long-term benefits	
Name	Salary and fees $	Short-term incentive $	Super-annuation $	Securities and performance rights $	Long service leave $	Total $
Executive directors						
C Fuchs	249,847	–	100,000	22,301	–	372,148
D Harrison	699,651	–	50,000	49,904	–	799,555
D Southon	735,557	–	13,745	48,046	–	797,348
Other key management personnel						
J Bakker	408,774	40,000	13,745	(2,137)	–	460,382
R Champion	346,140	–	5,727	–	–	351,867
N Kelly	366,679	35,000	25,745	10,407	–	437,831
M Winnem	386,255	30,000	13,745	8,726	1,860	440,586
Totals	**3,192,903**	**105,000**	**222,707**	**137,247**	**1,860**	**3,659,717**

Service Agreements

There are service agreements for S Sewell, R Stacker and A Taylor that do not specify a term of employment but do include details of their short and long term incentives arrangements. The current base remuneration prescribed in the service agreements are $600,000, $400,000 and $600,000 respectively. Other key management personnel participate in the long term incentive plan that requires their continuing employment. The base salary and incentive arrangements for all key management personnel are reviewed annually with the Remuneration Committee.

Key management personnel of the Group and Company – actual cash benefits

In line with Recommendation 8 of the Productivity Commission Report a table showing the actual cash received by executives is shown below. The value of the cash and other benefits actually received by the executives during the year ended 30 June 2010 will be different to the statutory accounting numbers on page 48 due to accrued STI's and an accounting expense for non-vested LTI being included in the statutory accounting numbers.

2010	Short-term benefits		Post-employment benefits	Share-based payment	Long-term benefits	
Name	Cash salary and fees $	Short-term incentive $	Super-annuation $	Securities and performance rights $	Long service leave $	Total $
Executive directors						
C Fuchs	300,000	–	50,000	–	–	350,000
D Harrison	735,539	–	14,461	–	–	750,000
D Southon	735,539	–	14,461	–	–	750,000
Other key management personnel						
J Bakker	410,539	40,000	14,461	–	–	465,000
A Glass	486,255	85,000	14,461	–	–	585,716
N Kelly	360,171	35,000	25,000	–	–	420,171
S Sewell	163,645	–	5,143	–	–	168,788
R Stacker	102,233	–	4,569	–	–	106,802
A Taylor	163,645	–	5,143	–	–	168,788
M Winnem	371,403	30,000	14,461	–	14,136	430,000
Totals	**3,828,969**	**190,000**	**162,160**	**–**	**14,136**	**4,195,265**

Service Agreements

There are service agreements for S Sewell, R Stacker and A Taylor that do not specify a term of employment but do include details of their short and long term incentives arrangements. The current base remuneration prescribed in the service agreements are $600,000, $400,000 and $600,000 respectively. Other key management personnel participate in the long term incentive plan that requires their continuing employment. The base salary and incentive arrangements for all key management personnel are reviewed annually with the Remuneration Committee.

C Long term incentives (share-based component)

The share-based long term incentive is the third component of the remuneration framework and is at risk and non-cash. It represents an important and effective way of aligning the interests of key management personnel with the strategic objectives of the Group and it has proven effective at building loyalty and for retaining talent.

Performance Rights and Options Plan – introduced from 1 July 2008

Securityholder approval is required for each executive director's participation and entitlements in these plans. At their General Meeting held on 11 November 2009, securityholders voted strongly in favour of the three resolutions that approved the following issue of options and performance rights to the three executive directors, representing their LTI for the year ended 30 June 2010:

- *1,675,000 performance rights, being options over the ordinary stapled securities of the Group at nil exercise price that are subject to the vesting conditions described below*
- *5,988,125 options over the ordinary stapled securities of the Group at a $0.485 exercise price (volume weighted average price, or VWAP, for the month of July 2009), that are also subject to the same set of vesting conditions described below*

So long as each of the executive directors continue in their current employment, the service and performance conditions applicable to both the performance rights and options provide for vesting in equal proportions on 1 July 2011 and 1 July 2012, provided that half of each proportion (25% tranche) is subject to achieving each of the following absolute and relative total securityholder return (TSR) measures calculated over the two vesting periods 3 August 2009 to each of 30 June 2011 and 2012, on the following basis:

1. The absolute TSR requires a total compound return over the vesting periods of:
   - at least 10% pa TSR for the 1st 25% tranche of the options to vest; rising on a linear basis to
   - 12.0% pa TSR for full vesting of the 2nd 25% tranche
2. The relative TSR requires the Charter Hall Group total compound return to be measured against the total compounded return of the S&P/ASX AREIT 200 Accumulation Index (A REIT Index) over the vesting period, so that:
   - for performance that is at least equal to the AREIT Index , the 3rd 25% tranche of options will vest; rising on a linear basis to
   - full vesting of the 4th and final 25% tranche for performance that is at least equal to 10% above the Index.

C Long term incentives (share-based component) (continued)

Inclusive of the options referred to above, the following performance rights and options have been or are proposed to be issued by the Board in respect of the years ended 30 June 2009 and 2010:

Year of issue	Securities	Exercise price	Vesting conditions
FY09	1,628,789	nil	OEPS [1] must increase by 5% in each year from FY08 or have achieved 5% compound annual growth on FY08
FY10	8,827,500	nil	Absolute and relative performance criteria described above
Total performance rights issued	**10,456,289**		

Year of issue	Securities	Exercise price	Vesting conditions
FY10	22,340,175	$0.485	Absolute and relative performance criteria described above
FY10	6,446,500	$0.70	Absolute and relative performance criteria described above
Total options issued	**28,786,675**		

1) Operating earnings per security (OEPS)

For the FY10 options issued at $0.485, 16,352,050 were issued to staff other than directors and the total compounded return required to be achieved is 8%.

On 18 June 2010 the Board approved the issue of 6,446,500 options with a strike price of $0.70, to a number of key personnel who joined the Group following the acquisition of the majority of the Macquarie real estate platform. These options have vesting conditions that require continuing employment and at least a 10% pa compounded absolute TSR from a base of $0.70 cps. The first vesting may occur on 1 July 2012.

Performance Rights and Options Plan – introduced from 1 July 2008 (continued)

The executive directors of Charter Hall Group and other key management personnel of the Group have been issued with the following performance rights and options:

	Performance rights 2009	Performance rights 2010	Total Performance rights	Options 2010
Executive directors				
C Fuchs	50,481	175,000	225,481	625,625
D Harrison	403,846	750,000	1,153,846	2,681,250
D Southon	403,846	750,000	1,153,846	2,681,250
Key management personnel				
J Bakker	50,480	400,000	450,480	1,430,000
A Glass	–	300,000	300,000	1,072,500
N Kelly	50,480	240,000	290,480	858,000
S Sewell	–	357,000	357,000	893,000
R Stacker	–	214,500	214,500	535,500
A Taylor	–	357,000	357,000	893,000
M Winnem	50,480	240,000	290,480	858,000

None of the above performance rights or options had vested at 30 June 2010.

C Long term incentives (share-based component) (continued)

The Executive Loan Securities Plan – suspended from 1 July 2008

The following table records the securities issued and retained within the ELSP since its inception. The issue prices range from $1.00 to $2.94 compared to the security price at 30 June 2010 of $0.60:

Year of issue	Securities	Transferred, sold or forfeited [1]	Retained in plan	On issue [2]	Issue price	Vesting conditions applicable on securities remaining within the plan
FY06	6,200,000	(6,200,000)	4,500,000	4,500,000	$1.00 to $1.07	Meet the PDS forecast DPS of 6.56 in FY06 and 5% growth in FY07 and FY08. All vested.
FY07	7,534,221	(1,476,374)	–	6,057,847	$1.27 to $2.00	OEPS must increase by 5% in each year from FY06 or have achieved 5% compound annual growth on FY06. The first two tranches vested with the third not meeting the conditions.
FY08 [3]	10,729,304	(988,896)	54,348	9,794,756	$2.47 to $2.94	OEPS must increase by 5% in each year from FY07 or have achieved 5% compound annual growth on FY07. First tranche vested with the second and third not meeting the conditions.
FY09	31,777,041	(3,065,391)	1,279,344	29,990,994	$1.04 to $1.67	OEPS must increase by 5% in each year from FY08 or have achieved 5% compound annual growth on FY08. First tranche not vested with the compound annual return required unlikely to result in any vesting.
Total	**56,240,566**	**(11,730,661)**	**5,833,692**	**50,343,597**		

1) Securities can be sold direct from the plan or transferred to members once securities vest. Unvested securities are forfeited when an employee ceases employment.

2) Whilst the securities are legally issued and are quoted securities they are not recognised for accounting (OEPS/DPS/NTA) purposes until they are exercised (per AASB 2 *Share-based Payment*). The in substance options are exercised when executives pay the exercise price of the option (i.e. repay the loan that is recognised for tax and legal purposes). This is consistent with the fact that unvested and vested securities continue to be held by the employee share trust until the employee loan is repaid.

3) The performance condition under the ELSP was initially set at 5% growth per annum in Operating EPS. This performance condition was amended at the 2008 AGM. For the 2008 ELSP offer, the base year for the Operating EPS measure is 30 June 2008 resulting in a base Operating EPS of 12.74cps.

Operating earnings per security (OEPS) since the inception of the Charter Hall Group are shown below:

	FY06 (cps)	FY07 (cps)	FY08 (cps)	FY09 (cps)	FY10 (cps)
OEPS	6.47	9.51	12.74	7.61	4.11
OEPS growth on previous year		47%	34%	(40%)	(46%)

Under AASB 2 there is a requirement to “true up” at each reporting date to determine the appropriate share-based payment expense based on the number of unvested securities which are estimated to vest.

C Long term incentives (share-based component) (continued)

The Executive Loan Securities Plan – suspended from 1 July 2008 (continued)
Although it remains suspended, following is a summary of the interests of the executive directors of Charter Hall Group and other key management personnel in the ELSP:

	Securities issued in FY06	Securities issued in FY07	Securities issued in FY08	Securities forfeited in FY08	Securities issued in FY09	Securities forfeited in FY09	Total securities that qualified for vesting
Issue price	$1.00	$1.27	$2.76		$1.04		
Executive directors							
C Fuchs	1,050,000	393,700	362,319	–	865,385	–	2,671,404
D Harrison	1,475,000	1,161,417	2,717,391	–	6,923,076	–	12,276,884
D Southon	1,475,000	1,118,110	2,717,391	–	6,923,076	–	12,233,577
Key management personnel							
J Bakker [1]	–	621,118	362,319	–	865,384	–	1,848,821
R Champion	–	551,181	326,087	–	721,153	(1,122,271)	476,150
A Glass	–	–	–	–	–	–	–
N Kelly [1]	–	186,335	289,855	–	865,384	–	1,341,574
S Sewell	–	–	–	–	–	–	–
R Stacker	–	–	–	–	–	–	–
A Taylor	–	–	–	–	–	–	–
M Winnem	–	236,220	289,855	–	865,384	–	1,391,459

	Total securities that qualified for vesting	Securities vested in FY07 [2]	Securities vested in FY08 [2]	Securities vested in FY09 [2]	Securities forfeited in FY10	Unvested securities 30/6/10
Executive directors						
C Fuchs	2,671,404	(350,000)	(481,233)	(602,007)	(1,050,000)	188,164
D Harrison	12,276,884	(491,667)	(878,806)	(1,784,602)	(1,475,000)	7,646,809
D Southon	12,233,577	(491,667)	(864,370)	(1,770,167)	(1,475,000)	7,632,373
Key management personnel						
J Bakker [1]	1,848,821	–	(207,039)	(327,813)	–	1,313,969
R Champion	476,150	–	(183,727)	(292,423)	–	–
A Glass	–	–	–	–	–	–
N Kelly [1]	1,341,574	–	(62,112)	(158,730)	–	1,120,732
S Sewell	–	–	–	–	–	–
R Stacker	–	–	–	–	–	–
A Taylor	–	–	–	–	–	–
M Winnem	1,391,459	–	(78,740)	(175,358)	–	1,137,361

None of the loans outstanding in respect of the above securities were repaid during FY09 or FY10.

1) J Bakker and N Kelly's 2007 securities were issued at a price of $1.61.
2) Whilst these securities are qualified for vesting they have not been removed from the plan as the loans outstanding have not been repaid.

C Long term incentives (share-based component) (continued)

The Executive Loan Securities Plan – suspended from 1 July 2008 (continued)
The Black-Scholes method is utilised for valuation and accounting purposes. The model inputs for PROP performance rights and options issued during FY09 and FY10 and to assess the fair value at loan date for the ELSP securities issued during FY09 include the following:

Grant date	7/8/08	10/10/08	19/11/08	22/12/08	13/11/09	18/6/10
Security price at grant date	$0.865	$0.66	$0.41	$0.30	$0.60	$0.70
Loan value per security	$1.04	$1.04	$1.04	$1.04	$0.485	$0.70
Expiry of loan	6/8/13	9/8/13	18/11/13	21/12/13	1/7/14	18/6/15
Expected price volatility	23.68%	22.75%	58.06%	59.49%	40%	40%
Risk-free interest rate	5.85%	4.28%	3.72%	3.19%	5.5%	5.5%

D Additional long term incentive information

The table below lists the securities forfeited where the service and performance criteria have not been met:

Name	Financial year granted	Vested %	Forfeited %	Minimum total value of grant yet to vest $	Maximum total value of grant yet to vest $
C Fuchs	2010	–	–	nil	71,274
	2009	–	–	nil	4,194
	2008	33	–	nil	800
	2007	67	33	nil	–
	2006	100	100	nil	–
D Harrison	2010	–	–	nil	305,454
	2009	–	–	nil	33,544
	2008	33	–	nil	6,000
	2007	67	33	nil	–
	2006	100	100	nil	–
D Southon	2010	–	–	nil	305,454
	2009	–	–	nil	33,544
	2008	33	–	nil	6,000
	2007	67	33	nil	–
	2006	100	100	nil	–
J Bakker	2010	–	–	nil	162,909
	2009	–	–	nil	4,099
	2008	33	–	nil	480
	2007	67	33	nil	–
A Glass	2010	–	–	nil	122,182
N Kelly	2010	–	–	nil	97,746
	2009	–	–	nil	4,099
	2008	33	–	nil	869
	2007	67	33	nil	–
M Winnem	2010	–	–	nil	97,746
	2009	–	–	nil	2,152
	2008	33	–	nil	2,181
	2007	67	33	nil	1,246

The maximum value of the options yet to vest is reported in the financial statements as the amount at the grant date fair value of any option yet to be reflected in the Group's consolidated income statement.

