Charter Hall

Annual Report 2011

Contents

Cover image: Brisbane Square, Brisbane, Qld

This year Charter Hall celebrates its 20th anniversary.

1991

Charter Hall is launched focusing on the provision of property services, with two of its founding partners (David Southon and Cedric Fuchs) continuing to be directly involved with the business today.

1991–94

Charter Hall focuses on commercial property advisory work, acquiring office, industrial and retail investments in Sydney and Melbourne in addition to financial and development workout advice to many of Australia's major banks.

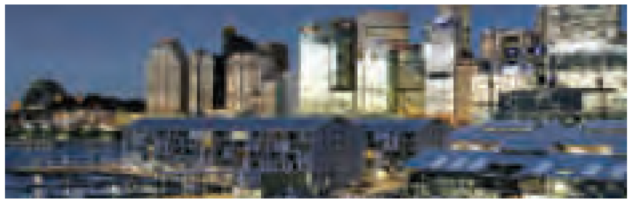
1995

Charter Hall Investment Fund No.1 (CHIF) is launched, the first in a series of seven, focusing on high quality single and multi-asset property syndicates.

1996

Australia's first institutional opportunistic property fund, the AMP/Charter Hall Property Development Portfolio No.1, is launched with AMP Capital; the first in a series of five opportunistic funds by Charter Hall.

2004

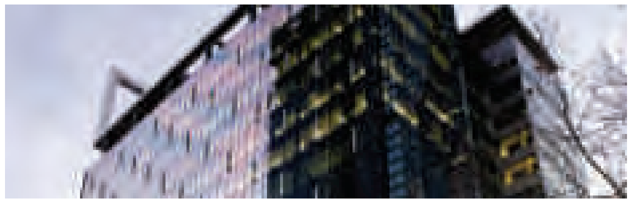


Transfield Holdings acquires 50% of Charter Hall and David Harrison, the ex-Managing Director of Savills, joins the company as Joint Managing Director alongside David Southon.

2005

Charter Hall lists on the Australian Securities Exchange and launches Charter Hall Opportunity Fund No.4 and the Charter Hall Diversified Property Fund.

2006



Charter Hall launches the Core Plus Office Fund, the first in the Group's series of long-term open ended core investment vehicles.

2007

Charter Hall launches the Core Plus Industrial Fund, Charter Hall Opportunity Fund No.5 and the Charter Hall Umbrella Fund.

2008

Charter Hall launches the Core Plus Retail Fund, now known as the Direct Retail Fund and available for investment by retail investors.

2009

The Gandel Group acquires a strategic 12% interest in Charter Hall as part of the company's capital raising and in addition invests significant capital in the unlisted Core Plus Office Fund.

2010

Charter Hall acquires the management rights to Macquarie Group's real estate funds management platform, increasing its funds under management to over $10 billion across listed and unlisted equity sources. The acquisition is funded via a capital raising in which Macquarie takes a 10% interest in Charter Hall and Gandel raises its interest to 16%.

2011

Charter Hall celebrates its 20 year anniversary and through its managed funds and third party mandates acquires over $1 billion in real estate, increasing funds under management to $10.7 billion.

For further details on Charter Hall's history, please visit www.charterhall.com.au

Pemulwuy Marketplace,
Greystanes, NSW

Annual Report 2011

Charter Hall Group is one of Australia's leading fully integrated property groups, with 20 years' experience managing high quality property on behalf of institutional, wholesale and retail clients.

Charter Hall has over $10 billion of funds under management invested across the office, retail, industrial and residential sectors.

Key Results[1]

Statutory net profit
$52.3 million

Full year distribution
16.50cps
29% increase **on the prior year**

Operating earnings
$60.4 million
3% ahead **of previous guidance**

Operating EPS
20.60cps
22% increase **on the prior year**


Australia Post Distribution Centre, Kingsgrove, NSW

Windsor Marketplace, Windsor, NSW

1. For the 12 months ending 30 June 2011

Funds under management
$10.7 billion

Lease agreements secured
Over
345,000sqm

$645 million
capital raised **across the unlisted funds and via third party mandates**


225 St Georges Terrace, Perth, WA


333 George Street, Sydney, NSW

Year in Review


Volkswagen Australia, 24 Muir Road, Chullora, NSW


130 Stirling Street, Perth, WA

JULY 2010

- Charter Hall launches its new Direct Industrial Fund for investment by retail investors and self-managed super fund clients.
- Charter Hall Opportunity Fund No.4's Home HQ North Shore, Sydney wins the 2010 Urban Taskforce Development Excellence Award for Adaptive Re-use.

AUGUST 2010

- Core Plus Industrial Fund (CPIF) purchases a seven hectare industrial site in one of Sydney's prime industrial suburbs, Chullora. Charter Hall's 50% owned CIP is managing the development to deliver a 27,000 square metre head office, training and distribution facility for Volkswagen Group Australia (pre-leased for 13 years).
- Home HQ North Shore, Sydney wins the 2010 UDIA NSW Austral Bricks Award for Excellence for the best Retail/ Commercial Development.
- CPIF completes the warehouse facility expansion and refurbishment at 56 Anzac Street, Chullora.

SEPTEMBER 2010

- Charter Hall holds its national 2010 Investor Forum with 1,500 investors in the listed REITs and unlisted retail funds attending across five Australian cities.
- Core Plus Office Fund (CPOF) acquires the remaining 50% interest in 570 Bourke Street, Melbourne for $76.5 million.
- CPIF acquires a new Woolworths Regional Distribution Centre in Tasmania for $75 million.
- Charter Hall Direct Property Fund consolidates two separate debt facilities into a new $240 million loan facility expiring in September 2013, extending the fund's weighted average debt expiry to three years.

OCTOBER 2010

- Charter Hall Opportunity Fund No.5 enters into a 50:50 development sponsorship arrangement with the Malaysian listed property developer and owner, TA Global Berhad, for the development of the $600 million Little Bay Cove residential project.
- CPOF acquires a 50% interest in one of Brisbane's iconic office buildings, Brisbane Square, in a 50:50 joint venture with Telstra Super for $300 million (revalued at 30 June 2011 at $363 million).

NOVEMBER 2010

- CPOF secures a new lease with the State Government of Victoria at 570 Bourke Street, Melbourne for 12,780 square metres.
- Charter Hall Office REIT (CQO) and Cbus Property secure BHP Billiton to anchor the 171 Collins Street, Melbourne development.
- Direct Industrial Fund acquires a new distribution facility in Kingsgrove, NSW (pre-leased to Australia Post) and agrees terms on a third asset in Willawong, Queensland (pre-leased to Grace Worldwide).

DECEMBER 2010

- Charter Hall launches the unlisted Direct Retail Fund, targeting high net worth and self-managed super fund investors.
- Charter Hall's 130 Stirling Street Trust closes over-subscribed with $41 million in equity invested by retail and self-managed super fund investors.
- CQO extends the term of its Australian Syndicate Debt Facility to January 2014, from the current maturity date of September 2011.

Little Bay Cove, 1408 Anzac Parade, Little Bay, NSW

Gordon Centre, Gordon, NSW

JANUARY 2011

- Charter Hall and its employees donate approximately $150,000 to the Queensland Premier's Disaster Relief Appeal and flood affected families.
- Charter Hall Retail REIT (CQR) acquires Gordon Village Shopping Centre and Arcade in Sydney for $67 million and announces an on-market buyback of up to $20 million of its units.

FEBRUARY 2011

- The 'Charter Hall Malabar Magic' charity ocean swim at Little Bay, Sydney raises over $36,000 for the Rainbow Club.

MARCH 2011

- Charter Hall Opportunity Fund No.5's Lacrosse Apartment development in Docklands, Melbourne launches a charity partnership with Lighthouse Foundation, aiming to raise $100,000 for homeless young people.

APRIL 2011

- CQR completes the sale of the majority of the New Zealand portfolio for NZ$85.3 million and secures a conditional funding commitment from UniSuper to refinance its Australian CMBS facility at a substantially reduced margin, 12 months ahead of maturity.
- Charter Hall Group celebrates 20 years and launches its new sustainability policy.
- CQO is included in the global sustainability index, FTSE4Good Index, for the fourth consecutive year.

MAY 2011

- Charter Hall executes a $75 million corporate debt facility with Westpac Banking Corporation to provide greater liquidity and debt capacity for the Group.
- Charter Hall acquires a 50% interest in an office development site at 685 La Trobe Street, Melbourne and enters into a Development Agreement with Flagship to jointly develop a prime grade 35,000 square metre office building.
- CQR completes the sale of it United States interest in the Desco/Regency joint venture, significantly progressing its strategy to reweight to Australia.

JUNE 2011

- Commencement of construction on Charter Hall and TA Global's $600 million Little Bay Cove residential project in Sydney.
- Charter Hall increases its corporate Westpac debt facility limit by $25 million to $100 million.
- In joint venture with Telstra Super, CQR acquires eight neighbourhood and sub-regional shopping centres in Australia from Woolworths Limited for a total consideration of $266 million.

Chairman's Letter

KERRY ROXBURGH

On behalf of the Board of Directors, it is my pleasure to present Charter Hall Group's 2011 Annual Report.

This year marks the Group's 20 year anniversary where we have grown to be one of Australia's leading fully integrated property groups with over 260 employees, managing capital allocated to long-term property investments across Australia for our wholesale, retail and institutional clients and securityholders.

At the end of this year, Charter Hall had $10.7 billion in assets under management in 19 individual funds, owning 198 buildings generating $943 million of gross rental income from 2.46 million square metres of net lettable area with 3,150 tenants. In aggregate this year, all of the Charter Hall Group fund earnings before interest, tax, depreciation and amortisation amounted to $630 million.

Charter Hall itself delivered a strong result this financial year, with operating earnings of $60.4 million increasing by 68.7% on last year and operating earnings per security of 20.6 cents, up 22.4% on last year. This translated into a statutory net profit of $52.3 million.

This pleasing performance was achieved in a year that presented a number of external challenges. In particular, the unsuccessful attempt by a group of United States (US) based activist hedge funds to remove Charter Hall as the manager of the listed Charter Hall Office REIT (CQO).

$10.7 billion

assets under management
in 19 individual funds

Our commitment to good corporate governance

Charter Hall has always been committed to ensuring the highest level of corporate governance standards across all of our managed funds. The Charter Hall Board supports the independent review of CQO and Charter Hall Retail REIT's (CQR) corporate governance arrangements and fee structures announced this year.

This review is being undertaken by CQO and CQR's Independent Directors with the assistance of their independent adviser Ernst & Young. It is possible that the implementation of some changes may require unitholder approval.

Charter Hall Office REIT

Charter Hall investors will be aware that CQO recently announced it has executed a contract for sale of its entire US portfolio for a gross sale price of US$1.71 billion or US$1.57 billion after estimated costs and adjustments. The CQO Board has advised investors it intends to return the net capital generated from the US sale to unitholders as a capital return via a special distribution(s). In isolation of other factors such as revaluations, acquisitions and further divestments during financial year 2012, Charter Hall's assets under management are expected to fall by approximately US$1.7 billion as a result of this sale by CQO and its capital return.

During the year, three US based activist hedge funds invested in CQO embarked upon a very public campaign against CQO and Charter Hall, eventually calling a meeting of CQO unitholders to consider a resolution to remove Charter Hall Office Management Limited (CHOML), a wholly owned subsidiary of Charter Hall, as the responsible entity of CQO and replace CHOML with their nominated responsible entity.

I am pleased to confirm that this resolution was not passed by CQO unitholders at their meeting held on 27 July 2011. Sixty-eight per cent of voting unitholders voted against the resolution with a very clear majority of Australian based institutional and retail investors voting against the US hedge funds proposal.

On behalf of the Charter Hall Board, I thank all those CQO unitholders who supported CHOML and Charter Hall in this vote.

On 29 August 2011, CHOML announced it had received an indicative, highly conditional, non-binding and confidential

“We remain committed to maximising returns for our clients invested in our managed funds, in turn maximising returns to Charter Hall securityholders.”

proposal from Macquarie Capital Group Limited on behalf of a consortium to acquire for cash, all of CQO's issued units, other than the 13.3% relevant interest held by Charter Hall.

The proposal is subject to a number of conditions including a requirement that Charter Hall maintains its existing investment in CQO and that it remains as the manager and responsible entity of CQO.

The proposal is being reviewed by the Independent Director Sub-Committee of the CHOML Board together with their adviser, Bank of America Merrill Lynch. Charter Hall is awaiting a determination by CHOML's Independent Director Sub-Committee and will only consider the consortium's proposal if the CHOML Independent Directors resolve to agree to Macquarie Capital's request for access to undertake due diligence.

I note that, if this proposal proceeds, it may be a number of months before completion, as one of its conditions is settlement of the sale of the US property portfolio of CQO and subsequent return of capital to CQO investors.

Delivering on our commitment to sustainability

This year we revised our sustainability policy, reinforcing the Group's commitment to the implementation of sustainable business practices across all its funds and operations.

We are committed and focused on our workplace, performance, the environment and communities and their positive contribution to our business.

As part of this commitment, the Group introduced a Charitable Giving Policy which will see the Group establishing a charitable giving program to coordinate our contributions to our local communities.

Our people

Charter Hall consists of a team of highly experienced property professionals. Following the major business acquisition in March 2010, and to ensure the Group continues to be well positioned to take advantage of further opportunities, this year we undertook a comprehensive review of the organisation and our remuneration strategies. This has already delivered positive outcomes, with further changes and benefits anticipated.

We continue to build on our culture of accountability and excellence, ensuring our people are equipped to take full advantage of future opportunities to grow the business and to deliver competitive returns for all our stakeholders.

The development of our people is key to this commitment. During the year, we finalised our Diversity Policy and established a Diversity Committee to drive initiatives that further enhance our fair and equitable work environment. Over the next year, we will continue to build a high performance workplace that offers greater development opportunities for all of our people, with particular attention to providing women at Charter Hall with career development options.

We continue to build on our *culture of accountability and excellence*

The future

Charter Hall's strategy is to grow the business across our integrated property services platform, to recycle its capital to improve return on equity, to de-risk our Australian centric REITs and to extract cost savings and improve investment returns from improved operational efficiencies throughout the Group.

The Board of Charter Hall remains committed to maximising returns for our clients invested in our unlisted funds and for our listed REIT investors, which in turn will maximise returns for Charter Hall securityholders.

On behalf of all securityholders and investors, I welcome Anne Brennan to the Board. She is a highly qualified director who now Chairs the Remuneration and Human Resources Committee and is a member of the Audit, Risk and Compliance Committee. It is also my pleasure to recognise and thank the continuing Board members and the much enlarged team of property professionals that work at Charter Hall.

Finally, I thank all investors for their constructive feedback and support over the past 12 months.

KERRY ROXBURGH
CHAIRMAN

"We continue to look at opportunities to leverage our in-house development and delivery skills for the benefit of the Group and our managed funds."

Joint Managing Directors' Letter

DAVID SOUTHON AND DAVID HARRISON

This year has been a very active year for Charter Hall and we are pleased to report that we have maintained strong momentum across all our managed funds, delivering strong returns for our fund investors and Charter Hall securityholders.

Strong results

The Group delivered operating earnings of $60.4 million, 3% above previous guidance, and equivalent to 20.60 cents per security, up 22% on the prior corresponding period. The full year distribution was 16.50 cents per security, 29% up on last year and also above previous guidance.

As a fully integrated property group, our business comprises three core income streams – property investment, property funds management and development investment – with earnings across all three streams significantly increasing over the past year. Property investment contributed 60.4% of the Group's operating EBITDA (earnings before interest, tax, depreciation and amortisation) in financial year 2011, funds management contributed 33.5% and development investment contributed 6.1%.

Importantly, 84% of EBITDA was derived from annuity style activities such as property investment, investment management and asset/property management, providing the Group with earnings stability in the current market.

84%

EBITDA **derived from annuity style earnings**

Improved capital management

During the year, the Group maintained low balance sheet gearing of 8.1%[1] and a sound liquidity position, enabling it to proactively manage its working capital and investment requirements. The Group's corporate debt facility was increased from $75 million to $100 million and at 30 June 2011, the Group had liquidity of $91.5 million, comprising a combination of cash and undrawn debt facilities[2].

Diversified funds management platform delivering strong returns

Charter Hall's business model involves, where appropriate, a target co-investment of up to 20% across the majority of its funds, ensuring it is strongly aligned with investors' interests. Our fund investment portfolio remains well diversified across office, retail and industrial, ensuring that the Group is exposed to the key core property sectors.

Following the active management of our fund's property portfolios, over 345,000 square metres of leases were secured during the year, or approximately 14% of the total portfolio, delivering total portfolio occupancy of 94% and maintaining an above industry average weighted average lease expiry of 6.5 years. This activity also helped to generate $943 million of gross operating income across the platform.

Delivering across our funds management platform

The Group's funds under management increased to $10.7 billion during the year, driving funds management revenue of $85.5 million.

Our unlisted funds benefited from the increasing equity from superannuation funds, raising $645 million during the year, including third party mandates. Taking advantage of this point in the property cycle, we have actively sourced over $1 billion in assets in off-market transactions, including the acquisition of a $266 million Woolworths portfolio by Charter Hall Retail REIT (CQR) and Telstra Super and the acquisition of the $363 million Brisbane Square property by the Charter Hall managed Core Plus Office Fund and Telstra Super.

1. Charter Hall has balance sheet gearing of 1.0% on a deconsolidated basis (deconsolidating the Direct Retail Fund)
2. Excludes Direct Retail Fund cash balance and debt facilities

"Charter Hall continues to be well placed to benefit from the projected growth of superannuation in Australia and offshore markets."

Both transactions have supported the growth in our third party mandate funds under management, which increased to $626 million. We continue to see strong opportunities in this sector as both onshore and offshore investors are looking for direct investment opportunities and will continue to focus on growing this business.

Importantly, our two listed funds, CQR and Charter Hall Office REIT (CQO) made significant progress on reweighting to Australia during the year, with both REITs now primarily Australian invested REITs that are well positioned to deliver defensive and resilient income and capital growth for unitholders.

Adding value to our portfolios

We continue to look at opportunities to leverage our in-house development and delivery skills for the benefit of the Group and our managed funds, undertaking asset enhancement as well as new residential and office development projects, in conjunction with our investment partners. We currently have 17 development projects underway from our $1.9 billion pipeline, including CQO and Cbus Property's 171 Collins Street, Melbourne office development which commenced last year following the lease pre-commitment from BHP Billiton for approximately 12,000 square metres of the building.

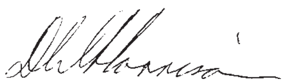
Well positioned for future growth

As a fully integrated property group with diversified sources of equity invested across the office, retail and industrial sectors, Charter Hall continues to be well placed to benefit from the projected growth of superannuation in Australia and offshore markets and the expected increase in allocation towards property as the market recovers.

We remain focused on leveraging our fully integrated property services capabilities through initiating acquisition and developments, undertaking capital raisings for unlisted funds, external mandates and partnerships, while also recycling capital to improve the return on equity from the co-investment portfolio. For our listed funds, which as mentioned are now primarily Australian asset owning REITs following significant reweighting initiatives undertaken during the year, we will continue to implement strategies to deliver secure and growing capital and income returns for unitholders.

Charter Hall has made significant progress over the year to 30 June 2011 and is well positioned across both its fund and property services platforms to drive both income and capital growth.

DAVID SOUTHON
JOINT MANAGING DIRECTOR



DAVID HARRISON
JOINT MANAGING DIRECTOR

$943 million

gross operating income **generated across the platform**

The Group's success is underpinned by a highly skilled and motivated team with diverse expertise across property sectors and risk-return profiles.

About Charter Hall

Charter Hall Group (ASX:CHC) is one of Australia's leading fully integrated property groups, with 20 years' experience managing high quality property on behalf of institutional, wholesale and retail clients. Charter Hall has over $10 billion of funds under management across the office, retail, industrial and residential sectors. The Group has offices in Sydney, Melbourne, Brisbane, Adelaide, Perth, Warsaw and Chicago.

The Group's success is underpinned by a highly skilled and motivated team with diverse expertise across property sectors and risk-return profiles. Sustainability is a key element of its business approach and by ensuring its actions are commercially sound and make a difference to its people, customers and the environment, Charter Hall can make a positive impact for its investors, the community and the Group.

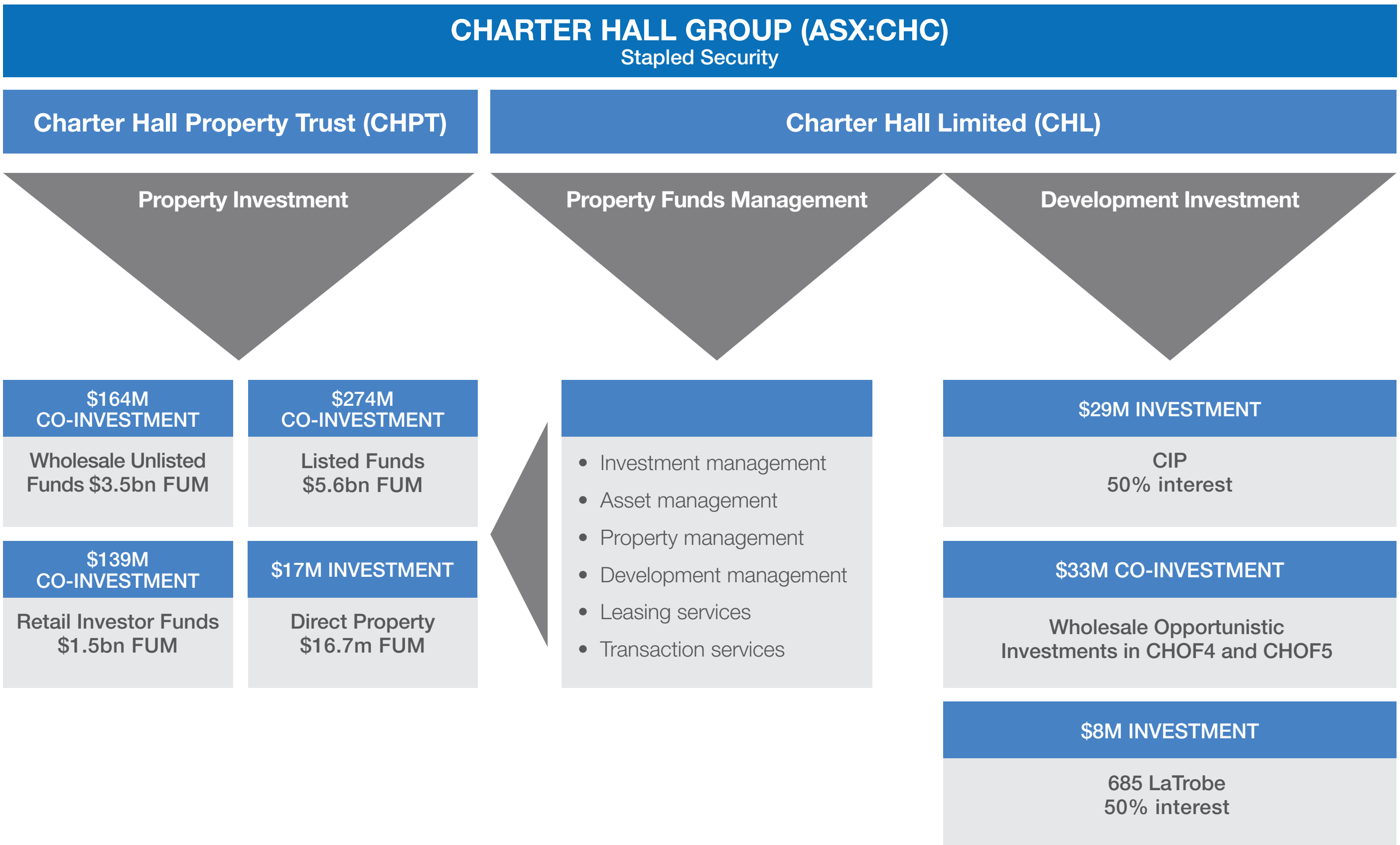
Charter Hall provides management services across the full spectrum of real estate investment and development activities and has more than 260 personnel.

Charter Hall adds value for investors through its:

- asset, property and development management activities across the risk-return spectrum;
- significant co-investments in all of its listed and unlisted property funds;
- deal sourcing of investment opportunities, predominantly off-market;
- consistent track-record of performance through cycles;
- focus on securing long lease assets and portfolios;
- full service property management expertise, across office, industrial and retail sectors;
- strong corporate governance principles evidenced by the Group's 20 year history and long track record in managing pension fund capital for many of Australia's leading superannuation funds; and
- highly regarded property funds management and in-house development team, which currently manages the largest series of Opportunistic and Core Plus property funds in Australia.


Menai Central, Sydney, NSW


175 Eagle Street, Brisbane, Qld



FUM = funds under management

Our vertically integrated business model allows Charter Hall to generate income across its platform and its managed funds.

Our Strategy

Charter Hall targets a higher return on equity across the Group than achievable from direct property investments as:

- our vertically integrated business model allows Charter Hall to generate income across its platform and its managed funds; and
- this ensures Charter Hall's return on equity is superior to that of other conventional REIT peers.

As one of Australia's leading integrated property groups, our medium term strategy is to:

- leverage off integrated property services platform through capital raising for unlisted funds, external mandates and partnerships;
- focus on recycling capital to enhance return on equity from the co-investment platform;
- drive de-risking and stabilisation of Australian only REITs; and
- enhance co-investment earnings by implementing active investment and capital management initiatives through the utilisation of our in-house property skills.

Key earnings streams strategy

Property investment

- Enhance return on equity through recycling of co-investment capital across all funds
- Improve quality of funds earnings through improving property metrics, simplifying derivative structures and proactively refinancing debt facilities

Property funds management

- Grow business through existing and new products that satisfy current investor appetite
- Continue to reweight listed FUM platform to Australia
  - Post completion of contracted disposals, offshore exposure will reduce to 6% from 30% at 30 June 2010
- Improve return on equity through:
  - Achieving scale in each domestic sector
  - Delivering a more efficient service to managed funds
  - Obtaining cost efficiencies across the platform
  - Rationalising the number of funds under management
  - Accretive fund capital raisings
- Continuing alignment with listed investors interests through the Charter Hall managed REITs (CQO and CQR) corporate governance review
- Utilise in-house skills to reposition existing assets and enhance property values

Development investment

- Target growth in development investment earnings with higher return on equity
- Leverage off in-house development expertise at this point in the cycle by incubating new opportunities on balance sheet with appropriate partners to be sourced over time
  - 685 La Trobe Street, Melbourne
- Access scale through partnering with external capital by way of segregated mandates or project by project partnerships

68 Pitt Street,
Sydney, NSW

Our Performance

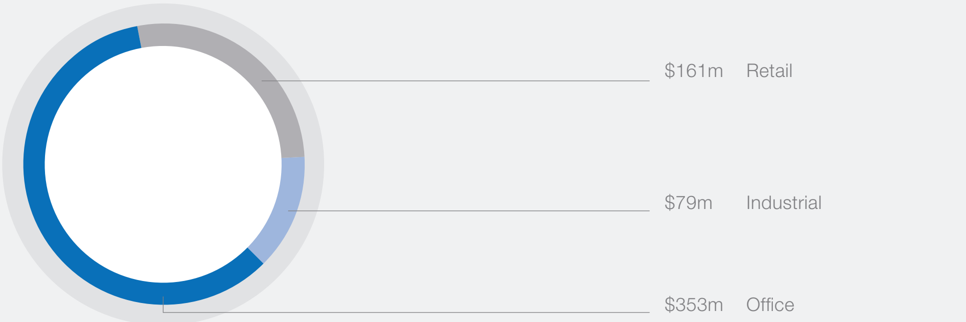
PROPERTY INVESTMENT

Charter Hall co-invests in the majority of its managed funds, strongly aligning itself with its investors.

The Group's managed fund investment portfolios are well diversified across the office, retail and industrial sectors, with the Group generating $943 million of gross operating income across its $10.7 billion platform this year.

This result was driven by strong leasing momentum across the total portfolio during the financial year, with over 345,000 square metres of space being leased, increasing Charter Hall's total portfolio average occupancy to 94% and delivering a weighted average lease expiry of 6.5 years.

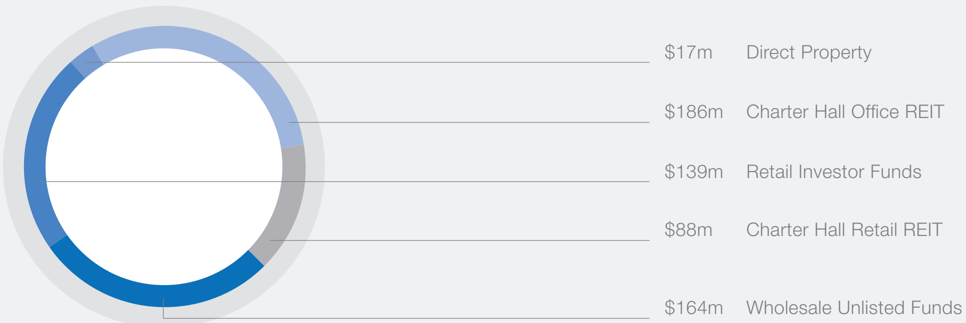
PROPERTY INVESTMENT SECTOR DIVERSITY
by value



$943 million

of gross operating income generated across the Group's *$10.7 billion funds platform*

PROPERTY INVESTMENTS
by value



PROPERTY FUNDS MANAGEMENT

Charter Hall's funds under management increased from $10.2 billion to $10.7 billion over the year to 30 June 2011, following upward revaluations and a number of significant acquisitions within the funds. This enhances the funds management income derived by the Group through our investment management services, asset and property management services, development management services and transaction and leasing services.

Unlisted wholesale funds

Highlighting the continued demand for quality assets, Charter Hall's Core Plus Office Fund (CPOF) and the Charter Hall Core Plus Industrial Fund (CPIF) raised significant new equity from Australian and UK pension funds.

Utilising this equity, CPOF acquired $258 million of A-grade CBD office assets in Melbourne and Brisbane including 50% of the $363 million Brisbane Square in Brisbane with Telstra Super, which helped to increase the Group's third party mandates to $626 million. CPIF acquired a $70 million 19.8 hectare industrial site in Tasmania accommodating a new 46,000 square metre logistics facility which has been pre-leased to Woolworths for 25 years.