D Additional long term incentive information (continued)

The following table reports the LTI proportion of total remuneration for key management personnel in the past 2 financial years, measured by the expenses for the LTI recorded in the Group's consolidated of income statement:

Name	Remuneration consisting of LTI FY09	Value at grant date $	Value at 30 June 2009 $	Remuneration consisting of LTI FY10	Value at grant date	Value at 30 June 2010
C Fuchs	6.0%	–	–	8.6%	–	–
D Harrison	6.2%	–	–	12.6%	–	–
D Southon	6.0%	–	–	12.6%	–	–
J Bakker	0.0%	–	–	7.1%	–	–
A Glass	0.0%	–	–	6.8%	–	–
N Kelly	2.4%	–	–	10.3%	–	–
S Sewell	–	–	–	1.4%	–	–
R Stacker	–	–	–	1.4%	–	–
A Taylor	–	–	–	1.4%	–	–
M Winnem	2.0%	–	–	10.9%	–	–

The value of securities at grant date is nil as the grant value is equivalent to the loan provided. The 2009 securities were issued at grant date at $1.04 with the value at 30 June 2010 being $0.60 (2009: $0.52) with a corresponding loan amount of $1.04.

E Non-executive director remuneration – the last two years

The following tables provide details of each non-executive director's base and committee fees in the last 2 financial years:

2010	Short-term benefits		Post-employment benefits	
Name	Salary and fees $	Short-term incentive $	Superannuation $	Total $
Non-executive directors				
K Roxburgh Chairman	167,270	–	13,479	180,749
R Woodhouse Deputy Chairman	84,209	–	6,791	91,000
P Derrington	78,097	–	7,029	85,126
G Fraser	100,379	–	8,246	108,625
C McGowan	91,548	–	7,452	99,000
Total	**521,503**	**–**	**42,997**	**564,500**

2009	Short-term benefits		Post-employment benefits	
Name	Salary and fees $	Short-term incentive $	Superannuation $	Total $
Non-executive directors				
K Roxburgh Chairman	144,008	–	12,862	156,870
R Woodhouse Deputy Chairman	76,516	–	6,886	83,402
P Derrington	77,953	–	7,016	84,969
G Fraser	72,993	–	6,569	79,562
C McGowan	79,269	–	7,134	86,403
Sub-total non-executive directors	**450,739**	**–**	**40,467**	**491,206**

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 $289,879 (2009: $103,953) to insure the directors and officers 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 Group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Proceedings on behalf of the company

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

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

Non-audit services

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the 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 Group and other non-related audit firms:

	2010 $	2009 $
a) Assurance services		
Audit services		
PricewaterhouseCoopers Australian firm		
Audit and review of financial statements and other audit work under the *Corporations Act 2001*	257,849	236,092
Non-PricewaterhouseCoopers audit firms for the audit or review of financial statements of any entity in the Group		
W F White & Co	5,510	4,770
Ernst & Young	59,035	–
Total remuneration for audit services	**322,394**	**240,862**
Other assurance services		
PricewaterhouseCoopers Australian firm		
Investigating Accountant's Reports – equity raising	–	70,000
Total remuneration for other assurance services	**–**	**70,000**
Total remuneration for assurance services	**322,394**	**310,862**

Non-audit services (continued)

	2010 $	2009 $
b) Taxation services		
PricewaterhouseCoopers Australian firm		
Tax compliance services, including review of company income tax returns	25,920	13,920
Non-PricewaterhouseCoopers firms for taxation services (Ernst & Young)	130,920	141,075
Total remuneration for taxation services	**156,840**	**154,995**
c) Advisory services		
PricewaterhouseCoopers Australian firm		
Long-term incentive plan structure	9,000	21,538
Due diligence for equity raising and acquisition	380,000	–
Non-PricewaterhouseCoopers firms for advisory services		
Ernst & Young	33,269	69,806
Total remuneration for advisory services	**422,269**	**91,344**

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 57.

Rounding of amounts

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

Auditor

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

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

K Roxburgh
Chairman

Sydney
24 September 2010

Auditor's Independence Declaration

PRICEWATERHOUSECOOPERS

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Auditor's Independence Declaration

As lead auditor for the audit of Charter Hall Limited for the year ended 30 June 2010, 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 period.

Robert Baker

R Baker
Partner

PricewaterhouseCoopers

Sydney
24 September 2010

Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated Income Statement

For the year ended 30 June 2010

	Notes	2010 $'000	2009 $'000
Revenue	6	77,333	61,249
Investment property expenses		(4,703)	(3,168)
Depreciation	8	(672)	(285)
Employee benefits expense		(29,403)	(16,663)
Finance costs	8	(6,471)	(7,403)
Other expenses		(6,341)	(4,733)
Business combination transaction costs	37	(6,636)	–
Foreign exchange loss		(174)	–
Share of net loss of associates accounted for using the equity method		(1,426)	(2,154)
Net gain on remeasurement of equity interests	35(b)	59,725	–
Loss on sale of investments, property and derivatives		(10,880)	1,339
Impairment of investment accounted for using the equity method		–	(17,644)
Impairment of goodwill	8	(15,328)	–
Fair value adjustments	7	(66,196)	(93,982)
Loss before income tax		**(11,172)**	**(83,444)**
Income tax benefit	9	950	1,222
Loss after income tax		**(10,222)**	**(82,222)**
Profit/(loss) after tax attributable to:			
Profit/(loss) attributable to stapled securityholders of Charter Hall Group		207	(82,222)
Net loss attributable to non-controlling interests of CPRF		(10,429)	–
		(10,222)	(82,222)
Profit/(loss) after tax attributable to stapled securityholders of Charter Hall Group			
Equity holders of Charter Hall Limited		(25,169)	(32,848)
Equity holders of Charter Hall Property Trust (non-controlling interest)		25,376	(49,374)
Profit/(loss) after tax attributable to stapled securityholders of Charter Hall Group		**207**	**(82,222)**
		Cents	Cents
Group earnings per stapled security			
Basic earnings per security	40	0.02	(17.98)
Diluted earnings per security	40	0.20	(15.85)

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

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2010

	2010 $'000	2009 $'000
Loss after income tax for the year	(10,222)	(82,222)
Other comprehensive income for the year:		
Changes in the fair value of derivatives, net of tax	–	(763)
Foreign currency reserve movement	4,650	1,188
Total comprehensive loss for the year	**(5,572)**	**(81,797)**
Attributable to:		
Equity holders of Charter Hall Limited	(25,146)	(32,782)
Equity holders of Charter Hall Property Trust (non-controlling interest)	30,004	(49,015)
Comprehensive gain/(loss) attributable to stapled securityholders of Charter Hall Group	**4,858**	**(81,797)**
Net comprehensive loss attributable to other non-controlling interests	(10,430)	–
Total comprehensive loss for the year	**(5,572)**	**(81,797)**

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

Consolidated Balance Sheet

As at 30 June 2010

	Notes	2010 $'000	2009 $'000
Assets			
Current assets			
Cash and cash equivalents	11	28,380	1,923
Trade and other receivables	12	48,361	17,082
Investment properties held for sale	13	45,000	–
Total current assets		**121,741**	**19,005**
Non-current assets			
Trade and other receivables	16	3,750	5,307
Investments accounted for using the equity method	17	297,366	43,258
Financial assets at fair value through the profit and loss	14	242,157	433,621
Property, plant and equipment	19	3,592	2,304
Investment properties	20	202,118	15,770
Intangible assets	18	111,831	–
Deferred tax assets	21	5,721	3,946
Other assets		–	295
Total non-current assets		**866,535**	**504,501**
Total assets		**988,276**	**523,506**
Liabilities			
Current liabilities			
Trade and other payables	22	55,018	14,221
Provisions	23	749	222
Total current liabilities		**55,767**	**14,443**
Non-current liabilities			
Trade and other payables	22	11,270	–
Borrowings	24	91,228	14,220
Deferred tax liabilities	25	1,273	852
Derivative financial instruments	15	4,754	–
Provisions	26	879	25
Total non-current liabilities		**109,404**	**15,097**
Total liabilities		**165,171**	**29,540**
Net assets		**823,105**	**493,966**
Equity			
Equity holders of Charter Hall Limited			
Contributed equity	27	9,427	6,383
Reserves	28(a)	(44,658)	(45,997)
Accumulated losses	28(b)	(61,698)	(36,530)
	28	(96,929)	(76,144)
Equity holders of Charter Hall Property Trust (non-controlling interest)	29	869,405	570,110
Stapled securityholders' of Charter Hall Group interest		**772,476**	**493,966**
Other non-controlling interest of CPRF	29	**50,629**	**–**
Total equity		**823,105**	**493,966**

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2010

	Attributable to owners of CHG					
	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2008	**526,822**	**(47,038)**	**12,536**	**492,320**	**–**	**492,320**
Loss for the year	–	–	(82,222)	(82,222)	–	(82,222)
Changes in the fair value of derivatives, net of tax	–	(763)	–	(763)	–	(763)
Foreign currency reserve movement	–	1,188	–	1,188	–	1,188
Total comprehensive income/(loss) for the year	**–**	**425**	**(82,222)**	**(81,797)**	**–**	**(81,797)**
Transactions with equity holders in their capacity as equity holders:						
Contributions of equity, net of transaction costs	107,486	–	–	107,486	–	107,486
Distribution provided for or paid	–	–	(24,659)	(24,659)	–	(24,659)
Security-based payments reserve	–	616	–	616	–	616
	107,486	**616**	**(24,659)**	**83,443**	**–**	**83,443**
Balance at 1 July 2009	634,308	(45,997)	(94,345)	493,966	–	493,966
Loss for the year	–	–	207	207	(10,429)	(10,222)
Foreign currency reserve movement	–	4,651	–	4,651	(1)	4,650
Total comprehensive income/(loss) for the year	**–**	**4,651**	**207**	**4,858**	**(10,430)**	**(5,572)**
Transactions with equity holders in their capacity as equity holders:						
Non-controlled interest in Charter Hall Core Plus Retail Fund	–	–	–	–	64,825	64,825
Contributions of equity, net of transaction costs	302,137	–	–	302,137	–	302,137
Distribution provided for or paid	–	–	(29,802)	(29,802)	(3,766)	(33,568)
Security-based payments reserve	–	1,317	–	1,317	–	1,317
	302,137	**1,317**	**(29,802)**	**273,652**	**61,059**	**334,711**
Balance at 30 June 2010	**936,445**	**(40,029)**	**(123,940)**	**772,476**	**50,629**	**823,105**

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

Consolidated Cash Flow Statement

For the year ended 30 June 2010

	Notes	2010 $'000	2009 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		60,105	50,455
Payments to suppliers and employees (inclusive of goods and services tax)		(34,714)	(30,025)
		25,391	**20,430**
Interest paid		(6,135)	(12,746)
Distributions and dividends from investments		14,622	28,367
Interest received		4,965	5,089
Net cash inflow from operating activities	39	**38,843**	**41,140**
Cash flows from investing activities			
Payments for property, plant and equipment		(1,999)	(1,016)
Proceeds on disposal of investment properties		97,653	23,270
Payment for business combination		(100,193)	–
Investment in associates		(218,562)	(129,114)
Proceeds on disposal of investments in associates		29,700	–
Cash from CPRF reconsolidated		5,983	–
Loans to associates		(2,000)	(1,985)
Receipts from sale of subsidiary net of cash		–	55,800
Net cash outflow from investing activities		**(189,418)**	**(53,045)**
Cash flows from financing activities			
Proceeds from issues of securities and other equity securities		304,982	93,085
Proceeds from borrowings		–	181,876
Repayment of borrowings		(91,549)	(246,999)
Payout of hedge derivatives		(9,826)	(3,353)
Security issue and transaction costs		(7,250)	(2,219)
Distributions paid to securityholders		(19,325)	(24,745)
Net cash inflow/(outflow) from financing activities		**177,032**	**(2,355)**
Net increase/(decrease) in cash and cash equivalents		**26,457**	**(14,260)**
Cash and cash equivalents at the beginning of the year		1,923	16,183
Cash and cash equivalents at the end of the year	11	**28,380**	**1,923**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The financial statements are for the consolidated entity consisting of Charter Hall Limited (CHL) and its subsidiaries and controlled entities including Charter Hall Funds Management Limited as responsible entity for Charter Hall Property Trust (CHPT). 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). The results and equity, not directly owned by CHL, of CHPT have been treated and disclosed as a non-controlled interest. Whilst the results and equity of CHPT are disclosed as a non-controlled 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 Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRSs

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

Historical cost convention

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

Critical accounting estimates

The preparation of financial statements 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.

Financial statement presentation

The Group has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standards.

Change in accounting estimate

Charter Hall announced on 8 December 2009 that based on discussions with ASIC the Group would consolidate its interest in from 1 July 2009 whilst ever CHC owns more than 50% of CPRF, provided all other circumstances remain unchanged.

The Group's consolidation of its investment in CPRF due to its 66% ownership interest will not impact the fund's Investment Committee which will continue to make all investment and divestment, financing and capital expenditure decisions of CPRF.

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 2010 and the results of all subsidiaries for the year then ended. Charter Hall Limited and its subsidiaries together are referred to in the financial statements 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 deconsolidated from the date that control ceases.

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

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 consolidated financial statements using the equity method of accounting after initially being recognised at cost, except as noted below in relation to certain CHPT investments.

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 consolidated financial statements as a reduction in 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 profit or loss, except for the investments in CQO and CQR which are accounted for using the equity method. 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 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 or loss is recognised in the income statement as part of revenue.

iii) Joint ventures
The interest in a joint venture is accounted for in the consolidated financial statements using the equity method after initially being recognised at cost. Under the equity method, the share of the profits or losses is recognised in the income statement, and the share of movements in reserves is recognised in the reserves in the balance sheet. Details relating to the joint venture are set out in note 36.

c) Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board.

The Group has adopted AASB 8 *Operating Segments* from 1 July 2009. AASB 8 replaces AASB 114 *Segment Reporting*. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. There has been no impact on the measurement of the Group's assets and liabilities. Comparatives for 2009 have been restated.

The change to AASB 8 per AASB2009-5 was early adopted and as a result total assets for each reportable segment have not been disclosed.

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;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Foreign currency translation (continued)

ii) Group companies (continued)

Functional currencies and the relevant exchange rates are as follows:

	2010		2009	
	Closing rate	Average rate	Closing rate	Average rate
NZD $1	A$0.8089	A$0.7976	A$0.8046	A$0.816
USD $1	A$1.1721	A$1.1241	N/A	N/A
GBP £1	A$1.7610	A$1.6797	N/A	N/A
EUR $1	A$1.4403	A$1.4555	N/A	N/A

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 properties. An asset is recognised to represent the portion of operating lease income in a reporting period relating to fixed increases in operating lease rentals in future periods. Such assets are recognised as a component of the carrying amount of investment properties in the balance sheet.

ii) Management fees

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

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

iii) Performance fees

Performance fees are only recognised when it is probable that 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. Further information is provided in the critical accounting estimates.

iv) Interest income

Interest income is recognised on a time proportion basis using the effective interest method. 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.

v) Dividends/Distributions

Dividends/distributions 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 applicable income tax rate for each jurisdiction 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.

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Income tax (continued)

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

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

g) Business combinations

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

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

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

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

Change in accounting policy

A revised AASB 3 *Business Combinations* became operative on 1 July 2009. While the revised standard continues to apply the acquisition method to business combinations, there have been some significant changes.

All purchase consideration is now recorded at fair value at the acquisition date. Contingent payments classified as debt are subsequently remeasured through profit or loss. Under the Group's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.

Acquisition-related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net identifiable assets.

The changes were implemented prospectively from 1 July 2009 and affected the accounting for the acquisition of CPRF and the formerly Macquarie entities disclosed in note 37. Contingent consideration of $11,270,000 was recognised at fair value on 1 March 2010 on the Macquarie transaction. It would not previously have been recorded at the date of acquisition, as the payment to the former owners was not probable. Acquisition related costs of $6,636,000 were recognised in profit or loss. The Group has chosen to recognise the non-controlling interest relating to the CPRF purchase at the proportionate share of the net identifiable assets.

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.

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.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable 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

Classification

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 12 and 16).

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.

Recognition and derecognition

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.

Subsequent measurement

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.

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. Further details on how the fair value of financial instruments is determined are disclosed in note 2 and note 1(m).

Impairment

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 reclassified 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.

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 fair values of various derivative financial instruments used for hedging purposes are disclosed in note 15.

i) 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.

o) Investment properties

Investment properties comprise investment interests in land and buildings held for long-term rental yields and not occupied by the Group. Investment properties are 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) Intangibles

i) Management rights

Management rights are not amortised as they have an indefinite life. Management rights are tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Management rights are allocated to cash-generating units for the purpose of impairment testing.

q) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) 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.

s) 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.

t) 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.

u) 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 and the Charter Hall Performance Rights and Options Plan. Information relating to these schemes is set out in note 41.

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.

vi) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to present value.

v) 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.

w) 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.

x) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

y) Goods and Services Tax (GST)
Revenues, expenses and assets (with the exception of receivables) 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.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

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 flows.

z) 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 statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

aa) New accounting standards and UIG interpretations
Certain new accounting standards and interpretations have been published that are not mandatory for year ended 30 June 2010 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

i) AASB 2009-8 ***Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions*** *[AASB 2] (effective from 1 January 2010)*
The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the company settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the Group share-based payment arrangement should be measured, that is, whether it is measured as equity – or a cash-settled transaction. The Group will apply these amendments retrospectively for the financial reporting period commencing on 1 July 2010.

ii) AASB 9 ***Financial Instruments*** *and AASB 2009-11* ***Amendments to Australian Accounting Standards arising from AASB 9*** *(effective from 1 January 2013)*
AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess its full impact. The Group has not yet decided when to adopt AASB 9.

iii) AASB 2010-3 ***Amendments to Australian Accounting Standards arising from the Annual Improvements Project*** *and AASB 2010-4* ***Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*** *(effective from 1 July 2010/1 January 2011)*
In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The Group will apply the amendments from 1 July 2010. It does not expect that any adjustment will be necessary as a result of applying the revised rules.

ab) 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.

ac) Parent entity financial information
The financial information for the parent entity, Charter Hall Limited, disclosed in note 4, has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries, associates and joint venture entities
Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Charter Hall Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

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.

2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks; market risk (interest rate risk, price risk and foreign exchange risk), credit risk and liquidity 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) 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. Charter Hall manages all the funds that the Group invests in and its staff have an excellent understanding of the underlying property values and trends that give rise to price risk. The carrying value of the financial assets at fair value through the profit and loss is determined with reference to the fund's unit price which is determined in accordance with the fund's constitution. The key determinant of the unit price is the underlying property values which are approved by the Board and the Valuation Committee of the Board.

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.

		-10%		+10%	
2010	Carrying amount $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Assets					
Unlisted units	242,157	(24,216)	(24,216)	24,216	24,216
Total increase/(decrease)		**(24,216)**	**(24,216)**	**24,216**	**24,216**

		-10%		+10%	
2009	Carrying amount $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Assets					
Unlisted units	433,621	(43,362)	(43,362)	43,362	43,362
Total increase/(decrease)		**(43,362)**	**(43,362)**	**43,362**	**43,362**

2. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 $91,228,056 (2009: $14,220,000). 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 44% (2009: 0%) 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 16(c) for interest rate sensitivity analysis on assets and note 24(d) for sensitivity analysis for liabilities.

iii) Foreign exchange risk
The foreign exchange risk that the Group is exposed to is not material.

b) Credit risk
The Group has policies in place to ensure that sales of services are made to customers with an appropriate credit history.

Over half of the Group's income is derived from management fees and performance fees from related parties.

Approximately 25% of the Group's income is derived from rental properties; all tenants are assessed for credit worthiness, taking into account their financial position, past experience and other factors.

Refer to note 16(d) for more information on credit risk.

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, Treasury 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

2010	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
Non-interest bearing	55,018	55,018	–	–	–	55,018
Bank and other loans	91,228	4,992	92,527	–	–	97,519
Interest rate swaps	4,754	1,273	1,313	3,801	2,523	8,910
	151,000	**61,283**	**93,840**	**3,801**	**2,523**	**161,447**

2009	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
Non-interest bearing	14,221	14,221	–	–	–	14,221
Bank and other loans	14,220	558	558	14,547	–	15,663
	28,441	**14,779**	**558**	**14,547**	**–**	**29,884**

2. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Fair value measurements

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

As of 1 July 2009, Charter Hall Group has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The following table present the group entity's assets and liabilities measured and recognised at fair value at 30 June 2010. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

2010	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through profit or loss	–	–	242,157	242,157
Total assets	**–**	**–**	**242,157**	**242,157**
Liabilities				
Derivatives used for hedging	–	4,754	–	4,754
Contingent consideration payable	–	–	11,270	11,270
Total liabilities	**–**	**4,754**	**11,270**	**16,024**

The following table presents the changes in level 3 instruments for the year ended 30 June 2010:

Group	Financial assets at fair value through profit and loss $'000	Contingent consideration $'000
Opening balance	433,621	–
CPRF consolidated (Note 35, 37)	(139,888)	–
Sales	(39,514)	–
Purchases	14,825	–
Losses recognised in profit and loss	(26,887)	–
Liability recognised during year	–	11,270
Closing balance	**242,157**	**11,270**

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

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 20). 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 when it is probable that 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. Performance fees recognised for the year ended 30 June 2010 have been received.

iii) Tax losses
The Group recognises tax losses from previous years which it believes are recoverable but has not recognised any additional tax losses in financial statements for the year ended 30 June 2010.

iv) Impairment testing
Critical judgements are made by the Group in assessing the value of management rights acquired. The management rights are considered to having an indefinite useful life if there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

4. PARENT ENTITY FINANCIAL INFORMATION

a) Summary financial information
The individual financial statements for the parent entity show the following aggregate amounts:

	2010 $'000	2009 $'000
Balance sheet		
Current assets	5,932	2,492
Total assets	256,790	134,044
Current liabilities	–	–
Total liabilities	282,709	144,598
Shareholders' equity		
Issued capital	9,427	6,383
Reserves		
Security-based payments	1,717	1,717
Foreign currency translation reserve	18	–
Accumulated losses	(37,081)	(18,654)
	(25,919)	**(10,554)**
Loss for the year	**(18,428)**	**(7,349)**
Total comprehensive loss	**(18,410)**	**(7,349)**

4. PARENT ENTITY FINANCIAL INFORMATION (CONTINUED)

b) Contingent liabilities of the parent entity
The parent entity did not have any contingent liabilities as at 30 June 2010 or 30 June 2009.

c) Contractual commitments
As at June 2010, the parent entity had no contractual commitments (2009: nil).

d) 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. CHL has a loan facility provided by CHPT which has significant net assets.

e) Deed of cross guarantee
CHL and Charter Hall Holdings Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the other. A consolidated income statement, statement of comprehensive income and balance sheet are disclosed in note 42.

5. SEGMENT INFORMATION

a) Description of segments
Management has determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions.

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

Property investment
Has interests in investment properties and unlisted property funds. The property investment division has the profit result of the CPRF investment identified separately for management.

Funds management and corporate
Funds management services, development management services and other property services.

b) Segment information provided to the Board
The operating segments provided to the Board for the reportable segments for the year ended 30 June 2010 is as follows:

2010	Property investment $'000	Funds management and corporate $'000	CPRF (100%) $'000	Adjustments $'000	Combined Group $'000
Total net rental income	422	8	13,420	234	14,084
Total investment income	25,385	(402)	–	(7,301)	17,682
Total rental and property income	25,807	(394)	13,420	(7,067)	31,766
Total corporate income	120	47,360	–	(5,037)	42,443
Total income	**25,927**	**46,966**	**13,420**	**(12,104)**	**74,209**
Operating expenses	(219)	(33,100)	(730)	106	(33,943)
Other expenses	(3,474)	–	(1,223)	4,697	–
EBITDA	**22,234**	**13,866**	**11,467**	**(7,301)**	**40,266**
Depreciation	–	(672)	–	–	(672)
EBIT	**22,234**	**13,194**	**11,467**	**(7,301)**	**39,594**
Interest income	25,970	438	3,692	(25,343)	4,757
Interest expense	(731)	(25,343)	(5,414)	25,343	(6,145)
Operating earnings	**47,473**	**(11,711)**	**9,745**	**(7,301)**	**38,206**
Non-controlling interest	–	–	(3,306)	–	(3,306)
Operating earnings	47,473	(11,711)	6,439	(7,301)	34,900
Number of securities ('000)					850,161
Operating EPS					**4.11cps**
Number of securities for DPS ('000)					1,162,380
DPS					**3.20cps**

5. SEGMENT INFORMATION (CONTINUED)

b) Segment information provided to the Board (continued)
Geographical segments are immaterial as the vast majority the Group's income is from Australian sources.

The group does not derive income of more than 10% from any one customer so no disclosure has been required.

The operating segments provided to the Board for the reportable segments for the year ended 30 June 2009 is as follows:

2009	Property investment $'000	Funds management and corporate $'000	CPRF (100%) $'000	Combined Group $'000
Total net rental income	2,019	–	–	2,019
Total investment income	24,477	1,471	–	25,948
Total rental and property income	26,496	1,471	–	27,967
Total corporate income	–	32,962	(3,525)	29,437
Total income	**26,496**	**34,433**	**(3,525)**	**57,404**
Operating expenses	(37)	(19,999)	–	(20,036)
Other expenses	(3,525)	–	3,525	–
EBITDA	**22,934**	**14,434**	**–**	**37,368**
Depreciation	–	(285)	–	(285)
EBIT	**22,934**	**14,149**	**–**	**37,083**
Interest income	26,356	623	(21,890)	5,089
Interest expense	(7,335)	(21,899)	21,890	(7,344)
Operating earnings	**41,955**	**(7,127)**	**–**	**34,828**
Non-controlling interest	–			
Operating earnings	**41,955**	**(7,127)**	**–**	**34,828**
Number of securities ('000)				457,410
Operating EPS				**7.61cps**
Number of securities for DPS ('000)				698,040
DPS				**4.96cps**

The reconciliation of income per the segment notes for 2010 and 2009 to the income statement is below:

	2010 $'000	2009 $'000
Total income per segment note	74,209	57,404
Add: investment property expenses	4,703	3,168
Less: equity accounted profit in funds management segment	(1,130)	(1,471)
Add: interest income	4,757	5,089
Less: equity accounted profit in property investment segment	(5,280)	–
Less: performance fee accrual reversed	–	(3,000)
Add: other	74	59
Revenue per income statement	**77,333**	**61,249**

Operating earnings is used by management to measure the profitability of the Group. It represents the profit under Australian Accounting Standards adjusted for fair value adjustments on investment properties and fair value adjustments on financial assets, impairment of assets, gains or losses on sale of investments, acquisition costs and non-cash charges such as share-based payments expense, amortisation, and tax benefit.

5. SEGMENT INFORMATION (CONTINUED)

b) Segment information provided to the Board (continued)

The calculation of operating earnings by adjusting for amounts in the income statement excluding the non-controlled interest in CPRF is shown below:

	Excluding non-controlled interest 2010 ($'000)	Including non-controlled interest 2010 ($'000)	2009 ($000)
Statutory profit (excluding non-controlling interest)	**207**	**(10,222)**	**(82,222)**
Fair value losses	52,847	66,196	93,982
Net gain on re-measurement of equity interest	(59,725)	(59,725)	–
Loss/(gain) on sale of investments, property and derivatives	10,529	10,880	(1,339)
Impairment of goodwill on consolidation of CPRF and investments	15,328	15,328	17,644
Business combination acquisition costs	6,636	6,636	–
Non-operating movements in equity accounted investments	7,838	7,838	3,625
LSP and PROP expense	1,317	1,317	616
Amortisation	734	734	744
Tax benefit	(950)	(950)	(1,222)
Foreign exchange loss	139	174	–
Performance fee accrual reversal	–	–	3,000
Operating earnings (excluding non-controlling interest)	**34,900**	**38,206**	**34,828**
Basic weighted average number of securities per note 40	850,161,196		457,410,018
Operating earnings per security (excluding non-controlling interest)	4.11 cents		7.61 cents

Assets and liabilities have not been reported on a separate basis as the chief operating decision maker is provided with consolidated information.