The Group also acquired a 50% joint venture interest in the office development site 685 La Trobe Street, Melbourne, entering into a Development Agreement to jointly develop the property into an A-grade 35,000 square metre, 12 level, highly efficient office building. Charter Hall continues to see strong interest in these partnership opportunities and will continue to pursue wholesale equity sources, through partnerships and/or separate mandates, for high quality development opportunities within Australia.

Unlisted retail funds

Charter Hall Direct Property strengthened its platform during the year, raising significant equity across its unlisted retail funds platform and bringing a number of new retail products to market.

The Charter Hall Direct Property Fund was reopened and three new funds were launched; Charter Hall Direct Retail Fund, Charter Hall Direct Industrial Fund (DIF) and the Charter Hall Property Securities Fund.

DIF raised approximately $50 million in equity since its launch in July 2010 and in June 2011 committed to purchase its fourth asset, a 25% interest in a Coles Distribution Centre in Perth Airport, Western Australia for $42.9 million, bringing the fund's portfolio value to approximately $110 million.

Listed funds

Charter Hall's two listed funds both made significant progress on their strategies of reweighting to Australia during the year.

Following $262 million in asset sales from non-core offshore markets and the acquisition of $501 million[1] of Australian assets, Charter Hall Retail REIT's (CQR) Australian portfolio represents 86% of net tangible assets (NTA). A key acquisition during the year was the $266 million eight shopping centre Woolworths Limited portfolio with Telstra Super, which increased CQR's proportion of Australian annual base rent secured by Woolworths to 31%.

Charter Hall Office REIT (CQO) progressed its exit from non-core markets with the sale of its Japanese portfolio and the sale of the Atrium in Berlin, Germany (post balance date), while also executing a contract to sell 100% of the United States (US) portfolio post year end. Following completion of the US asset sale, CQO will be a domestic only A-REIT with a portfolio of high quality, well-leased, Australian investment-grade office assets located in capital cities and mature commercial markets.

Development

The Group and its managed funds are currently undertaking 17 development projects (one on balance sheet), from its $1.9 billion development pipeline. Highlighting the Group's strong tenant relationships, Charter Hall Opportunity Fund No.5's WorkZone development in Perth secured Leighton Contractors for 76% of the proposed 28,000 square metre office campus, enabling the project to proceed, subject to the finalisation of the construction debt finance[2].

1. Calculated on a 100% basis
2. Leighton Contractors lease was executed in August 2011

Our Performance continued

DEVELOPMENT INVESTMENT

Charter Hall's 50% interest in CIP, a national industrial pre-lease developer, contributed $4 million of earnings after tax to the Group for the year ended 30 June 2011. CIP provides Charter Hall with a strategic off-market source of industrial investments for its funds and mandates, including highly accretive acquisitions such as Volkswagen Australia's new headquarters in Chullora, Sydney.

The Group's co-investment in its Charter Hall Opportunity Funds increased to $33 million with the Group anticipating capital recycling and operating earnings contributions from the development investments in these funds to begin to emerge during the 2012 financial year.

CHARTER HALL OFFICE REIT

This year, a group of US based activist hedge funds that together hold an interest of approximately 19.3% in CQO agitated against the Group's management of CQO. In June 2011, the hedge funds called a meeting of CQO unitholders to consider a resolution to remove a Charter Hall entity, Charter Hall Office Management Limited (CHOML), as the responsible entity of CQO and replace it with their nominee responsible entity.

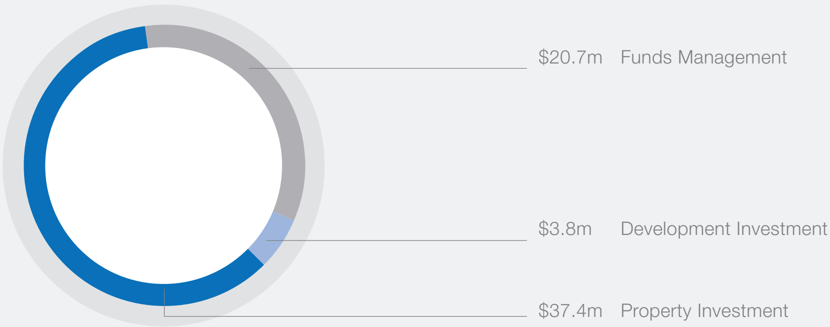
This resolution was not passed at the 27 July 2011 meeting, with 68% of voting unitholders voting against the resolution. CHOML remains as responsible entity and manager of CQO.

On 29 August 2011, a Macquarie Capital Group arranged consortium made an indicative, highly conditional, non-binding and confidential proposal on behalf of itself and a number of global institutional investors to acquire for cash all of the CQO issued units, other than those held by Charter Hall. The proposal is subject to a number of conditions, including that Charter Hall does not divest its existing investment in CQO and a wholly owned subsidiary is retained as responsible entity/manager of CQO.

17 projects

underway from a *$1.9 billion* development pipeline

GROUP EARNINGS
EBITDA



Committed to managing risks and harnessing opportunities to improve our business.

Sustainability

Sustainability is a key element to good business. By ensuring that our actions are not only commercially sound but that they make a difference to our people, our customers and the environment in which we work and live, we can contribute in a positive way.

Charter Hall is integrating sustainability into its business practices, ensuring our business opportunities address our economic, environmental and social responsibilities. Central to our approach are four key areas:

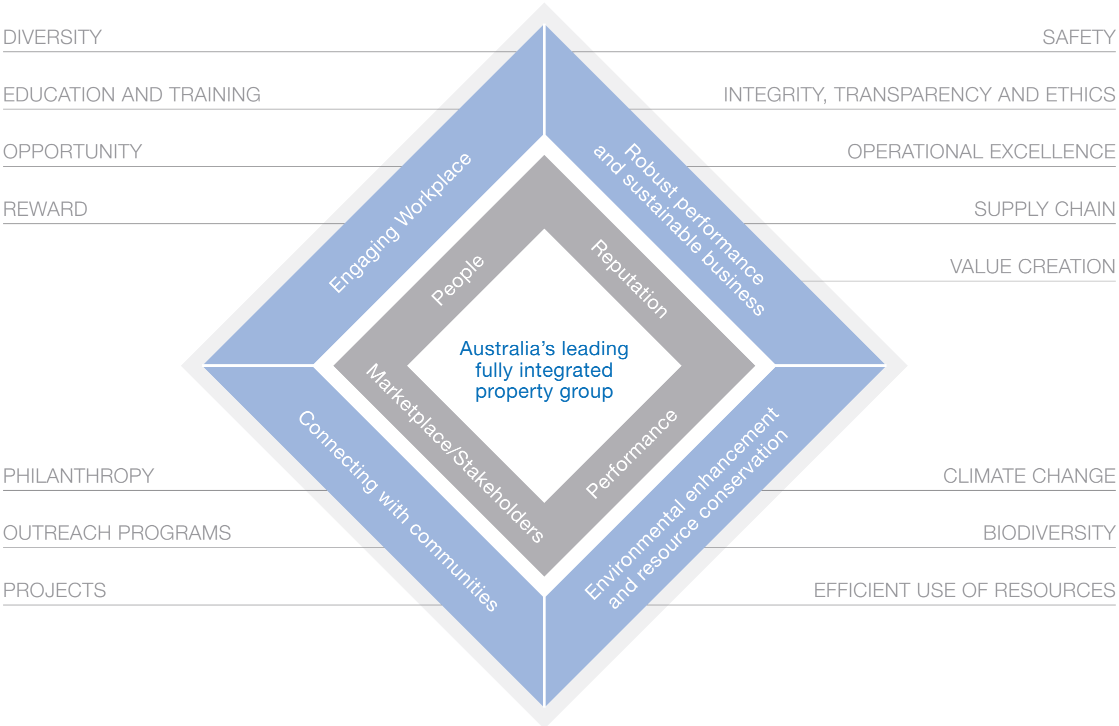
» Our performance

» Our workplace

» Our environment

» Our communities

Charter Hall's sustainability strategy seeks to manage risks and harness opportunities across these areas and contribute to our business success.



Sustainability continued

Performance and sustainable business

To maximise our customer and investor satisfaction through operational excellence and by delivering long term value.

Our Achievements in 2010/11:

- ✓ Development and adoption of a Group-wide sustainability policy and strategy.
- ✓ Establishment of the Charter Hall Sustainability Working Group, with representation from across the business, responsible for driving the sustainability strategy.
- ✓ Responded to the Carbon Disclosure Project 2011, our first reporting year.

Our Priorities for 2011/12:

- » Increase the transparency of our sustainability performance disclosure.
- » Monitor satisfaction through tenant surveys across our commercial office and industrial portfolios.
- » Participation in sustainability ratings to enable benchmarking of our approach and performance.
- » Continue to implement the United Nations Principles of Responsible Investment.

171 Collins Street, Melbourne, Vic. (Artist's impression)
Targeting 6 Star Green Star Design and As-Built ratings

Workplace

To create an engaging environment that attracts, develops, retains and supports our people.

Our Achievements in 2010/11:

- ✓ Appointment of Charter Hall's Diversity Committee and development of a Diversity Strategy.
- ✓ Establishment of in-house training programs to support and develop our people and encourage alignment of behaviours with Charter Hall policies and business values.
- ✓ Continued to progress a suite of benefits that support our people to develop and grow with our business.

Our Priorities for 2011/12:

- » Build on our career and development opportunities for all employees.
- » Sustain a high performance workforce through robust performance management.
- » Continue to drive sustainability as a key strategic imperative by including sustainability performance objectives for all employees.
- » Diversity remains a priority. Targeted programs are being developed to address any barriers to diversity at each stage of the employee lifecycle.
- » Establish a health and safety leadership group to oversee health and safety performance across Charter Hall.

333 George Street, Sydney, NSW
Charter Hall's head office

Allianz Centre, 2 Market Street,
Sydney, NSW

Environment

To actively work to reduce our consumption of natural resources.

Our Achievements in 2010/11:

- ✓ Implemented Group-wide sustainability data management system.
- ✓ Completed energy road maps for all commercial office properties.
- ✓ Benchmarked the energy performance of all commercial and retail assets.
- ✓ Completed NABERS Energy ratings on all eligible commercial assets.

Our Priorities for 2011/12:

- » Improve the coverage of our environmental performance data and refine metrics and targets to allow greater transparency in reporting.
- » Complete energy road maps for all asset classes where we have operational control.
- » Continue to integrate sustainability considerations into our asset business plans.

Home HQ North Shore, Artarmon, NSW
Australia's first 4 Star Green Star Retail Bulky Goods Centre

Community

To connect with and make a positive contribution to the communities where we work.

Our Achievements in 2010/11:

- ✓ Established a Charitable Giving Policy for Charter Hall.
- ✓ Invested over $212,000 in good causes, through money and time donations and activities associated with our development projects.
- ✓ Became a platinum sponsor of Property Industry Foundation.

Our Priorities for 2011/12:

- » Appoint a Charitable Steering Committee and develop a formal charitable giving program to positively contribute to our local communities.
- » Develop a community involvement strategy for our retail centres.
- » Continue to implement the local charity support program by our new development projects.

Charter Hall Malabar Magic, NSW

Key Metrics

200 Queen Street,
Melbourne, Vic.

	Notes	No. properties	Lettable area (sqm)	Total assets ($m)	EBITDA ($m)	Operating earnings ($m)	Operating EPS growth
Charter Hall Group	1, 4, 7	1	9,805	958	62	60	22%
Charter Hall Office REIT	2, 4	34	836,383	3,618	249	134	(10%)
Charter Hall Retail REIT	2, 4	93	694,601	1,998	135	85	(14%)
Core Plus Office Fund	2, 4	15	251,530	1,438	92	38	30%
Core Plus Industrial Fund	2, 4	18	337,473	500	33	20	(6%)
Direct Retail Fund	3	8	72,520	179	11	6	14%
Diversified Property Fund	3	9	54,492	170	10	4	(16%)
Charter Hall Direct Property Fund	3	9	106,347	483	33	18	–
Direct Industrial Fund	3	3	34,940	70	3	4	N/A
Charter Hall Investment Funds	3	7	44,932	198	18	14	(27%)
No.1 Martin Place Trust	3	1	20,119	233	18	10	31%
Charter Hall Umbrella Fund	3	–	N/A	153	7	9	3%
Property Securities Fund	3	–	N/A	31	2	1	N/A
Charter Hall Opportunity Fund No.4	6	–	N/A	108	5	(2)	(125%)
Charter Hall Opportunity Fund No.5	6	–	N/A	873	(7)	(1)	(70%)
External mandates	5	–	–	626	–	–	–
The Group	7	198	2,463,141	10,700	630	360	(4.5%)

1. CHC figures are on a consolidated basis
2. CQO, CQR, CPOF, CPIF assets/liabilities are calculated on a look through basis, CQR is reflected net of cash
3. Retail investor funds — reflects changes in distribution per unit rather than operating earnings as the vehicles do not report on an operating earnings basis
4. The gross revenue is calculated on a net property income rather than gross property income basis
5. The External mandates are joint ventures with existing funds, hence, the number of assets and lease area are calculated in the existing funds
6. The asset values of the Charter Hall opportunistic funds are calculated based on existing developments 'on completion' value, operating earnings reflect the Charter Hall opportunistic funds contribution to Charter Hall Group operating earnings on a 100% basis
7. The total assets for the Group have been adjusted such that CHC's co-investments in its managed funds are not double counted

Board of Directors

KERRY ROXBURGH

Chairman – Independent non-executive Director

Appointed 12 April 2005

Age: 69

Kerry is a Practitioner Member of the Stockbroker 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 of Tyro Payments Limited. He is also a non-executive director of Ramsay Health Care, the Medical Indemnity Protection Society Group and Marshall Investments Pty Limited. Until it was acquired by 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, Climax Mining 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 holds a Bachelor of Commerce, and also an MBA.

Other current listed company directorships

Non-executive director of Ramsay Health Care Ltd (since 1997)

Former listed company directorships in last three years

Non executive Chairman of E*TRADE Australia (from 1996 until June 2007)

Everest Babcock and Brown Alternative Investment Trust (resigned December 2006)

Non-executive Chairman of Eircom Holdings Limited (from 2006 to January 2010)

Special responsibilities

Chairman of the Board

Chairman of the Nomination Committee

Member of the Audit, Risk and Compliance Committee

Interests in securities

31,250 securities in Charter Hall Group.

DAVID SOUTHON

Executive Director

Appointed 30 August 2006

Age: 45

David is Charter Hall Group's Joint Managing Director and a co-founder, with over 25 years of property industry experience. He is primarily responsible for overseeing wholesale opportunistic funds, the operation of the development services division, project origination, project strategy and the formulisation and implementation of Group strategy together with the other Joint Managing Director, David Harrison, 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. He is an Executive Director on the Boards of Charter Hall Retail REIT and Charter Hall Office REIT, as well as the Responsible Entity Board of Charter Hall Direct Funds. He is also a member of the Investment Committees of the Group's series of opportunity funds.

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 Management Limited

Charter Hall Office Management Limited

Former listed company directorships in last three years

Nil

Special responsibilities

Member of the Valuation Sub Committee

Interests in securities

2,048,360 securities in Charter Hall Group via direct interests. 2,143,570 securities in the Charter Hall Executive Loan Security Plan; securities in the Plan will vest upon the satisfaction of performance and service criteria. 1,175,121 Options and 490,385 Performance Rights in the Charter Hall Performance Rights and Options Plan; options and performance rights also vest after performance and service conditions are met.

DAVID HARRISON

Executive Director

Appointed 30 August 2006

Age: 45

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 an Executive Director on the responsible entity Boards of Charter Hall Retail REIT and Charter Hall Office REIT and is Chairman of the Charter Hall Direct Responsible Entity Board.

David has more than 25 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.

Other current listed company directorships

Charter Hall Office Management Limited

Charter Hall Retail Management Limited

Former listed company directorships in last three years

Nil

Special responsibilities

Member of the Valuation Sub Committee

Interests in securities

2,009,521 securities in Charter Hall Group via direct and indirect interests. 2,150,788 securities in the Charter Hall Executive Loan Securities Plan; securities in the Plan will vest upon the satisfaction of performance and service criteria. 490,385 Performance Rights and 1,175,121 Options in the Charter Hall Performance Rights and Options Plan; performance rights and options also vest after performance and service criteria are met.

Board of Directors continued

ANNE BRENNAN
Independent non-executive Director
Appointed 6 October 2010
Age: 50

Anne joined the Board of the Charter Hall Group in October 2010 and she is on the boards of a number of other companies.

Anne is an experienced executive and she has held senior management roles in both large corporates and professional services firms.

During Anne's executive career she was the CFO at CSR and the Finance Director of the Coates Group. Prior to her executive roles, Anne was a partner in three professional services firms: KPMG, Arthur Andersen and Ernst & Young. She has more than 20 years' experience in audit, corporate finance and transaction services. Anne was also a member of the national executive team and a board member of Ernst & Young.

Anne holds a Bachelor of Commerce degree and is a Fellow of the Institute of Chartered Accountants in Australia and a Fellow of the Australian Institute of Company Directors. Anne resides in New South Wales and is 50 years of age.

Other current listed company directorships
Myer Holdings Limited
Argo Investments Limited
Nufarm Limited

Former listed company directorships in last three years
Nil

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

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

GLENN FRASER
Independent non-executive Director
Appointed 6 April 2005
Age: 54

A member of Transfield Holdings Advisory Board, Glenn was instrumental in Transfield Holdings' acquisition of its interest in Charter Hall and its expansion and listing in 2005.

He specialises in infrastructure and property projects and joined Transfield Holdings in 1996. Glenn has previously held positions of Chief Financial Officer and was General Manager – Finance Project Development, where he was responsible for the financial elements of Transfield Holdings' infrastructure and property projects. Preceding his time with Transfield Holdings, Glenn was a principal of a project finance advisory business, Perry Development Finance Pty Limited, which was sold to Hambros Corporate Finance Limited in 1995.

Glenn holds a Bachelor of Commerce, is a member of the Institute of Chartered Accountants and the Australian Institute of Company Directors.

Other current listed company directorships
Nil

Former listed company directorships in last three years
Nil

Special responsibilities
Chairman of the Audit, Risk and Compliance Committee.

Interests in securities
156,934 securities in Charter Hall Group via indirect interests.

CEDRIC FUCHS
Executive Director
Appointed 6 April 2005
Age: 67

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

He is a member of the Investment Committee for all of Charter Hall's wholesale and retail property funds. Prior to co-founding Charter Hall in 1991, he worked with the Heine Group's property arm (now part of ING) and Leighton Properties where he was involved in the development and investment activities of those companies. Cedric holds a degree in Business Management.

Other current listed company directorships
Nil

Former listed company directorships in last three years
Nil

Special responsibilities
Member of the Valuation Sub Committee

Interests in securities
1,358,649 securities in Charter Hall Group via indirect interests. 312,156 securities in the Charter Hall Executive Loan Security Plan; securities in the Plan vest upon the satisfaction of performance and service criteria. 117,909 Performance Rights and 310,253 Options in the Charter Hall Performance Rights and Options Plan; options and performance rights also vest after performance and service conditions are met.

PETER KAHAN

Non-executive Director

Appointed 1 October 2009
Age: 52

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.

Other current listed company directorships

Nil

Former listed company directorships in last three years

Nil

Special responsibilities

Nil

Interests in securities

Nil

COLIN McGOWAN

Independent non-executive Director

Appointed 6 April 2005
Age: 65

Colin was formerly CEO of the listed AMP Diversified Property Trust, Executive Vice President of Bankers Trust (Australia), founding Fund Manager of the BT Property Trust and founding Fund Manager of Advance Property Fund.

He is a qualified valuer, a Fellow of the Australian Property Institute and a Senior Fellow of the Financial Services Institute of Australasia (formally SIA). Colin was the honorary SIA National Principal Lecturer and Task Force Chairman for the Graduate Diploma's Property Investment Analysis course – a position 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

Chair of the Valuation Sub Committee

Member of the Remuneration Committee and of the Nomination Committee

Interests in securities

Nil

ROY WOODHOUSE

Deputy Chairman – Independent non-executive Director

Appointed 6 April 2005
Age: 64

Roy has been the Deputy Chairman of Charter Hall since July 2004.

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 Asia Pacific. Roy co-founded KFPW, a joint venture with PricewaterhouseCoopers specialising in outsourcing.

Roy is Chairman of National Recycling Group, a member of Transfield Holding Advisory Board and a principal shareholder of The Stephenson Mansell Group, an Executive Leadership Development company. Roy was a Fellow of the Australian Institute of Valuers and is a Fellow of the Institute of Company Directors.

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 Remuneration and HR Committee

Member of the Nomination Committee

Interests in securities

21,429 securities in Charter Hall Group.

570 Bourke Street, Melbourne, Vic.

Corporate governance statement

Charter Hall's commitment to Corporate Governance

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) is committed to the achievement of superior financial performance and long-term prosperity, while meeting stakeholders' expectations of sound corporate governance practices. 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. The Group has adopted a Sustainability Policy which forms the basis for integrating environmental and social governance issues into the group's activities. A copy of the Sustainability Policy is available on the Group's website.

This commitment translates into Charter Hall's complete adoption of the Corporate Governance Principles and Recommendations released by the Australian Securities Exchange (ASX) Corporate Governance Council on 2 August 2007 and as amended on 30 June 2010 (Principles). The Principles can be viewed at www.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 (the 'If not, why not' approach).

Below is a summary of each of the Principles and Recommendations in table format that confirms Charter Hall has adopted all of the recommendations.

Principles and underlying Recommendations		Adopted (Yes / No)
Principle 1: Lay solid foundations for management and oversight		
1.1:	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	**Yes**
1.2:	Companies should disclose the process for evaluating the performance of senior executives.	**Yes**
1.3:	Companies should provide the information indicated in the Guide to reporting on Principle 1	**Yes**
Principle 2: Structure the Board to add value		
2.1:	A majority of the Board should be independent directors.	**Yes**
2.2:	The chair should be an independent director.	**Yes**
2.3:	The roles of the chair and chief executive officer should not be exercised by the same individual.	**Yes**
2.4:	The Board should establish a nomination committee.	**Yes**
2.5:	Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.	**Yes**
2.6:	Companies should provide the information indicated in the Guide to reporting on Principle 2	**Yes**
Principle 3: Promote ethical and responsible decision making		
3.1:	Companies should establish a code of conduct and disclose the code or a summary of the code as to: – the practices necessary to maintain confidence in the company's integrity; – the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders – the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	**Yes**
3.2:	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	**Yes**
3.3:	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	**Yes**
3.4:	Companies should disclose in each annual report the proportion of women employees in the whole organisations, women in senior executive positions and women on the board.	**Yes**
3.5:	Companies should provide the information indicated in the Guide to reporting on Principle 3	**Yes**
Principle 4: Safeguard integrity in financial reporting		
4.1:	The Board should establish an audit committee.	**Yes**
4.2:	The audit committee should be structured so that it: – consists only non-executive directors; – consists of a majority of independent directors; – is chaired by an independent chair, who is not chair of the Board; and – has at least three members.	**Yes**
4.3:	The Audit Committee should have a formal Charter.	**Yes**
4.4:	Companies should provide the information indicated in the Guide to reporting on Principle 4	**Yes**
Principle 5: Make timely and balanced disclosure		
5.1:	Companies should 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 and disclose those policies or a summary of those policies.	**Yes**
5.2:	Companies should provide the information indicated in the Guide to reporting on Principle 5	**Yes**

Corporate governance statement continued

Principles and underlying Recommendations		Adopted (Yes / No)
Principle 6: Respect the rights of shareholders		
6.1:	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	**Yes**
6.2:	Companies should provide the information indicated in the Guide to reporting on Principle 6	**Yes**
Principle 7: Recognise and manage risk		
7.1:	Companies should establish policies for the oversight and management of the material business risks and disclose a summary of those policies.	**Yes**
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.	**Yes**
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.	**Yes**
7.4:	Companies should provide the information indicated in the Guide to reporting on Principle 7	**Yes**
Principle 8: Remunerate fairly and responsibly		
8.1:	The Board should establish a remuneration committee.	**Yes**
8.2:	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	**Yes**
8.3:	Companies should provide the information indicated in the Guide to reporting on Principle 8	**Yes**

A detailed outline of Charter Hall's main corporate governance practices as at 30 June 2011 is detailed below. This outline has been prepared in a manner consistent with the Principles in the form of a report against each Recommendation. Unless otherwise stated, they reflect the practices in place throughout the financial year ended.

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.

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; and
- 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.

In addition to the matters outlined above, there is a formal delegation structure in place. Under this structure, the Joint Managing Directors have been 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).

At appointment, 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 with 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 formally assessed twice each year as part of Charter Hall's formal employee performance review process;
- the full year achievement review takes place in June at the end of the financial year;
- a 360 review process was introduced for senior executives, this involved an assessment against behavioural and technical competencies relevant to their role. The assessment was by their manager, peers, direct reports and themselves;
- in addition to this, all employees were assessed in terms of their achievement of agreed KPI's (both financial and non-financial) for the period;
- there is a strong link between the outcomes of this performance review process and the subsequent remuneration review as outlined in the Remuneration Report at page 43; and
- executives are provided with access to continuing education to update and enhance their skills and knowledge.

The above process was followed for the year ended 30 June 2011.

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
Glenn Fraser	Non-executive Director	Yes	6 April 2005
Anne Brennan	Non-executive Director	Yes	6 October 2010
Colin McGowan	Non-executive Director	Yes	6 April 2005
Cedric Fuchs	Executive Director	No	6 April 2005
David Harrison	Joint Managing Director	No	30 August 2006
David Southon	Joint Managing Director	No	30 August 2006
Peter Kahan	Non-executive Director	No	1 October 2009

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

The Board has a majority of independent directors.

Profiles of these directors, including details of their skills, experience and expertise can be found later in the directors' 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. Charter Hall's criteria for assessing independence is in line with standards set by the Principles.

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 approved by the Charter Hall 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.

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 to 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: Companies should establish a code of conduct and disclose the code or a summary of the code as to:

- the practices necessary to maintain confidence in the company's integrity;
- the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices

Charter Hall Group has established a Code of Conduct which forms 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.

Staff are trained regularly on matters pertaining to ethical behaviour in the workplace. This year, the topics covered were Fraud, Corruption and Insider Trading awareness, as well as appropriate workplace behaviour training.

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

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. As part of this framework, the Group has established a Related Party Transactions Policy for identifying and managing conflicts.

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 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 independent members of the board or Investment Committees (where they have been appointed) the Board must have a majority of independent directors.

The Related Party Transactions Policy can be viewed in the Corporate Governance section of the website and contains detailed guidelines to deal with conflicts.

In particular, 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.

The Group also has a Conflicts Protocol for dealing with competing deals (e.g. acquisitions, leasing) which may 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.

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

Corporate Governance review of Charter Hall managed REITs

On 18 July 2011, Charter Hall Group announced its support of a review of corporate governance arrangements and fee structure with its managed REITs, namely Charter Hall Office REIT (CQO) and Charter Hall Retail REIT.

The review is examining the existing governance framework between Charter Hall Group and the REITs and will provide recommendations on appropriate corporate governance arrangements and a fee structure that are consistent with current best practice models in ASX listed trusts.

Security Trading

The Group has in place a formal Security Trading 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 Principles and Recommendations.

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.

Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.

Recommendation 3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

Although the Group is not required to report under this new recommendation until the Annual Report for the following financial year, i.e. for the financial year ending 30 June 2012, Charter Hall has made significant progress in relation to diversity and so wishes to disclose the extent of developments in this area.

A Diversity Committee has been appointed by the Board, comprising senior executives within the Group, chaired by the Head of People, which has been charged with dealing with Diversity issues.

A Diversity and Inclusion policy was adopted in November 2010 which includes requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them. The objectives set by the Board, which are included in the Policy, are as follows:

- Selecting and appointing directors from a diverse pool of talent by developing an appointment process for future directors that takes diversity of background into account, in addition to previous Board and leadership experience and experience in a specified field.

  Progress made: During the period Anne Brennan was appointed as an Independent Director and is also the Chair of the Remuneration and Human Resources Committee as well as a member of the Audit, Risk and Compliance Committee. A clear process was also defined.

- Considering the Diversity policy when assessing, selecting and making recommendations to the Board on senior executive appointments. In considering these recommendations the Board is also required to take into account the objectives of this policy.

  Progress made: The only senior appointment made during the period was to the Head of People role and the appointment was female.

- Implementing policies and training which address impediments to diversity in the workplace.

  Progress made: All employees have been trained on appropriate workplace behaviour, with additional training provided to managers. The outcomes of the training include an understanding of what behaviours contribute to a diverse and inclusive environment as well as an understanding of the support structures and mechanisms to support individuals who don't have this experience.

- Implementing initiatives designed to identify, support and develop talented individuals with leadership potential to prepare them for senior management and board positions. For example, in the case of gender diversity, such initiatives may include:
  - mentoring programs;
  - targeted professional development programs aimed at helping women to develop skills and experience that prepare them for senior management and board positions;
  - supporting the promotion of talented women into management positions;
  - networking opportunities and other.

  Progress made: During the period we conducted an organisational review as a health check for our systems, structure, culture, people and processes. As part of the review we have identified individuals with high capability and have a succession plan for all our senior roles.

  Leadership development programs for different levels of the organisation are currently being developed and we anticipate that they will be rolled out during the first quarter of the next financial year. Once our leaders have completed these programs we will be building on their skills and experience through a formal mentoring program.

  A number of women in senior roles have flexible work arrangements in place to enable them to balance their personal and professional lives and to enable Charter Hall to retain key talent within the organisation.

  All our employees are encouraged to actively seek out networking opportunities. Importantly, during the period Charter Hall became a member of NEEOPA (NSW EEO Practitioners Association) where organisations network, share experiences and ideas on implementing quality equal employment opportunity programs through sharing best practice.

- Identifying ways to entrench diversity as a cultural priority across the group.

  Progress made: The Diversity Committee agreed that all HR strategy, policies and processes needed to be reviewed by the Committee with a view to entrenching diversity across the group.

- Setting targets for women's participation in the Board, senior management and across all employees and report such in the Annual Report.

  Progress made: The Diversity Committee currently has a number of measures it is assessing over a 6 month period. The measures track diversity at each stage of the employee lifecycle. An analysis of the information gathered during this period will enable the Committee, the Board and Management to understand where we should focus our initiatives to ensure maximum penetration and success and to set meaningful targets.

Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisations, women in senior executive positions and women on the board.

As at 30 June 2011, the proportion of women on the Board is 11%, in senior management 17% and across all staff 45%.