6. REVENUE

	2010 $'000	2009 $'000
Sales revenue		
Gross rental income	18,768	5,187
Management and performance fees	40,951	26,594
	59,719	**31,781**
Other revenue		
Interest	4,804	5,089
Distributions/dividends	12,810	24,379
	17,614	**29,468**
Total revenue	**77,333**	**61,249**

7. FAIR VALUE ADJUSTMENTS

	Notes	2010 $'000	2009 $'000
Investment properties	20	(38,592)	(2,085)
Financial assets at fair value through profit and loss	14	(26,887)	(82,663)
Derivative financial instruments		(717)	(9,234)
		(66,196)	**(93,982)**

8. EXPENSES

	2010 $'000	2009 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	672	285
Finance costs		
Interest and finance charges paid/payable	6,471	7,403
Defined contribution superannuation expense	1,218	1,223
Rent expense relating to operating leases		
Minimum lease payments	771	630
Impairment losses – Financial assets (refer to note 36)	–	17,644
Impairment of goodwill (refer to note 37)	15,328	–
Doubtful debts		
Trade receivables	–	(300)

9. INCOME TAX EXPENSE

	2010 $'000	2009 $'000
a) Income tax expense/(benefit)		
Current tax	442	(591)
Deferred tax	(1,354)	(1,392)
Under provided in prior years	(38)	761
	(950)	**(1,222)**
Deferred income tax expense/(revenue) included in income tax benefit comprises:		
Decrease in deferred tax assets (note 21)	(1,775)	1,164
Increase/(decrease) in deferred tax liabilities (note 25)	421	(2,556)
	(1,354)	(1,392)
b) Numerical reconciliation of income tax benefit to prima facie tax payable		
Loss before income tax expense	(11,172)	(83,444)
Tax at the Australian tax rate of 30%	(3,352)	(25,034)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Charter Hall Property Trust income/(loss)	(3,040)	14,812
Entertainment	42	11
Share-based payments expense	395	185
Non-taxable dividends	172	646
Tax on LTI interest	483	749
Adjustments to current tax of prior periods	(38)	761
Impairment loss	89	5,293
Loss on sale of financial asset at fair value through profit or loss	–	1,303
Losses not recognised	4,082	–
Movement in deferred tax benefits due to acquisition	212	–
Sundry items	5	52
	(950)	**(1,222)**

c) 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).

d) Tax losses

	2010 $'000	2009 $'000
Unused tax losses for which no deferred tax asset has been recognised	13,607	–
Potential tax benefit @ 30%	4,082	–

10. DISTRIBUTIONS

	2010 $'000	2009 $'000
a) Ordinary securities		
Interim ordinary distribution for the six months ended 31 December 2009 of 1.60 cents per security paid on 26 February 2010	12,009	–
Final ordinary distribution for the six months ended 30 June 2010 of 1.60 cents per security expected to be paid on 27 August 2010	19,404	–
Interim ordinary distribution for the six months ended 31 December 2008 of 3.96 cents per security paid on 27 February 2009	–	19,672
Final ordinary distribution for the six months ended 30 June 2009 of 1.00 cent per security paid on 28 August 2009	–	7,484
Total distributions provided for or paid	31,413	27,156
Less: distributions paid to holders of LTI securities	(1,611)	(2,497)
	29,802	**24,659**

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

	2010 $'000	2009 $'000
Paid in cash	20,552	19,858
Satisfied by issue of securities	10,861	7,298
	31,413	**27,156**

Franking credits available in the parent entity for subsequent financial years based on a tax rate of 30% (2009: 30%) are $3,285,368 (2009: $2,765,000).

11. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	2010 $'000	2009 $'000
Cash at bank and on hand	23,896	1,923
Deposits at call	4,484	–
	28,380	**1,923**

a) Cash at bank and on hand
These amounts earn floating interest rates of between 4.0% and 4.4% (2009: 2.5% and 2.9%).

b) Deposits at call
These amounts earn floating interest rates of between 4.2% and 4.8% (2009: nil).

12. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	2010 $'000	2009 $'000
Trade receivables	19,970	6,381
Provision for doubtful debts	–	–
	19,970	6,381
Loans to joint ventures	–	1,750
Loans to associates	–	24
Loans to key management personnel	5,145	–
Distributions receivable	8,955	5,252
Other receivables	13,705	939
Prepayments	586	2,736
	48,361	**17,082**

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

a) Bad and doubtful trade receivables
In the prior year, the Group recognised a gain of $300,000 in respect of reversing a provision for bad and doubtful trade receivables. The gain was included in 'other expenses' in the income statement.

There is no corresponding amount in the current year.

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

	2010 $'000	2009 $'000
Opening balance	–	(300)
Provision for impairment recognised during the year	–	300
	–	**–**

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 16).

13. CURRENT ASSETS – INVESTMENT PROPERTIES HELD FOR SALE

	2010 $'000	2009 $'000
Bluewater Square, Redcliffe	45,000	–

The sale of this property to the Anthony John Group Pty Ltd settled on 10 August 2010 for $47.8 million.

14. NON-CURRENT ASSETS – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2010 $'000	2009 $'000
Opening balance	433,621	227,283
Additions	14,825	289,686
Devaluations	(26,887)	(82,663)
Disposals	(39,514)	(685)
CPRF consolidated (note 1(a) change in accounting estimate and note 37)	(139,888)	–
Closing balance	**242,157**	**433,621**
Shares and units in associates (note 35)	**242,157**	**433,621**

Changes in fair values of financial assets at fair value through profit or loss are recorded in fair value adjustments in the income statement.

These investments represent units in unlisted Charter Hall managed funds and have been designated at fair value through profit or loss.

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

The Group sold 39.5 million units in CPOF in July 2010.

15. DERIVATIVE FINANCIAL INSTRUMENTS

	2010 $'000	2009 $'000
Non-current liabilities		
Interest rate swap contracts	4,754	–
Total non-current derivative financial instrument liabilities	**4,754**	**–**

a) Instruments used by the Group

The Group was 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 previously entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates. All swaps have been entered into by CPRF, which has been consolidated for 2010.

Swaps currently in place cover 43.6% (2009: 0%) of the loan principal outstanding. The fixed interest rates in 2010 ranged between 6.46% and 7.5% for AUD swaps (including margin and line fees). There is one NZD swap in 2010 which had a rate of 7.5%.

At 30 June 2010, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	2010 $'000	2009 $'000
4-5 years	20,000	–
7-8 years	20,223	–
	40,223	**–**

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 was being amortised to fair value adjustments over the period of the hedge remaining. A final amount of $763,000 was amortised in 2009 at the time the hedge was repaid.

The amount of fair value adjustments on hedges recorded directly in the profit and loss statement was a loss of $716,265 (2009: loss of $9,234,000).

15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

Interest rate swaps with a notional principal amount of $138.5 million were terminated during FY10, resulting in a realised gain of $391,064.

16. NON-CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	2010 $'000	2009 $'000
Loans to key management personnel	–	5,307
Loans to joint ventures	3,750	–
	3,750	**5,307**

Further information relating to loans to key management personnel is set out in note 30. These have moved to current in FY10.

a) Fair values

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

	2010		2009	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Loans to key management personnel	–	–	5,307	5,307
Loans to joint ventures	3,750	3,750	–	–
	3,750	**3,750**	**5,307**	**5,307**

b) Interest rate risk

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

		Fixed interest maturing in:							
2010	Floating interest rate $'000	1 year or less $'000	Over 1 to 2 years $'000	Over 2 to 3 years $'000	Over 3 to 4 years $'000	Over 4 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
Cash	28,380	–	–	–	–	–	–	–	28,380
Trade receivables	–	–	–	–	–	–	–	12,831	12,831
Loans to key management personnel	–	5,145	–	–	–	–	–	–	5,145
Loans to joint ventures	–	–	–	–	3,750	–	–	–	3,750
Other receivables	–	–	–	–	–	–	–	29,799	29,799
	28,380	**5,145**	**–**	**–**	**3,750**	**–**	**–**	**42,630**	**79,905**
Weighted average interest rate	4.0%	3.2%	–	–	12.0%	–	–		

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

b) Interest rate risk (continued)

2009	Floating interest rate $'000	Fixed interest maturing in: 1 year or less $'000	Over 1 to 2 years $'000	Over 2 to 3 years $'000	Over 3 to 4 years $'000	Over 4 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
Cash	1,923	–	–	–	–	–	–	–	1,923
Trade receivables	–	–	–	–	–	–	–	6,381	6,381
Loans to key management personnel	–	–	5,307	–	–	–	–	–	5,307
Loans to joint ventures	–	1,750	–	–	–	–	–	–	1,750
Loans to associates	–	–	–	–	–	–	–	24	24
Other receivables	–	–	–	–	–	–	–	6,191	6,191
	1,923	**1,750**	**5,307**	**–**	**–**	**–**	**–**	**12,596**	**21,576**
Weighted average interest rate	2.5%	12.0%	5.0%	–	–	–	–		

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 after tax and equity.

	Carrying amount $'000	-1% Profit $'000	-1% Equity $'000	+1% Profit $'000	+1% Equity $'000
2010					
Assets					
Cash and cash equivalents	28,380	(284)	(284)	284	284
Total increase/(decrease)		**(284)**	**(284)**	**284**	**284**
2009					
Assets					
Cash and cash equivalents	1,923	(19)	(19)	19	19
Total increase/(decrease)		**(19)**	**(19)**	**19**	**19**

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:

	2010 $'000	2009 $'000
1 to 3 months	9,719	5,400
3 to 6 months	1,237	981
More than 6 months	1,875	–
	12,831	**6,381**

The receivables are considered past due but not impaired.

The carrying value approximates fair value.

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

	2010 $'000	2009 $'000
Units in associates (note 35)	263,399	18,279
Shares in joint venture entity (note 36)	33,967	24,979
	297,366	43,258

a) Units in associates
Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting.

b) Shares in joint venture entity
The interest in Commercial and Industrial Property Pty Ltd and overseas joint ventures are accounted for in the consolidated financial statements using the equity method of accounting.

18. NON-CURRENT ASSETS – INTANGIBLE ASSETS

As detailed in note 37, the Group completed a transaction to acquire the majority of Macquarie Group's core real estate management platform in March 2010. This transaction was structured to secure the management rights (i.e. future management fee revenue) of Macquarie Office Trust (renamed Charter Hall Office REIT), Macquarie Country Wide Trust (renamed Charter Hall Retail REIT) and Macquarie Direct Property Fund (renamed Charter Hall Direct Property Fund).

The excess of consideration paid over net tangible assets acquired represents the value of these management rights.

Management considers that the management rights have an indefinite life as there are no finite terms in the underlying agreements and the Group has no intention to cease managing these Funds. As a result the management rights are not being amortised.

	2010 $'000	2009 $'000
Management rights – at cost	111,831	–

The carrying value of the management rights is supported by value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated growth rates appropriate for the business. Impairment is tested at the cash generating unit (CGU) level for each CGU. Each individual CGU is considered to be a fund which generates management fee income.

Key assumptions used for value-in-use calculations:

- Discount rate 12.5% is in excess of the Group's WACC as a result of the management platform carrying more risk than the return on property investment cashflows.
- Growth over next five years of 5% pa which is conservative for this stage of the property cycle.
- Terminal growth rate of 3% which is in line with a long-term estimated inflation range.

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

	Furniture, fittings and equipment $'000	Fixtures $'000	Software $'000	Total $'000
Year ended 30 June 2009				
Opening net book amount	662	915	–	1,577
Additions	246	–	766	1,012
Depreciation charge	(203)	(82)	–	(285)
Closing net book amount	705	833	766	2,304
At 30 June 2009				
Cost	1,458	1,073	766	3,297
Accumulated depreciation	(753)	(240)	–	(993)
Net book amount	**705**	**833**	**766**	**2,304**
Year ended 30 June 2010				
Opening net book amount	705	833	766	2,304
Additions	907	–	1,058	1,965
Depreciation charge	(395)	(65)	(217)	(677)
Closing net book amount	1,217	768	1,607	3,592
At 30 June 2010				
Cost	2,365	1,073	1,824	5,262
Accumulated depreciation	(1,148)	(305)	(217)	(1,670)
Net book amount	**1,217**	**768**	**1,607**	**3,592**

20. NON-CURRENT ASSETS – INVESTMENT PROPERTIES

	2010 $'000	2009 $'000
At fair value		
Opening balance	15,770	439,645
Assets reconsolidated/(deconsolidated) – CPRF	277,516	(301,404)
Acquisitions and additions	4,597	39
Lease incentives paid	3,020	–
Lease incentives amortised	(292)	–
Disposals	(15,000)	(120,425)
Transferred to held for resale	(45,000)	–
Net loss from fair value adjustment	(38,592)	(2,085)
Foreign currency exchange	99	–
Closing balance at 30 June	**202,118**	**15,770**

a) Amounts recognised in profit and loss for investment properties

	2010 $'000	2009 $'000
Rental income	18,768	5,187
Direct operating expenses from property that generated rental income	(4,703)	(3,168)
	14,065	**2,019**

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

a) Amounts recognised in profit and loss for investment properties (continued)

Property	Type	% owned	Date acquired	Cost incl additions $'000	Independent valuation date	Independent valuation amount $'000	Valuer	Book value 2010 $'000	Book value 2009 $'000
61 Nepean Hwy, Mentone (1)	Residential	50	15/06/05	770	–	–	–	770	770
56 Anzac St, Chullora	Industrial	100	21/06/05	18,589	30/04/09	15,000	Savills	–	15,000
CPRF properties (2)									
Home HQ, Nunawading	Bulky retail	100	03/07/08	70,481	30/06/10	62,000	M3 Property	62,000	–
Mentone Showrooms, Mentone	Bulky retail	100	03/07/08	24,600	30/09/09	18,300	Savills	18,300	–
Bunnings, Stafford	Bulky retail	100	20/06/07	21,669	30/06/10	21,250	Colliers	18,500	–
Foodtown, Auckland, NZ	Retail	100	06/07/07	24,643	31/12/09	19,617	Savills	19,617	–
Home HQ, Ipswich	Retail	100	14/08/07	31,309	30/06/10	27,000	JLL	27,000	–
Menai Central, Menai	Retail	100	22/02/08	37,753	30/06/10	34,700	Cushman & Wakefield	34,700	–
Mentone Centre, Mentone	Bulky retail	50	06/05/09	26,678	31/12/07	68,300	Savills	21,210	–
33 Windorah St, Stafford (3)				21				21	–
				256,513				**202,118**	**15,770**

1) Property has not had an independent valuation, value determined by Directors valuation.
2) The Group did not consolidate CPRF at 30 June 2009, therefore no comparative book values have been given. Date acquired is the date CPRF acquired the property.
3) On 20 December 2009, contracts were exchanged for the purchase of 33 Windorah St, Stafford. This sale was settled on 20 July 2010 for $11.2 million. The above book value reflects costs relating to the purchase of this property which were incurred prior to 30 June 2010.

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 2009 valuations were based on directors' valuations with the key assumptions for Chullora being a capitalisation rate of 9.25%, a vacancy rate of 0% and a weighted average rent review of 3.63%. The 2010 valuations had an average capitalisation rate of 8.35%, a vacancy rate of 4% and a weighted average rent review of 3.64%.

21. NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	2010 $'000	2009 $'000
The balance comprises temporary differences attributable to:		
Employee benefits	1,022	232
Other provisions	–	3
Tax losses	4,699	3,711
	5,721	3,946
Movements:		
Opening balance	3,946	5,110
Charged to the income statement (note 9)	1,775	(1,164)
Closing balance at 30 June	5,721	3,946
Deferred tax assets to be recovered after more than 12 months	5,721	3,946
	5,721	**3,946**

22. TRADE AND OTHER PAYABLES

	2010 $'000	2009 $'000
Current liabilities		
Trade payables	7,508	4,283
Accruals	542	73
Distribution payable	19,535	6,980
GST payable	1,316	695
Annual leave payable	2,252	525
Payable for business combination (note 37)	14,580	–
Bonus payable	5,313	–
Other payables	3,972	1,665
	55,018	**14,221**

All current liabilities are expected to be settled within 12 months.

	2010 $'000	2009 $'000
Non-current liabilities		
Contingent consideration payable	11,270	–

See note 37(i) for further details of the contingent consideration payable.

23. CURRENT LIABILITIES – PROVISIONS

	2010 $'000	2009 $'000
Employee benefits – long service leave	749	222
	749	**222**

a) Movements in provisions
Refer to note 26 for the movement in provisions and split between current and non-current.

24. NON-CURRENT LIABILITIES – BORROWINGS

	2010 $'000	2009 $'000
Secured		
Bank loans	91,228	–
Unsecured		
Bank loans	–	14,220
Total non-current borrowings	**91,228**	**14,220**

The bank loan is secured by a floating charge over all the cash and receivables of CPRF and by a mortgage over the investment properties held by CPRF.

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	2010	2009
Current		
Floating charge	$'000	$'000
Cash and cash equivalents	1,456	–
Receivables	4,692	–
First mortgage		
Investment properties held for sale	45,000	–
Total current assets pledged as security	51,148	–
Non-current		
First mortgage		
Investment properties	201,348	–
Total non-current assets pledged as security	**201,348**	**–**
Total assets pledged as security	**252,496**	**–**

24. NON-CURRENT LIABILITIES – BORROWINGS (CONTINUED)

a) Financing arrangements

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

	2010 $'000	2009 $'000
Total facilities	300,000	100,000
Used at balance date	92,111	14,220
Unused at balance date	**207,889**	**85,780**

In July 2008, following the selldown of its interest in CPRF from 100% to 62%, CHPT obtained a new $100 million NAB debt facility that expires in July 2011. This facility has subsequently been reduced to $50 million.

CPRF has a facility of $250 million with NAB which expires in July 2011.

b) Interest rate risk exposures

The following table sets out the Group's exposure to interest rate risk, including 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.

		Fixed interest rate							
	Floating interest rate $'000	1 year or less $'000	Over 1 to 2 years $'000	Over 2 to 3 years $'000	Over 3 to 4 years $'000	Over 4 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
2010									
Trade and other payables	–	–	–	–	–	–	–	55,018	55,018
Contingent consideration payable	–	–	–	–	–	–	–	11,270	11,270
Bank and other loans	91,228	–	–	–	–	–	–	–	91,228
Interest rate swaps	(40,223)	–	–	–	–	20,000	20,223	–	–
	51,005	**–**	**–**	**–**	**–**	**20,000**	**20,223**	**66,288**	**157,516**
Weighted average interest rate	3.99%	–	–	–	–	7.04%	7.84%		
2009									
Trade and other payables	–	–	–	–	–	–	–	14,221	14,221
Bank and other loans	14,220	–	–	–	–	–	–	–	14,220
	14,220	**–**	**–**	**–**	**–**	**–**	**–**	**14,221**	**28,441**
Weighted average interest rate	6.04%	–	–	–	–	–	–		

24. NON-CURRENT LIABILITIES – BORROWINGS (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 after tax and equity.

		-1%		+1%	
	Carrying amount $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
2010					
Liabilities					
Trade and other payables	55,018	–	–	–	–
Contingent consideration payable	11,270	–	–	–	–
Borrowings	91,228	912	912	(912)	(912)
Derivative financial instruments	4,754	(2,617)	(2,617)	1,766	1,766
Total increase/(decrease)		**(1,705)**	**(1,705)**	**854**	**854**
2009					
Liabilities					
Trade and other payables	14,221	–	–	–	–
Borrowings	14,220	142	142	(142)	(142)
Total increase/(decrease)		**142**	**142**	**(142)**	**(142)**

d) Fair value

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

	2010	
	Carrying amount $'000	Fair value $'000
On-balance sheet		
Non-traded financial liabilities		
Bank loans	91,228	92,111

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.

e) 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 with both net of cash and cash equivalents.

The gearing ratios at 30 June 2010 and 30 June 2009 were 6.5% and 2.4% respectively. Debt covenants are monitored regularly to ensure compliance and reported to the debt provider on a six monthly basis. The Group Treasurer is responsible for negotiating new debt facilities and compliance with covenants.

25. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	2010 $'000	2009 $'000
The balance comprises temporary differences attributable to:		
Prepayments	296	–
Fund establishment costs	–	516
Accrued revenue	316	243
Depreciation on New Zealand investment properties	661	–
Other	–	93
	1,273	**852**
Movements:		
Opening balance	852	3,408
Charged/(credited) to the income statement (note 9)	421	(2,556)
Closing balance at 30 June	1,273	852
Deferred tax liabilities to be settled after more than 12 months	1,273	852
Deferred tax liabilities to be settled within 12 months	–	–
	1,273	**852**

26. NON-CURRENT LIABILITIES – PROVISIONS

	2010 $'000	2009 $'000
Employee benefits – long service leave	879	25

a) Movements in provisions
Movements in employee benefits provisions are set out below:

	2010 $'000	2009 $'000
Long service leave		
Opening balance	247	259
Additional provisions recognised/(utilised)	1,381	(12)
Carrying amount at end of year	1,628	247
Current	749	222
Non-current	879	25
Total	**1,628**	**247**

27. CONTRIBUTED EQUITY

	Notes	Group 2010 Securities	Group 2009 Securities	Group 2010 $'000	Group 2009 $'000
a) Security capital [1]					
Ordinary securities	(b), (c)				
Fully paid		1,162,380,235	698,040,044	936,445	634,308
		1,162,380,235	**698,040,044**	**936,445**	**634,308**

b) Movements in ordinary security capital:

Details	Notes	Number of securities	Issue price	$'000
Opening balance		413,983,609		526,822
Add back LTI securities reversed last year		23,508,112		45,311
Employee security scheme issue	(e)	15,321,360	$1.04	15,934
Distribution re-investment plan issue August 2008	(d)	32,459,346	$0.8489	27,555
Employee security scheme issue	(e)	11,508,812	$1.04	11,969
Distribution re-investment plan issue February 2009	(d)	21,723,725	$0.2879	6,254
Placement	(g)	81,735,340	$0.33	26,973
Entitlement offer	(f)	138,532,553	$0.33	45,716
Gandel underwriting	(h)	9,610,782	$0.33	3,172
Balance at 30 June 2009		**748,383,639**		**709,706**
Less: Transaction costs on security issues				(2,219)
Less: LTI securities reversed [2]		(50,343,595)		(73,179)
Balance per accounts at 30 June 2009		**698,040,044**		**634,308**
Add back LTI securities reversed last year		50,343,595		73,179
Distribution re-investment plan issue August 2009	(d)	2,210,371	$0.4722	1,044
Distribution re-investment plan issue February 2010	(d)	4,995,460	$0.6689	3,342
Institutional placement	(i)	35,624,778	$0.70	24,937
Entitlement offer	(j)	300,237,026	$0.65	195,154
Macquarie placement	(k)	121,272,558	$0.70	84,891
Balance at 30 June 2010		**1,212,723,832**		**1,016,855**
Less: Transaction costs on security issues				(7,231)
Less: LTI securities reversed [2]		(50,343,597)		(73,179)
Balance per accounts at 30 June 2010		**1,162,380,235**		**936,445**
Charter Hall Limited				9,427
Charter Hall Property Trust				927,018

1) 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.
2) 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 AASB 2: *Share-based Payment*, the loan, securities, interest received on the loan and the distribution paid and payable are derecognised for the preparation of the financial statements.

In 2009, the issued capital of $634,308,000 was divided between Charter Hall Limited $6,383,000 and Charter Hall Property Trust $627,925,000.

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.

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.

27. CONTRIBUTED EQUITY (CONTINUED)

d) Distribution re-investment plan
The company has established a distribution re-investment 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 active for the 30 June 2009, 31 December 2009 and 30 June 2010 distributions.

e) Employee security scheme
Information on the employee security scheme, including details of securities issued under the scheme, is set out in note 41.

f) Entitlement offer
On 27 May 2009, the company invited securityholders to subscribe to a entitlement offer of 148.1 million ordinary securities at an issue price of $0.33 per security on the basis of 2 securities for every 7 fully paid ordinary securities held, such securities to be issued on 12 June 2009 or 29 June 2009 and be entitled to distributions/dividends from 30 June 2009.

g) Placement
On 11 June 2009, 72,847,275 securities were issued at $0.33 to Gandel Group. The securities are entitled to the distribution for the six months ended 30 June 2009. An additional 8,888,065 securities were issued to Gandel Group as part of a top up placement also at $0.33.

h) Gandel underwriting
The retail security offer was underwritten by Gandel Group with 9,610,782 securities not taken up by retail securityholders issued at $0.33.

i) Institutional placement
On 1 March 2010, 35,624,778 securities were issued at $0.70 as part of an institutional placement.

j) Entitlement offer
On 1 March 2010, 227,913,824 securities and on 16 March 2010, 72,323,202 securities were issued as part of a 2 for 5 entitlement offer. The price was $0.65 per security.

k) Placement
On 1 March 2010, 121,272,558 securities were issued at $0.70 as part of an institutional placement.

28. RESERVES AND RETAINED PROFITS/(ACCUMULATED LOSSES)

	2010 $'000	2009 $'000
a) Reserves		
Business combination reserve	(52,000)	(52,000)
Security-based payments reserve	7,367	6,050
Foreign currency reserve	4,604	(47)
	(40,029)	(45,997)
Charter Hall Limited and controlled entities	(44,658)	(45,997)
Charter Hall Property Trust	4,629	–
	(40,029)	(45,997)
Movements:		
Security-based payments reserve		
Opening balance	6,050	5,434
Expense relating to LTI scheme	1,317	616
Closing balance	**7,367**	**6,050**
Business combination reserve		
Opening and closing balance	(52,000)	(52,000)
Foreign currency reserve		
Opening balance	(47)	(1,235)
Translation	4,651	1,188
Closing balance	**4,604**	**(47)**

28. RESERVES AND RETAINED PROFITS/(ACCUMULATED LOSSES) (CONTINUED)

i) Security-based payments reserve

The security-based payments reserve is used to recognise the fair value of securities issued to the LSP but not to employees and rights issued under the PROP.

ii) Business combination reserve

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

iii) Foreign currency reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 1(d) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

b) Retained profits/(accumulated losses)

Movements in retained profits/(accumulated losses) were as follows:

	2010 $'000	2009 $'000
Opening balance	(94,345)	12,536
Net profit/(loss) for the year	207	(82,222)
Distributions/dividends	(29,802)	(24,659)
Closing balance	**(123,940)**	**(94,345)**
Charter Hall Limited and controlled entities	(61,698)	(36,530)
Charter Hall Property Trust	(62,242)	(57,815)
	(123,940)	**(94,345)**

29. NON-CONTROLLING INTEREST

The financial statements include the financial statements for the consolidated entity consisting of Charter Hall Limited and its subsidiaries and controlled entities including Charter Hall Property Trust (CHPT). Charter Hall Limited has been identified as the Parent Entity in relation to the stapling. The results and equity, not directly owned by CHL, of CHPT have been treated and disclosed as a non-controlling interest. Whilst the results and equity of CHPT are disclosed as non-controlling interest, the stapled securityholders of CHL are the same as the stapled securityholders of CHPT.

	Notes	2010 $'000	2009 $'000
Interest in:			
Contributed equity	27(b)	927,018	627,925
Reserves	28(a)	4,629	–
Accumulated losses	28(a)	(62,242)	(57,815)
Equity holders of CHPT (non-controlling interest)		**869,405**	**570,110**

The Group has consolidated 100% of the net assets and results of CPRF. However, 33.96% of CPRF is owned by non-controlled unitholders. Their non-controlled interest in the total equity of CPRF is as follows:

	2010 $'000	2009 $'000
Contributed equity	86,995	–
Reserves	(371)	–
Accumulated losses	(35,995)	–
Other non-controlling interest in CPRF	**50,629**	**–**

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)
P Derrington
G Fraser
C McGowan
P Kahan

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. The number of other key management personnel in the year ended 30 June 2009 was three, compared to seven for the year ended 30 June 2010.