What you can find on our website:

a summary of the Charter Hall Code of Conduct;

the Securities' Trading Policy; and

the Diversity and Inclusion 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: The audit committee should be structured so that it:

- consists only of non-executive directors;
- consists of a majority of independent directors;
- is chaired by an independent chair, who is not chair of the Board; and
- has 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 Anne Brennan, who are all independent non-executive directors. The members have comprehensive financial and property industry expertise. The Committee met on seven (7) occasions during the year to 30 June 2011. Please refer to the Directors' 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.

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 Charter Hall;
- monitor the integrity of the financial statements of 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 any 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;
- 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: Companies should 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 and disclose those policies or a summary of those policies.

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.

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: Companies should establish policies for the oversight and management of the material business risks and disclose a summary of those policies.

Charter Hall has a formalised risk management framework, which is disclosed on the Group's website. 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 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.

Charter Hall has a robust Risk Management framework in place for identifying, assessing, monitoring and managing its risks. A key component of the framework is an annual Operational Risk Self Assessment (ORSA) whereby management workshop key risks and controls in place and their effectiveness. Findings resulting from this assessment are reported to the Audit, Risk and Compliance Committee, which in turn reports on this to the Board. During the year, management has reported to the Audit, Risk and Compliance Committee as to the manner in which it manages its material risks, the effectiveness of the framework and the results of the annual ORSA.

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 structure of the Group does not warrant an internal audit function. This policy is subject to ongoing review.

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 risk management principles 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 framework.

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. This assurance to the Board by the Managing Directors and CFO is further backed by a review and sign-off process from management on key items that make up the risk management and controls systems.

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 and Human Resources Committee to assist the Group so that:

- The remuneration policies and practices are in line with strategic goals and enable the Company to attract and retain high calibre executives and Directors who will create value for shareholders;
- Directors and executives are fairly and responsibly remunerated having regard to the performance of the Company, the performance of the executives and the general remuneration environment;
- The Group's remuneration policy is communicated to and supported by investors;
- The Company has effective policies and procedures to attract, motivate and retain talented individuals to meet it's needs;
- The Company implements an appropriate Human Resources strategy to enable it to deliver on its business strategy;
- HR policies and practices are designed to align with the Company's vision, values and overall objectives as well as comply with the relevant legislation, reflect current governance and mitigate against operational, financial and reputation risk.

The Remuneration and Human Resources Committee comprises three non-executive, independent directors being Anne Brennan (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 and Human Resources 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 and Human Resources 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 2011 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.

Financial report

Contents

Directors' report
for the year ended 30 June 2011

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 2011. 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 and Non-Executive Independent Director
- Roy Woodhouse – Deputy Chairman and Non-Executive Independent Director
- Anne Brennan – Non-Executive Independent Director (appointed 6 October 2010)
- Patrice Derrington – Non-Executive Independent Director (resigned 10 November 2010)
- Glenn Fraser – Non-Executive Independent Director
- Cedric Fuchs – Executive Director
- David Harrison – Joint Managing Director
- Peter Kahan – Non-Executive Director
- Colin McGowan – Non-Executive Independent Director
- David Southon – Joint Managing Director

Principal activities

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

(a) Property investment
(b) Property funds management
(c) Development investment

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:

	2011 $'000	2010 $'000
Interim ordinary distribution for the six months ended 31 December 2010 of 8.00 cents per security paid on 28 February 2011	23,500	–
Final ordinary distribution for the six months ended 30 June 2011 of 8.50 cents per security paid on 25 August 2011	24,969	–
Interim ordinary distribution for the six months ended 31 December 2009 of 6.40 cents per security* paid on 26 February 2010	–	11,204
Final ordinary distribution for the six months ended 30 June 2010 of 6.40 cents per security* paid on 27 August 2010	–	18,598
	48,469	29,802

* Six monthly distributions of 1.60 cents per security restated to reflect the one for four security consolidation.

Distribution Re-Investment Plan (DRP)

The DRP was not in operation during the year.

	2011	2010
Earnings per security and operating earnings		
Earnings per security per note 39 (cents)	**17.85**	3.22
Operating earnings per security per note 5 (cents)	**20.60**	16.83
Earnings used in the calculation of operating earnings per security ($'000s)	**60,422**	35,781
Weighted average number of ordinary securities used in the calculation of operating earnings per security ('000s) (note 39)	**293,254**	212,540

	$'000	$'000
Statutory profit after tax attributable to stapled security holders of Charter Hall Group	**52,338**	6,840
Fair value adjustments	**3,896**	37,413
Net gain on re-measurement of equity interests	**(16,726)**	(59,725)
(Gain)/loss on sale of investments, property and derivatives	**(3,350)**	5,476
Impairment of management rights	**19,171**	–
Impairment of goodwill	**–**	15,328
Business combination transaction costs	**–**	6,636
Non-operating losses from equity accounted investments	**1,773**	22,573
Security-based benefits expense	**4,090**	1,317
Amortisation	**950**	734
Income tax benefit	**(2,556)**	(950)
Finance costs due to unwinding of discount on contingent consideration	**836**	–
Foreign exchange loss	**–**	139
Operating earnings	**60,422**	35,781

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

Results

The Group recorded a statutory profit after tax attributable to stapled security holders for the financial year of $52.3 million compared to a profit of $6.8 million in 2010. After adding back fair value adjustments, impairment of assets, gains on sale and other non-cash items including the security-based benefit expense, the Group generated Operating earnings of $60.4 million compared to $35.8 million in 2010.

Operating earnings per security (OEPS) of 20.60 cents rose from 16.83 cents in 2010, largely due to the improved earnings within the Group's property investment and property funds management segments, following the acquisition in March 2010 of the management rights of the majority of the Macquarie Group Limited's core real estate management platform and the co-investment in funds, primarily Charter Hall Office REIT (CQO) and Charter Hall Retail REIT (CQR). As a result, the distribution per security (DPS) increased from 12.80 cents to 16.50 cents.

Net Tangible Assets per Security (NTA) has remained consistent with 30 June 2010 at $2.21 per security.

Funds Under Management (FUM) has increased from $10.2 billion at 30 June 2010 to $10.7 billion at year end as a result of organic growth and acquisitions during the year, including CQR's acquisition of a portfolio of eight Woolworths properties.

Gearing has increased from 6.63% at 30 June 2010 to 8.12% at 30 June 2011, largely due to borrowings used to fund the acquisition of additional CQO units in March 2011.

The 30 June 2011 financial results with comparatives are summarised as follows:

	2011	2010
Revenue including minority interests ($ million)	109.6	68.3
Profit after tax attributable to stapled securityholders ($ million)	52.3	6.8
Operating earnings attributable to stapled securityholders($ million)[1]	60.4	35.8
Distributions to stapled securityholders ($ million)	48.5	29.8
Operating earnings per stapled security (OEPS) (cents)[1, 2]	20.60	16.83
Statutory earnings per stapled security (EPS) (cents)	17.85	3.22
Distribution per stapled security (cents)[2]	16.50	12.80
Total assets ($ million)	957.6	976.2
Total liabilities ($ million)	175.6	165.2
Net assets ($ million)	781.9	811.0
Net assets attributable to stapled securityholders ($ million)	749.8	760.4
Net tangible assets attributable to stapled securityholders ($ million)	649.8	641.4
Securities on issue ($ million)[2]	293.8	290.6
NTA per stapled security ($)[2]	2.21	2.21
Gearing – borrowings to total assets[3]	8.12%	6.63%
Funds under management ($ billion)	10.7	10.2

1 Excludes fair value adjustments, impairment of assets, gains on sale of investments and non-cash items such as security-based benefits 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 Payments
3 Calculation is net of cash

Review of operations

Charter Hall Group is a diversified property group with a fully integrated business model. The Group has three business activities that contribute to overall performance: property investment, property funds management and development investment.

The Group has delivered a strong result for the year, with its funds and business activities continuing to deliver on stated strategies and taking advantage of the improving Australian market. The Group delivered $60.4 million (FY10: $35.8 million) of operating earnings, with property investment contributing $36.1 million (FY10: $27.0 million), property funds management contributing $20.5 million (FY10: $7.7 million) and development investment contributing $3.8 million (FY10: $1.1 million).

Property investment

Together with its investment partners, the Group has acquired approximately $1.1 billion of property in Australia this year, ensuring its investors have the opportunity to benefit from improving commercial property fundamentals. This includes the Group's recent purchase of a 50% interest in an office development site at 685 La Trobe Street, Melbourne and CQR's acquisition, in partnership with Telstra Super, of eight shopping centres from Woolworths Limited for $266 million.

Property funds management

The property funds management business has three sources of equity: listed, wholesale and retail investors.

Charter Hall Office REIT (CQO) and Charter Hall Retail REIT (CQR) have made positive progress on their strategies of reweighting to Australia and together have refinanced almost $2.1 billion of debt during the year, extending their debt maturity profiles. Unitholders are benefiting from the proactive management approach and improving property fundamentals through solid growth in distributions, with CQO and CQR having increased their distributions by 19% and 6.7% respectively on the prior period.

Development investment

The Group's development investments comprise a 50% interest in Commercial and Industrial Property Pty Ltd (CIP), an industrial development business, together with an investment in CHOFs 4 and 5. CIP contributed $4.0 million (FY10: $1.5 million) of operating earnings to the Group and CHOFs 4 and 5 incurred a loss of $0.2 million (FY10: loss $0.4 million), resulting in a combined contribution to operating earnings of $3.8 million (FY10: $1.1 million).

The development team has made progress on the delivery of its $1.8 billion development pipeline, proceeding on two office developments and one retail redevelopment. The team has also commenced construction at the $600 million Little Bay Cove residential project in Sydney, being undertaken with TA Global Berhad, a listed Malaysian residential development and investment group.

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

Charter Hall Office REIT (CQO) – $3.6 billion FUM, CHPT interest 10.0% (13.3% including interest to be acquired under Fir Tree Capital unit transfer agreement, subject to satisfaction of conditions precedent)

The CQO portfolio comprises 33 high grade office assets located in major business districts in Australia and the United States. With a 30 June 2011 valuation of $3.4 billion and a blended average capitalisation rate of 7.67%, CQO's Australian portfolio of 19 assets recorded a $50 million increase in value over the year to $1.9 billion at 30 June 2011. For the US portfolio, the contracted net sale price of $1.57 billion has been adopted for the portfolio book value at 30 June 2011.

Consistent with the ongoing strategy of reweighting to Australia, on 3 August 2011 CQO announced that it had executed a contract for the sale of its entire US portfolio (closing being subject to satisfaction of customary conditions precedent and third party consents).

CQO finalised its exit from its non-core offshore markets with the sale of the Japanese portfolio in February 2011 and Berlin post balance date, CQO also exchanged contracts to sell NCR House, North Sydney in July 2011 for $57.3 million with settlement due in September 2011.

CQO executed new leases across almost 218,000 sqm or 18% of the portfolio during the year, with robust demand seeing terms agreed over 27% of the Australian portfolio, the strongest in the last 6 years. Major new deals included Telstra at the Argus Centre, Melbourne (23,482 sqm), the Australian Taxation Office at Moonee Ponds (22,000 sqm approx.) and Gilbert & Tobin at 2 Park St, Sydney (9,280 sqm).

Other key results for the year include Australian occupancy of 96% and United States occupancy of 82%, and a portfolio weighted average lease expiry of 5.1 years.

Charter Hall Retail REIT (CQR) – $2.0 billion FUM, CHPT interest 8.2%

CQR's investment strategy is to invest in predominantly grocery anchored neighbourhood and sub-regional shopping centres. The REIT's portfolio comprises assets across Australia and offshore, predominantly anchored by the dominant national grocery businesses in Australia.

Asset revaluations of CQR's portfolio at 30 June 2011 saw its value increase by 0.6% to $1.9 billion, with the overall weighted average capitalisation rate decreasing by seven basis points. The occupancy of the Australian portfolio at 30 June 2011 was 98.8%, with same property net operating income growth of 3.8%, highlighting the non-discretionary nature of CQR's portfolio.

Since March 2010, CQR has acquired or contracted to acquire 15 Australian properties valued at $571 million, utilising proceeds from the sale of its non-core, offshore holdings, in the US and New Zealand.

Core Plus Office Fund (CPOF) – $1.4 billion FUM, CHPT interest 16%

CPOF has continued to focus on investment fundamentals and strengthen its balance sheet throughout the 2011 financial year. With occupancy of 98% 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. Following independent valuation of the entire portfolio across December and June quarters of this financial year, CPOF has a current weighted average capitalisation rate of 7.73%.

Core Plus Industrial Fund (CPIF) – $0.5 billion FUM, CHPT interest 21%

CPIF has undertaken independent valuations on the entire portfolio over the December and June half year periods. The current weighted average capitalisation rate of the portfolio is 8.24%, with a WALE of 11.5 years, underpinned by strong tenant covenants with, for example, 25, 16 and 13 year leases to Woolworths, Coles, and Volkswagen respectively.

CPIF has demonstrated a solid performance in what has been a challenging market environment, by outperforming the IPD Industrial index by 3.2% over three years. On 22 September 2010, CPIF purchased a prominent 200,000 sqm industrial site, which will be developed to provide a new 46,000 square metre facility for Woolworths.

The above performance, acquisitions such as the new Volkswagen and Woolworths facilities and overall quality of the portfolio have enabled management to raise an additional $73 million of equity with a further $65 million in due diligence during the year.

Charter Hall Direct Retail Fund (DRF) – $0.2 billion FUM, CHPT interest 49% and CHH interest 16%

DRF is an unlisted property fund which invests directly in quality retail properties with a current portfolio of six retail shopping centres located in established markets in New South Wales, Victoria, Queensland and New Zealand.

At 30 June 2011, this portfolio benefited from an occupancy rate of 99% and a weighted average lease expiry of 6.7 years.

A product disclosure statement was issued in December 2010, opening the fund for investment by retail investors following a restructure which included renaming the fund from its former name, Charter Hall Core Plus Retail Fund (CPRF).

As part of the restructure, the fund's existing finance facilities were successfully refinanced for a further duration of three years and Charter Hall Group assumed 100% economic ownership of two assets located in Mentone. One of these assets, the Mentone development site jointly owned with Harvey Norman, was then sold for $44 million ($22 million – 50% Charter Hall Group interest), with Charter Hall Group retaining ownership of the Mentone Showrooms investment, valued at $15.8 million.

Charter Hall Diversified Property Fund (DPF) – $0.2 billion FUM, CHPT interest 36%

DPF is an unlisted property fund with rolling seven year review events that primarily invests in a diversified portfolio of Australian direct properties.

At 30 June 2011, excluding the Coles Distribution Centre, the fund is anchored by five quality office and three quality industrial properties located in established markets throughout Sydney, Melbourne and Perth, which benefited from an occupancy rate of 91% and a weighted average lease expiry of 4.1 years.

Ahead of the fund's first review event to be held on or around 14 October 2012, ordinary investors approved the sale of the fund's 25% interest in the Coles Distribution Centre, Perth Airport property at a unitholder meeting held in May 2011. The sale will be settled progressively prior to 31 December 2011, with the proceeds being used to reduce gearing and provide a capital return to equity investors.

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

CHDPF is an open-ended unlisted property fund that primarily invests in a diversified portfolio of Australian direct properties.

At 30 June 2011, the fund is anchored by nine quality office properties located in established markets throughout Sydney, Melbourne and Brisbane, which benefited from an occupancy rate of 96% and a weighted average lease expiry of 4.3 years with leases to over 120 tenants. In the year to 30 June 2011, all of the fund's direct properties were assessed by independent valuations. The weighted average cap rate was 8.5%.

During the year, the fund refinanced its debt facilities, consolidating its existing two debt facilities, into a new $240 million loan facility expiring in September 2013. The new debt facility was provided by two major Australian banks and an international bank. This positioned the fund to reopen for investor applications with the issue of a new product disclosure statement in December 2010 and provide ongoing six-monthly withdrawal offers.

Charter Hall Umbrella Fund (CHUF) – $0.2 billion FUM, CHPT interest 25%

CHUF is an unlisted fund with investments predominantly in Charter Hall Group managed funds. CHUF provides exposure to a portfolio of 55 office, industrial and retail properties across Australia and New Zealand, with a WALE of 8.1 years and a current occupancy of 95%.

Opportunity funds update

Property market conditions have improved for development projects that are positioned to capitalise on reduced supply and growing demand from both tenants and institutional investors. While positive property fundamentals remain in place, a range of global risk factors are providing headwinds for financial markets. Positive progress is being made on the CHOF projects.

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

CHOF4 is fully allocated with diversity across eight projects. This fund's mandate is to identify, acquire and deliver property development and value-add opportunities across various sectors, including commercial, industrial, household retail and infill residential sectors located primarily in the major cities on the eastern seaboard of Australia.

Home HQ North Shore is now 100% leased and has been recognised as a market leading Household Retail Centre with the following awards:

- 2010 Urban Taskforce Development Excellence Award – Winner of Best Adaptive Reuse.
- 2010 UDIA NSW Austral Bricks Awards for Excellence – Winner of Best Retail/Commercial Development.
- 2010 Master Builders Association Excellence in Construction Awards – Winner of Best Adaptive Reuse.
- 2011 Property Council of Australia Finalist – Adaptive Reuse.

An agreement for Lease (AFL) is awaiting execution with Bunnings for a 2,200 sqm trade store on part of the Gepps X Trade Centre Site in Adelaide. Agents have been appointed to work on the exit from this project through a sale of the balance of the site.

Charter Hall Opportunity Fund 5 (CHOF5) – $0.9 billion FUM, CHL interest 15%

CHOF5 was launched in early 2007. The fund's mandate is to identify, acquire and deliver property development and value-add opportunities across various sectors, including commercial, industrial, retail, bulky goods retail and infill residential sectors located primarily in capital cities and metropolitan markets across Australia and New Zealand.

Construction is nearing completion for The Warehouse Group facility (6,300 sqm) and Mitre 10 Mega facility (11,000 sqm) at Home HQ Hastings, New Zealand. An Agreement for Lease (AFL) has been signed with Fishing Camping Outdoors for a 1,400 sqm facility and discussions with other potential tenants continue.

Little Bay Cove secured a joint development sponsorship arrangement with TA Global Berhad, a listed Malaysian residential development and investment group during the year. The Stage 1 Works, which includes remediation, earthworks and creation of the estate, are progressing well. Development applications on super-lots 2, 4 and 5 have been lodged with Council. Marketing and sales agents have been appointed and are working towards a October 2011 sales launch.

Construction of the Aquilo townhouse development in Mentone, Victoria is progressing well, with the first seven townhouses in stage 1 scheduled for settlement in September 2011. 100 out of 119 townhouses have been exchanged (84%).

Construction of the Lacrosse Apartments in Docklands, Melbourne is progressing, with nine levels of the 21 level building structure completed. 308 of the 312 apartments have been exchanged (99%).

AFL documentation has been executed with Leighton Contractors for 76% of the Work Zone project in Perth. A Guaranteed Maximum Price, Design and Construct construction contract has been agreed within the feasibility allowance. Construction finance is progressing, with the project scheduled for completion in August 2013.

Environmental regulation

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

This year, the Group is required to report its annual greenhouse gas emissions and energy use under the *National Greenhouse and Energy Reporting Act 2007*. The measurement period is 1 July 2010 to 30 June 2011. The Group has implemented systems and processes to calculate emissions and report to the Greenhouse and Energy Data Officer by 31 October 2011. The Group is assessing the Australian Government's Clean Energy Plan 2011, however the Group does not anticipate a material impact to its operations from the carbon price.

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:

- On 25 November 2010, the Group completed a security consolidation on a one for four basis. Where the consolidation of a holding resulted in a fractional security, that fraction was rounded up to the next whole security. The consolidation of securities resulted in the reduction of securities on issue from 1,225,365,088 to approximately 306,341,272 securities, resulting in a corresponding increase in pre-consolidation metrics including price and NTA per security by a factor of four. As the security consolidation did not involve a return of capital to securityholders, there have been no direct impacts on the Group's market capitalisation or net assets. Prior period comparative information, where shown on a per security basis, has been restated to a post consolidation basis, unless otherwise stated.
- On 11 March 2011, the Group increased its ownership in CQO to 10%, by exercising its first right of refusal to acquire a portion of Macquarie Bank Limited group's holding in CQO. The Group acquired 1.3% of CQO units at a price of $3.18 per unit, a total acquisition price of $19.7 million. This acquisition was funded from cash reserves and undrawn debt capacity.
- On 16 May 2011, the Group executed a $75 million corporate debt facility with Westpac Banking Corporation, which was subsequently extended to $100 million on 29 June 2011. This facility has a three year term, and has enabled the repayment of existing drawn debt, the cancellation of an undrawn $50 million debt facility with Macquarie Bank, enhanced liquidity and added additional flexibility to pursue opportunities to grow the business and capitalise on the property market recovery.
- On 25 May 2011, the Group announced the acquisition of a 50% interest in an office development at 685 La Trobe Street, Melbourne from Flagship (La Trobe) Pty Ltd for $5 million and has entered into a development agreement with Flagship to jointly undertake the development of this project once a substantial leasing pre-commitment is secured. The proposed development will include 35,000 sqm of prime office space over 12 levels. It will also include 1,000 sqm of retail space and 151 car parks. The building is targeting a 5 Star Green Star As-Built and 4.5 Star NABERS energy ratings.
- On 21 June 2011, the Group entered into an agreement to increase its stake in CQO by 3.3%, taking its total holding to 13.3%, through a Unit Transfer Agreement (UTA) with Fir Tree Capital. Under the UTA, completion will be effected when at least 80% of the proceeds from the CQO US asset sale program are returned to unitholders. The acquisition price of the units under the UTA will represent a 5.64% discount to CQO's proforma Australian net tangible assets as at 30 June 2011. The Group will fund the acquisition through existing liquidity or proceeds received from the CQO US asset sale and subsequent special distribution.

- At 30 June 2011, the Group applied a write-down of $19.2 million to the carrying value of its intangible management rights. The lower value reflects management's current assessment of the recoverable amount of these assets taking into account the present value of future expected cash flows following CQO's announced disposal of its US assets, discounted using a risk weighted discount rate. As a result, the carrying value of the intangible management rights in CQO has decreased to $47.0 million (2010: $66.2 million).

Matters subsequent to the end of the period

Since 30 June 2011, the Group has completed the following:

- On 26 June 2011, Orange Capital, Luxor and Point Lobos issued a notice calling a CQO unitholder meeting for 27 July 2011, with a resolution to change the Responsible Entity of the CQO from Charter Hall Office Management Limited (CHOML) to Moss Capital Funds Management Limited. The resolution was voted upon at the unitholder meeting and the unitholders voted against the resolution, retaining CHOML as the responsible entity of the REIT.
- On 18 July 2011, CHOML announced a corporate governance review. The review will examine the existing governance framework between Charter Hall Group and the Responsible Entity and will provide recommendations on appropriate corporate governance arrangements and a fee structure for the REIT that is consistent with current best practice models for ASX listed trusts, including unitholders voting on the appointment of non-executive directors of the Responsible Entity. The recommendations will be considered at the Annual General Meeting.
- On 3 August 2011, CQO announced it had exchanged contracts to sell 100% of the US portfolio for a gross price of $1.71 billion. The closing of the sale of each US property (or CQO's interest in each property) is subject to customary closing conditions including receipt of lender consents and other third party consents. CQO expects to provide a return of capital via a pro-rata special distribution to unitholders of net sales proceeds.
- On 26 August 2011, the Independent directors of CHOML received an indicative, highly conditional, non-binding and confidential proposal from Macquarie Capital Group Limited on behalf of a consortium including itself and a number of global institutional investors (the Consortium) to acquire for cash all of the CQO issued units, other than those held by Charter Hall Group. The proposal is subject to a number of conditions, including that the Group does not divest its existing investment in CQO and that CHOML is retained as the responsible entity for CQO. The Group is not a member of the Consortium and any decision to engage the Consortium will only be taken following a decision by the independent directors of CHOML to support the further exploration of this potential transaction with the Consortium.

Except for the matters discussed above, no other matter or circumstance has arisen since 30 June 2011 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

As a fully integrated property group with diversified sources of equity invested across the office, retail and industrial sectors, Charter Hall is well placed to benefit from a projected growth of superannuation inflows in Australia and offshore markets. The Group derives property income returns and capital growth through its co-investments in its managed funds and its vertically integrated business model will allow Charter Hall to continue to provide specialist property services across its platform generating fees from its managed funds.

The Group remains focused on leveraging its fully integrated property services capabilities through initiating acquisition and developments, undertaking capital raisings for unlisted funds, external mandates and partnerships, while also recycling capital to improve the return on equity from the co-investment portfolio. For its listed funds, which are now primarily Australian asset owning REITs, the Group will continue to implement strategies to increase earnings per share and to de-risk the funds.

As volatility continues in listed markets, Charter Hall has seen equity flows increasing to unlisted real estate and the Group is well positioned to benefit from these equity flows as wholesale investors further invest in low volatility direct property portfolios. Retail investor flows are expected to increase over time as investors seek a high quality manager with an integrated capability that delivers stable property investment returns from rental income and capital growth.

The Group has sought to de-risk and stabilise the listed REITs by reweighting their portfolios to Australia. These strategies are expected to improve earnings visibility and stability, improving confidence for investors. At this stage in the cycle, Charter Hall considers that appropriate risk adjusted returns can be obtained from investing into select development projects. Charter Hall is incubating high quality development opportunities with a view to raising third party capital to partner in the development and delivery of these projects. The in-house specialist property skills are being utilised to enhance value across the Group's managed fund platform.

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.

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 of Tyro Payments Limited. He is also a non-executive director of Ramsay Health Care, the Medical Indemnity Protection Society Group and of Marshall Investments Pty Limited. Until it was acquired by 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, Climax Mining 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 holds a Bachelor of Commerce, and also an MBA.

Other current listed company directorships

Non-executive director of Ramsay Health Care Ltd (since 1997)

Former listed company directorships in last three years

Non-executive Chairman of Eircom Holdings Limited (from 2006 to January 2010)

Non-executive Deputy Chairman of the LawCover Group (from 2003 to June 2011)

Special responsibilities

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

Interests in securities

31,250 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.

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 Asia Pacific. Roy co-founded KFPW, a joint venture with PricewaterhouseCoopers specialising in outsourcing.

Roy is Chairman of National Recycling Group, a member of Transfield Holding Advisory Board and a principal shareholder of The Stephenson Mansell Group, an Executive Leadership Development company. Roy was a Fellow of the Australian Institute of Valuers and is a Fellow of the Institute of Company Directors.

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 Remuneration and HR Committee
Member of the Nomination Committee

Interests in securities

21,429 securities in Charter Hall Group

Anne Brennan – *Independent Non Executive Director*

Experience and expertise

Anne joined the Board of Charter Hall Group in October 2010 and she is on the board of a number of other companies.

Anne is an experienced executive and she has held senior management roles in both large corporates and professional services firms.

During Anne's executive career she was the Chief Financial Officer of CSR and the Finance Director of Coates Group. Prior to her executive roles, Anne was a partner in three professional service firms; KPMG, Arthur Andersen and Ernst & Young. She has more than 20 years' experience in audit, corporate finance and transactions services. Anne was also a member of the national executive team and a board member of Ernst & Young.

Anne holds a Bachelor of Commerce (Honours) degree and is a Fellow of the Institute of Chartered Accountants in Australia and a Fellow of the Australian Institute of Company Directors. Anne resides in New South Wales and is 50 years of age.

Other current listed company directorships

Director of Argo Investments Limited
Director of Myer Holdings Limited
Director of Nufarm Limited

Former listed company directorships in last three years

Nil

Special responsibilities

Member of Audit, Risk and Compliance Committee
Chairman of Remuneration and HR Committee

Interests in securities

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

Glenn Fraser – *Independent Non-Executive Director*

Experience and expertise

A member of Transfield Holdings Advisory Board, Glenn was instrumental in Transfield Holdings' acquisition of its interest in Charter Hall and its expansion and listing in 2005.

He specialises in infrastructure and property projects and joined Transfield Holdings in 1996. Glenn has previously held positions of Chief Financial Officer and was General Manager – Finance Project Development, where he was responsible for the financial elements of Transfield Holdings' infrastructure and property projects. Preceding his time with Transfield Holdings, Glenn was a principal of a project finance advisory business, Perry Development Finance Pty Limited, which was sold to Hambros Corporate Finance Limited in 1995.

Glenn holds a Bachelor of Commerce, is a member of the Institute of Chartered Accountants and the Australian Institute of Company Directors.

Other current listed company directorships

Nil

Former listed company directorships in last three years

Nil

Special responsibilities

Chair of the Audit, Risk and Compliance Committee

Interests in securities

156,934 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.

He is a member of the Investment Committee for all of Charter Hall's wholesale and retail property funds. Prior to co-founding Charter Hall in 1991, he worked with the Heine Group's property arm (now part of ING) and Leighton Properties where he was involved in the development and investment activities of those companies. Cedric holds a degree in Business Management.

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

1,358,649 securities in Charter Hall Group via indirect interests. 312,156 securities in the Charter Hall Executive Loan Security Plan; securities in the Plan vest upon the satisfaction of performance and service criteria. 117,909 Performance Rights and 310,253 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 an Executive Director on the responsible entity boards of Charter Hall Retail REIT and Charter Hall Office REIT and is Chairman of the Charter Hall Direct Responsible Entity Board.

David has more than 25 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.

Other current listed company directorships

Charter Hall Office REIT
Charter Hall Retail REIT

Former listed company directorships in last three years

Nil

Special responsibilities

Member of the Valuation Sub Committee

Interests in securities

2,009,521 securities in Charter Hall Group via direct and indirect interests. 2,150,788 securities in the Charter Hall Executive Loan Securities Plan; securities in the Plan will vest upon the satisfaction of performance and service criteria. 490,385 Performance Rights and 1,175,121 Options in the Charter Hall Performance Rights and Options Plan; performance rights and options also vest after performance and service criteria are met.

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

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.

He is a qualified valuer, a Fellow of the Australian Property Institute and a Senior Fellow of the Financial Services Institute of Australasia (formally SIA). Colin was the honorary SIA National Principal Lecturer and Task Force Chairman for the Graduate Diploma's Property Investment Analysis course – a position 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

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

Interests in securities

Nil

David Southon – *Joint Managing Director*

Experience and expertise

David is Charter Hall Group's Joint Managing Director and a co-founder, with over 25 years of property industry experience. He is primarily responsible for overseeing wholesale opportunistic funds, the operation of the development services division, project origination, project strategy and the formulisation and implementation of Group strategy together with the other Joint Managing Director, David Harrison, 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.

He is an Executive Director on the Boards of Charter Hall Retail REIT and Charter Hall Office REIT as well as the Responsible Entity Board of Charter Hall Direct Funds. He is also a member on the Investment Committees of the Group's series of opportunity funds.

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
Charter Hall Office REIT

Former listed company directorships in last three years

Nil

Special responsibilities

Member of the Valuation Sub Committee

Interests in securities

2,048,360 securities in Charter Hall Group via direct interests. 2,143,570 securities in the Charter Hall Executive Loan Security Plan; securities in the Plan will vest upon the satisfaction of performance and service criteria. 1,175,121 Options and 490,385 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 – *Nathan Francis*

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, he was the Finance and Asset Manager at Quantum Property Group and prior to that gained seven years experience with PricewaterhouseCoopers in audit and transactions services. He also holds a Bachelor of Business degree from the University of Technology, Sydney.

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 2011, 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 and HR Committee		Valuation Committee	
	A	B	A	B	A	B	A	B	A	B
K Roxburgh	14	14	7	7	2	2	2	2	*	*
R Woodhouse	13	14	*	*	2	2	5	5	*	*
P Derrington	4	5	2	2	*	*	*	*	*	*
A Brennan	10	10	5	5	*	*	4	4	*	*
G Fraser	12	14	6	7	*	*	*	*	*	*
C Fuchs	13	14	*	*	*	*	*	*	2	3
D Harrison	14	14	*	*	*	*	*	*	2	3
P Kahan	13	14	*	*	*	*	*	*	*	*
C McGowan	14	14	*	*	2	2	5	5	3	3
D Southon	13	14	*	*	*	*	*	*	0	3

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

Remuneration Report in Brief

Charter Hall's Board is committed to clear and transparent disclosure of the Company's remuneration structure and details of the value that Directors and key executives have derived from the various remuneration components.

This Remuneration Report is presented in seven sections:

1. Introduction – this section provides key metrics and highlights the relationship between key management personnel (KMP) remuneration and Charter Hall's performance;
2. Executive Remuneration Policy – this section summarises the guiding principles and objectives that underpin the Group's executive remuneration arrangements;
3. Executive Remuneration Framework Changes – this section provides details about changes that are being implemented for FY12 and FY13;
4. Key management personnel – this section identifies the KMP of Charter Hall Group;
5. Remuneration governance – this section explains how remuneration decisions are made within the Group and outlines the measures in place to guard against conflicts of interest;
6. Remuneration of executives – this section provides more information regarding remuneration arrangements for executives who are KMP (including Executive Directors, as well as the five highest remunerated executives in FY11) (Reported Executives). This section includes the statutory disclosures required by the *Corporations Act 2001* (Act); and
7. Non-Executive Director remuneration – this section outlines the remuneration policy and arrangements for Non-Executive Directors in FY11.

1. Introduction

1.1. About this report

The Directors' Remuneration Report provides securityholders with an understanding of:

- Charter Hall's remuneration policies as they relate to KMP as defined under the Act;
- The link between remuneration and Charter Hall's performance; and
- Remuneration strategy changes and components for Charter Hall's Reported Executives.

The report is prepared in accordance with Section 300A of the Act for the Company and its controlled entities (the Group) for the year ended 30 June 2011. The information provided in the Remuneration Report has been audited as required by section 308(3C) of the Act.

For the purposes of this report, KMP of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, and includes the Directors (executive and non-executive) and the Senior Executive Team (listed in Section 4), including the five highest paid executives within the Group.

1.2. Charter Hall Group key metrics, remuneration and performance

In FY11, the stapled entity (ASX Code: CHC) reported revenue of $109.6 million, operating earnings of $60.4 million and equity attributable to securityholders of $749.8 million.

These metrics do not to convey the scale and diversity that is now the Charter Hall Group.

In aggregate, the Charter Hall Group currently has 7 offices, employing 264 people, whose employee benefits and expenses in FY11 amounted to $57.6 million.

These people were responsible for managing 19 unlisted and two listed property funds, that at 30 June 2011:

- had an aggregate asset value of $10.7 billion;
- had aggregate net equity of $5.2 billion;
- own 198 properties, with an aggregate net lettable area of 2.46 million sqm; and
- had generated $943 million gross annual rental income.

The table below provides information on Charter Hall's performance over the last 5 years and its relationship to Reported Executive remuneration, both fixed and "at risk". Charter Hall's remuneration policy is weighted towards growth in operating earnings per security (EPS), as the Board considers the Reported Executives have greater scope to influence earnings rather than movements in the CHC security price. However, the long term incentive plan (LTI) provides an important link between remuneration and Total Securityholder Return.

CHC 5 Year Performance (all adjusted for FY11 1 for 4 security consolidation)	**FY07[1]**	**FY08[1]**	**FY09[1]**	**FY10[1]**	**FY11[1]**
Statutory Net Profit/(Loss) after Tax ($000s)	43,168	67,498	(82,222)	6,840	52,338
Operating Profit ($000s)	34,233	52,742	34,828	35,781	60,422
Statutory Earnings/(Loss) per Security (cps)	48.05	65.23	(71.90)	3.22	17.85
Operating Earnings per Security (cps)	38.04	50.96	30.44	16.83	20.60
Growth/(Decline) in Operating Earnings per Security (eps) on prior year (%)	47.0%	34.0%	(40.3%)	(46.0%)	22.4%
Total Distribution per Security (cps)	41.76	50.40	19.84	12.80	16.50
Security price at 30 June ($)[1]	10.62	3.94	2.00	2.40	2.15
Total Securityholder Return/(Loss) – Jul–Jun %	118.1%	(58.4%)	(44.6%)	26.4%	(3.5%)
Funds under management ($'bn)	2.8	3.9	3.4	10.2	10.7

Reported Executives

Remuneration summary	**FY07**	**FY08**	**FY09**	**FY10**	**FY11**
Fixed payments ($)[2]	2,169,443	2,334,122	3,415,610	3,991,129	6,236,089
STI accounting expense ($)[3]	120,000	1,295,000	105,000	3,194,100	1,640,944
LTI accounting expense ($)[4]	487,493	1,746,376	137,247	794,115	1,866,842
Earned remuneration ($)[5]	2,776,936	5,375,498	3,657,857	7,979,344	9,743,875
Target remuneration ($)[6]	3,542,777	4,049,474	6,074,372	7,268,548	11,238,415
Earned remuneration relative to target remuneration – Over/(Under) (%)	(22%)	33%	(40%)	10%	(13%)

Notes:

1 On 25 November 2010, the Group completed a security consolidation on a one for four basis. The consolidation of securities resulted in a reduction of securities on issue of 1,225,365,088 to approximately 306,341,272 securities. This security consolidation has resulted in all pre-consolidation metrics, including price and NTA per unit, being adjusted by a factor of four (unless noted otherwise). The price of securities on 1 July 2006 was $5.11 (adjusted for the one for four security consolidation).

2 The $2.2 million increase in fixed payments from FY10 to FY11 is largely due to FY11 reporting a full years remuneration for the former-Macquarie Reported Executives. The Macquarie Funds Management acquisition completed in March 2010, therefore three months remuneration was reported in FY10.

3 The high short term incentive (STI) in FY10 granted to Reported Executives followed acquisition of the Macquarie real estate funds management business, resulting in a 22.4% increase in operating EPS in FY11.

4 LTI expense attributed to the Reported Executives reflects the statutory accounting expense measured under AASB 2. Up until 30 June 2011, none of the LTI schemes resulted in any benefit vesting for Reported Executives. Vesting is dependent on the market-based performance hurdles being met in future.

5 Earned remuneration – For the Reported Executives, the sum of their Fixed Payments, their STI Accounting Expense and their LTI Accounting Expense.

6 Target remuneration for FY11 – is calculated based on the following split of remuneration for the Joint Managing Directors (JMD's) of fixed payments – 50%; STI – 25%; LTI – 25% and for other Senior Executives fixed payments – 60%; STI – 20% and LTI – 20%. (Refer Section 2.7 below).

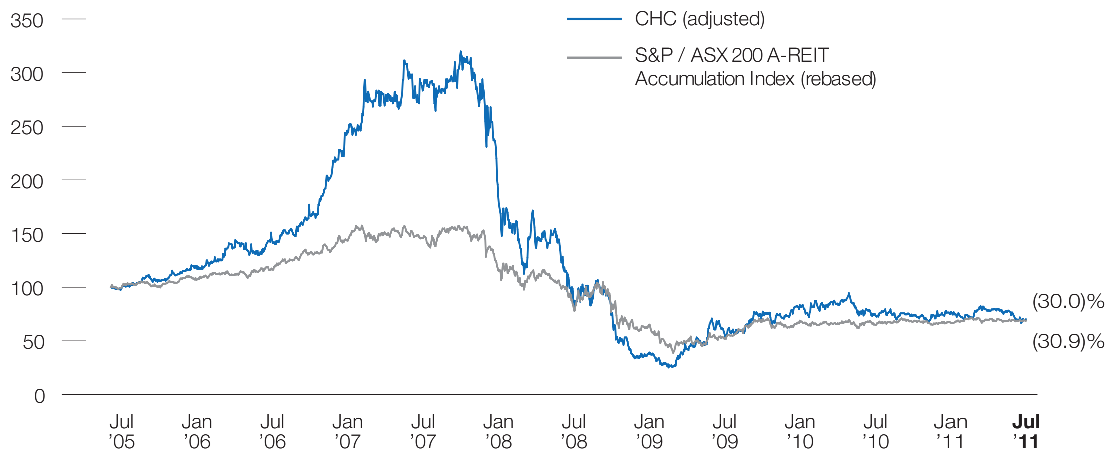


Figure 1: Charter Hall's 6 year (since listing) cumulative Total Securityholder Return performance

The above graph illustrates that overall since listing, CHC performed generally in line with the A-REIT sector. From listing to June 2008, CHC outperformed the market. In FY09 CHC underperformed for most of the year then recovered to perform generally in line with the A-REIT Index.

Since acquisition of the majority of the Macquarie real estate funds management platform in March 2010, Charter Hall initially performed ahead of, and more recently in line with, the A-REIT Index.

Since listing, the overall total securityholder loss is 30%. In the current financial year, total CHC securityholder wealth declined by 3.5%.

The LTI vesting conditions for the Reported Executive provide a clear link to long term total securityholder returns of CHC, thereby aligning their remuneration to securityholder wealth.

There is a direct correlation between the absolute underperformance of CHC and the fact that until 30 June 2011, no LTI benefit had vested for any executive. The table above shows the aggregate LTI expense in respect of the Reported Executives disclosed in the financial statements in the last 5 years was just over $5 million, reflecting the statutory accounting expense calculated in accordance with AASB 2. On 1 July 2011, 704,912 performance rights and 2,520,082 options with an exercise price of $1.94, vested under the PROP scheme of which, 765,445 options from the 2009 LTI award were exercised in July 2011 at $1.94.

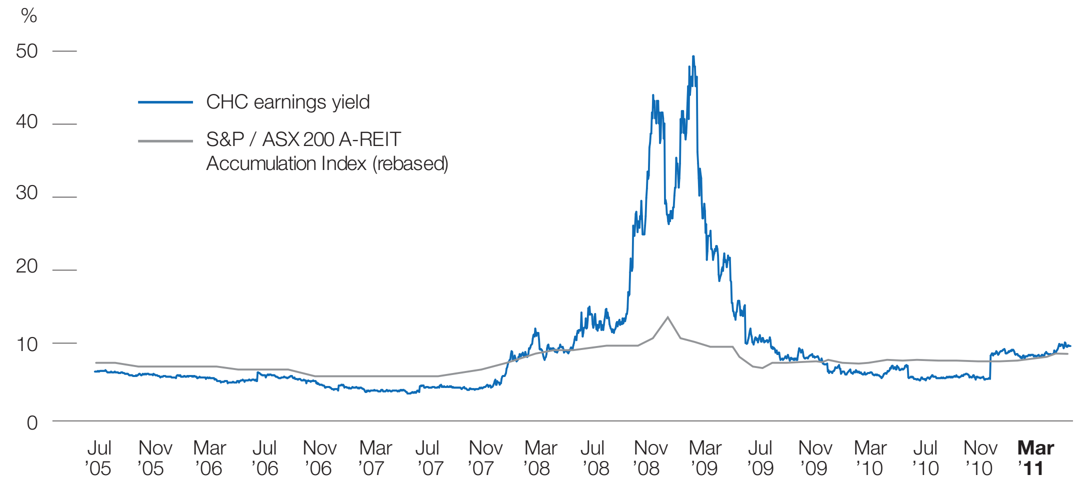


Figure 2: Charter Hall's 5 year earnings yield relative to the S&P/ASX 200 A-REIT Index (rebased)*

* The CHC earnings yield is based on the Operating EPS in each period divided by the security price at the relevant date. The S&P/ASX 200 A-REIT Index Earnings Yield has been calculated by weighting the consensus forecast EPS by the market capitalisation for A-REIT members, divided by price.

Figure 2 graphs the Group's earnings yield history since listing in 2005. Overall since listing, CHC distributions have generally been in line with the A REIT sector apart from the strong outperformance in FY09.

Charter Hall is a dynamic integrated property business which has historically been able to generate an earnings yield in excess of rental yields, on both its NTA and Net Assets per security. The excess is earned from its active property funds management business.

In assessing the total market remuneration of the Reported Executive, the Board benchmarked their remuneration against other relevant entities. As a result, over the past 5 years, the target remuneration expense for these executives has been weighted in the range of 40–50% “at risk” in the form of STI and LTI remuneration. For example, in FY09 when EPS declined 40.3%, the STI expense of these executives was just $105,000.

Financial KPIs represent a high proportion of the performance measures for STI awards, particularly for the Joint Managing Directors. Other Reported Executives have financial criteria linked to the funds or REITs that they manage. Their KPIs also link their divisional profit contribution to overall CHC profitability.

STI vesting conditions link KPIs with profitability and above target profitability in each year together with non-financial KPIs directed towards the overall development of the CHC business. For example, KPIs for some executives include capital raising success within managed funds in any one year, that will contribute to earnings growth in future years. Another measure is operational excellence improving the efficiency and scalability of the business to accommodate growth in future years.

The principles and framework governing the STI are provided in Sections 1.6 and 2.7 below. In summary, the STI pool is established when the targeted EPS is achieved. The pool increases with performance in excess of the target. In FY11, the EPS of 20.6 cents exceeded the target and it was 22.4% up on the previous year.

Whilst Charter Hall’s STI remuneration policy is weighted towards growth in EPS, it is not perfectly correlated with that single measure. In FY11, when the Charter Hall earnings yield improved from below to above the relative S&P/ASX 200 A-REIT Index, the aggregated STI for the Reported Executives totalling $1.64 million (26.3% of their aggregated fixed payments), was in line with the 5 year Group average of 27.1%.

The STI principle introduced in FY11 for the JMDs, that 50% of their STI awards be deferred, is designed to further align remuneration with long term securityholder interests as well as provide an effective retention incentive.

1.3. Review of remuneration strategy

Since our last report, we have met with institutional investors and with their proxy advisors to understand their views on remuneration strategy. We have also referenced the increasing external focus on executive remuneration and the changing legislative environment. This has resulted in some important changes this year, with further changes to be phased in over the next two years.

During the year, Charter Hall undertook a comprehensive review of the Group’s remuneration strategy. Other elements considered in this review, which also influenced Charter Hall’s FY11 remuneration structure and outcomes, were:

- FY11 was the first full year following the Macquarie platform acquisition that resulted in changes to management roles, reflecting the substantial increase in scale of Charter Hall’s business; and
- Organisational and individual performance.

Going forward, Charter Hall will continue to regularly review its remuneration policies to ensure that its policies remain appropriate and enable the Group to attract, motivate and retain the services of highly qualified employees and executives necessary for the Group to be able to achieve its strategic objectives and maximise securityholder value.

1.4. Significant changes in remuneration

As a result of this review of the Group’s remuneration strategy, Charter Hall Group:

- Introduced deferral into the Joint Managing Directors’ FY11 STI;
- Will be deferring 50% of the FY12 STI for a number of other executive team members;
- Has reduced the levels of employee participation in the LTI plan;
- Replaced options with performance rights for LTI participants in FY12;
- Will be further extending the vesting period for any LTI awards made after 30 June 2011 to three years; and
- Effective from 1 July 2012, will move away from the current 50:50 “Absolute” and “Relative” securityholder return vesting measures to relative securityholder return and the Board will likely consider a cumulative operating eps growth target.

Recognising the need to reach agreement with senior executives, these changes needed to be introduced progressively. They are designed to improve the link between Group’s performance and remuneration outcomes, whilst meeting the key objective of aligning compensation with securityholders’ interests.

1.5. Fixed remuneration

The FY11 Fixed Remuneration increases for the Joint Managing Directors recognise the substantial increase in the scale of the Charter Hall Group operations, described in Section 1.2 above. For FY12 there is no increase in the either of the JMD’s Fixed Remuneration, which remains at $1.05 million each.

Fixed remuneration increases in FY11 for other executives were mostly modest, recognising that their responsibilities did not change. Many employees joined the Group from Macquarie, with their remuneration having been agreed for a period of 15 months from March 2010.

1.6. STI

STI has been aligned with securityholder interests by linking the size of the STI pool to the achievement of a targeted EPS. The size of the pool increases as performance exceeds the target.

This year the Board ensured that any STI entitlement for the JMDs was aligned to longer term securityholder interests by introducing a 12 month deferral (with a service condition) of half of their STI, to be taken in the form of Charter Hall securities instead of cash, subject to the approval of securityholders. Also, effective in FY11, the JMD’s maximum STI was halved as a proportion of Fixed Remuneration from 100% to 50%.

Charter Hall’s operating EPS in FY11 of 20.6 cents exceeded the target and it was 22.4% up on the previous year. However this year, the JMDs have each been awarded an STI of 25% of the value of their fixed remuneration ($262,500), of which $131,250 is deferred in CHC securities with a 12 month service condition, subject to the approval of securityholders, otherwise the deferred component would be payable in cash.

This compares with the $1 million STI cash payment to each of the JMDs in respect of last year that was linked to the transformational acquisition of the Macquarie Group Limited core real estate platform. This acquisition generated significant returns for securityholders in FY11 as evidenced by the 22.4% increase in operating EPS.

From 1 July 2012, a similar deferral of 50% of any STI awarded will apply to most senior executives.

1.7. JMD loans

In June 2011 a three year extension was granted, on arms length terms, for loans of $2.5 million to each of the JMDs granted at the time of the Charter Hall Group IPO in 2005. The benefit from these loans is included in Table 6.2 of this report and circumstances surrounding these loans are described in Section 2.10 of this report and in Note 30 in the Financial Statements.

2. Executive remuneration policy

Charter Hall's remuneration policy takes into account corporate performance and objectives, stakeholder interests and the regulatory environment.

2.1. Regulatory environment

The impact of government and regulatory change following the Global Financial Crisis has been reflected in changes to remuneration strategy and practice. This is evidenced by:

- Improving the balance between risk and return, including:
  - An increase in the deferred proportion of "at risk" remuneration, cascading down through the organisation, thereby increasing alignment to securityholder interests and retaining key employees;
  - Introducing the use of equity as the instrument for deferral of performance-based and service based STI remuneration;
  - Eliminating the use of options; and
  - From FY13 onwards, changing the 50:50 LTI "Absolute" and "Relative" securityholder return vesting measures to relative securityholder return and the Board will likely consider a cumulative operating eps growth target.
- Elimination of conflicts of interest and allowing greater securityholder scrutiny around governance, by:
  - Adopting strict protocols for engagement of remuneration consultants and advisers; and
  - Limiting the amount of executive termination benefits payable without obtaining securityholder approval.

2.2. Impact of our business model

Charter Hall Group has over $10.7 billion in assets under management (AUM) managed on behalf of institutional, wholesale and retail clients. The Group co-invests in the majority of its managed funds while leveraging off its in-house property management skills that generate a higher return than pure rental income. This allows Charter Hall investors to benefit from both the returns on the Group's co-invested capital and from the fee streams generated from its managed funds platform.

The Group requires active funds management, asset management and capital management capabilities to maximise its return on equity. Compared to the Australian A-REIT industry which mostly comprises core real estate trust funds, Charter Hall's managed funds cover all key property asset classes (retail, office and industrial) and the risk/return spectrum including:

Opportunistic – Charter Hall manages a series of opportunistic funds with the objective of the development of assets generating a return on equity of greater than 20% per annum. These funds require an experienced team of property fund management and development executives to generate high returns for securityholders.

Wholesale Investment – Core and Core Active – Charter Hall's Core Plus Office Fund and Core Plus Industrial Fund are focused on generating an enhanced total return over the long term for investors of greater than 12% and 11% respectively (average annual return on equity). The assets held in the funds tend to require some form of enhancement (re-development, refurbishment or repositioning) to generate a higher return thereby requiring a focused team of fund management, asset management and development executives.

Listed – Listed funds by their nature are generally more volatile, demanding additional management attention. This, combined with some inherited issues, has meant significant management attention was required during FY11. Under Charter Hall's management, both Charter Hall Retail REIT (CQR) and Charter Hall Office REIT (CQO) have made good progress in reweighting their portfolios to Australia and undertaken capital management initiatives. Additionally, Charter Hall successfully addressed the issues associated with activist hedge funds in CQO which required significant senior management, fund management, asset management, capital transaction, finance and legal resources.

The majority of Charter Hall's 264 employees are devoted to managing assets that are owned by Charter Hall's clients via their investments in Charter Hall managed funds. As such, any assessment of Charter Hall's total costs, as a percentage of its own balance sheet assets, is not comparable to A-REIT peers where the majority of their assets under management are their balance sheet assets.

A more comparable measure of Charter Hall's total employee benefits and expenses of $57.6 million, as a percentage of assets, is to consider these costs as a percentage (0.54%) of total funds under management ($10.7 billion). The additional income generated from the funds management services that complement the income returns from the Group's balance sheet investments combine to provide an operating earnings yield on Net Tangible Assets superior to most A-REITs.

The scale of the business is measured by the following statistics:

- $943 million of gross rental income was generated and collected in FY11;
- Manages 198 properties leased to over 3,150 tenants;
- The total net lettable floor space is 2.46 million square metres, more than the A and Premium grade office supply of Melbourne CBD;
- Charter Hall has one of the largest office portfolios in Australia with a total value of CBD office buildings equivalent to approximately 5% of the total Premium and A grade office supply within Australian CBD office markets;
- A retail investor base exceeding 50,000 investors many of whom are serviced by more than 5,000 financial planners and advisers; and
- Over 40 institutional wholesale clients comprising many of Australia's largest Superannuation funds, together with several international institutional investors.

2.3. Remuneration philosophy – driving outperformance

The performance of the Charter Hall Group is driven by the quality of the directors and executives it is able to attract and retain.

2.4. Guiding principles

The strategies and conduct of the Group are consistent with the following guiding principles:

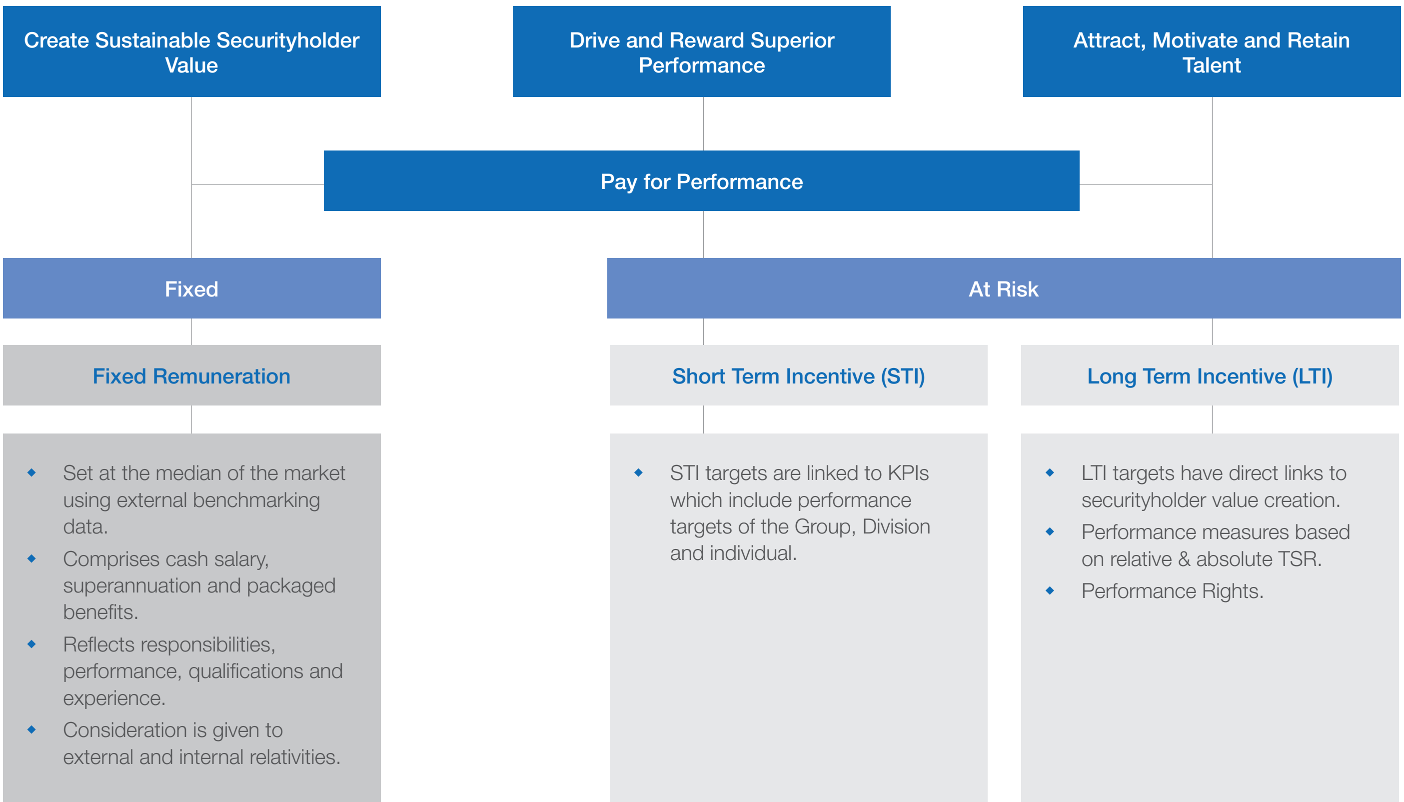
- Drive and reward superior performance (this includes living the values and delivering results);
- Create sustainable securityholder value (by linking a significant portion of the reward to this outcome);
- Be competitive in terms of talent attraction, motivation and retention;
- Be transparent and simple (easy to understand internally and externally); and
- Drive consistency in behaviour.

2.5. Linking remuneration arrangements and guiding principles

Guiding principle	Remuneration Arrangement
Drive and reward superior performance	Remuneration mixes reflect the appropriate mix of fixed vs. at risk components. Fixed Remuneration is reviewed annually in line with market conditions. The size of the STI pool is dependent on the achievement of a target EPS number. The size of the pool is increased when target EPS is exceeded.
Create sustainable securityholder value	LTI Plans are directly aligned with CHC securityholders' interests through performance rights.
Be competitive in terms of talent attraction, motivation and retention	The Board reviews remuneration at least annually to ensure they are both equitable and competitive. Comparator groups include competitors for both capital and talent.
Be transparent and simple	Significant work has been done to ensure that executives and employees understand what they need to achieve to be rewarded for their performance. This includes articulation of the remuneration strategy as well as a robust process for KPI development and assessment.
Drive consistency in behaviour	Remuneration changes are made incrementally over time, to ensure policies and practices that are both competitive and appropriate are able to be incorporated into individual employment contracts.

2.6. Remuneration structure overview

The key aspects of Charter Hall's FY11 remuneration structure for its reported executives are set out below. Changes to this structure for FY12 and FY13 were provided earlier in Section 1.4.



2.7. Remuneration components

The Group remuneration policies are designed to achieve a balance between fixed and at-risk components of remuneration that respond to both the objectives of the Charter Hall Group and the market conditions for each seniority level. The reward mix is determined such that there is an increasing proportion of pay at risk with increasing level of responsibility. The table below represents the target remuneration mix between fixed and variable components (STI and LTI).

The variable STI is a target whilst the LTI is a fixed accounting expense set at the start of each accounting period.

	Fixed Remuneration	STI	LTI
JMDs	50%	25%	25%
Senior Executives	60%	20%	20%

2.8. Benchmarking and peer group comparisons

Charter Hall needs to attract and retain experienced property personnel, in a highly competitive environment.

Benchmarking is quite a challenge, as there are few companies that replicate the integrated nature of Charter Hall. Consistent with last year, the Board has used three comparator groups for both executive remuneration and for non-executive director fee benchmarking.

These comparator groups are our competitors for capital or for talent, as follows:

- Companies of similar market capitalisation to that of the CHC stapled entity, taken as approximately $0.84 billion;
- Companies of similar aggregate ASX listed market capitalisation, being a sum of CHC, CQO and CQR, taken as approximately $3.1 billion; and
- Industry related companies i.e. property groups that manage a similar value of gross assets, diversity of portfolios, number of tenants and active vs. passive nature of the assets. In essence, companies that own $10 billion of assets on balance sheet with similar diversity across sectors, would have similar demands to Charter Hall for their executive talent, without the associated need to service different types and numbers of investors.

2.9. Joint Managing Director remuneration

The components of the JMDs' remuneration packages are substantially the same as the other executives, however there are differences in the quantum, delivery and timing for the JMDs. Their specific arrangements are set out below.