Name	Position	Employer
J Bakker	Group Chief Financial Officer	Charter Hall Holdings Pty Ltd
A Glass	Head of Wholesale Investment Funds Management	Charter Hall Holdings Pty Ltd
N Kelly	Head of Investor Relations	Charter Hall Holdings Pty Ltd
S Sewell	Chief Executive Officer – Charter Hall Retail REIT	Charter Hall Holdings Pty Ltd
R Stacker	Chief Executive Officer – Charter Hall Direct Property	Charter Hall Holdings Pty Ltd
A Taylor	Chief Executive Officer – Charter Hall Office REIT	Charter Hall Holdings Pty Ltd
M Winnem	Head of Wholesale Opportunistic Funds Management	Charter Hall Holdings Pty Ltd

c) Key management personnel compensation (including non-executive directors)

	2010 $	2009 $
Short-term employee benefits	7,544,572	3,748,642
Post-employment benefits	205,157	263,174
Security-based payment	794,115	137,247
Long-term employee benefits	14,136	1,860
	8,557,980	**4,150,923**

Detailed remuneration disclosures are provided in sections A-E of the Remuneration Report on pages 44 to 54.

30. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

d) Equity instrument disclosures relating to key management personnel

i) Security holdings

The numbers of securities in the company held during the year by each director of CHL and other key management personnel of the Group, including their personally related parties, are set out below.

2010 Name	Opening balance	Purchased/(sold) during the period	LTI securities vesting/(forfeited) during the period	Closing balance [1]
Directors of Charter Hall Limited				
Ordinary securities				
K Roxburgh	64,285	60,715	–	125,000
R Woodhouse	85,713	–	–	85,713
P Derrington	–	–	–	–
G Fraser	823,792	(196,059)	–	627,733
C Fuchs	6,867,833	–	(1,050,000)	5,817,833
D Harrison	10,973,394	219,761	(1,475,000)	9,718,155
P Kahan	–	–	–	–
C McGowan	–	–	–	–
D Southon	11,319,639	–	(1,475,000)	9,844,639
Other key management personnel of the Group				
Ordinary securities				
J Bakker	547,806	–	–	547,806
A Glass	–	–	–	–
N Kelly	221,372	–	–	221,372
S Sewell	–	–	–	–
R Stacker	–	–	–	–
A Taylor	–	–	–	–
M Winnem	609,735	(54,020)	–	555,715

1) This total includes securities that have vested but have not been exercised by repayment of the loan and removal from the LTI plan. Unvested securities are excluded from the balance. The vested securities were issued with loans varying from \$1.00 to \$2.76 per security which are significantly higher than the security price at 30 June 2010 of \$0.60.

2009 Name	Opening balance	Purchased/(sold) during the period	LTI securities vesting/(forfeited) during the period	Closing balance
Directors of Charter Hall Limited				
Ordinary securities				
K Roxburgh	50,000	14,285	–	64,285
R Woodhouse	66,666	19,047	–	85,713
P Derrington	–	–	–	–
G Fraser	350,000	473,792	–	823,792
C Fuchs	5,887,828	377,999	602,006	6,867,833
D Harrison	7,897,420	1,291,371	1,784,603	10,973,394
C McGowan	–	–	–	–
D Southon	8,129,240	1,420,232	1,770,167	11,319,639
Other key management personnel of the Group				
Ordinary securities				
J Bakker	222,235	(2,241)	327,812	547,806
R Champion [1]	184,259	–	(183,729)	530
N Kelly	62,642	–	158,730	221,372
M Winnem	357,932	76,445	175,358	609,735

1) The balance for Richard Champion when he ceased employment was 530 securities. After this time, his holding has not been monitored.

30. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

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

i) Security holdings (continued)

The executive directors of Charter Hall Group and other key management personnel of the Group have received the following rights and options during the year from the company's PROP:

	Performance rights 2009	Performance rights 2010	Total	Options 2010
Executive Directors				
C Fuchs	50,481	175,000	225,481	625,625
D Harrison	403,846	750,000	1,153,846	2,681,250
D Southon	403,846	750,000	1,153,846	2,681,250
Key management personnel				
J Bakker	50,480	400,000	450,480	1,430,000
A Glass	–	300,000	300,000	1,072,500
N Kelly	50,480	24,000	74,480	858,000
S Sewell	–	357,000	357,000	893,000
R Stacker	–	214,500	214,500	535,500
A Taylor	–	357,000	357,000	893,000
M Winnem	–	240,000	240,000	858,000

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
2010	**5,306,500**	**160,000**	**5,145,000**	**2**
2009	9,928,333	248,000	5,306,500	2

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

Name	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 $
2010				
D Harrison	2,781,500	80,000	2,605,000	2,781,500
D Southon	2,525,000	80,000	2,540,000	2,540,000
2009				
D Harrison	2,657,500	124,000	2,781,500	2,781,500
D Southon	2,657,500	124,000	2,525,000	2,756,500

Loans to key management personnel are for periods of five 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 $2.5 million 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 three years, were extended in 2008 for a further three 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 Group and non-related audit firms:

	2010 $	2009 $
a) Assurance services		
Audit services		
PricewaterhouseCoopers Australian firm		
Audit and review of financial statements and other audit work under the *Corporations Act 2001*	257,849	236,092
Non-PricewaterhouseCoopers audit firms for the audit or review of financial statements of any entity in the Group		
W F White & Co	5,510	4,770
Ernst & Young	59,035	–
Total remuneration for audit services	**322,394**	**240,862**
Other assurance services		
PricewaterhouseCoopers Australian firm		
Investigating Accountant's Reports – equity raising	–	70,000
Total remuneration for other assurance services	**–**	**70,000**
Total remuneration for assurance services	**322,394**	**310,862**
b) Taxation services		
PricewaterhouseCoopers Australian firm		
Tax compliance services, including review of company income tax returns	25,920	13,920
Non-PricewaterhouseCoopers firms for taxation services (Ernst & Young)	130,920	141,075
Total remuneration for taxation services	**156,840**	**154,995**
c) Advisory services		
PricewaterhouseCoopers Australian firm		
Long-term incentive plan structure	9,000	21,538
Due diligence for equity raising and acquisition	380,000	–
Non-PricewaterhouseCoopers firms for advisory services		
Ernst & Young	33,269	69,806
Total remuneration for advisory services	**422,269**	**91,344**

The Group's policy is to employ PricewaterhouseCoopers (PwC) on assignments additional to statutory audit duties where PwC's expertise and experience with the Group are important. These assignments are principally tax advice and Investigating Accountant's 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.

32. COMMITMENTS

a) Lease commitments: Group as lessee

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

	2010 $'000	2009 $'000
Within one year	1,311	617
Later than one year but not later than five years	8,966	2,815
Commitment fees from associates	**10,277**	**3,432**

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:

	2010 $	2009 $
Sales of services		
Management and performance fees from associates	24,078,267	24,077,334
Transaction fees from associates	4,509,418	359,173
Commitment fees from associates	119,775	180,225
Property management fees from associates	3,037,846	755,674

Transactions with associates and joint ventures are disclosed in note 34 and note 35 respectively.

e) Loans to/from related parties

	2010 $	2009 $
Loans to joint ventures		
Opening balance	1,750,000	–
Loans advanced	2,000,000	1,750,000
Interest charged	221,342	177,205
Interest received	(221,342)	(177,205)
Closing balance	**3,750,000**	**1,750,000**

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.

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 2010 %	Equity holding 2009 %
Controlled entities of Charter Hall Limited				
Charter Hall Holdings Pty Limited	Australia	Ordinary	100	100
Charter Hall CUB Pty Ltd	Australia	Ordinary	100	100
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
Charter Hall Funds Management Limited	Australia	Ordinary	100	100
Bowvilla 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
Charter Hall Real Estate Inc (1)	USA	Ordinary	100	–
Charter Hall Office Management Limited (1)	Australia	Ordinary	100	–
Charter Hall Asset Services Limited (1)	Australia	Ordinary	100	–
Charter Hall Real Estate Europe Limited (1)	UK	Ordinary	100	–
Charter Hall Retail Management Limited (2)	Australia	–	–	–
Charter Hall Direct Property Management Limited (2)	Australia	–	–	–
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 Asset Services Limited				
Charter Hall Real Estate Management Services Pty Limited	Australia	Ordinary	100	–
Charter Hall Real Estate Management Services (WA) Pty Limited	Australia	Ordinary	100	–
Charter Hall Real Estate Management Services (VIC) Pty Limited	Australia	Ordinary	100	–
Charter Hall Real Estate Management Services (TAS) Pty Limited	Australia	Ordinary	100	–
Charter Hall Real Estate Management Services (SA) Pty Limited	Australia	Ordinary	100	–
Charter Hall Real Estate Management Services (ACT) Pty Limited	Australia	Ordinary	100	–
Charter Hall Real Estate Management Services (NSW) Pty Limited	Australia	Ordinary	100	–
Charter Hall Real Estate Management Services (QLD) Pty Limited	Australia	Ordinary	100	–
Controlled entities of Charter Hall Real Estate Inc.				
CHREI US Office LLC	Australia	Ordinary	100	–
CHREI US Retail LLC	Australia	Ordinary	100	–

1) Acquired 1/3/10.
2) The purchase of all shares of these is expected to complete during the quarter to 30 September 2010. Although Charter Hall does not own the shares of these entities, Charter Hall is deemed to control these entities and hence they are consolidated.

34. SUBSIDIARIES (CONTINUED)

			Equity holding	
Name of entity	Country of incorporation	Class of securities	2010 %	2009 %
Controlled entities of Charter Hall Property Trust				
130 Stirling Street Trust (formerly Charter Hall Investment Fund No. 15)	Australia	Ordinary	–	100
Charter Hall Core Plus Retail Fund [1]	Australia	Ordinary	66	N/A
Charter Hall Co-Investment Trust	Australia	Ordinary	100	–

1) CHPT sold down its interest in CPRF in July 2008 from 100% to 62% (current interest is 66%). At that time it was considered that CHPT did not control the fund and therefore did not consolidate CPRF into its financial statements.

However, as outlined in note 1, Charter Hall announced on 8 December 2009 that based on discussions with ASIC the Group would consolidate its interest in CPRF from 1 July 2009.

Charter Hall Co-Investment Trust is a new entity set up by Charter Hall Property Trust to hold its investments in CQO, CQR and CHDPF.

			Equity holding	
Name of entity	Country of incorporation	Class of securities	2010 %	2009 %
Controlled entities of Charter Hall Core Plus Retail Fund				
Core Plus Retail Fund New Zealand	Australia	Ordinary	100	N/A
Redcliffe Retail Property Trust	Australia	Ordinary	100	N/A
Belconnen Retail Warehouse Trust	Australia	Ordinary	100	N/A
Box Hill Retail Warehouse Trust	Australia	Ordinary	100	N/A
Nerang Retail Warehouse Trust	Australia	Ordinary	100	N/A
Nowra Retail Warehouse Trust	Australia	Ordinary	100	N/A
Penrith Retail Warehouse Trust	Australia	Ordinary	100	N/A
Stafford Retail Warehouse Trust	Australia	Ordinary	100	N/A
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

35. INVESTMENTS IN ASSOCIATES

a) Carrying amounts

Information relating to associates is set out below.

		Ownership interest			
Name of company	Principal activity	2010 %	2009 %	2010 $'000	2009 $'000
Unlisted					
Charter Hall Diversified Property Fund	Property Investment	31.9%	25.7%	22,068	22,319
Charter Hall Core Plus Office Fund	Property Investment	16.8%	23.4%	112,590	161,376
Charter Hall Core Plus Industrial Fund	Property Investment	25.0%	25.0%	55,828	61,989
Charter Hall Core Plus Retail Fund	Property Investment	N/A	65.3%	–	139,888
Charter Hall Umbrella Fund	Property Investment	24.9%	24.9%	41,578	48,049
Charter Hall Direct Property Fund	Property Investment	3.5%	–	9,787	–
Macquarie Property Income Fund	Property Investment	4.6%	–	306	–
				242,157	**433,621**
Unlisted					
Charter Hall Opportunity Fund 4	Property Development	3.0%	3.0%	1,254	2,951
Charter Hall Opportunity Fund 5	Property Development	15.0%	15.0%	24,670	15,328
Listed					
Charter Hall Office REIT	Property Investment	7.5%	–	155,149	–
Charter Hall Retail REIT	Property Investment	7.4%	–	82,326	–
				263,399	**18,279**

The above associates are incorporated in Australia. The investments in Charter Hall Opportunity Fund 4 and 5 held by Charter Hall Limited are equity accounted in the consolidated financial statements (note 17).

The investments in Charter Hall Diversified Property Fund, Charter Hall Core Plus Office Fund, Charter Hall Core Plus Industrial Fund, Charter Hall Umbrella Fund and Charter Hall Direct Property Fund are held by Charter Hall Property Trust and are accounted for at fair value through the profit or loss (note 14).

The investments in Charter Hall Office REIT and Charter Hall Retail REIT are held by Charter Hall Property Trust and are equity accounted (note 17). The carrying value of these investments is supported by value in use calculations.

The investment in Charter Hall Diversified Property Fund consists of units which represent a 19.6% (2009: 19.7%) interest but also an additional investment in the form of bridging equity of $9 million, which is 12.3% (2009: 6.0%).

The investment in Macquarie Property Income Fund is held by Charter Hall Limited via Charter Hall Direct Property Management Limited.