Remuneration component	Detail
Fixed Remuneration	The level of fixed pay for the JMDs was increased from $750,000 to $1,050,000 from 1 July 2010. Their fixed pay has not been increased for FY12. In determining the appropriate level of increase for the JMDs in FY11, the Board recognised: **A. The significant increase in business size** • FUM: AUM had grown from $3.0bn to $10.7bn; • Assets managed: Number of properties managed has grown from 65 to peak at 333; • Number of funds managed: Increased from 13 funds to 19 funds; and • Employees: Increased from 65 to 264 staff. **B. Additional business lines/complexity** • Introduced two additional listed funds into the CHC business, requiring management of three listed entities and a substantial increase in the number of investors and the aggregate listed market capitalisation; • A significantly enhanced retail unlisted management platform/capability; and • Introduction of retail property management capability to CHC. **C. Market information** In determining the appropriate level of increase the Board sought external comparisons from PricewaterhouseCoopers (for all benchmarking) and advice from Godfrey Remuneration Group (for recommendations about the JMDs and the Chief Financial Officer). **D. Unique nature of the JMD roles** A single CEO/MD is the predominant model in the market that makes benchmarking remuneration difficult. CHC chooses to share a number of senior management accountabilities jointly between its JMDs. Adoption of this model reduces the need for CHC to have a Chief Investment Officer, a Chief Operating Officer and/or some other senior executive responsibilities. To establish reasonable pay, from both an executive perspective and that of securityholders, CHC used the following approach: • For Fixed Remuneration, the Board took into account the diversity of skills and experience required in a number of key corporate roles within an integrated property company (including a CEO role). This information was then used to develop a remuneration range for these two roles. • The Board also reviewed STI and LTI design including the formulation of KPIs for the JMDs so as to provide a sound basis for its assessment. **E. Fixed remuneration over the previous years:** The JMDs Fixed Remuneration had remained at the same level for 2 years, FY09 and FY10 at $750,000. In FY09 the JMDs had offered to forfeit any entitlement to an STI. Their offer was accepted.

Remuneration component	Detail
Short Term Incentive	The JMDs have an annual “at target” opportunity to receive 50% of their Fixed Remuneration as an STI. **Trigger** The STI amount is subject to achieving a gateway of greater than 95% of the target EPS for the year. The STI amount for FY11 related to the Group’s achievement of a target EPS of 20.00 cps. This was exceeded by 0.60 cps or 3% outperformance. **KPI achievement** If the EPS condition is reached, individual performance against performance measures then becomes the basis for determining what STI payments are to be made to individuals, if any. Individual performance objectives for the JMDs were based on a number of quantitative and qualitative measures under three main headings, as follows: • Financial measures comprising EPS at each of CHC; CQO & CQR & development investment earnings weighted at 50%; • Integration, risk management, governance and business improvement and people management measures weighted at 20%; and • Additional equity targets and business development measures weighted at 30%. These performance objectives were adopted as they ensure a strong and definite link between executive reward and Group performance. The Board, in consultation with its Remuneration and Human Resources Committee, assesses the performance of the JMDs against the individual performance objectives. The Board also retains the discretion to increase or decrease the STI amount available based on its own assessment of overall performance. **FY11 achievement** The Board determined that the JMDs achieved 50% of their target STI amount being $262,500 or 25% of their Fixed remuneration. This was a substantial reduction from the 133% “stretch” award in FY10 which predominantly reflected securing the Macquarie real estate platform in that year. This acquisition resulted in a significant absolute TSR outperformance by CHC during FY10 of 26.4%. **Deferral of 50% of their FY11 STI** 50% of the STI entitlement for FY11 ($131,250) will be deferred into 12 month service rights. If approved by securityholders, these rights will be converted into CHC securities with vesting on 29 August 2012. The number of rights to be issued will be determined by dividing the $131,250 by the independently valued fair value of CHC securities based on the volume-weighted average price (VWAP) over the 5 working days prior to 29 August 2011, being the day all staff were paid their STI entitlements. If not approved by securityholders, the deferred STI entitlement would vest on 1 July 2012 as a cash payment. If a JMD ceases employment prior to expiry of the relevant 12 month period, the equity rights (or cash pay) would be forfeited.
Long Term Incentive	The LTI allocation for FY11 granted on 1 July 2010 to each JMD was 100% of their target, valued for accounting purposes at $525,000 each. LTI is delivered to the Group’s Executives under the Performance Rights and Options Plan (PROP). On 1 July 2010, PROP participants were granted their FY11 allocation of Performance Rights and Options in equal 50:50 proportions (by their accounting value). From 1 July 2011, only Performance Rights will be granted in respect of FY12 and beyond. The performance hurdles that have been applied for vesting over a three year period from 1 July 2011 in two equal tranches will be: **Absolute TSR** – the percentage that may vest on 1 July 2014 if the TSR since 1 July 2011 is between 10% and 12% per annum as determined on a linear basis starting at 50% vesting at the lower end of the range and 100% vesting at the higher end of the range. **Relative Return** – the percentage that may vest on 1 July 2014 if the total compounded return is between the total compounded return of the S&P/ASX 200 A-REIT Accumulation Index (XPJAI) and 1.10 times the total compounded return of XPJAI, as determined on a linear basis. Vesting will start at 50% at the lower end of the range and 100% will vest at the higher end of the range. Any Performance Rights and Options that fail to vest on 1 July 2013 are forfeited. Each Performance Right that vests entitles the JMDs to one security in the Charter Hall Group and no amount is payable by them upon vesting. Each option that vests entitles the JMDs to one security in the Charter Hall Group upon payment of the exercise price. The Board considered TSR an appropriate performance hurdle because it ensures that a proportion of each participant’s remuneration is linked to securityholder value and it ensures that participants only receive a benefit where there is a corresponding absolute benefit to securityholders. TSR is the most widely used LTI hurdle adopted in Australia. However, effective from 1 July 2012, Charter Hall Group will move away from the current 50:50 “Absolute” and “Relative” securityholder return vesting measures to a combination of relative return and the Board will likely consider a cumulative operating eps growth target.

2.10. Joint Managing Director Loans & Securities

Loans	When Charter Hall Group listed in 2005, the Product Disclosure Statement dated 11 May 2005 disclosed that related parties of the JMDs, David Harrison and David Southon, had entered into loan agreements with Charter Hall Limited. Loans of $2.5 million each were provided to fund the purchase of 2,500,000 (now 625,000 following the one-for-four security consolidation) listed securities in Charter Hall Group. At that time, these loans were made to align the JMDs’ interests with those of the Group and securityholders. Each loan is to a related party of the Joint Managing Directors, namely the Harrison Family Trust and the Southon Family Trust. The loans, which were initially for a three year period, were extended in 2008 for three years to 6 June 2011, under the same terms and conditions. Until 6 June 2011, interest on the loans was equivalent to the Charter Hall Group distribution paid in respect of the securities purchased using the loan proceeds. At the time of the roll-over in June 2008, distributions received on these securities exceeded an arms length interest rate. In FY11 however, the distributions received were below an arms length interest rate by $209,375 on each loan. This has not been charged to each of the borrowers. It is included in Table 6.2 of this report, “Gross remuneration receipts in FY11”. Further detail about these loans is included in Note 30 of the financial statements. On 7 June 2011, the loans were extended on amended terms for a further three year period to 31 July 2014, with repayment, interest, security and LVR conditions that are at arms length terms and conditions, as follows: **Repayment** Minimum repayments of $300,000 each on or before 31 July 2011, $500,000 each on or before 31 July 2012 and 31 July 2013 respectively, with the remaining principal balance due at the end of the term. **Interest** An interest rate of 12.5% p.a. for a loan to value ratio (LVR) greater than 50%, 10.5% p.a. for an LVR less than or equal to 50%, 9% p.a. for an LVR less than or equal to 40%, with interest payable in arrears upon each distribution date of the Charter Hall Group, commencing February 2012. **Additional Security** Security over these loans is by way of a first ranking mortgage over all CHC securities held by the Harrison Family Trust and the Southon Family Trust, with the borrowers having the right to release CHC securities if the LVR is less than 40%. At 30 June 2011, the number of CHC securities held by the Harrison Family Trust was 2,009,521 and the number held by the Southon Family Trust was 2,048,521. **LVR covenant** Loans are not to exceed an LVR of 60% at bi-annual testing dates, with the borrowers obligated to provide either additional security or repay such amount of the loan within 30 days, to ensure compliance with the LVR covenant.
Security received as vendors	The securities purchased using the loans are not reflected in the LTI amounts for the JMDs. These securities were not issued as part of any remuneration arrangements.

2.11. Executive remuneration (excluding the JMDs)

2.11.1. Fixed remuneration

Fixed remuneration is targeted at the median of the market and is reviewed annually, effective 1 July, against equivalent roles in the market taking into account:

- An assessment of individual performance;
- The competitive market environment for each individual’s skills and capabilities;
- Internal relativities; and
- Gender pay equality.

The amount of fixed remuneration is expressed as a total dollar amount, consisting of a cash base salary, statutory superannuation contributions and other nominated benefits (e.g. car parking, novated leases and superannuation contributions). It excludes deemed interest on any entitlement under the executive loan securities plan (ELSP) suspended on 1 July 2009 (see Table 6.9) and long service leave accruals (if applicable).

2.11.2. Variable remuneration

Short term incentives

Details of the FY11 STI payments for the Reported Executives are provided in the tables in the section below:

	Detail
Purpose	The STI is designed to reward executives subject to: ◆ Performance of the Group overall against pre-determined targets; ◆ The individual's contribution to the Group's performance; and ◆ The individual's achievement of performance targets measured during the performance review process.
Determining STI pools	The size of the overall pool is determined by the Board, in consultation with the Remuneration and Human Resources Committee, based on achieving a targeted EPS of 20.00 cents for FY11. The pool is then distributed between the Divisions based on relative performance against a number of measures.
Performance targets	STI payments for FY11 related to the Group achievement of a target EPS of 20.00 cents. This was exceeded by 0.60 cps. The STI measures were set to ensure appropriate focus on achievement of Group, divisional and individual performance targets that are aligned with Charter Hall's overall strategy. Individual performance objectives for Executives (other than the JMDs), were based on a number of quantitative and qualitative measures including: ◆ Financial measures such as EPS, closing unit price gap to NTA and development fund returns; ◆ Business development measures such as equity raisings and new product launches; and ◆ People management measures including structural change objectives, integration and leadership. The performance of the relevant executives against these objectives was reviewed at the end of the year by the Remuneration and Human Resources Committee and approved by the Board. The Board also retains a discretion to increase or decrease the overall STI pool available, based on its assessment of overall performance.
Determining individual incentive targets	Each Executive has a target STI percentage which is determined according to market relativities and remuneration mix.
Rewarding performance	The STI targets that have been set are designed to motivate and reward superior performance. The size of the actual STI payment made after the end of each financial year will be based on performance as detailed above. Within the overall incentive pool approved by the Board, Executives who out-perform relative to their peers and significantly exceed targets may be rewarded with an STI award that might be above their target STI. Conversely, the poorest performers relative to their peers, may not receive any STI award.

Long term incentives

	Detail
Purpose	The LTI is designed to be a reward where there is sustainable growth in the value of the business over time. It aligns key employee remuneration with securityholder interests and assist with the retention of Senior Executives.
Type of equity awarded	LTI participants are covered by the Performance Rights and Options Plan (PROP). Each Performance Right that vests entitles the JMDs to one security in the Charter Hall Group and no amount is payable by them upon vesting. Each option that vests entitles the JMDs to one security in the Charter Hall Group upon payment of the exercise price. In order to limit the number of participants in the LTI plan, a one off allocation of 316,377 service rights was made to a number of employees to transition them out of the scheme. These were employees who had previously participated in the plan, but who do not contribute to Group Strategy. 50% of this allocation of service rights vest on 1 July 2012 and the balance on 1 July 2013.
Performance hurdles (equally weighted)	Same as Section 2.9 above.
Vesting schedule	Same as section 2.9 above.
Time restrictions	Up to 5 years from date of issues to exercise Options, providing vesting has previously occurred.

	Detail
Overall size limitation	The aggregate number of offers that can be made under the PROP and the discontinued ELSP schemes, excluding those issued to Executive Directors, is limited to 10% of issued stapled securities of the Group. At 30 June 2011, LTI schemes accounted for 4.9% of the issued securities (note 27 in the financial statements) made up of: • 3,873,383 performance rights; • 10,395,883 options; • 316,377 service rights; and • 12,585,899 securities in the ELSP. These include securityholder approved issues of securities to Executive Directors.
LTI vesting in FY12	On 1 July 2011, 704,912 performance rights and 2,520,082 options with an exercise price of $1.94, vested under the PROP scheme of which 765,445 options from the 2009 LTI award were exercised in July 2011 at $1.94.
Cessation of employment provisions	The following provisions apply in the case of cessation of employment: • In case of dismissal for misconduct, all Rights and Options are forfeited; • In case of resignation, all unvested Rights and Options are forfeited at the time notice is given; • In case of termination on notice, unless the Board determines otherwise, only Rights and Options that are vested may be exercised and all unvested Rights and Options are forfeited; and • In case of death or total and permanent disablement, any performance hurdle is waived and a grace period is provided in which to exercise all Rights and Options.
Conditions of grant	The service and performance conditions under which any Rights and Options are granted require approval by the Board in accordance with the rules of the PROP.
Why were the performance conditions chosen	Charter Hall's approach to linking individual executive performance and Group performance to the vesting of equity rights is standard market practice. The conditions are aimed at linking the retention and performance of the executives directly to rewards, but only where securityholder returns are evident. The focus on employee-held equity is also part of a deliberate policy to strengthen engagement and direct personal interest to the provision of returns for securityholders. As noted in Section 2.9, the Board considered TSR an appropriate performance hurdle, however, effective from 1 July 2012, Charter Hall Group will move away from the 50:50 "Absolute" and "Relative" securityholder return vesting measures, to a combination of relative return and the Board will likely consider a cumulative operating eps growth target.
Hedging and margin lending prohibitions	Prohibited for unvested securities. Up to 30 June 2011 Directors and employees were permitted to buy a derivative position for vested securities. From 1 July 2011 hedging is not permitted at all.

2.11.3. Legacy LTI programs

The LTI is currently provided by participation in the PROP. Some personnel still also have an interest in the ELSP that was suspended from 1 July 2009.

Participants in the 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 12.6 million ELSP securities remain in the plan, no further issues are proposed.

Of the 12.6 million ELSP securities on issue, 11.8 million will be forfeited by 30 September 2011. ELSP securities are forfeited by participants when either the vesting conditions are not met or the related loans have matured. It is therefore intended that this plan be wound down, as 94% of the securities have been forfeited and of the 0.8 million active (un-forfeited) securities within the ELSP, where the vesting conditions have been met, the exercise prices range from $10.90 to $11.76 compared to the CHC security price at 30 June of $2.15. The loans attached to these 0.8 million securities mature in July 2012.

In principle approval has been received from ASIC which will allow, subject to securityholder approval at the November AGM, cancellation of ELSP securities by way of an off-market selective buyback. The consideration for the proposed buyback will be the limited recourse loans receivable to CHL from the ELSP Trustee.

Under AASB 2 Security-Based Payments the ELSP securities, and any associated loans whilst being legally issued, are not recognised for accounting purposes or in any calculation of EPS, distributions per security and NTA per security.

3. Executive remuneration framework changes for FY12 and FY13

Further to the comments in Section 1.4, the following changes are being implemented for FY12 and FY13.

Remuneration Component	Current	FY12
STI	Currently KPIs are predominantly financial.	Balanced Scorecard Approach with the following categories: • Strategy; • Finance; • Stakeholder; • Operational excellence; and • People.
	Size of Bonus Pool is determined by Group performance.	Separate plans for the JMDs and for Executives. JMDs continue to have a gateway of greater than 95% of target EPS. Individual executive STI amount has a stronger link to group financial outcomes.
	Paid in cash effective 1 July, (noting that for the JMDs it is intended that 50% of their STI entitlement for FY11 will be deferred into 12 month service rights, which will convert into CHC securities – see section 2.9 above)	Deferral of 50% of the STI amount. Two phase implementation: • Phase 1 (FY12) : Vesting of 50% at 12 months into service rights or cash; and • Phase 2 (FY13 and beyond): Staggered vesting into service rights of 25% after year 1 and 25% after year 2.
LTI	Participant population is currently widely dispersed.	Participant population to include roles that effect long term performance and strategic outcomes i.e. JMDs, Executive Team and Key Investment Managers only.
	Split at two and three years.	Full vesting at three years.
	50% Options; and 50% Performance Rights.	100% Performance Rights.
	50% Absolute TSR. 50% Relative TSR.	From 1 July 2012: Relative TSR; and The Board is considering a cumulative operating eps growth target.

4. Key management personnel (KMP)

This report details the remuneration of the directors (executive and non-executive) and those persons who have authority and responsibility for planning, directing and controlling the activities of the consolidated entity, either directly or indirectly as well as the five most highly paid executives for FY11.

KMP (including the five most highly paid executives for FY11) are listed in the tables below. The executives included in the table below are considered to be members of the KMP because they are members of the Senior Executive Team which is responsible for the Group's strategy and its operations.

Name	Role
Non-Executive Directors	
Anne Brennan	Director (appointed 6 October 2010)
Glenn Fraser	Director (appointed 6 April 2005)
Peter Kahan	Director (appointed 1 October 2009)
Colin McGowan	Director (appointed 6 April 2005)
Kerry Roxburgh	Chairman (appointed 12 April 2005)
Roy Woodhouse	Director (Deputy Chairman appointed 6 April 2005)
Patrice Derrington	Director (resigned 10 November 2010)
Executive Directors	
David Harrison	Joint Managing Director
David Southon	Joint Managing Director
Cedric Fuchs	Executive Director
Executives	
Jelte Bakker*	Chief Financial Officer
Andrew Glass	Head of Wholesale Investment Funds Management
Nick Kelly	Head of Investor Relations
Steven Sewell	CEO, Charter Hall Retail REIT
Richard Stacker	CEO, Charter Hall Direct Property
Adrian Taylor	CEO Charter Hall Office REIT
Michael Winnem	Head of Wholesale Opportunistic Funds Management

* Jelte Bakker ceased to be a KMP as at 30 June 2011 and he left the Group on 31 July 2011.

5. Governance

5.1. Role of the Remuneration and Human Resources Committee

The role of the Remuneration and Human Resources Committee is:

- To review, advise and formulate recommendations to the Board in relation to matters within its Charter;
- To refer these to the Board for determination; and
- To monitor implementation by management of the Board's decisions on remuneration and related matters.

5.2. Duties and responsibilities

The Committee's Charter was reviewed in November 2010 with key changes incorporated providing further clarity about the Committee's purpose and responsibilities.

The duties and responsibilities are set out in the Remuneration and Human Resources Committee Charter which is available on the Company's website at www.charterhall.com.au.

The key duties and responsibilities of the Committee are to assist the Board in the discharge of its responsibilities for oversight and approval of the human resources and remuneration policies and practices of the Group. The Committee does this by considering and making recommendations to the Board to ensure that:

- The Group implements an appropriate Human Resources strategy to enable it to deliver on its business strategy;
- The remuneration policies and practices are in line with strategic goals and enable the Group to attract and retain high calibre executives and Directors who will create value for securityholders;
- Directors and executives are fairly and responsibly remunerated having regard to the performance of the Group, the performance of the executives and the general remuneration environment;
- The Group has effective policies and procedures to attract, motivate and retain talented individuals to meet its needs; and
- HR policies and practices are designed to align with the Group's vision, values and overall objectives as well as comply with the relevant legislation, reflect current governance and mitigate against operational, financial and reputation risk.

5.3. Composition

The Committee is appointed by the Board and comprises three Non-Executive Directors:

- Anne Brennan (appointed as Chair of the Committee on 24 March 2011);
- Roy Woodhouse;
- Colin McGowan; and
- Kerry Roxburgh (who resigned as Chair and a member of the Committee on 24 March 2011).

The Joint Managing Directors and the Head of People attend Committee meetings by invitation. Specialist external consultants attend as required. A minimum of two Committee members are required for a quorum. The member's attendance is set out at page 14.

5.4. Use of external advisors and remuneration consultants

Where necessary, the Board seeks advice from independent experts and advisors including remuneration consultants. Remuneration consultants are used to ensure that remuneration packages are appropriately structured and are consistent with comparable roles in the market. Other external advisors (including legal practitioners) assist with administration of the Group's performance remuneration plans and ensuring that the appropriate legal parameters are understood and employment contracts are appropriately executed.

Remuneration consultants are engaged by and report directly to the Remuneration and Human Resources Committee. When remuneration consultants are engaged, the Committee ensures that the appropriate level of independence exists from the Company's management that is required depending upon the particular assignment. As required by the Act, where the consultant's engagement requires a recommendation, the recommendation is provided to, and discussed directly with the Chairman of the Remuneration and Human Resources Committee to ensure management cannot unduly influence the outcome.

During the period, the following external advisors provided advice to the Committee – Ernst and Young, PricewaterhouseCoopers, Godfrey Remuneration Group, Alceon, Allens Arthur Robinson and Freehills.

Of these advisors, only Godfrey's provided the Company with a 'remuneration recommendation' in relation to the quantum or elements of the remuneration packages of the JMDs and the former CFO and is therefore deemed to be a 'remuneration consultant' under recent amendments to the Act.

5.5. Decision making

The advice and recommendations of external advisors are used as a guide, but do not serve as a substitute for thorough consideration of the issues by the Directors. All decisions relating to remuneration strategy and approach are made independently by the Board with careful regard to the Remuneration and Human Resources Committee's recommendations, Charter Hall's position, strategic objectives and current requirements.

6. Remuneration of Executives

Details of the FY11 remuneration of KMP (including executive directors) are provided in the following tables.

Table 6.1: Reported Executives of the Group and Company (statutory accounting)

2011	Short-term benefits		Post-employment benefits	Share-based payment	Other		
	Salary and fees	Short-term incentive	Super-annuation	Securities, options and performance rights	Annual Leave & Long service leave	Total	% of Total Remuneration consisting of options/rights
Name	$	$	$	$	$	$	
Executive directors							
C Fuchs	384,801	86,425	49,999	109,944	18,206	649,375	17%
D Harrison *	1,034,801	262,500	15,199	412,387	26,017	1,750,904	24%
D Southon *	1,034,801	262,500	15,199	412,387	(31,247)	1,693,640	24%
Other key management personnel							
J Bakker **	634,801	158,700	15,199	262,909	(5,000)	1,066,609	25%
A Glass	509,801	126,000	15,199	146,663	(4,039)	793,625	18%
N Kelly	434,801	90,000	25,000	120,699	12,116	682,615	18%
S Sewell	584,801	220,000	18,999	108,124	(10,776)	921,148	12%
R Stacker	384,801	150,000	27,886	64,906	(6,497)	621,096	10%
A Taylor	584,801	220,000	15,199	108,124	6,532	934,656	12%
M Winnem	434,801	64,819	15,199	120,699	(18,463)	617,055	20%
Totals	6,023,010	1,640,944	213,079	1,866,842	(13,151)	9,730,725	

* For FY11 the JMDs STI is split into 50% cash and 50% rights. The rights are into CHC securities vesting in 12 months.

** Jelte Bakker left group on 31 July 2011 and received a severance payment of $366,254.

Table 6.2: Reported Executives of the Group and Company (gross remuneration receipts in FY11)

2011	Short-term benefits		Post-employment benefits	Share-based payment	Other	Interest		
	Salary and fees	Short-term incentive	Super-annuation	Securities, options and performance rights	Annual Leave & Long service leave	Interest benefit on JMD Loans	Total	% of Total Remuneration consisting of options/rights
Name	$	$	$	$	$	$	$	
Executive directors								
C Fuchs	384,801	150,000	49,999	–	–	–	584,800	0%
D Harrison	1,034,801	1,000,000	15,199	–	–	209,375	2,259,375	0%
D Southon	1,034,801	1,000,000	15,199	–	–	209,375	2,259,375	0%
Other key management personnel								
J Bakker	634,801	650,000	15,199	–	–	–	1,300,000	0%
A Glass	509,801	70,000	15,199	–	–	–	595,000	0%
N Kelly	434,801	100,000	25,000	–	–	–	559,801	0%
S Sewell	584,801	67,000	18,999	–	–	–	670,800	0%
R Stacker	384,801	40,100	27,886	–	–	–	452,787	0%
A Taylor	584,801	67,000	15,199	–	–	–	667,000	0%
M Winnem	434,801	50,000	15,199	–	–	–	500,000	0%
Totals	6,023,010	3,194,100	213,079	–	–	418,750	9,848,939	

* Refer 2.10 – Joint Managing Director Loans. In FY11, interest on JMD loans was considered by the Board to be less than an arms length rate. As noted in 2.10, the interest rate on the JMD loans has been renegotiated on arms length terms with effect from 1 July 2011.

Other than the interest on the JMD loan referred to above, the key difference between the statutory accounting table (Table 6.1) and the gross remuneration receipts table (Table 6.2) is that the FY10 STI was paid in FY11, and no LTI has vested during the year.

Table 6.3: Reported Executives of the Group and Company 2010 (statutory accounting)

2010	Short-term benefits		Post-employment benefits	Share-based payment	Long-term benefits		
	Salary and fees	Short-term incentive	Super-annuation	Securities, options and performance rights	Long service leave	Total	% of Total Remuneration consisting of options/rights
Name	$	$	$	$	$	$	
Executive directors							
C Fuchs	300,000	150,000	50,000	47,087	–	547,087	9%
D Harrison	735,539	1,000,000	14,461	251,720	–	2,001,720	13%
D Southon	735,539	1,000,000	14,461	251,492	–	2,001,492	13%
Other key management personnel							
J Bakker	410,539	650,000	14,461	82,385	–	1,157,385	7%
A Glass	486,255	70,000	14,461	41,577	–	612,293	7%
N Kelly	360,171	100,000	25,000	55,623	–	540,794	10%
S Sewell	163,645	67,000	5,143	3,372	–	239,160	1%
R Stacker	102,233	40,100	4,569	2,024	–	148,926	1%
A Taylor	163,645	67,000	5,143	3,372	–	239,160	1%
M Winnem	371,403	50,000	14,461	55,463	14,136	505,463	11%
Totals	3,828,969	3,194,100	162,160	794,115	14,136	7,993,480	

Table 6.4: Reported Executives STI outcomes 2011 (statutory accounting)

2011				Target STI % of Fixed Pay	% STI earned of Target	% STI not earned
Name	**$**	**$**	**$**	**%**	**%**	**%**
Executive directors						
C Fuchs	86,425	86,425	–	50%	40%	60%
D Harrison	262,500	131,250	131,250	50%	50%	50%
D Southon	262,500	131,250	131,250	50%	50%	50%
Other key management personnel						
J Bakker	158,700	158,700	–	33%	74%	26%
A Glass	126,000	126,000	–	33%	73%	27%
N Kelly	90,000	90,000	–	33%	59%	41%
S Sewell	220,000	220,000	–	33%	110%	0%
R Stacker	150,000	150,000	–	33%	110%	0%
A Taylor	220,000	220,000	–	33%	111%	0%
M Winnem	64,819	64,819	–	33%	44%	56%
Totals	**1,640,944**	**1,378,444**	**262,500**			

Notes:

1 A minimum level of performance must be achieved before any STI is awarded (refer section 3 for discussion on the basis for determination of STI amounts). Therefore, the minimum potential value of the STI is nil. The maximum potential value of grants under the STI is the actual amount of STI paid. The STI cash components were paid on 29 August 2011.

2 D Harrison and D Southon will receive 50% of their 2011 STI in the form of Deferred Securities (refer section 2.9 – Short Term Incentives – Deferral above). The issue of these Deferred Securities is subject to receipt of Securityholder approval at the 2011 AGM. Each will receive Deferred Securities to the value disclosed in the table above. Further information is set out in the Notice of Meeting for the 2011 AGM.

The STI pool for the Reported Executives in FY11 was $2,033,200 of which $1,640,944 was allocated to them, as noted in Table 6.4 above.

Table 6.5: Performance rights and options issued under the PROP

Performance Rights

Year of issue	Securities	Exercise price	Vesting conditions
FY09	407,242	Nil	OEPS must increase by 5% in each year from FY08 or have achieved 5% compound annual growth on FY08
FY10	2,137,408	Nil	Absolute and relative performance criteria described above
FY11	1,328,733	Nil	Absolute and relative performance criteria described above
Total performance rights issued	**3,873,383**		

Options

Year of issue	Securities	Exercise price	Vesting conditions
FY10	5,585,114	$1.94	Absolute and relative performance criteria described above
FY10	1,611,656	$2.80	Absolute and relative performance criteria described above
FY11	3,199,113	$2.44	Absolute and relative performance criteria described above
FY11	123,397	$2.35	Absolute and relative performance criteria described above
Total options issued	**10,395,883**		

Service Rights

Year of issue	Securities	Exercise price	Vesting conditions
FY11	316,377	Nil	Service conditions
Total service rights issued	**316,377**		

The Black-Scholes or Monte Carlo method, as applicable, is utilised for valuation and accounting purposes. The model inputs for the PROP performance rights and options plan issued during FY09, FY10 and FY11 and to assess the fair value are as follows:

Valuation model inputs

Grant date	7/8/08	10/10/08	19/11/08	22/12/08	13/11/09	18/6/10	6/9/10	11/11/10
Security price at grant date	$3.46	$2.64	$1.64	$1.20	$2.40	$2.80	$2.44	$2.44
Loan value per security	$4.16	$4.16	$4.16	$4.16	$1.94	$2.80	$2.44	$2.44
Expiry of loan	6/8/13	9/8/13	18/11/13	21/12/13	1/7/14	18/6/15	6/9/15	6/9/15
Expected price volatility	23.68%	22.75%	58.06%	59.49%	40%	40%	40%	40%
Risk-free interest rate	5.85%	4.28%	3.72%	3.19%	5.5%	5.5%	5.5%	5.5%

Table 6.6: Operating earnings per security (OEPS) since the inception of the Group

	FY06 (cps)	FY07 (cps)	FY08 (cps)	FY09 (cps)	FY10 (cps)	FY11 (cps)
OEPS	25.88	38.04	50.96	30.44	16.83	20.60
OEPS growth on previous year	N/A	47%	34%	(40%)	(44.7%)	22.4%

Table 6.7: Reported Executives security based payment analysis – PROP

June 2011	Type of Equity	Rights granted during the year	Rights held at 30 June 2011	Grant Date[1]	Fair value per right at grant date	Option exercise price	Vested during the year	Vesting Date	Option Expiry Date	Maximum total value of grant yet to vest ($)[2]
Executive Directors										
C Fuchs	LTI Performance Rights	–	12,621	22–Dec–08	$0.99	–	–	30–Sep–11	–	–
	LTI Performance Rights	–	21,876	13–Nov–09	$1.70	–	–	01–Jul–11	–	–
	LTI Performance Rights	–	21,876	13–Nov–09	$1.58	–	–	01–Jul–12	–	7,802
	LTI Performance Rights	30,770	30,770	19–Nov–10	$2.13	–	–	01–Jul–12	–	26,093
	LTI Performance Rights	30,770	30,770	19–Nov–10	$1.98	–	–	01–Jul–13	–	30,092
	LTI Options	–	78,204	13–Nov–09	$0.41	$1.94	–	01–Jul–11	13–Nov–14	–
	LTI Options	–	78,204	13–Nov–09	$0.41	$1.94	–	01–Jul–12	13–Nov–14	11,736
	LTI Options	76,924	76,924	11–Nov–10	$0.54	$2.44	–	01–Jul–12	06–Sep–15	19,639
	LTI Options	76,924	76,924	11–Nov–10	$0.54	$2.44	–	01–Jul–13	06–Sep–15	26,149
D Harrison	LTI Performance Rights	–	100,962	22–Dec–08	$0.99	–	–	30–Sep–11	–	–
	LTI Performance Rights	–	93,750	13–Nov–09	$1.70	–	–	01–Jul–11	–	–
	LTI Performance Rights	–	93,750	13–Nov–09	$1.58	–	–	01–Jul–12	–	33,433
	LTI Performance Rights	100,962	100,962	19–Nov–10	$2.13	–	–	01–Jul–12	–	85,615
	LTI Performance Rights	100,962	100,962	19–Nov–10	$1.98	–	–	01–Jul–13	–	98,737
	LTI Options	–	335,157	13–Nov–09	$0.41	$1.94	–	01–Jul–11	13–Nov–14	–
	LTI Options	–	335,157	13–Nov–09	$0.41	$1.94	–	01–Jul–12	13–Nov–14	50,296
	LTI Options	252,404	252,404	11–Nov–10	$0.54	$2.44	–	01–Jul–12	06–Sep–15	64,438
	LTI Options	252,404	252,404	11–Nov–10	$0.54	$2.44	–	01–Jul–13	06–Sep–15	85,800

June 2011	Type of Equity	Rights granted during the year	Rights held at 30 June 2011	Grant Date[1]	Fair value per right at grant date	Option exercise price	Vested during the year	Vesting Date	Option Expiry Date	Maximum total value of grant yet to vest ($)[2]
D Southon	LTI Performance Rights	–	100,962	22–Dec–08	$0.99	–	–	30–Sep–11	–	–
	LTI Performance Rights	–	93,750	13–Nov–09	$1.70	–	–	01–Jul–11	–	–
	LTI Performance Rights	–	93,750	13–Nov–09	$1.58	–	–	01–Jul–12	–	33,433
	LTI Performance Rights	100,962	100,962	19–Nov–10	$2.13	–	–	01–Jul–12	–	85,615
	LTI Performance Rights	100,962	100,962	19–Nov–10	$1.98	–	–	01–Jul–13	–	98,737
	LTI Options	–	335,157	13–Nov–09	$0.41	$1.94	–	01–Jul–11	13–Nov–14	–
	LTI Options	–	335,157	13–Nov–09	$0.41	$1.94	–	01–Jul–12	13–Nov–14	50,296
	LTI Options	252,404	252,404	11–Nov–10	$0.54	$2.44	–	01–Jul–12	06–Sep–15	64,438
	LTI Options	252,404	252,404	11–Nov–10	$0.54	$2.44	–	01–Jul–13	06–Sep–15	85,800
Key management personnel										
J Bakker	LTI Performance Rights	–	12,621	22–Dec–08	$0.99	–	–	30–Sep–11	–	–
	LTI Performance Rights	–	50,000	13–Nov–09	$1.70	–	–	01–Jul–11	–	–
	LTI Performance Rights	–	50,000	13–Nov–09	$1.58	–	–	01–Jul–12	–	17,831
	LTI Performance Rights	62,500	62,500	06–Sep–10	$2.43	–	–	01–Jul–12	–	42,285
	LTI Performance Rights	62,500	62,500	06–Sep–10	$2.24	–	–	01–Jul–13	–	52,425
	LTI Options	–	178,750	04–Nov–09	$0.41	$1.94	–	01–Jul–11	13–Nov–14	–
	LTI Options	–	178,750	04–Nov–09	$0.41	$1.94	–	01–Jul–12	13–Nov–14	26,891
	LTI Options	156,250	156,250	06–Sep–10	$0.54	$2.44	–	01–Jul–12	06–Sep–15	39,965
	LTI Options	156,250	156,250	06–Sep–10	$0.54	$2.44	–	01–Jul–13	06–Sep–15	53,213
A Glass	LTI Performance Rights	–	37,500	13–Nov–09	$1.70	–	–	01–Jul–11	–	–
	LTI Performance Rights	–	37,500	13–Nov–09	$1.58	–	–	01–Jul–12	–	13,373
	LTI Performance Rights	25,242	25,242	06–Sep–10	$2.43	–	–	01–Jul–12	–	17,078
	LTI Performance Rights	25,241	25,241	06–Sep–10	$2.24	–	–	01–Jul–13	–	21,172
	LTI Options	–	134,064	04–Nov–09	$0.41	$1.94	–	01–Jul–11	13–Nov–14	–
	LTI Options	–	134,064	04–Nov–09	$0.41	$1.94	–	01–Jul–12	13–Nov–14	20,168
	LTI Options	63,102	63,102	06–Sep–10	$0.54	$2.44	–	01–Jul–12	06–Sep–15	16,140
	LTI Options	63,102	63,102	06–Sep–10	$0.54	$2.44	–	01–Jul–13	06–Sep–15	21,490
N Kelly	LTI Performance Rights	–	12,621	22–Dec–08	$0.99	–	–	30–Sep–11	–	–
	LTI Performance Rights	–	30,000	13–Nov–09	$1.70	–	–	01–Jul–11	–	–
	LTI Performance Rights	–	30,000	13–Nov–09	$1.58	–	–	01–Jul–12	–	10,699
	LTI Performance Rights	21,636	21,636	06–Sep–10	$2.43	–	–	01–Jul–12	–	14,638
	LTI Performance Rights	21,636	21,636	06–Sep–10	$2.24	–	–	01–Jul–13	–	18,148
	LTI Options	–	107,250	04–Nov–09	$0.41	$1.94	–	01–Jul–11	13–Nov–14	–
	LTI Options	–	107,250	04–Nov–09	$0.41	$1.94	–	01–Jul–12	13–Nov–14	16,134
	LTI Options	54,088	54,088	06–Sep–10	$0.54	$2.44	–	01–Jul–12	06–Sep–15	13,834
	LTI Options	54,088	54,088	06–Sep–10	$0.54	$2.44	–	01–Jul–13	06–Sep–15	18,421

June 2011	Type of Equity	Rights granted during the year	Rights held at 30 June 2011	Grant Date[1]	Fair value per right at grant date	Option exercise price	Vested during the year	Vesting Date	Option Expiry Date	Maximum total value of grant yet to vest ($)[2]
S Sewell	LTI Performance Rights	–	44,626	18–Jun–10	$2.43	–	–	01–Jul–12	–	34,650
	LTI Performance Rights	–	44,626	18–Jun–10	$2.24	–	–	01–Jul–13	–	42,944
	LTI Options	–	111,626	18–Jun–10	$0.59	$1.94	–	01–Jul–12	13–Nov–14	30,716
	LTI Options	–	111,626	18–Jun–10	$0.59	$1.94	–	01–Jul–13	13–Nov–14	41,138
R Stacker	LTI Performance Rights	–	26,814	18–Jun–10	$2.43	–	–	01–Jul–12	–	20,820
	LTI Performance Rights	–	26,814	18–Jun–10	$2.24	–	–	01–Jul–13	–	25,803
	LTI Options	–	66,938	18–Jun–10	$0.59	$1.94	–	01–Jul–12	13–Nov–14	18,419
	LTI Options	–	66,938	18–Jun–10	$0.59	$1.94	–	01–Jul–13	13–Nov–14	24,669
A Taylor	LTI Performance Rights	–	44,626	18–Jun–10	$2.43	–	–	01–Jul–12	–	34,650
	LTI Performance Rights	–	44,626	18–Jun–10	$2.24	–	–	01–Jul–13	–	42,944
	LTI Options	–	111,626	18–Jun–10	$0.59	$1.94	–	01–Jul–12	13–Nov–14	30,716
	LTI Options	–	111,626	18–Jun–10	$0.59	$1.94	–	01–Jul–13	13–Nov–14	41,138
M Winnem	LTI Performance Rights	–	12,621	22–Dec–08	$0.99	–	–	30–Sep–11	–	–
	LTI Performance Rights	–	30,000	13–Nov–09	$1.70	–	–	01–Jul–11	–	–
	LTI Performance Rights	–	30,000	13–Nov–09	$1.58	–	–	01–Jul–12	–	10,699
	LTI Performance Rights	21,636	21,636	06–Sep–10	$2.43	–	–	01–Jul–12	–	14,638
	LTI Performance Rights	21,636	21,636	06–Sep–10	$2.24	–	–	01–Jul–13	–	18,148
	LTI Options	–	107,250	04–Nov–09	$0.41	$1.94	–	01–Jul–11	13–Nov–14	–
	LTI Options	–	107,250	04–Nov–09	$0.41	$1.94	–	01–Jul–12	13–Nov–14	16,134
	LTI Options	54,088	54,088	06–Sep–10	$0.54	$2.44	–	01–Jul–12	06–Sep–15	13,834
	LTI Options	54,088	54,088	06–Sep–10	$0.54	$2.44	–	01–Jul–13	06–Sep–15	18,421

1 Tranche 1 of the 2009 issue Performance Rights and Option Plan vested on 1st July 2011. Of the vesting conditions for this tranche, the TSR hurdle vested 100% and the EPS hurdle at 94.1%, deriving a combined vesting rate of 97.05%

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

Table 6.8: Performance rights and options issued to Reported Executives

	Performance rights 2009	Performance rights 2010	Performance rights 2011	Total Performance rights	Options 2010	Options 2011	Total Options
Executive Directors							
C Fuchs	12,621	43,752	61,540	117,913	156,408	153,848	310,256
D Harrison	100,962	187,500	201,924	490,386	670,314	504,808	1,175,122
D Southon	100,962	187,500	201,924	490,386	670,314	504,808	1,175,122
Key management personnel							
J Bakker	12,621	100,000	125,000	237,621	357,500	312,500	670,000
A Glass	–	75,000	50,483	125,483	268,128	126,204	394,332
N Kelly	12,621	60,000	43,272	115,893	214,500	108,176	322,676
S Sewell	–	89,252	–	89,252	223,252	–	223,252
R Stacker	–	53,628	–	53,628	133,876	–	133,876
A Taylor	–	89,252	–	89,252	223,252	–	223,252
M Winnem	12,621	60,000	43,272	115,893	214,500	108,176	322,676

Performance rights and options issued to the ex–Macquarie KMP who joined Charter Hall in 2010 were issued in June 2010, in respect of the 2011 financial year, and were included in the Remuneration Report in FY10.

Table 6.9: Executive loan securities plan – suspended from 1 July 2009

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	1,550,000	(1,550,000)	1,125,000	1,125,000	$4.00 to $4.28	Meet the PDS forecast DPS of 6.56 cents in FY06 and 5% growth in FY07. All vested.
FY07	1,883,555	(912,059)	542,966	1,514,462	$5.08 to $8.00	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 no meeting the conditions.
FY08	2,682,326	(1,916,633)	1,682,996	2,448,689	$9.88 to $11.76	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	7,944,260	(1,168,495)	721,984	7,497,749	$4.16 to $6.68	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 it is unlikely to result in any vesting.
Total	**14,060,142**	**(5,547,188)**	**4,072,945**	**12,585,899**		

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 Security–based Payments). 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 security 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 base Operating EPS of 12.74 cps.

4 Whilst 12.6 million ELSP securities remain in the plan no further issues are proposed.

5 Management has sought relief from ASIC in relation to cancelling ELSP related Charter Hall Property Trust securities. Subject to the waiver being received it is proposed that a resolution be put to securityholders at the November 2011 Annual General Meeting.

Table 6.10: Reported Executives security based payment analysis – ELSP – June 2011

June 2011	Type of Equity	Securities Issued	Grant Date[1,2,3]	Issue Price	Last Vesting Date	Loan Expiry	Percentage Vesting[1]	Securities in ELSP at June 2010	Securities forfeited in current year[5]	Securities vested in current year	Securities in ELSP at June 2011	Maximum total value of grant yet to vest ($)[4]
Executive Directors												
C Fuchs	ELSP	98,425	30-Jun-06	$5.08	30-Sep-08	01-Jul-11	67%	65,616	–	–	65,616	–
	ELSP	90,580	03-Jul-07	$11.04	30-Sep-08	23-Jul-12	33%	30,194	–	–	30,194	–
	ELSP	216,346	19-Nov-08	$4.16	30-Sep-11	18-Nov-13	0%	144,232	72,115	–	72,116	–
D Harrison	ELSP	290,354	30-Jun-06	$5.08	30-Sep-08	01-Jul-11	67%	193,570	–	–	193,570	–
	ELSP	679,348	03-Jul-07	$11.04	30-Sep-08	23-Jul-12	33%	226,449	–	–	226,449	–
	ELSP	1,730,769	19-Nov-08	$4.16	30-Sep-11	18-Nov-13	0%	1,153,846	576,923	–	576,923	–
D Southon	ELSP	279,528	30-Jun-06	$5.08	30-Sep-08	01-Jul-11	67%	186,352	–	–	186,352	–
	ELSP	679,348	03-Jul-07	$11.04	30-Sep-08	23-Jul-12	33%	226,449	–	–	226,449	–
	ELSP	1,730,769	19-Nov-08	$4.16	30-Sep-11	18-Nov-13	0%	1,153,846	576,923	–	576,923	–
Key management personnel												
J Bakker	ELSP	155,280	16-Oct-06	$6.44	30-Sep-08	01-Jul-11	67%	103,520	–	–	103,520	–
	ELSP	90,580	03-Jul-07	$11.04	30-Sep-08	23-Jul-12	33%	30,193	–	–	30,193	–
	ELSP	216,346	07-Aug-08	$4.16	30-Sep-11	18-Nov-13	0%	144,232	72,115	–	72,116	–
A Glass	ELSP	–						–	–	–	–	–
N Kelly	ELSP	46,584	16-Oct-06	$6.44	30-Sep-08	01-Jul-11	67%	31,056	–	–	31,056	–
	ELSP	72,464	03-Jul-07	$11.04	30-Sep-08	23-Jul-12	33%	24,155	–	–	24,155	–
	ELSP	216,346	07-Aug-08	$4.16	30-Sep-11	18-Nov-13	0%	144,232	72,115	–	72,116	–
S Sewell	ELSP	–						–	–	–	–	–
R Stacker	ELSP	–						–	–	–	–	–
A Taylor	ELSP	–						–	–	–	–	–
M Winnem	ELSP	59,055	30-Jun-06	$5.08	30-Sep-08	01-Jul-11	67%	19,685	–	–	19,685	–
	ELSP	72,464	03-Jul-07	$11.04	30-Sep-08	23-Jul-12	33%	24,155	–	–	24,155	–
	ELSP	216,346	07-Aug-08	$4.16	30-Sep-11	18-Nov-13	0%	144,232	72,115	–	72,116	–

1 For the ELSPs granted on 30 June 2006 and 16 October 2006, the loans associated with these grants expired on 1 July 2011. As these plans were out of the money on this date, all securities attaching to these loans were forfeited.

2 For the ELSPs granted on 3 July 2007, the loans associated with these grants expire on 23 July 2012. This plan requires each employee to repay the loan per security of $11.04, hence it is highly likely that these securities will be forfeited at the time of the loan expiry.

3 The percentage vesting of the ELSPs granted on 7 August 2008 and 19 November 2008 is currently 0% for the first two tranches. The final tranche is due to vest on 30 September 2011 and is also highly unlikely to vest, as performance conditions will not be met.

4 The maximum value of securities yet to vest in the ELSP is $nil. All security based payment expenses in relation to the ELSP have been fully expensed in prior years. The minimum future value of unvested securities is $nil as future performance and service conditions may not be met.

5 For the tranches issued 2008, one third of these securities was forfeited during the year.

6.11 KMP security holdings

2011 Name	Opening balance	Purchased/(sold) during the year	LTI securities vesting/(forfeited) during the year	Closing balance
Ordinary securities				
Directors of Charter Hall Limited				
K Roxburgh	31,250	–	–	31,250
R Woodhouse	21,429	–	–	21,429
A Brennan	–	30,000	–	30,000
P Derrington	–	–	–	–
G Fraser	156,934	–	–	156,934
C Fuchs	1,454,459	–	–	1,454,459
D Harrison	2,429,540	–	–	2,429,540
P Kahan	–	–	–	–
C McGowan	–	–	–	–
D Southon	2,461,161	–	–	2,461,161
Other key management personnel of the Group				
J Bakker	136,952	–	–	136,952
A Glass	–	–	–	–
N Kelly	55,343	–	–	55,343
S Sewell	–	–	–	–
R Stacker	–	–	–	–
A Taylor	–	–	–	–
M Winnem	138,929	(31,305)	–	107,624

2010 Name	Opening balance	Purchased/(sold) during the year	LTI securities vesting/(forfeited) during the year	Closing balance
Ordinary securities				
Directors of Charter Hall Limited				
K Roxburgh	16,072	15,178	–	31,250
R Woodhouse	21,429	–	–	21,429
P Derrington	–	–	–	–
G Fraser	205,948	(49,014)	–	156,934
C Fuchs	1,716,959	–	(262,500)	1,454,459
D Harrison	2,743,350	54,940	(368,750)	2,429,540
P Kahan	–	–	–	–
C McGowan	–	–	–	–
D Southon	2,829,911	–	(368,750)	2,461,161
Other key management personnel of the Group				
J Bakker	136,952	–	–	136,952
A Glass	–	–	–	–
N Kelly	55,343	–	–	55,343
S Sewell	–	–	–	–
R Stacker	–	–	–	–
A Taylor	–	–	–	–
M Winnem	152,434	(13,505)	–	138,929

6.12. Key terms of employment

The remuneration and other terms of employment for JMDs and Senior Executives are formalised in employment contracts. Each of these agreements provide for payment of performance-related bonuses under the STI program (as discussed above), other benefits (including car allowances) and participation in the Group's LTI Plan (also discussed above).

The terms and conditions of employment of each executive reflect market conditions at the time of their contract negotiation and appointment. The material terms of the employment agreements for the JMDs and Senior Executives are summarised in the table below:

Contractual Term	Persons Affected	Conditions
Duration of contract	JMDs and other Senior Executives.	Permanent full-time contract until notice given by either party.
Notice to be provided by executive or Charter Hall (excluding redundancy and serious & wilful misconduct)	JMDs and other Senior Executives.	Written notice varies from 4 weeks to 6 months. All contracts allow for payment in lieu of notice.
Termination Payments (provided where specified only)	Adrian Taylor*	9 months base salary (if terminated between 1 July 2011 and 31 December 2011). 9 months base salary plus 1 month per year of service post 31 December 2011 to a maximum of 12 months base salary (if terminated after 1 January 2012). Pro rata STI plus vested LTI.
	Steven Sewell* Richard Stacker*	9 months base salary (if terminated between 1 July 2011 and 31 December 2011). 6 months base salary plus 1 month per year of service post 31 December 2011 to a maximum of 12 months base salary (if terminated after 1 January 2012). Pro rata STI plus vested LTI.

7. Non-Executive Director (NED) remuneration

7.1. Philosophy

NED remuneration reflects Charter Hall's desire to attract, motivate and retain high quality directors and to ensure their active participation in the Group's affairs for the purposes of corporate governance, regulatory compliance and other matters. Charter Hall aims to provide a level of remuneration for NEDS that is comparable with its peers.

7.2. Non-Executive Directors' fee pool

Currently there are 5 non-executive independent directors and one representing a substantial securityholder, who becomes entitled to earn a directors fee in September 2011.

The base director's fee is currently $100,000 with a loading of 100% for the Chairman. The Deputy Chairman currently has no loading. Fees are also paid to committee members.

A tranche of one off payments for additional work relating to the Macquarie acquisition was paid in September 2010. $17,500 was paid to Kerry Roxburgh and $8,750 was paid to each of Roy Woodhouse, Patrice Derrington, Colin McGowan and Glen Fraser.

The aggregate amount approved by securityholders at the 2010 Annual Meeting was $800,000 per annum. This was the first of a two year program to bring NED fees in line with market rates.

To facilitate payment in FY12 of six and possibly seven non-executive Board members, with appropriate loadings for the Chairman and the Deputy, at the 2011 Annual Meeting, securityholders will be invited to consider approving an increase in the fee pool to $1,000,000 per annum. Further details are set out in the Notice of Meeting for the 2011 AGM.

7.3. Fee framework

Fees are set by reference to the following considerations:

- Industry practice and best principles of corporate governance;
- Responsibilities and risks attaching to the role of NED;
- The time commitment expected of NEDs on Group matters; and
- Reference to fees paid to NEDs of other comparable companies.

Under the current fee framework, NEDs receive a base fee. In addition, the NEDs may receive further fees for membership or chairmanship of a board committee.

NEDs do not receive any benefits upon retirement under any retirement benefits schemes and NEDs are not eligible to participate in any of Charter Hall group's employee incentive schemes.

Table 7.3.1: Summary of fee framework

	FY11 $	FY10 $
Board		
Chair	200,000	140,000
Non Chair	100,000	70,000
Audit Risk and Compliance Committee		
Chair	20,210	16,500
Non Chair	13,475	11,000
Remuneration and Human Resources Committee		
Chair	20,210	See Note 1
Non Chair	13,475	See Note 1
Nomination Committee		
Chair	2,000	See Note 1
Non Chair	2,000	See Note 1
Valuation Committee[2]	8,800	8,000

Note

1 In 2010 the Remuneration & Nomination Committee members were paid a fee of $12,500 each for the combined role

2 Valuation Committee comprises one Non-Executive Director

7.4 Non-Executive Director base and committee fees

2011	Short-term benefits		Post-employment benefits	
Name	**Salary and fees***	**Short-term incentive**	**Superannuation**	**Total**
	$	$	$	$
Non-executive directors				
K Roxburgh – Chairman	224,550	–	14,769	239,319
R Woodhouse – Deputy Chairman	111,701	–	11,024	122,725
A Brennan	80,472	–	7,242	87,714
P Derrington	34,648	–	3,906	38,554
G Fraser	97,737	–	29,678	127,415
P Kahan	–	–	–	–
C McGowan	83,725	–	47,000	130,725
Total	**633,103**	**–**	**113,474**	**746,452**

* Fees paid include a one off payment for additional work relating to the Macquarie acquisition.

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
P Kahan	–	–	–	–
C McGowan	91,548	–	7,452	99,000
Total	**521,503**	**–**	**42,997**	**564,500**

Insurance of officers

During the year, Charter Hall Group, paid a premium for a contract insuring all directors, secretaries, executive officers and officers of the Group and of each of its related entities. The insurance does not provide cover for the independent auditors of the Group or of its related entities. In accordance with usual commercial practice, the insurance contract prohibits disclosure of details of the nature of the liabilities covered by the insurance, the limit of indemnity and the amount of the premium paid under the contract.

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; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the year, the following fees were paid or payable for services provided by the auditor of the Group and other non related audit firms:

	2011 $	2010 $
(a) Audit services		
PricewaterhouseCoopers Australian firm		
Audit and review of financial reports	**387,791**	257,849
Non-PricewaterhouseCoopers audit firms for audit services		
Ernst & Young	**–**	59,035
W F White & Co	**1,940**	5,510
Total remuneration for audit services	**389,731**	322,394
(b) Taxation services		
PricewaterhouseCoopers Australian firm		
Tax compliance services, including review of company income tax returns	**55,050**	25,920
Non-PricewaterhouseCoopers firms for taxation services		
Ernst & Young	**163,659**	130,920
Total remuneration for taxation services	**218,709**	156,840
(c) Advisory services		
PricewaterhouseCoopers Australian firm		
Long-term incentive plan structure	**53,525**	9,000
Due diligence for equity raising and acquisition	**–**	380,000
Non-PricewaterhouseCoopers firms for advisory services		
Ernst & Young	**5,200**	33,269
Total remuneration for advisory services	**58,725**	**422,269**

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 68.

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
29 September 2011

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Auditor’s Independence Declaration

As lead auditor for the audit of Charter Hall Limited for the year ended 30 June 2011, 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 A Baker
Partner
PricewaterhouseCoopers

Sydney
29 September 2011

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Consolidated income statement for the year ended 30 June 2011

	Note	2011 $'000	2010 (restated) $'000
Revenue	6	**109,594**	68,262
Net gain on remeasurement of equity interests	35(b)	**16,726**	59,725
Investment property expenses		**(4,795)**	(4,703)
Depreciation	7	**(1,545)**	(672)
Employee benefits expense		**(57,593)**	(29,648)
Finance costs	7	**(8,111)**	(6,471)
Business combination transaction costs		**–**	(6,636)
Foreign exchange gain/(loss)		**29**	(174)
Share of net gain/(loss) of associates accounted for using the equity method		**30,396**	(6,209)
Gain/(loss) on sale of investments, property and derivatives		**3,350**	(5,827)
Impairment of management rights	7	**(19,171)**	–
Impairment of goodwill	7	**–**	(15,328)
Fair value adjustments	8	**(3,213)**	(50,762)
Occupancy costs		**(2,491)**	(1,300)
Legal and consulting costs		**(1,864)**	(358)
Other expenses		**(8,741)**	(4,438)
Profit/(loss) before income tax		**52,571**	(4,539)
Income tax benefit	9	**2,666**	950
Profit/(loss) after income tax		**55,237**	(3,589)
Profit/(loss) after tax attributable to:			
Stapled securityholders of Charter Hall Group		**52,338**	6,840
Non-controlling interest in Direct Retail Fund (DRF)		**2,899**	(10,429)
		55,237	(3,589)
Profit/(loss) after tax attributable to stapled securityholders of Charter Hall Group			
Equity holders of Charter Hall Limited		**(5,493)**	(25,169)
Equity holders of Charter Hall Property Trust (non-controlling interest)		**57,831**	32,009
Profit after tax attributable to stapled securityholders of Charter Hall Group		**52,338**	6,840

		Cents	Restated Cents
Charter Hall Group earnings per stapled security			
Basic earnings per security	39	**17.85**	3.22
Diluted earnings per security	39	**17.06**	3.67

The 30 June 2010 earnings per stapled security have been restated for the change in accounting policy and security consolidation which occurred during the year.

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 2011

	2011 $'000	2010 (restated) $'000
Profit/(loss) after income tax for the year	**55,237**	(3,589)
Other comprehensive income for the year:		
Exchange differences on translation of foreign operations	**(19,677)**	4,650
Total comprehensive income for the year	**35,560**	1,061
Attributable to:		
Equity holders of Charter Hall Limited	**(6,123)**	(25,146)
Equity holders of Charter Hall Property Trust (non-controlling interest)	**38,743**	36,637
Comprehensive income attributable to stapled securityholders of Charter Hall Group	**32,620**	11,491
Net comprehensive gain/(loss) attributable to non-controlling interests in DRF	**2,940**	(10,430)
Total comprehensive income for the year	**35,560**	1,061

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

Consolidated balance sheet for the year ended 30 June 2011

	Note	2011 $'000	2010 (restated) $'000	1 July 2009 (restated) $'000
Assets				
Current assets				
Cash and cash equivalents	11	**26,266**	28,380	1,923
Trade and other receivables	12	**43,438**	48,361	17,082
Investment properties held for sale	13	**921**	45,000	–
Total current assets		**70,625**	121,741	19,005
Non-current assets				
Trade and other receivables	12	**9,400**	3,750	5,307
Investment in associates at fair value through profit or loss	14	**78,445**	73,739	210,256
Inventories	16	**7,450**	–	–
Investments accounted for using the equity method	17	**517,707**	446,336	247,875
Property, plant and equipment	19	**3,167**	3,592	2,304
Investment properties	20	**159,518**	202,118	15,770
Intangible assets	18	**99,994**	119,164	–
Deferred tax assets	21	**11,255**	5,721	3,946
Other assets		**–**	–	295
Total non-current assets		**886,936**	854,420	485,753
Total assets		**957,561**	976,161	504,758
Liabilities				
Current liabilities				
Trade and other payables	22	**58,061**	55,018	14,221
Provisions	23	**834**	749	222
Total current liabilities		**58,895**	55,767	14,443
Non-current liabilities				
Trade and other payables	22	**12,106**	11,270	–
Borrowings	24	**101,862**	91,228	14,220
Deferred tax liabilities	25	**1,129**	1,273	852
Derivative financial instruments	15	**407**	4,754	–
Provisions	26	**1,217**	879	25
Total non-current liabilities		**116,721**	109,404	15,097
Total liabilities		**175,616**	165,171	29,540
Net assets		**781,945**	810,990	475,218
Equity				
Equity holders of Charter Hall Limited				
Contributed equity	27	**9,503**	9,427	6,383
Reserves	28(a)	**(47,547)**	(44,658)	(45,997)
Accumulated losses	28(b)	**(62,329)**	(61,698)	(36,530)
Parent entity interest	28	**(100,373)**	(96,929)	(76,144)
Equity holders of Charter Hall Property Trust (non-controlling interest)	29	**850,191**	857,290	551,362
Interest attributable to stapled securityholders of Charter Hall Group		**749,818**	760,361	475,218
Non-controlling interest in DRF	29	**32,127**	50,629	–
Total equity		**781,945**	**810,990**	**475,218**

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 2011

	Attributable to owners of Charter Hall Group					
	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2009 (restated)	634,308	(45,997)	(113,093)	475,218	–	475,218
Profit/(loss) for the year	–	–	6,840	6,840	(10,429)	(3,589)
Other comprehensive income	–	4,651	–	4,651	(1)	4,650
Total comprehensive income for the year	–	4,651	6,840	11,491	(10,430)	1,061
Transactions with equity holders in their capacity as equity holders:						
Non-controlling interest in DRF	–	–	–	–	64,825	64,825
Contributions of equity, net of transaction costs	302,137	–	–	302,137	–	302,137
Distribution paid and payable	–	–	(29,802)	(29,802)	(3,766)	(33,568)
Security-based benefits reserve	–	1,317	–	1,317	–	1,317
	302,137	1,317	(29,802)	273,652	61,059	334,711
Balance at 1 July 2010 (restated)	**936,445**	**(40,029)**	**(136,055)**	**760,361**	**50,629**	**810,990**
Profit for the year	**–**	**–**	**52,338**	**52,338**	**2,899**	**55,237**
Other comprehensive income	**–**	**(19,718)**	**–**	**(19,718)**	**41**	**(19,677)**
Total comprehensive income for the year	**–**	**(19,718)**	**52,338**	**32,620**	**2,940**	**35,560**
Transactions with equity holders in their capacity as equity holders:						
Contributions of equity, net of transaction costs	**7,516**	**–**	**–**	**7,516**	**–**	**7,516**
Transactions with non-controlling interests	**–**	**(6,300)**	**–**	**(6,300)**	**(18,939)**	**(25,239)**
Distribution paid and payable	**–**	**–**	**(48,469)**	**(48,469)**	**(2,503)**	**(50,972)**
Transfer to accumulated losses	**–**	**4,663**	**(4,663)**	**–**	**–**	**–**
Security-based benefits reserve	**–**	**4,090**	**–**	**4,090**	**–**	**4,090**
	7,516	**2,453**	**(53,132)**	**(43,163)**	**(21,442)**	**(64,605)**
Balance at 30 June 2011	**943,961**	**(57,294)**	**(136,849)**	**749,818**	**32,127**	**781,945**

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 2011

	Note	2011 $'000	2010 $'000
Cash flows from operating activities			
Receipts from customers		**107,836**	60,105
Payments to suppliers and employees		**(72,932)**	(34,714)
		34,904	25,391
Interest received		**2,901**	4,965
Interest paid		**(7,494)**	(6,135)
Distributions and dividends from investments		**28,471**	14,622
Net cash inflow from operating activities	38	**58,782**	38,843
Cash flows from investing activities			
Payments for property, plant and equipment		**(1,128)**	(1,999)
Proceeds on disposal of investment property		**97,548**	97,653
Payment for inventory		**(7,450)**	–
Payments for investment properties		**(14,778)**	–
Payments for business combination		**(280)**	(100,193)
Investments in associates		**(75,670)**	(218,562)
Proceeds on disposal of investments in associates		**439**	29,700
Loans to associates		**(1,250)**	(2,000)
Payments for acquisition of non-controlling interests		**(30,076)**	–
Cash from DRF reconsolidated		**–**	5,983
Net cash outflow from investing activities		**(32,645)**	(189,418)
Cash flows from financing activities			
Proceeds from issues of securities and other equity securities		**–**	304,982
Payment on settlement of derivative financial instruments		**(4,388)**	(9,826)
Proceeds from borrowings		**48,510**	–
Repayment of borrowings		**(37,658)**	(91,549)
Security issue transaction costs		**–**	(7,250)
Distributions paid to securityholders		**(35,030)**	(19,325)
Net cash (outflow)/inflow from financing activities		**(28,566)**	177,032
Net (decrease)/increase in cash and cash equivalents		**(2,429)**	26,457
Cash and cash equivalents at the beginning of the year		**28,380**	1,923
Effect of exchange rate changes on cash and cash equivalents		**315**	–
Cash and cash equivalents at the end of the year	11	**26,266**	28,380

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

1 Summary of significant accounting policies

(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*.