35. INVESTMENTS IN ASSOCIATES (CONTINUED)

b) Movements in carrying amounts

	2010 $'000	2009 $'000
Charter Hall Diversified Property Fund		
Opening balance	22,319	24,332
Investment	5,989	2,835
Fair value adjustment	(6,240)	(4,848)
Closing balance	22,068	22,319
Charter Hall Core Plus Office Fund		
Opening balance	161,376	143,178
Investment	–	50,000
Fair value adjustment	(9,273)	(31,802)
Disposal of units	(39,513)	–
Closing balance	112,590	161,376
Charter Hall Core Plus Industrial Fund		
Opening balance	61,989	57,698
Investment	–	12,503
Fair value adjustment	(6,161)	(8,212)
Closing balance	55,828	61,989
Charter Hall Core Plus Retail Fund		
Opening balance	139,888	–
Investment	–	163,635
Fair value adjustment	–	(23,747)
Eliminated on consolidation	(139,888)	
Closing balance	–	139,888
Charter Hall Umbrella Fund		
Opening balance	48,049	71
Investment	76	58,563
Fair value adjustment	(6,547)	(10,585)
Closing balance	41,578	48,049
Charter Hall Direct Property Fund		
Investment	8,454	–
Fair value adjustment	1,333	–
Closing balance	9,787	–
Macquarie Property Income Fund		
Investment	307	–
Fair value adjustment	(1)	–
Closing balance	306	–

35. INVESTMENTS IN ASSOCIATES (CONTINUED)

b) Movements in carrying amounts (continued)

	2010 $'000	2009 $'000
Charter Hall Opportunity Fund 4		
Opening balance	2,951	3,214
Investment	714	522
Share of profit/(loss) after income tax	150	(538)
Distributions received/receivable	(2,561)	(252)
Reserves	–	5
Closing balance	1,254	2,951
Charter Hall Opportunity Fund 5		
Opening balance	15,328	3,288
Investment	10,440	16,558
Share of loss after income tax	(1,116)	(3,733)
Distributions received/receivable	–	(837)
Reserves	18	52
Closing balance	24,670	15,328
Charter Hall Office REIT		
Investment	111,459	–
Increase to net tangible assets value – at acquisition date[1]	48,353	–
Share of loss after income tax	(5,613)	–
Distributions received/receivable	(3,106)	–
Reserves	4,056	–
Closing balance	155,149	–
Charter Hall Retail REIT		
Investment	69,335	–
Increase to net tangible assets value – at acquisition date[1]	11,372	–
Share of profit after income tax	3,615	–
Distributions received/receivable	(2,568)	–
Reserves	572	–
Closing balance	82,326	–

1) The total of these items of $59,725,000 has been recognised as income however is deducted for the calculation of operating earnings.

c) Fair value of listed investments in associates

	2010 $'000	2009 $'000
Charter Hall Office REIT	91,359	–
Charter Hall Retail REIT	61,408	–

Fair value represents market value of CQO and CQR units as at 30 June 2010.

d) Share of associates' profits or losses

	2010 $'000	2009 $'000
Loss before income tax	13,607	87,926
Income tax benefit	(1,430)	(1,540)
Profit after income tax	**12,177**	**86,386**

35. INVESTMENTS IN ASSOCIATES (CONTINUED)

e) Summarised financial information of associates

	Group's share of:			
	Assets $'000	Liabilities $'000	Revenues $'000	Profit/(loss) $'000
2010				
Charter Hall Diversified Property Fund	49,506	28,909	5,171	(3,884)
Charter Hall Core Plus Office Fund	197,601	93,287	19,238	(1,252)
Charter Hall Core Plus Industrial Fund	101,729	45,668	10,932	(2,473)
Charter Hall Umbrella Fund	37,896	617	2,257	(3,880)
Charter Hall Opportunity Fund 4	3,942	2,653	3,982	150
Charter Hall Opportunity Fund 5	45,402	20,769	211	1,116
Macquarie Property Income Fund	644	284	15	29
Charter Hall Direct Property Fund	15,850	7,279	578	16
Charter Hall Office REIT	272,535	117,420	7,082	(5,613)
Charter Hall Retail REIT	145,068	62,721	4,812	3,615
2009				
Charter Hall Diversified Property Fund	35,362	21,194	3,504	(4,788)
Charter Hall Core Plus Office Fund	329,296	182,585	24,591	(33,887)
Charter Hall Core Plus Industrial Fund	106,106	44,674	9,415	(9,550)
Charter Hall Core Plus Retail Fund	248,963	124,308	20,151	(25,951)
Charter Hall Umbrella Fund	44,143	841	3,345	(7,941)
Charter Hall Opportunity Fund 4	9,884	6,898	60	(536)
Charter Hall Opportunity Fund 5	41,535	26,240	573	(3,733)

f) Charter Hall Core Plus Retail Fund's revenue, expenses and results

The summary income statement and balance sheet of CPRF for FY09 are shown below. Whilst at 30 June 2009 CHPT still owned a 65% direct interest and a 5% indirect interest in CPRF (CHPT has a 25% investment in CHUF and CHUF holds a 21% investment in CPRF, the financial accounts of CPRF were not consolidated into CHPT's financial accounts in 2009.

	2009 $'000
Revenues	30,845
Expenses	(19,064)
Profit before fair value adjustments and tax	11,781
Income tax expense	(179)
Fair value adjustments/losses on sale	(51,249)
Profit after income tax	**(39,647)**

g) Charter Hall Core Plus Retail Fund's assets and liabilities

Current assets	103,645
Non-current assets	277,654
Total assets	381,299
Current liabilities	7,614
Non-current liabilities	182,800
Total liabilities	190,414
Net assets	**190,885**

From 1 July 2009, CPRF has been consolidated, the Group accounts so there is no need to show the 2010 numbers for CPRF above. Refer to note 37 for more information on the reconsolidation of CPRF.

36. INVESTMENT IN JOINT VENTURES

a) Carrying amounts

Information relating to joint ventures is set out below and at note 17.

		Ownership Interest		Consolidated	
Name of company	Principal activity	2010 %	2009 %	2010 $'000	2009 $'000
Unlisted					
Commercial and Industrial Property Pty Ltd	Property development	50%	50%	26,517	24,979
MOUS 1	Asset management	50%	–	2,000	–
MOUS 2	Asset management	50%	–	1,150	–
MCW (US) 1	Asset management	50%	–	2,000	–
MCW (US) 2	Asset management	50%	–	2,300	–

b) Movements in carrying amounts

	2010 $'000	2009 $'000
Commercial and Industrial Property Pty Limited		
Opening balance	24,979	43,838
Investment	–	–
Share of profit after income tax	1,538	2,116
Dividends received/receivable	–	(3,331)
Impairment of investment	–	(17,644)
Closing balance	**26,517**	**24,979**
MOUS 1		
Investment	2,000	–
MOUS 2		
Investment	1,150	–
MCW (US) 1		
Investment	2,000	–
MCW (US) 2		
Investment	2,300	–

c) Carrying value of joint venture entity

	2010 $'000	2009 $'000
Commercial and Industrial Property Pty Ltd	26,517	24,979

KPMG were engaged to provide an indicative estimate of Charter Hall Limited's 50% equity investment in Commercial and Industrial Property Pty Ltd as at 30 June 2009. The valuation methodology used was Value In Use (VIU) (in accordance with the requirements of AASB 136) and three different scenarios in relation to growth prospects were considered. Management adopted the base case scenario which had a value in use of $24,979,044.

Consideration was given to the fair value less cost to sell (FVLCTS) method but management believe VIU gives the most accurate recoverable amount. In accordance with our accounting policy (note 1(h)) consideration was given to FVLCS, however VIU resulted in a higher recoverable amount which is required to be taken up in accordance with AASB 136.

The base case scenario includes a decrease in gross profit of 47% in FY10 and then subsequently reflecting growth in gross profit to FY13 and maintaining real growth in gross profit of 4% beyond FY13 up to the end of the forecast period in FY19.

A weighted average cost of capital of 11.6% was used to reflect the current market assessments of the time value of money and the risks specific to the investment and the net debt position was calculated as $6,630,000 being the forecast debt of $8,490,000 and forecast cash of $1,960,000 as at 30 June 2009.

There has been no impairment or reversal of impairment in FY10.

36. INVESTMENT IN JOINT VENTURES (CONTINUED)

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

	2010 $'000	2009 $'000
Revenues	43,079	28,871
Expenses	(40,873)	(25,842)
Profit before income tax	**2,206**	**3,029**

e) Share of joint venture's assets and liabilities

	2010 $'000	2009 $'000
Current assets	11,256	10,507
Non-current assets	3,799	2,511
Total assets	**15,055**	**13,018**
Current liabilities	2,328	5,843
Non-current liabilities	6,605	2,591
Total liabilities	**8,933**	**8,434**
Net assets	**6,122**	**4,584**

37. BUSINESS COMBINATION

a) CPRF acquisition

As announced on 8 December 2009, based on discussions with ASIC the Group decided to consolidate its 66% interest in the Core Plus Retail Fund (CPRF) from 1 July 2009 while CHC owns more than 50% of CPRF, and all other circumstances remain unchanged.

The assets and liabilities arising from the consolidation at 1 July 2009 are as follows:

	Fair value $'000
Cash and cash equivalents	5,983
Trade and other receivables	6,128
Investment properties held for resale	91,534
Investment properties	277,516
Deferred tax asset	138
Trade and other payables	(7,614)
Interest bearing liabilities	(168,092)
Deferred tax liabilities	(453)
Derivative financial instruments	(14,255)
Net identifiable assets of CPRF	**190,885**
Less: Non-controlling interest (34.55%)	(65,951)
Add: Goodwill	14,954
Value of CPRF units held at 30 June 2009	**139,888**

The fair value of the assets and liabilities is equivalent to CPRF's carrying value.

All of the acquired receivables are expected to be collectable.

The goodwill arises as the unit price of CPRF is higher than the net assets of CPRF due to adjustments for acquisition costs and fair value of derivative financial instruments in the calculation of the unit price. On consolidation of underlying investment property assets and derivative balances, the goodwill has been determined to be impaired and has been written off to the income statement.

On a 100% basis, CPRF contributed revenues of $20.2 million, net loss of $30.7 million and operating earnings of $9.6 million for the year ended 30 June 2010. Information on the non-controlling interest is included at note 29.

37. BUSINESS COMBINATION (CONTINUED)

b) Summary of Macquarie acquisition

On 1 March 2010, the consolidated entity completed a transaction to acquire the majority of Macquarie Group's core real estate management platform comprising management of two listed and three unlisted real estate funds and co-investments in Macquarie Office Trust (renamed Charter Hall Office REIT), Macquarie Country Wide Trust (renamed Charter Hall Retail REIT) and Macquarie Direct Property Fund (renamed Charter Hall Direct Property Fund).

As part of this transaction, the sale to Charter Hall Group by Macquarie of all of the shares in Macquarie Office Management Limited (renamed Charter Hall Office Management Limited), Macquarie Asset Services Limited (renamed Charter Hall Asset Services Limited) and Macquarie Real Estate Europe Limited (renamed Charter Hall Real Estate Europe Limited) under the terms of the Share Sale Agreement dated 12 February 2010 was completed on 1 March 2010.

The sale to Charter Hall by Macquarie Group of all shares in Macquarie Countrywide Management Limited (renamed Charter Hall Retail Management Limited) and Macquarie Direct Property Management Limited (renamed Charter Hall Direct Property Management Limited) is expected to complete during the quarter to 30 September 2010 once all consents have been received.

During the period in which the shares in these entities are not owned by Charter Hall, transitional arrangements have been put in place such that the management of Charter Hall Retail REIT and three unlisted funds is outsourced to Charter Hall. There is full flow-through of management fees to Charter Hall. Despite not owning the shares in these companies, Charter Hall is deemed to control the entities and hence they are consolidated at 30 June 2010.

Details of the purchase consideration and the net assets and management rights acquired are as follows:

	$'000
Purchase consideration (refer to (c) below):	
Cash paid	93,556
Amounts payable (note 22)	14,580
Contingent consideration (i)	11,270
Total purchase consideration	**119,406**

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value $'000
Cash	3,040
Prepayments	83
Investment in Joint ventures	7,450
Investments in associates	301
Plant and equipment	17
Deferred tax asset	525
Trade payables	(1,233)
Provision for income tax	(469)
Provision for employee benefits	(2,136)
Deferred tax liability	(3)
Net identifiable assets acquired	7,575
Add: Management Rights acquired	111,831
Net assets acquired	**119,406**

Charter Hall Direct Property Management Limited owns 3.5% of an associate, Macquarie Property Income Fund, which it carries at fair value.

There were no acquisitions in the year ending 30 June 2009.

37. BUSINESS COMBINATION (CONTINUED)

b) Summary of Macquarie acquisition (continued)

i) Contingent consideration

In the event that certain cumulative revenue targets are achieved by the offshore platform (being the people, entities and businesses that generate revenue outside of Australia, New Zealand and Japan) between 1 March 2010 and 28 February 2013, additional consideration of up to $15,000,000 may be payable in cash.

The potential undiscounted amount payable under the agreement is between $0 (for cumulative revenues below $21,425,000), and $15,000,000 (for cumulative revenues above $42,850,000).

The fair value of the contingent consideration of $11,269,722 was estimated by applying a 10% discount rate to $15,000,000, as it is assumed that probability-adjusted revenues of the Offshore Platform will result in payments of $5,000,000 per year over three years.

ii) Revenue and profit contribution

The acquired platform contributed revenues of $16.9 million and net profit of $10.1 million to the Group for the period from 1 March 2010 to 30 June 2010.

If the acquisition had occurred on 1 July 2009, consolidated revenue and consolidated profit for the year ended 30 June 2010 would have been $128.2 million and $19.9 million respectively. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 July 2009, together with the consequential tax effects.

c) Purchase consideration – cash outflow

	2010 $'000	2009 $'000
Outflow of cash to acquire subsidiary, net of cash acquired		
Cash consideration	93,556,265	–
Direct costs relating to the acquisition	6,636,295	–
	100,192,560	**–**
Less: Balances acquired		
Cash	(3,039,686)	–
Outflow of cash – investing activities	**97,152,874**	**–**

Acquisition-related costs

Acquisition-related costs of $6,636,295 are included in other expenses in profit or loss and in operating cash flows in the statement of cash flows.

The acquisition was partly funded by the issue of 121,272,558 Charter Hall Group stapled securities to the Macquarie Group. These securities were issued at $0.70 thus raising $84,890,791 in equity. The issue price is consistent with securities traded on the ASX on the same day and so is considered fair value.

38. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Since 30 June 2010, CHG has completed the following transactions:

- The settlement of the purchase of 33 Windorah Street, Stafford by CPRF on 20 July 2010 for $11.2 million.
- The completion of the purchase by CPRF of 50% of Lake Macquarie Shopping Centre and Mount Hutton Shopping Centre on 30 July 2010 for $66 million. The purchase is a joint venture with Charter Hall Retail REIT.
- CPRF completed the sale of Bluewater Plaza, located at Redcliffe, to the Anthony John Group Pty Ltd on 10 August 2010 for $47.8 million.
- On 27 July 2010, the Group launched the Charter Hall Direct Industrial Fund for investment by retail and self managed superannuation fund investors. The seed asset is a development property at Altona North, Melbourne. The Group will be financing the development while equity is raised.

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

	2010 $'000	2009 $'000
Loss for the year	(10,222)	(82,222)
Depreciation and amortisation	1,406	285
Non-cash employee benefits expense – security-based payments	1,317	616
Loss/(gain) on sale of investments, property and derivatives	10,880	(1,339)
Net gain on remeasurement of equity interest	(59,725)	–
Fair value adjustments	66,196	93,982
Impairment of investment accounted for using the equity method	–	17,644
Impairment of goodwill	15,328	–
Change in operating assets and liabilities, net of effects from purchase of controlled entity		
Decrease/(increase) in trade debtors	1,390	10,569
Decrease/(increase) in accrued revenue	(9,649)	627
Decrease/(increase) in other operating assets	10,948	6,460
Increase/(decrease) in trade creditors	8,693	(632)
Increase/(decrease) in accrued expenses	45	(3,656)
Increase/(decrease) in other operating liabilities	3,186	28
Decrease in provision for deferred income tax	(950)	(1,222)
Net cash inflow/(outflow) from operating activities	**38,843**	**41,140**

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

40. EARNINGS PER SECURITY

	2010 Cents	2009 Cents
a) Basic earnings per stapled security		
Basic earnings attributable to the stapled securityholders of Charter Hall Group	0.02	(17.98)
b) Diluted earnings per security		
Diluted earnings attributable to the stapled securityholders of Charter Hall Group	0.20	(15.85)

c) Operating earnings per security

Refer to note 5 for further details.

d) Reconciliations of earnings used in calculating earnings per security

	2010 $'000	2009 $'000
Profit attributable to the ordinary equity holders of the consolidated entity used in calculating basic earnings per security	207	(82,222)
Interest received from LTI securities	1,611	2,497
Profit attributable to the ordinary equity holders of the consolidated entity used in calculating diluted earnings per security	**1,818**	**(79,725)**

40. EARNINGS PER SECURITY (CONTINUED)

e) Weighted average number of securities used as the denominator

	2010 Number	2009 Number
Weighted average number of ordinary securities used as the denominator in calculating basic earnings per security	850,161,196	457,410,018
Adjustments for calculation of diluted earnings per security:		
Performance rights	5,634,167	1,214,696
Options	14,631,305	–
Securities issued under the Charter Hall Limited Executive Loan Security Plan (LSP)	50,343,597	44,265,783
Weighted average number of ordinary securities and potential ordinary securities used as the denominator in calculating diluted earnings per security	**920,770,265**	**502,890,497**

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 AASB 2: Share-based Payment, the loan, securities, interest received on the loan and the distribution paid and payable are derecognised for the preparation of the financial statements but recognised for the calculation of diluted earnings per security.

ii) Performance rights and options issued under the Charter Hall Performance Rights and Options Plan

The performance rights and options are unquoted securities and conversion to stapled securities, and vesting to executives, is subject to service and performance conditions.

41. SECURITY-BASED PAYMENTS

a) Employee Security Plan

The establishment of the Charter Hall Limited Executive Loan Security Plan (ELSP) 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 subject to performance and service conditions. The amount of interest due on the loan is equivalent to the amount of the distribution receivable on the underlying securities.

Distributions on the loan securities are paid to Charter Hall Limited as interest receivable on the loan provided to employees.

As ELSP members do not hold securities in their own name the plan manager seeks instructions from plan members on their voting intentions. The plan manager distributed a voting instruction form to collate responses and completes the ELSP's proxy form for lodgement with the share registry.

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

	2010	2009
Opening balance (number of securities)	50,343,595	23,508,112
Number of securities issued on 07/08/08 at $1.04	–	15,321,360
Number of securities issued on 19/11/08 at $1.04	–	11,508,812
Other	2	5,311
	50,343,597	**50,343,595**

During the year 4,500,000 securities were forfeited by ELSP members but have been retained in the plan.

41. SECURITY-BASED PAYMENTS (CONTINUED)

b) Charter Hall Performance Rights and Options Plan (PROP)

In 2008, the Board engaged external advisers to gain a market perspective on LTI arrangements. The Board, in consultation with the independent remuneration consultants, resolved that LTI for the 2009 year would be delivered through a combination of the existing ELSP and the new PROP.

The performance rights and options are unquoted securities and conversion to stapled securities, and vesting to executives, is subject to service and performance conditions which are discussed in the Remuneration report.

The Board resolved in the 2010 year to replace the ELSP and utilise the PROP as the Group's LTI.

	2010	2009
Performance rights		
Opening balance	1,628,789	–
Number of rights issued on 22/12/08 at $0.001	–	1,628,789
Number of rights issued on 13/11/09 at $0.001	6,249,000	–
Number of rights issued on 18/6/10 at $0.001	2,578,500	–
	10,456,289	**1,628,789**
Options		
Number of options issued on 4/11/09 at $0.485	16,352,050	–
Number of options issued on 13/11/09 at $0.485	5,988,125	–
Number of options issued on 18/6/10 at $0.70	6,446,500	–
	28,786,675	**–**

c) 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:

	2010 $'000	2009 $'000
ELSP, options and PROP	1,317	616

The model inputs for the Black-Scholes method for assessing the fair value at loan date for the ELSP securities, options and PROP rights issued during the year ended 30 June 2010 include the following:

Grant date	7/8/08	10/10/08	19/11/08	22/12/08	13/11/09	18/6/10
Security price at grant date	$0.865	$0.66	$0.41	$0.30	$0.60	$0.70
Loan value per security	$1.04	$1.04	$1.04	$1.04	$0.485	$0.70
Expiry of loan	6/8/13	9/8/13	18/11/13	21/12/13	1/7/14	18/6/15
Expected price volatility	23.68%	22.75%	58.06%	59.49%	40%	40%
Risk-free interest rate	5.85%	4.28%	3.72%	3.19%	5.5%	5.5%

42. DEED OF CROSS GUARANTEE

Charter Hall Limited and Charter Hall Holdings Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the other. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

a) Consolidated income statement, statement of comprehensive income and summary of movements in consolidated retailed earnings

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

Set out below is a consolidated income statement, a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the year ended 30 June 2010 of the closed group consisting of Charter Hall Limited and Charter Hall Holdings Pty Ltd.

	2010 $'000	2009 $'000
Income statement		
Revenue from continuing operations		
Revenue	40,250	29,679
Employee benefits expense	(25,949)	(16,681)
Depreciation	(666)	(276)
Other expenses	(4,267)	(4,160)
Business combination transaction costs	(6,636)	–
Finance costs	(26,377)	(21,958)
Foreign exchange loss	1	–
Share of net loss of associates accounted for using the equity method	572	(2,154)
Fair value adjustments	(295)	(17,644)
Loss before income tax	**(23,367)**	**(33,194)**
Income tax benefit	2,991	2,120
Loss for the year	**(20,376)**	**(31,074)**

	2010 $'000	2009 $'000
Statement of comprehensive income		
Loss for the year	(20,376)	(31,074)
Other comprehensive income		
Foreign currency reserve movement	18	–
Total comprehensive loss for the year	**(20,358)**	**(31,074)**
Summary of movements in consolidated accumulated losses		
Accumulated losses at the beginning of the financial year	(32,345)	(1,271)
Loss for the year	(20,376)	(31,074)
Dividends provided for or paid	–	
Accumulated losses at the beginning of the financial year	**(52,721)**	**(32,345)**

42. DEED OF CROSS GUARANTEE (CONTINUED)

b) Balance sheet

Set out below is a consolidated balance sheet as at 30 June 2010 of the closed group consisting of Charter Hall Limited and Charter Hall Holdings Pty Ltd.

	2010 $'000	2009 $'000
Assets		
Current assets		
Cash and cash equivalents	11,610	1,088
Trade and other receivables	32,937	20,201
Total current assets	**44,547**	**21,289**
Non-current assets		
Trade and other receivables	5,145	5,601
Investments accounted for using the equity method	52,442	43,258
Investments in controlled entities	47,305	25
Property, plant and equipment	3,561	2,280
Investment in joint ventures	7,450	–
Intangible assets	111,831	–
Deferred tax assets	21,500	18,668
Total non-current assets	**249,234**	**69,832**
Total assets	**293,781**	**91,121**
Liabilities		
Current liabilities		
Trade and other payables	28,529	2,922
Provisions	749	247
Total current liabilities	**29,278**	**3,169**
Non-current liabilities		
Trade and other payables	11,270	–
Loans from associates	324,933	144,355
Deferred tax liabilities	15,330	15,509
Provisions	879	–
Total non-current liabilities	**352,412**	**159,864**
Total liabilities	**381,690**	**163,033**
Net assets	**(87,909)**	**(71,912)**
Equity		
Contributed equity	9,427	6,383
Reserves	(44,615)	(45,950)
Accumulated losses	(52,721)	(32,345)
	(87,909)	**(71,912)**

The closed group has net liabilities but has access to a debt facility provided by Charter Hall Property Trust which is not repayable until 31 July 2018.

Directors' Declaration to Unitholders

In the directors' opinion:

a) the financial statements and notes set out on pages 58 to 115 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 consolidated entity's financial position as at 30 June 2010 and of its 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.

c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 42 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 42.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the 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
24 September 2010

Independent Auditor's Report

to the members of Charter Hall Limited

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
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 2010, and the income statement, the statement of comprehensive income, 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 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 the financial statements comply 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.

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.

PRICEWATERHOUSECOOPERS

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

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 consolidated entity's financial position as at 30 June 2010 and of its 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 44 to 47 of the directors' report for the year ended 30 June 2010. 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 2010, complies with section 300A of the *Corporations Act 2001*.

Pricewaterhouse Coopers

PricewaterhouseCoopers

Robert Baker

R Baker
Partner

Sydney
24 September 2010

Securityholder Information

31 August 2010

The shareholder information set out below was applicable as at 31 August 2010.

A Distribution of equity securities

Analysis of numbers of equity securityholders by size of holding:

Number of securities held by securityholder	Ordinary securities held per band
1-1000	95,013
1,001-5,000	960,708
5,001-10,000	2,563,525
10,001-100,000	36,185,170
100,001 and over	1,185,560,672
Total	**1,225,365,088**

B Registered equity securityholders

Twenty largest quoted equity securityholders

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

	Ordinary securities	
Name	Number held	Percentage of issued securities
Alphabridge Pty Ltd	200,863,798	16.39%
HSBC Custody Nominees (Australia) Limited	194,469,829	15.87%
National Nominees Limited	124,892,217	10.19%
JP Morgan Nominees Australia Limited	121,521,901	9.92%
Macquarie Capital Group Limited	121,272,558	9.90%
Citicorp Nominees Pty Limited	58,141,857	4.74%
CHL Executive Loan Security Plan Managers Pty Ltd	50,343,597	4.11%
Citicorp Nominees Pty Limited <CFS WSLE Property Secs A/C>	48,467,778	3.96%
Cogent Nominees Pty Limited <SMP Accounts>	37,690,491	3.08%
Cogent Nominees Pty Limited	27,172,659	2.22%
AMP Life Limited	25,019,322	2.04%
Wyllie Group Pty Ltd	24,940,912	2.03%
Citicorp Nominees Pty Limited <CFSIL CWLTH Property 6 A/C>	6,162,197	0.50%
Mr David William Harrison	5,724,091	0.47%
Mr David Southon	5,591,552	0.46%
UBS Nominees Pty Ltd	5,550,061	0.45%
Bond Street Custodians Limited	4,638,935	0.38%
Equity Trustees Limited	4,564,184	0.37%
Cedayu Pty Ltd	4,477,333	0.37%
Citicorp Nominees Pty Limited <CFSIL CFS WS INDX Prop A/C>	4,365,447	0.36%

C Substantial holders

Substantial holders in the Group are set out below:

Ordinary securities	Number held	Percentage
Alphabridge Pty Ltd	200,863,798	16.39%
HSBC Custody Nominees (Australia) Limited	194,469,829	15.87%
National Nominees Limited	124,892,901	10.19%
J P Morgan Nominees Australia Limited	121,521,901	9.92%
Macquarie Capital Group Limited	121,272,558	9.90%

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.

Investor Relations

Information relating to Charter Hall can be found at charterhall.com.au

The website is a useful source of information about the Group and its property portfolio. The site contains a variety of investor information, including presentations, webcasts, newsletters, annual reports, half year updates, distribution history and timetable, unit price information and announcements to the ASX.

Complaints

What to do if you have a complaint
Please contact us so that we can address your complaint.

Compliance Manager
Charter Hall Group
GPO Box 2704
Sydney NSW 2001

Telephone
1300 365 585 (local call cost)

Facsimile
+61 2 8908 4040

Email
reits@charterhall.com.au

External dispute resolution

In the event that the matter cannot be resolved within a reasonable period of time (usually 45 days) or you are not satisfied with our response, you can seek assistance from the Financial Ombudsman Service (FOS) Limited. FOS provides a free and independent dispute resolution service to our investors. FOS's contact details are below:

Financial Ombudsman Service
GPO Box 3
Melbourne, Victoria, 3001

Telephone
1300 78 08 08 (local call cost)

Facsimile
+61 3 9613 6399

Email
info@fos.org.au
fos.org.au

Contact details

Unit registry
To access information on your holding or to update/change your details contact:

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

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

Facsimile
+61 2 9287 0303

Email
charterhall.reits@linkmarketservices.com.au
linkmarketservices.com.au

Manager

All other enquiries related to your Charter Hall investment can be directed to the manager:

Charter Hall Group
GPO Box 2704
Sydney NSW 2001

Telephone
1300 365 585 (local call cost)

Facsimile
+61 2 8908 4040

Email
reits@charterhall.com.au

Corporate Directory

Manager

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ABN 57 113 531 150

Charter Hall Funds
Management Limited
ABN 31 082 991 786

Registered office

Level 11, 333 George Street,
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Directors

Kerry Roxburgh
Roy Woodhouse
Cedric Fuchs
Colin McGowan
David Harrison
David Southon
Glenn Fraser
Patrice Derrington
Peter Kahan

Chief Financial Officer

Jelte Bakker

Company Secretary

Nathan Francis

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Auditor

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201 Sussex Street
Sydney NSW 1171

Solicitors

Allens Arthur Robinson
Level 28, Deutsche Bank Place
Cnr of Hunter & Phillip Streets
Sydney NSW 2000

Bankers

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

Registry

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

Notice of Annual General Meeting

The Charter Hall Group Annual General Meeting will be held on:

Date 10 November 2010

Time 2.30pm

Venue Four Seasons Hotel Sydney
Winten Teale Buchanan Room
199 George Street
Sydney NSW 2000

charterhall.com.au