The principal accounting policies adopted in the preparation of the consolidated financial statements for the year ended 30 June 2011 are set out below. These policies have been consistently applied to the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Charter Hall Limited (CHL or the Company) and its controlled entities, including Charter Hall Funds Management Limited (Responsible Entity) as responsible entity for Charter Hall Property Trust (CHPT) (together the Group). 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-controlling interest. Whilst the results and equity of CHPT are disclosed as a non-controlling interest, the stapled securityholders of CHL are the same as the stapled securityholders of CHPT. The results and equity of the Charter Hall Direct Retail Fund (DRF) not directly owned by the Group have been treated and disclosed as a non-controlling interest.

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 the Group 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.

Compliance with IFRSs

Compliance with Australian Accounting Standards ensures that the financial statements comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). Consequently, these financial statements have been prepared in accordance with and comply with IFRS as issued by the 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) held at fair value through profit or loss.

Critical accounting estimates

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

Change in accounting policy

The Board resolved to equity account the investments in Charter Hall Core Plus Office Fund and Charter Hall Core Plus Industrial Fund from 1 July 2010. Previously, an election had been made to fair value these investments in accordance with AASB 128 Investments in Associates and AASB 139 *Financial Instruments: Recognition and Measurement*.

The change in accounting policy was in response to recent sales of units in these funds transacted on the basis of the net tangible assets of the investments rather than their unit price. Equity accounting provides a more reliable and more relevant valuation of these investments.

The new policy has been applied retrospectively and comparative information in relation to the 2010 financial year has been restated accordingly. The following adjustments were made:

Consolidated balance sheet (extract)	**20 June 2010 $'000**	**Restatements $'000**	**30 June 2010 (restated) $'000**
Non-current assets			
Investments accounted for using the equity method	290,033	156,303	446,336
Investment in associates at fair value through profit or loss	242,157	(168,418)	73,739
Net assets	823,105	(12,115)	810,990
Equity			
Equity holders of Charter Hall Property Trust (non-controlling interest)			
Retained earnings impact	869,405	(12,115)	857,290
Total equity	823,105	(12,115)	810,990

Consolidated balance sheet (extract)	**1 July 2009 $'000**	**Restatements $'000**	**1 July 2009 (restated) $'000**
Non-current assets			
Investments accounted for using the equity method	43,258	204,617	247,875
Investment in associates at fair value through profit or loss	433,621	(223,365)	210,256
Net assets	493,966	(18,748)	475,218
Equity			
Equity holders of Charter Hall Property Trust (non-controlling interest)	570,110	(18,748)	551,362
Retained earnings impact			
Total equity	493,966	(18,748)	475,218

Consolidated income statement (extract)	20 June 2010 $'000	Restatements $'000	30 June 2010 (restated) $'000
Revenue	77,333	(9,071)	68,262
Share of net loss of associates and joint venture accounted for using the equity method	(1,426)	(4,783)	(6,209)
Loss on sale of investments, property and derivatives	(10,880)	5,053	(5,827)
Fair value adjustments	(66,196)	15,434	(50,762)
Loss before income tax	(11,172)	6,633	(4,539)
Net loss after income tax	(10,222)	6,633	(3,589)
Profit for the year			
Attributable to:			
Equity holders of Charter Hall Property Trust	25,376	6,633	32,009

Group earnings per stapled security	2010 Cents	Restatements Cents	2010 (restated) Cents
Basic earnings per security on profit attributable to stapled securityholders	0.08	3.14	3.22
Diluted earnings per security on profit attributable to stapled securityholders	0.80	2.87	3.67

The earnings per unit have been restated for the change in accounting policy and the one for four unit consolidation.

(b) Principles of consolidation

(i) Controlled entities

The consolidated financial statements incorporate the assets and liabilities of controlled entities of Charter Hall Limited, including CHPT, as at 30 June 2011 and their results for the year then ended.

Controlled entities 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.

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

The acquisition method of accounting is used to account for acquisition of controlled entities 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 controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

(ii) Associates

Associates are 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, or as financial assets at fair value through profit or loss.

Where the equity method of accounting is used, 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.

For investments in associates accounted for as financial assets at fair value through profit or loss, investments are carried at fair value with gains or losses arising from changes in the fair value being presented in the income statement within 'fair value adjustments' in the year in which they arise. Distribution income from investments in associates accounted at fair value through profit or loss is recognised in the income statement as part of revenue.

(iii) Joint ventures

Joint venture entities

Investment in joint venture entities over which the Group exercised joint control are accounted for in the consolidated financial statements using the equity method after initially being recognised at cost. Under the equity method, the Group's share of the profits or losses of each relevant joint venture entity is recognised in the income statement, and the share of post-acquisition movements in reserves is recognised in other comprehensive income. Details relating to the joint venture entities are set out in note 36.

1 Summary of significant accounting policies continued

Profit and losses on transactions establishing the joint venture entity and transactions with the joint venture are eliminated to the extent of the Group's ownership interest until such time as they are realised by the joint venture entity on consumption or sale. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of assets, or an impairment loss.

Jointly controlled assets

The proportionate interests in the assets, liabilities, income and expenses of a joint venture activity have been incorporated in the financial statements under the appropriate headings. Details of the joint venture are set out in note 36.

(c) Segment reporting

Segment information is presented on the same basis as that used for internal reporting purposes.

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.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Group operates (the functional currency). The financial statements are presented in Australian Dollars which is the Group'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 in other comprehensive income. If an entity is sold, the proportionate share of exchange differences would be transferred out of equity and recognised in the income statement.

Functional currencies and the relevant exchange rates are as follows:

	2011	2010
Spot rate		
US Dollar	**1.0713**	0.8532
NZ Dollar	**1.2965**	1.2362
Euro	**0.7401**	0.6943
British Pounds	**0.6692**	0.5679
Average rate		
US Dollar	**0.9856**	0.8804
NZ Dollar	**1.3041**	1.2255
Euro	**0.7242**	0.6329
British Pounds	**0.6205**	0.5565

(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 represents income earned from the rental of properties (inclusive of outgoings recovered from tenants) and is recognised on a straight-line basis over the lease term. Rental income relating to straightlining is included as a component of the net gain from fair value adjustments on investment properties. The portion of operating lease income in a reporting period relating to fixed increases in operating lease rentals in future years is recognised as a separate component of investment properties.

(ii) Management fees

Management fees are brought to account on an accruals basis and, if not received at the reporting 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 year's income tax expense or benefit is the tax payable on the current year'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 controlled entities 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.

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.

(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

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

(j) Trade receivables

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

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 included 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 reporting date, which are classified as non current assets. Loans and receivables are included in receivables in the balance sheet (note 12).

(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 reporting date.

Recognition and derecognition

Regular purchases and sales of investments are recognised at 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 or 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 financial assets at fair value through profit or loss, excluding interest and dividend income, are presented in the income statement in the year in which they arise.

1 Summary of significant accounting policies continued

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 1(m) and note 2.

Impairment

The Group assesses at each reporting 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 the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available for sale are not reversed through the income statement.

(l) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The method of recognising the resulting gain or loss 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 reporting 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 reporting 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 reporting date.

The nominal value less estimated credit adjustments of trade receivables and payables 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) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(o) Plant and equipment

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

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

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

- Furniture, fittings and equipment 3 – 8 years
- Fixtures 6 – 8 years
- Software 3 – 5 years

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

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

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

(p) Investment properties

Investment properties comprise investment interests in land and buildings (including integral plant and equipment) held for long term rental yields and not occupied by the Group. This includes properties that are under construction for future use as investment properties. 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 years. Changes in fair values are recorded in the income statement as part of fair value adjustments.

(q) 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 they might be impaired, and are carried at cost less accumulated impairment losses. Management rights are allocated to cash-generating units for the purpose of impairment testing.

(r) Trade and other payables

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

(s) 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 a reduction in the borrowings 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 reporting date.

(t) Borrowing costs

Borrowing costs associated with the construction of a qualifying asset, including interest expense, are capitalised as part of the cost of that asset during the year of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(u) 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.

(v) Employee benefits

(i) Wages and salaries and annual leave

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

(ii) Long service leave

Liabilities for other employee entitlements which are not expected to be paid or settled within 12 months of reporting date are accrued in respect of all employees at present values of future amounts expected to be paid, 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 benefits

Security based compensation benefits are provided to employees via the Charter Hall Limited Executive Loan Security Plan (ELSP) and the Charter Hall Performance Rights and Options Plan (PROP). Information relating to these schemes is set out in note 40.

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

The fair value of the securities granted is adjusted to reflect market vesting conditions, but excludes the impact of any non market vesting conditions (for example, profitability and sales growth targets). Non market vesting conditions are included in assumptions about the number of securities that are expected to vest. At each reporting date, the entity revises its estimate of the number of securities that are expected to vest. The employee benefit expense recognised each year takes into account the most recent estimate.

Upon the vesting of securities and repayment of the loan, the balance of the security-based benefits 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 for amounts payable to employees. 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.

(w) 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.

(x) Distributions

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

(y) Earnings per security

(i) Basic earnings per security

Basic earnings per security is calculated by dividing the profit attributable to equity holders of the Group, excluding any costs of servicing equity other than ordinary stapled securities, by the weighted average number of ordinary securities outstanding during the year, 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 effect of interest and other financing costs after income tax 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.

Following the consolidation of securities during the year, the comparative information for basic earnings per security and diluted earnings per security has been restated to a post security consolidated basis.

(z) 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.

1 Summary of significant accounting policies continued

(aa) Rounding of amounts

The Company is of a kind referred to in Class Order 98/100 (as amended), 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 to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

(ab) New accounting standards and UIG interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for year ended 30 June 2011 reporting periods. The impact of these new standards and interpretations (to the extent relevant to the Group) is set out below.

(i) AASB 9 Financial Instruments & AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 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. The standard is not applicable until 1 January 2013 but is available for early adoption. AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not traded. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in the statement of comprehensive income. The Group has not yet decided when to adopt AASB 9. However, management does not expect this will have a significant impact on the Group's consolidated financial statements as the Group does not hold any available-for-sale investments.

(ii) Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)

In December 2009, the AASB issued a revised AASB 124 *Related Party Disclosures.* It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the amended standard from 1 July 2011. When the amendments are applied, the Group will need to disclose information about transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the consolidated financial statements.

(iii) AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets (effective from 1 July 2011)

Amendments made to AASB 7 *Financial Instruments: Disclosures* in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. These amendments are not expected to have any significant impact on the Group's disclosures. The Group intends to apply the amendment from 1 July 2011.

(iv) AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets (effective from 1 January 2012)

In December 2010, the AASB amended AASB 112 *Income Taxes* to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. The Group will apply the amendment from 1 July 2012. Management is currently evaluating the impact of the amendments.

(ac) 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.

(ad) 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.

(i) Investments in controlled entities, associates and joint venture entities

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

(ii) 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.

(iii) Receivables and payables

Trade amounts receivable from controlled entities in the normal course of business and other amounts advanced on commercial terms and conditions are included in receivables. Similarly, amounts payable to controlled entities are included in payables.

2 Financial risk management

The Group's activities expose it to a variety of financial risks; market risk (price risk, interest rate risk, and foreign exchange risk), credit risk and liquidity risk. The Group's overall risk management 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 Group Treasury and the Joint Managing Directors in consultation with senior management, the Audit, Risk and Compliance Committee and 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 price, interest rate and credit risks, the 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 investments in unlisted property funds managed by the Group. These funds invest in direct property. Charter Hall manages all the funds that the Group invests in and its staff have a sound understanding of the underlying property values and trends that give rise to price risk. The carrying value of investments in associates at fair value through profit or loss is measured with reference to the funds' unit prices which are determined in accordance with the funds' respective constitutions. The key determinant of the unit price is the underlying property values which are approved by the Board and the Valuation Sub-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%	
2011	**Carrying amount $'000**	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**
Assets					
Investment in associates at fair value through profit or loss	**78,445**	**(7,845)**	**(7,845)**	**7,845**	**7,845**

		-10%		+10%	
2010	**Carrying amount $'000**	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**
Assets					
Investment in associates at fair value through profit or loss	73,739	(7,374)	(7,374)	7,374	7,374

(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 borrowings of $101,861,453 (2010: $91,228,056). Borrowings drawn at variable rates expose the Group to cash flow interest rate risk. Borrowings drawn at fixed rates expose the Group to fair value interest rate risk. The Group's policy is to fix the rates for between 50–100% of core borrowings over the next three years and up to 100% thereafter and to fix up to 100% of its non-core borrowings. Core borrowings are defined as being the level of borrowings that are expected to be held for a period of more than two years. At year end 38% (2010: 44%) of total borrowings 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 12(d) for interest rate sensitivity analysis on assets and note 24(c) for sensitivity analysis for liabilities.

(iii) Foreign exchange risk

The Group is exposed to foreign exchange risk arising principally from its equity accounted investments in Charter Hall Retail REIT and Charter Hall Office REIT.

These investments have offshore operations in the US, Europe and New Zealand and manage their foreign exchange exposures principally through the use of offsetting borrowings in related foreign currencies and through the use of derivative financial instruments. Any residual unhedged risk remains in the foreign currency translation reserve of these funds and the Group's equity accounted share of movements in these reserves are recognised in the foreign currency translation reserve of the Group.

2 Financial risk management continued

The table below illustrates the potential impact a change in foreign exchange rates of +/-10% would have on the Group's profit and equity:

	2011		2010	
	Profit $'000	**Equity $'000**	**Profit $'000**	**Equity $'000**
US dollars				
+ 10.0%	**324**	**(6,448)**	1,048	(365)
- 10.0%	**(394)**	**6,554**	(1,738)	(14)
Euros				
+ 10.0%	**58**	**(566)**	82	(260)
- 10.0%	**(66)**	**699**	(327)	89
NZ dollars				
+ 10.0%	**26**	**(23)**	(214)	(896)
- 10.0%	**(32)**	**26**	236	1,067

(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 16% (2010: 27%) 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 12(c) 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, the Group aims at maintaining flexibility in funding by keeping committed credit lines available.

Maturities of financial liabilities

The table below analyses the contracted maturity of the Group's financial liabilities at 30 June 2011. The amounts disclosed in the table are the contractual undiscounted cash flows, except for interest rate swaps:

2011	**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**
Trade and other payables	**58,061**	**58,061**	**–**	**–**	**–**	**58,061**
Contingent consideration payable	**12,106**	**–**	**13,841**	**–**	**–**	**13,841**
Borrowings	**101,862**	**4,739**	**4,739**	**104,446**	**–**	**113,924**
Interest rate swaps	**407**	**–**	**224**	**183**	**–**	**407**
	172,436	**62,800**	**18,804**	**104,629**	**–**	**186,233**

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**
Trade and other payables	55,018	55,018	–	–	–	55,018
Contingent consideration payable	11,270	–	–	15,000	–	15,000
Borrowings	91,228	4,992	92,527	–	–	97,519
Interest rate swaps	4,754	1,273	1,313	3,801	2,523	8,910
	162,270	61,283	93,840	18,801	2,523	176,447

(d) Fair value measurements

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

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

(ii) Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

(iii) Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following tables present the Group's financial assets and financial liabilities measured and recognised at fair value.

2011	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets				
Investment in associates at fair value through profit or loss	**–**	**–**	**78,445**	**78,445**
Total assets	**–**	**–**	**78,445**	**78,445**
Liabilities				
Derivative financial instruments	**–**	**407**	**–**	**407**
Contingent consideration payable	**–**	**–**	**12,106**	**12,106**
Total liabilities	**–**	**407**	**12,106**	**12,513**

2010	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets				
Investment in associates at fair value through profit or loss	–	–	73,739	73,739
Total assets	–	–	73,739	73,739
Liabilities				
Derivative financial instruments	–	4,754	–	4,754
Contingent consideration payable	–	–	11,270	11,270
Total liabilities	–	4,754	11,270	16,024

The following tables present the changes in level 3 instruments for the year:

2011	**Investment in associates at fair value through profit or loss $'000**	**Contingent consideration payable $'000**
Opening balance	**73,739**	**11,270**
Additions	**5,454**	**–**
Disposals	**(439)**	**–**
Gain/(loss) recognised in profit and loss	**(309)**	**836**
Closing balance	**78,445**	**12,106**

2010	**Note**	**Investment in associates at fair value through profit or loss $'000**	**Contingent consideration payable $'000**
Opening balance		210,256	–
DRF consolidated	35	(139,888)	–
Purchases		14,824	–
Losses recognised in profit and loss		(11,453)	–
Liability recognised during year		–	11,270
Closing balance		73,739	11,270

The carrying amounts of current trade receivables and payables approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the 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.

The reported fair values of investment properties reflects market conditions at the end of the reporting period. While this represents best estimates as at the reporting date, actual sales prices may be higher or lower than the most recent valuations. This is particularly relevant in periods of market illiquidity or uncertainty.

(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.

(iii) Tax losses

The Group has not recognised tax losses from previous years as it does not currently consider these to be probable of recovery against future taxable income of the tax consolidated group. In prior years, the Group has only recognised losses to the extent to which it believed these were recoverable at each reporting date.

(iv) Impairment testing

Critical judgements are made by the Group in assessing the carrying 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.

(v) Classification of investments in associates

The Group has determined that it is appropriate for investments in wholesale and listed funds to be equity accounted and investments in unlisted retail funds to be recognised at fair value through profit or loss.

4 Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity, Charter Hall Limited, show the following aggregate amounts:

	2011 $'000	2010 $'000
Balance sheet		
Current assets	**2,585**	5,932
Total assets	**307,519**	256,790
Current liabilities	**–**	–
Total liabilities	**355,874**	282,709
Shareholders' equity		
Issued capital	**9,503**	9,427
Reserves		
Security-based benefits reserve	**1,717**	1,717
Foreign currency translation reserve	**18**	18
Accumulated losses	**(59,593)**	(37,081)
	(46,893)	(25,919)
Loss for the year	**(20,517)**	(18,428)
Total comprehensive loss	**(20,517)**	(18,410)

(b) Contingent liabilities of the parent entity

As at 30 June 2011, the parent entity had no contingent liabilities (2010: $nil).

(c) Contractual commitments

As at 30 June 2011, the parent entity had no contractual commitments (2010: $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 loan facilities provided by CHPT which has significant net assets and which, together with CHL, forms part of the Charter Hall Group stapled entity. At 30 June 2011, the amounts drawn under these facilities totals $355.9 million and are not repayable until 31 July 2018.

Charter Hall Group is proposing to reallocate capital from CHPT to CHL which would result in the capital being more appropriately balanced between CHL and CHPT. Any such proposal will require approval at a general meeting of securityholders.

(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 for the other. A consolidated income statement, statement of comprehensive income and balance sheet are disclosed in note 41.

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 the following three reportable segments, the performance of which it monitors separately.

Property investment

This segment comprises interests in investment properties and listed/unlisted property funds. The property investment division has the profit result of the DRF investment identified separately for management.

Funds management and corporate

The segment comprises funds management services, development management services and other property services.

Development investment

The segment comprises property development activities of the Group.

(b) Segment information provided to the Board

The operating segments identified by the Board for the reportable segments for the year ended 30 June 2011 are as follows:

2011	Property investment $'000	Funds management and corporate $'000	Development investment $'000	DRF (100%) $'000	Combined Group $'000
Total net rental income	–	–	–	15,052	15,052
Total investment income	31,599	–	–	–	31,599
Total rental and property income	31,599	–	–	15,052	46,651
Net development income	–	–	3,769	–	3,769
Total corporate income	–	85,497	–	–	85,497
Total income	31,599	85,497	3,769	15,052	135,917
Operating expenses	(472)	(64,806)	–	(796)	(66,074)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	31,127	20,691	3,769	14,256	69,843
Depreciation	–	(1,545)	–	–	(1,545)
Earnings before interest and tax (EBIT)	31,127	19,146	3,769	14,256	68,298
Interest income	192	1,339	–	996	2,527
Interest expense	(1,451)	–	–	(6,665)	(8,116)
Operating earnings (including 100% of DRF)	29,868	20,485	3,769	8,587	62,710
Non-controlling interest	–	–	–	(2,288)	(2,288)
Operating earnings	29,868	20,485	3,769	6,299	60,422
Number of securities ('000)					293,254
Operating earnings per security (EPS)					20.60cps
Number of securities for dividend per security (DPS) ('000)					293,756
DPS					16.50cps

Geographical segments are immaterial as the vast majority of the Group's income is from Australian sources.

The Group does not derive income of more than 10% from any one source.

5 Segment information continued

The reportable segments for the year ended 30 June 2010 are as follows:

2010 (restated)	Property investment $'000	Funds management and corporate $'000	Development investment $'000	DRF (100%) $'000	Combined Group $'000
Total net rental income	422	242	–	13,420	14,084
Total investment income	18,965	(402)	–	–	18,563
Total rental and property income	19,387	(160)	–	13,420	32,647
Net development income	–	–	1,130	–	1,130
Total corporate income	120	41,193	–	–	41,313
Total income	19,507	41,033	1,130	13,420	75,090
Operating expenses	(219)	(33,100)	–	(624)	(33,943)
EBITDA	19,288	7,933	1,130	12,796	41,147
Depreciation	–	(672)	–	–	(672)
EBIT	19,288	7,261	1,130	12,796	40,475
Interest income	627	438	–	3,692	4,757
Interest expense	(731)	–	–	(5,414)	(6,145)
Operating earnings (including 100% of DRF)	19,184	7,699	1,130	11,074	39,087
Non-controlling interest	–	–	–	(3,306)	(3,306)
Operating earnings	19,184	7,699	1,130	7,768	35,781
Number of securities ('000)					212,540
Operating EPS					16.83cps
Number of securities for DPS ('000)					290,595
DPS					12.80cps

Comparatives have been restated in accordance with AASB 133 *Earnings Per Share* to reflect the change in accounting policy and security consolidation during the year.

The reconciliation of income per the segment notes for 2011 and 2010 to the income statement is below:

	2011 $'000	2010 (restated) $'000
Total income per segment note	**135,917**	75,090
Add: investment property expenses	**4,084**	4,703
Add: interest income	**1,675**	4,757
Less: equity accounted profit in funds management segment	**(3,763)**	(1,130)
Less: equity accounted profit in property investment segment	**(28,354)**	(15,232)
Add: other	**35**	74
Revenue per income statement	**109,594**	68,262

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, impairment of assets, gains or losses on sale of investments, acquisition costs and non-cash items such as security-based benefits expense, amortisation and tax benefit.

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

	Excluding non-controlling interest	Including non-controlling interest	Excluding non-controlling interest	Including non-controlled interest
	2011 $'000	2011 $'000	2010 (restated) $'000	2010 (restated) $'000
Statutory profit after tax attributable to stapled securityholders of Charter Hall Group	**52,338**	**55,237**	6,840	(3,589)
Fair value adjustments (note 8)	**3,896**	**3,213**	37,413	50,762
Net gain on re-measurement of equity interests	**(16,726)**	**(16,726)**	(59,725)	(59,725)
(Gain)/loss on sale of investments, property and derivatives	**(3,350)**	**(3,350)**	5,476	5,827
Impairment of management rights	**19,171**	**19,171**	–	–
Impairment of goodwill	**–**	**–**	15,328	15,328
Business combination transaction costs	**–**	**–**	6,636	6,636
Non-operating (income)/losses from equity accounted investments	**1,773**	**1,722**	22,573	22,573
Security-based benefits expense	**4,090**	**4,090**	1,317	1,317
Amortisation	**950**	**1,183**	734	734
Income tax benefit	**(2,556)**	**(2,666)**	(950)	(950)
Finance costs due to unwinding of discount on contingent consideration	**836**	**836**	–	–
Foreign exchange loss	**–**	**–**	139	174
Operating earnings	**60,422**	**62,710**	35,781	39,087
Basic weighted average number of securities per note 39	**293,253,621**		212,540,278	
Operating earnings per security (excluding non-controlling interest)	**20.60 cents**		16.83 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

	2011 $'000	2010 $'000
Sales revenue		
Gross rental income	**17,716**	18,768
Management and performance fees	**85,491**	40,951
	103,207	59,719
Other revenue		
Interest	**2,862**	4,804
Distributions/dividends*	**3,525**	3,739
	6,387	8,543
Total revenue	**109,594**	68,262

* The Group owns 36.4% (2010: 31.9%) of Charter Hall Diversified Property Fund, 24.9% (2010: 24.9%) of Charter Hall Umbrella Fund and 3.5% (2010: 3.5%) of Charter Hall Direct Property Fund, which are all accounted for at fair value. This represents the distribution of income from these Funds.

7 Expenses

	Note	2011 $'000	2010 $'000
Profit before income tax includes the following specific expenses:			
Depreciation			
Plant and equipment		**1,545**	672
Amortisation		**1,183**	734
Finance costs			
Interest and finance charges paid/payable		**7,275**	6,471
Finance costs due to unwinding of discount on contingent consideration		**836**	–
Defined contribution superannuation expense		**2,023**	1,218
Rent expense relating to operating leases			
Minimum lease payments		**1,483**	771
Impairment of management rights	18	**19,171**	–
Impairment of goodwill		**–**	15,328

8 Fair value adjustments

	Note	2011 $'000	2010 $'000
Investment properties	20	**(2,518)**	(38,592)
Investment in associates at fair value through profit or loss	14,35(b)	**(309)**	(11,453)
Derivative financial instruments		**(386)**	(717)
		(3,213)	(50,762)

9 Income tax benefit

(a) Income tax benefit

	Note	2011 $'000	2010 $'000
Current tax expense		**218**	442
Deferred income tax benefit		**(3,341)**	(1,354)
Over provided in prior years		**457**	(38)
		(2,666)	(950)
Deferred income tax benefit comprises:			
Increase in deferred tax assets	21	**(3,231)**	(1,775)
Decrease in deferred tax liabilities	25	**(110)**	421
		(3,341)	(1,354)

(b) Numerical reconciliation of income tax benefit to prima facie tax payable

	Note	2011 $'000	2010 $'000
Profit/(loss) before income tax expense		**52,571**	(4,539)
Prima facie tax expense/(benefit) at the Australian tax rate of 30%		**15,771**	(1,362)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:			
Charter Hall Property Trust income		**(18,932)**	(5,030)
Non assessable income		**(5,164)**	–
Entertainment		**45**	42
Share-based payments expense		**1,227**	395
Impairment loss		**–**	89
Losses not recognised		**2,437**	4,082
Movement in deferred tax benefits due to acquisition		**–**	212
Sundry items		**222**	5
Tax on LTI interest		**623**	483
Non-taxable dividends		**711**	172
Over provided in prior years		**457**	(38)
Difference in overseas tax rates		**(63)**	–
Income tax benefit		**(2,666)**	(950)

(c) Tax consolidation legislation

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

(d) Tax losses

	2011 $'000	2010 $'000
Unused tax losses for which no deferred tax asset has been recognised	**12,071**	13,607
Potential tax benefit @ 30%	**3,621**	4,082

Based upon the completion of the June 2010 income tax return, the actual carried forward tax losses (unbooked) was calculated to be $1,184,000. This was a reduction of $2,898,000 on the previously disclosed carried forward losses (unbooked) in the 30 June 2010 financial statements of $4,082,000.

10 Distributions paid and payable

	2011 $'000	2010 $'000
(a) Ordinary securities		
Interim ordinary distribution for the six months ended 31 December 2010 of 8.00 cents per security paid on 28 February 2011	**24,507**	–
Final ordinary distribution for the six months ended 30 June 2011 of 8.50 cents per security expected to be paid on 25 August 2011	**26,039**	–
Interim ordinary distribution for the six months ended 31 December 2009 of 6.40 cents * per security paid on 26 February 2010	**–**	12,009
Final ordinary distribution for the six months ended 30 June 2010 of 6.40 cents * per security paid on 27 August 2010	**–**	19,404
Total distributions paid and payable	**50,546**	31,413
Less: distributions paid to holders of LTI securities	**(2,077)**	(1,611)
	48,469	29,802

* Six monthly distributions of 1.60 cents per security restated to reflect the one for four security consolidation.

Distributions paid in cash or satisfied by the issue of securities under the Distribution Re-Investment Plan for the year ended 30 June were as follows:

	2011 $'000	2010 $'000
Paid in cash	**50,546**	20,552
Satisfied by issue of securities	**–**	10,861

Franking credits available in the parent entity for subsequent financial years based on a tax rate of 30% (2010: 30%) are $3,339,951 (2010: $3,285,368).

11 Current assets – cash and cash equivalents

	2011 $'000	2010 $'000
Cash at bank and on hand	**26,266**	23,896
Deposits at call	**–**	4,484
	26,266	28,380

(a) Cash at bank and on hand

These amounts earn floating interest rates of between nil and 4.7% (2010: 4.0% and 4.4%).

(b) Deposits at call

These amounts earned floating interest rates of between 4.2% and 4.8% (2010: 4.2% and 4.8%).

12 Current assets – trade and other receivables

	Note	2011 $'000	2010 $'000
Current			
Trade receivables		22,035	19,970
		22,035	19,970
Loans to key management personnel		706	5,145
Distributions receivable		11,556	8,955
Other receivables		7,922	13,705
Prepayments		1,219	586
		43,438	48,361
Non-current			
Loans to key management personnel		4,400	–
Loans to joint ventures	33	5,000	3,750
		9,400	3,750

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

(a) Bad and doubtful trade receivables

In the year, the Group incurred nil expense/benefit (2010: $nil) in respect of provisioning for bad and doubtful trade receivables.

(b) Fair values

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

	2011		2010	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Loans to key management personnel	5,106	5,106	5,145	5,145
Loans to joint ventures	5,000	5,000	3,750	3,750

12 Current assets – trade and other receivables continued

(c) Interest rate risk

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

2011	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 and cash equivalents	26,266	–	–	–	–	–	–	–	26,266
Trade receivables	–	–	–	–	–	–	–	22,035	22,035
Loans to key management personnel	–	706	–	4,400	–	–	–	–	5,106
Loans to joint ventures	–	–	–	–	5,000	–	–	–	5,000
Distributions receivable	–	–	–	–	–	–	–	11,556	11,556
Other receivables	–	–	–	–	–	–	–	7,922	7,922
	26,266	706	–	4,400	5,000	–	–	41,513	77,885
Weighted average interest rate	3.36%	12.50%		12.50%	12.00%				

2010	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 and cash equivalents	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
Distributions receivable	–	–	–	–	–	–	–	8,955	8,955
Other receivables	–	–	–	–	–	–	–	20,844	20,844
	28,380	5,145	–	–	3,750	–	–	42,630	79,905
Weighted average interest rate	4.00%	3.20%			12.00%				

(d) Interest rate sensitivity analysis

The following table illustrates the potential impact a change in interest rates of +/-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
2011					
Assets					
Cash and cash equivalents	**26,266**	**(263)**	**(263)**	**263**	**263**
Total (decrease)/increase	**26,266**	**(263)**	**(263)**	**263**	**263**
2010					
Assets					
Cash and cash equivalents	28,380	(284)	(284)	284	284
Total (decrease)/increase	28,380	(284)	(284)	284	284

(e) 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:

	2011 $'000	2010 $'000
1 to 3 months	**19,856**	9,719
3 to 6 months	**348**	1,237
More than 6 months	**1,831**	1,875
	22,035	12,831

The receivables are considered past due but not impaired.

The carrying value approximates fair value.

13 Current assets – investment property held for sale

	2011 $'000	2010 $'000
Mentone residential properties*	**921**	–
Bluewater Square, Redcliffe	**–**	45,000
	921	45,000

* The properties held for sale at 30 June 2011 were sold in July 2011 at book value.

14 Non-current assets – investments in associates at fair value through profit or loss

	Note	2011 $'000	2010 (restated) $'000
Investments in associates	35	**78,445**	73,739
Opening balance		**73,739**	210,256
Additions		**5,454**	14,824
Disposals		**(439)**	–
Devaluations	8	**(309)**	(11,453)
DRF consolidated		**–**	(139,888)
Closing balance		**78,445**	73,739

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

These investments comprise units in certain unlisted Charter Hall managed funds which 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).

15 Derivative financial instruments

	2011 $'000	2010 $'000
Non-current liabilities		
Interest rate swap contracts	**407**	4,754
	407	4,754

(a) Instruments used by the Group

The Group utilises derivative financial instruments 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 DRF, which is consolidated.

Swaps currently in place cover 38% (2010: 44%) of the loan principal outstanding. The fixed interest rates in 2011 ranged between 6.84% and 7.48% (2010: between 6.46% and 7.5%) for AUD swaps (including margin and line fees). There is one NZD swap which has a rate of 3.9% (2010: 7.5%).

At reporting date, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	2011 $'000	2010 $'000
1 – 2 years	**18,203**	–
2 – 3 years	**20,000**	–
4 – 5 years	**–**	20,000
7 – 8 years	**–**	20,223
	38,203	40,223

The contracts require settlement of net interest receivable or payable every 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 amount of fair value adjustments on hedges recorded directly in the income statement was a loss of $386,000 (2010: loss of $716,265).

(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 its transactions in interest rate contracts only with investment grade 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 $40.2 million (2010: $138.50 million) were terminated during the year, resulting in a realised gain of $345,323 (2010: $391,064).

16 Inventories

	Type	2011 $'000	2010 $'000
Non-current			
685 La Trobe property development	Office	**7,450**	–
		7,450	–

17 Non current assets – investments accounted for using the equity method

	Note	2011 $'000	2010 (restated) $'000
Investments in associates	35	**470,083**	419,702
Investments in joint venture entities	36	**47,624**	26,634
		517,707	446,336

(a) Investments in associates

These investments represent units in listed and unlisted Charter Hall managed funds which are accounted for in the consolidated financial statements using the equity method of accounting, excluding commitments to acquire units disclosed in note 32.

(b) Investments in joint venture entities

These investments represent joint venture interests in Australian and overseas joint ventures which are accounted for in the consolidated financial statements using the equity method of accounting.

18 Non current assets – intangible assets

In the prior year, 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 CountryWide 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.

	2011 $'000	2010 $'000
Management rights	**99,994**	119,164

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 are as follows:

- Discount rate range of 13–18% (2010: 12.5%) which is in excess of the Group's weighted average cost of capital as a result of the management platform carrying more risk than the return on property investment cash flows;
- Growth over the next five years of 3% (2010: 5%) per annum; and
- Terminal value multiple of 7.0 times earnings (2010: 7.0 times) which is slightly lower than the acquisition multiple of 7.7 times earnings.

At 30 June 2011, the Group applied a write-down of $19.2 million to the carrying value of its intangible management rights. The lower value reflects management's current assessment of the recoverable amount of these assets taking into account the present value of future expected cash flows following CQO's announced disposal of its US assets discounted using a risk weighted discount rate. As a result, the carrying value of the intangible management rights in CQO has decreased to $47.0 million (2010: $66.2 million).

The sensitivity of management's value-in-use calculations to potential adverse movements in the key assumptions is as follows:

- A 1% increase in discount rates would result in a further $2.0 million impairment in CQO management rights;
- A 1% decrease in growth rate would result in a further $1.6 million impairment in CQO management rights; and
- A 1.0 times decrease in terminal value multiple would result in a further $1.4 million impairment in CQO management rights.

Applying the above sensitivities to management rights values of Charter Hall Retail REIT and other unlisted funds would not result in any impairment to the carrying value of these rights.

19 Non current assets – property, plant and equipment

	Furniture, fittings and equipment $'000	Fixtures $'000	Software $'000	Total $'000
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
Year ended 30 June 2011				
Opening net book amount	1,217	768	1,607	3,592
Additions	662	–	473	1,135
Disposals	(15)	–	–	(15)
Depreciation charge	(367)	(52)	(1,126)	(1,545)
Closing net book amount	1,497	716	954	3,167
At 30 June 2011				
Cost	2,993	1,073	2,300	6,366
Accumulated depreciation	(1,496)	(357)	(1,346)	(3,199)
Net book amount	1,497	716	954	3,167

20 Non current assets – investment properties

Property	Type	% Owned	Date acquired	Independent valuation date	Independent valuation amount $'000	Book value 2011 $'000	Book value 2010 $'000
61 Nepean Hwy, Mentone[1]	Residential	50	15/06/2005	N/A	N/A	–	770
Mentone Showrooms, Mentone	Bulky retail	100	03/07/2008	30/09/2009	18,300	15,800	18,300
						15,800	19,070
DRF properties							
Home HQ, Nunawading[2]	Bulky retail	50	03/07/2008	30/06/2011	31,000	31,000	62,000
Bunnings, Stafford	Bulky retail	100	20/06/2007	30/06/2011	18,750	18,750	18,500
Foodtown, Auckland, NZ	Retail	100	06/07/2007	30/06/2011	18,203	18,203	19,617
Home HQ, Ipswich	Retail	100	14/08/2007	30/06/2011	27,000	27,065	27,000
Menai Central, Menai	Retail	100	22/02/2008	30/06/2011	37,000	37,000	34,700
Mentone Centre, Mentone	Property sold during the year			N/A	N/A	–	21,210
33 Windorah St, Stafford	Bulky retail	100	20/07/2010	30/06/2011	11,700	11,700	21
						143,718	183,048
						159,518	**202,118**

1 Property reclassified as held for sale during the year (refer note 13). It has not had an independent valuation as the value was determined by Directors based on the contracted disposal value.

2 A 50% interest in this property was sold during the year.

A reconciliation of the carrying amount at the beginning and end of the current and previous years is set out below:

	Note	2011 $'000	2010 $'000
At fair value			
Opening balance		**202,118**	15,770
Assets reconsolidated – DRF		**–**	277,516
Acquisitions and additions		**15,610**	4,597
Lease incentives paid		**34**	3,020
Lease incentives amortised		**(682)**	(292)
Disposals		**(53,205)**	(15,000)
Transferred to held for sale		**(921)**	(45,000)
Net loss from fair value adjustment	8	**(2,518)**	(38,592)
Foreign currency exchange (loss)/gain		**(918)**	99
Closing balance		**159,518**	202,118

(a) Amounts recognised in the income statement for investment properties

	2011 $'000	2010 $'000
Rental income	**17,716**	18,768
Direct operating expenses from property that generated rental income	**(4,795)**	(4,703)
	12,921	14,065

(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 valuations had a weighted average capitalisation rate of 8.46% (2010: 8.35%), a weighted average vacancy rate of 1.5% (2010: 4%) and a weighted average rent review of 3.37% (2010: 3.64%).

21 Non current assets – deferred tax assets

	Note	2011 $'000	2010 $'000
Deferred tax assets comprises temporary differences attributable to:			
Employee benefits		**3,256**	1,022
Investments in associates		**4,221**	–
Tax losses		**–**	4,699
Management rights		**2,842**	–
Other		**936**	–
		11,255	5,721
A reconciliation of the carrying amount of deferred tax assets at the beginning and end of the current and previous years is set out below:			
Opening balance		**5,721**	3,946
Deferred tax benefit			
Charged to income statement	9	**3,231**	1,775
Charged to other comprehensive income		**8**	–
Charged directly to equity reserves		**2,295**	–
Closing balance		**11,255**	5,721
Deferred tax assets to be recovered within 12 months		**4,192**	–
Deferred tax assets to be recovered after more than 12 months		**7,063**	5,721
		11,255	5,721

22 Trade and other payables

	2011 $'000	2010 $'000
Current liabilities		
Trade payables	**1,926**	7,508
Accruals	**4,337**	542
Distribution payable	**25,458**	19,535
GST payable	**1,681**	1,316
Annual leave payable	**2,209**	2,252
Deferred consideration payable for business combination	**14,300**	14,580
Employee benefits payable	**7,345**	5,313
Other payables	**805**	3,972
	58,061	55,018

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

	2011 $'000	2010 $'000
Non-current liabilities		
Contingent consideration payable	**12,106**	11,270

(i) Contingent consideration payable

On 1 March 2010, the Group completed a transaction to acquire the majority of Macquarie Group's core real estate management platform comprising the 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).

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 purchase 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 at 30 June 2011 of $12,105,593 was estimated by applying a 13% discount rate to expected payments of $13,840,189 payable from July 2012 onwards.

(ii) Deferred consideration payable for business combination

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 ending 30 September 2011 once all consents have been received.

23 Current liabilities – provisions

	2011 $'000	2010 $'000
Employee benefits – long service leave	**834**	749
	834	749

(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

	2011 $'000	2010 $'000
Secured		
Bank loans drawn		
DRF	**69,953**	92,111
Charter Hall Property Trust	**33,010**	–
Unamortised borrowing costs	**(1,101)**	(883)
Total non-current borrowings	**101,862**	91,228

The DRF loan comprises a $55.0 million NAB facility and a $15.5 million share of a $64.0 million joint venture Westpac facility. Amounts drawn under the NAB facility are potentially repayable if the Fund defaults on payments of interest or principal or allows:

- The ratio of total liabilities to total assets to exceed 55% or the ratio of debt to secured property values to exceed 50%; or
- The ratio of EBIT to interest expense to fall below 1.75 times or the ratio of net rental income to interest to fall below 1.65 times.

Amounts drawn under the Westpac facility are potentially repayable if the Fund defaults on payments of interest or principal or allows:

- The ratio of debt to secured property assets to exceed 60%; or
- The ratio of net rental income to interest to fall below 1.6 times.

Amounts drawn under the $100.0 million Charter Hall Property Trust loan are potentially repayable if the Trust defaults on payments of interest or principal or allows:

- The ratio of debt to total assets to exceed 35%;
- The ratio of debt to EBITDA to exceed 4 times; or
- The ratio of EBIT to gross interest to fall below 3 times.

The DRF bank loan is secured by a floating charge over all the assets of DRF and by a mortgage over the investment properties held by DRF. The Charter Hall Property Trust loan is secured over the Trust's investment in listed and unlisted funds, excluding 22,500,000 units of the Trust's investment in Charter Hall Core Plus Office Fund.

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

	2011 $'000	2010 $'000
Current		
Floating charge		
Cash and cash equivalents	**2,324**	1,456
Receivables	**1,831**	4,692
First mortgage		
Investment property held for sale	**–**	45,000
Total current assets pledged as security	**4,155**	51,148
Non-current		
First mortgage		
Investment properties	**143,718**	201,348
Investment in associates	**478,412**	–
Investment in jointly controlled entities	**18,700**	–
Total non-current assets pledged as security	**640,830**	201,348
Total assets pledged as security	**644,985**	252,496

24 Non–current liabilities – borrowings continued

(a) Financing arrangements

The Group had unrestricted access at reporting date to the following lines of credit:

	2011 $'000	2010 $'000
Total facilities	**170,500**	300,000
Used at reporting date	**102,963**	92,111
Unused at reporting date	**67,537**	207,889

The Group's $50 million NAB debt facility was due to expire in July 2011. This was refinanced with a new $75 million Westpac facility in May 2011 and increased to $100 million in June 2011. This facility expires in May 2014.

DRF had a facility of $250 million with NAB which was due to expire in July 2011. This debt facility was refinanced in December 2010. Under the terms of the refinance, the facility has a limit of $55 million and an expiry date of 30 November 2013. A second debt facility in DRF was financed in December 2010. The facility was entered into with the Charter Hall Retail Joint Venture Trust, Lake Macquarie Trust, Mount Hutton Trust and DRF. This facility expires on 30 November 2013. Under the terms of the facility, DRF's share of the debt is $15.5 million.

(b) Interest rate risk exposures

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

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

		Fixed interest maturing in:							
2011	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
Trade and other payables	–	–	–	–	–	–	–	58,061	58,061
Contingent consideration payable	–	–	–	–	–	–	–	12,106	12,106
Borrowings	101,862	–	–	–	–	–	–	–	101,862
Interest rate swaps	(38,203)	–	18,203	20,000	–	–	–	–	–
	63,659	–	18,203	20,000	–	–	–	70,167	172,029
Weighted average interest rate	4.63%		4.71%	4.71%					

		Fixed interest maturing in:							
	Floating interest rate	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Non-interest bearing	Total
2010	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Trade and other payables	–	–	–	–	–	–	–	55,018	55,018
Contingent consideration payable	–	–	–	–	–	–	–	11,270	11,270
Borrowings	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%		

(c) Interest rate sensitivity analysis

The following table illustrates the potential impact a change in interest rates of +/-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
2011					
Liabilities					
Trade and other payables	58,061	–	–	–	–
Contingent consideration payable	12,106	–	–	–	–
Borrowings	101,862	1,019	1,019	(1,019)	(1,019)
Derivative financial instruments	407	(1,771)	(1,771)	469	469
Total (decrease)/increase	172,436	(752)	(752)	(550)	(550)

		-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 (decrease)/increase	162,270	(1,705)	(1,705)	854	854

(d) Fair value

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

	2011		2010	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
On-balance sheet				
Non-traded financial liabilities				
Bank loans	**101,862**	**102,963**	91,228	92,111

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

(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 ratio at 30 June 2011 was 8.12% (2010: 6.63%). 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

	Note	2011 $'000	2010 $'000
Deferred tax liabilities comprises temporary differences attributable to:			
Prepayments		–	296
Accrued revenue		4	316
Depreciation on New Zealand property, plant and equipment		–	661
Contingent consideration payable		868	–
Investment in associates		198	–
Other		59	–
		1,129	1,273
A reconciliation of the carrying amount of deferred tax liabilities at the beginning and end of the current and previous years is set out below:			
Opening balance		1,273	852
Deferred tax benefit			
Charged to income statement	9	(110)	421
Charged to other comprehensive income		(34)	–
Closing balance		1,129	1,273
Deferred tax liabilities to be settled within 12 months		931	–
Deferred tax liabilities to be settled after more than 12 months		198	1,273
		1,129	1,273

26 Non-current liabilities – provisions

	2011 $'000	2010 $'000
Employee benefits – long service leave	1,217	879

(a) Movements in provisions

Movements in employee benefits provisions are set out below:

	2011 $'000	2010 $'000
Long service leave		
Opening balance	1,628	247
Additional provisions recognised	423	1,381
Closing balance	2,051	1,628
Current	834	749
Non-current	1,217	879
Total	2,051	1,628

27 Contributed equity

	Note	2011 Securities	2010 Securities	2011 $'000	2010 $'000
(a) Security capital[1]					
Ordinary securities – fully paid	(b),(c),(h)	**293,755,894**	290,595,601	**943,961**	936,445
		293,755,894	290,595,601	**943,961**	936,445

(b) Movements in ordinary security capital

Details	Notes	Number of securities	Issue price[3]	2011 $'000	2010 $'000
Opening balance		**698,040,044**			634,308
Add back LTI securities reversed in prior year[2]		**50,343,595**			73,179
Distribution Re-Investment plan issue August 2009	(d)	**2,210,371**	$0.47		1,044
Distribution Re-Investment plan issue February 2010	(d)	**4,995,460**	$0.67		3,342
Institutional placement	(e)	**35,624,778**	$0.70		24,937
Entitlement offer	(f)	**300,237,026**	$0.65		195,154
Macquarie placement	(g)	**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]		**(50,343,595)**			(73,179)
Balance per accounts at 30 June 2010		**1,162,380,237**		**936,445**	936,445
Add back LTI securities reversed last year[2]		**50,343,595**		**73,179**	
Distribution Re-Investment plan issue August 2010	(d)	**12,641,256**	$0.59	**7,516**	
Balance before consolidation		**1,225,365,088**		**1,017,140**	
Consolidation at one for four	(h)	**(919,023,274)**			
Balance at 30 June 2011		**306,341,814**		**1,017,140**	
Less: LTI securities reversed[2]		**(12,585,920)**		**(73,179)**	
Balance per accounts at 30 June 2011		**293,755,894**		**943,961**	936,445
Charter Hall Limited				**9,503**	9,427
Charter Hall Property Trust				**934,458**	927,018
				943,961	936,445

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 Payments*, the loan, interest received on the loan, securities and the distribution paid and payable are derecognised for the preparation of the financial statements.

3 Security issue prices for transactions occurring pre October 2010 are stated on a pre security consolidation basis.

(c) Ordinary securities

Ordinary securities entitle the holder to participate in distributions/dividends and the proceeds on winding up of the Trust/Company in proportion to the number of and amounts paid on the securities held. The securities issued under the placement in the previous year were fully paid with no entitlement to the distribution at 30 June 2010.

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

(d) Distribution 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 31 December 2009 and 30 June 2010 distributions. After these dates, the DRP became inactive.

27 Contributed equity continued

(e) Institutional placement

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

(f) 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.

(g) Placement

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

(h) Consolidation

In October 2010, the Group completed a consolidation of its securities on the basis of one new security for every four pre-consolidation securities. Where the consolidation of a holding resulted in a fractional security, that fraction was rounded up to the next whole security. The consolidation of securities resulted in the Group reducing its total securities on issue from 1,225,365,088 to 306,341,814 units. Accordingly, there has been a corresponding increase in pre-consolidation metrics including price, earnings and net tangible assets per security by a factor of four.

Prior year comparative information, where shown on a per security basis, has been restated to a post security consolidation basis, unless stated otherwise.

28 Reserves and accumulated losses

(a) Reserves

	2011 $'000	2010 $'000
Business combination reserve	**(52,000)**	(52,000)
Security-based benefits reserve	**11,457**	7,367
Transactions with non-controlling interests	**(6,300)**	–
Foreign currency reserve	**(10,451)**	4,604
	(57,294)	(40,029)
Charter Hall Limited and controlled entities	**(47,547)**	(44,658)
Charter Hall Property Trust	**(9,747)**	4,629
	(57,294)	(40,029)
Movements:		
Business combination reserve		
Opening and closing balance	**(52,000)**	(52,000)
Security-based benefits reserve		
Opening balance	**7,367**	6,050
Expense relating to LTI scheme	**4,090**	1,317
Closing balance	**11,457**	7,367
Transactions with non-controlling interests		
Opening balance	**–**	–
DRF acquisition premium	**(6,300)**	–
Closing balance	**(6,300)**	–
Foreign currency reserve		
Opening balance	**4,604**	(47)
Exchange differences on translation of foreign operations	**(19,718)**	4,651
Transfer to accumulated losses	**4,663**	–
Closing balance	**(10,451)**	4,604

(i) 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.

(ii) Security based payments reserve

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

(iii) Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in loss of control are treated as transactions with equity owners of the Group.

A change in ownership interest results in an adjustment between the carrying amounts of controlling and non-controlling interests to reflect their relative interests in the controlled entity. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within this reserve.

(iv) Foreign currency reserve

Exchange differences arising on translation of foreign controlled entities and the Group's share of foreign exchange differences arising from its equity accounted investments 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) Accumulated losses

Movements in accumulated losses were as follows:

	2011 $'000	2010 (restated) $'000
Opening balance	**(136,055)**	(113,093)
Net profit for the year	**52,338**	6,840
Distributions	**(48,469)**	(29,802)
Transfer from foreign currency reserve	**(4,663)**	–
Closing balance	**(136,849)**	(136,055)
Charter Hall Limited and controlled entities	**(62,329)**	(61,698)
Charter Hall Property Trust	**(74,520)**	(74,357)
	(136,849)	(136,055)

29 Non-controlling interest

The financial statements include the financial statements for the consolidated entity consisting of Charter Hall Limited and its 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.

	Note	2011 $'000	2010 $'000
Interest in:			
Contributed equity	27(b)	**934,458**	927,018
Reserves	28(a)	**(9,747)**	4,629
Accumulated losses	28(b)	**(74,520)**	(74,357)
Equity holders of CHPT (non-controlling interest)		**850,191**	857,290

The Group has consolidated 100% of the net assets and results of DRF. However, 34.63% (2010: 33.96%) of DRF is owned by non-controlling unitholders. Their non-controlling interest in the total equity of DRF is as follows:

	2011 $'000	2010 $'000
Contributed equity	**68,056**	86,995
Reserves	**(330)**	(371)
Accumulated losses	**(35,599)**	(35,995)
Other non-controlling interest in DRF	**32,127**	50,629

30 Key management personnel

(a) Directors

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

Kerry Roxburgh	Chairman and Non-Executive Independent Director
Roy Woodhouse	Deputy Chairman and Non-Executive Independent Director
Anne Brennan	Non-Executive Independent Director (appointed 6 October 2010)
Patrice Derrington	Non-Executive Independent Director (resigned 10 November 2010)
Glenn Fraser	Non-Executive Independent Director
Cedric Fuchs	Executive Director
David Harrison	Joint Managing Director
Peter Kahan	Non-Executive Director
Colin McGowan	Non-Executive Independent Director
David Southon	Joint Managing Director

(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 2011 was seven (2010: seven).

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)

	2011 $	2010 $
Short-term employee benefits	**8,296,788**	7,544,572
Post-employment benefits	**326,698**	205,157
Security-based benefits	**1,866,842**	794,115
Long-term employee benefits	**(13,151)**	14,136
	10,477,177	8,557,980

(d) Equity instrument disclosures relating to key management personnel

(i) Security holdings

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

2011 Name	Opening balance[1]	Purchased/ (sold) during the year	LTI securities vesting/ (forfeited) during the year	Closing balance[1]
Directors of Charter Hall Limited				
Ordinary securities				
K Roxburgh	31,250	–	–	31,250
R Woodhouse	21,429	–	–	21,429
A Brennan	–	30,000	–	30,000
P Derrington	–	–	–	–
G Fraser	156,934	–	–	156,934
C Fuchs	1,454,459	–	–	1,454,459
D Harrison	2,429,540	–	–	2,429,540
P Kahan	–	–	–	–
C McGowan	–	–	–	–
D Southon	2,461,161	–	–	2,461,161
Other key management personnel of the Group				
Ordinary securities				
J Bakker	136,952	–	–	136,952
A Glass	–	–	–	–
N Kelly	55,343	–	–	55,343
S Sewell	–	–	–	–
R Stacker	–	–	–	–
A Taylor	–	–	–	–
M Winnem	138,929	(31,305)	–	107,624

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 $4.00 to $11.04 per security which are significantly higher than the security price at 30 June 2011 of $2.15.

30 Key management personnel continued

2010 Name	Opening balance[1]	Purchased/ (sold) during the year	LTI securities vesting/ (forfeited) during the year	Closing balance[1]
Directors of Charter Hall Limited				
Ordinary securities				
K Roxburgh	16,072	15,178	–	31,250
R Woodhouse	21,429	–	–	21,429
P Derrington	–	–	–	–
G Fraser	205,948	(49,014)	–	156,934
C Fuchs	1,716,959	–	(262,500)	1,454,459
D Harrison	2,743,350	54,940	(368,750)	2,429,540
P Kahan	–	–	–	–
C McGowan	–	–	–	–
D Southon	2,829,911	–	(368,750)	2,461,161
Other key management personnel of the Group				
Ordinary securities				
J Bakker	136,952	–	–	136,952
A Glass	–	–	–	–
N Kelly	55,343	–	–	55,343
S Sewell	–	–	–	–
R Stacker	–	–	–	–
A Taylor	–	–	–	–
M Winnem	152,434	(13,505)	–	138,929

The Executive Directors of Charter Hall Group and other key management personnel of the Group were allocated the following performance rights during the year from the Company's PROP:

	2009	2010	2011	Total
Executive Directors				
C Fuchs	12,621	43,752	**61,540**	**117,913**
D Harrison	100,962	187,500	**201,924**	**490,386**
D Southon	100,962	187,500	**201,924**	**490,386**
Key management personnel				
J Bakker	12,621	100,000	**125,000**	**237,621**
A Glass	–	75,000	**50,483**	**125,483**
N Kelly	12,621	60,000	**43,272**	**115,893**
S Sewell	–	89,252	**–**	**89,252**
R Stacker	–	53,628	**–**	**53,628**
A Taylor	–	89,252	**–**	**89,252**
M Winnem	12,621	60,000	**43,272**	**115,893**

The Executive Directors of Charter Hall Group and other key management personnel of the Group were allocated the following options during the year from the Company's PROP:

	2010	2011	Total
Executive Directors			
C Fuchs	156,408	**153,848**	**310,256**
D Harrison	670,314	**504,808**	**1,175,122**
D Southon	670,314	**504,808**	**1,175,122**
Key management personnel			
J Bakker	357,500	**312,500**	**670,000**
A Glass	268,128	**126,204**	**394,332**
N Kelly	214,500	**108,176**	**322,676**
S Sewell	223,252	**–**	**223,252**
R Stacker	133,876	**–**	**133,876**
A Taylor	223,252	**–**	**223,252**
M Winnem	214,500	**108,176**	**322,676**

(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

	Balance at start of the year $	Interest charged in the year $	Interest paid during the year $	Balance at end of the year $	Number in Group at the end of the year $
2011	**5,145,000**	**206,250**	**(245,000)**	**5,106,250**	**2**
2010	5,306,500	160,000	(321,500)	5,145,000	2

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

	Balance at start of the year $	Interest charged in the year $	Interest paid during the year $	Balance at end of the year $	Highest indebtedness during the year $
2011					
D Harrison	**2,605,000**	**103,125**	**(155,000)**	**2,553,125**	**2,685,411**
D Southon	**2,540,000**	**103,125**	**(90,000)**	**2,553,125**	**2,620,411**
2010					
D Harrison	2,781,500	80,000	(256,500)	2,605,000	2,781,500
D Southon	2,525,000	80,000	(65,000)	2,540,000	2,540,000

When Charter Hall Group listed in 2005, the Product Disclosure Statement dated 11 May 2005 disclosed that related parties of the Joint Managing Directors, David Harrison and David Southon, had entered into loan agreements with CHL. Loans of $2.5 million each were provided to fund the purchase of 2,500,000 (now 625,000 following the one-for-four security consolidation) listed securities in the Charter Hall Group.

At that time, these loans were made to align the Joint Managing Directors' interests with those of the Group and securityholders. Each loan is to a related party of the Joint Managing Directors, being the Harrison Family Trust and Southon Family Trust.

The loans, which were initially for a three year period, were extended in 2008 for three years to 6 June 2011 under the same terms and conditions. Until 6 June 2011, interest on the loans was equivalent to the Charter Hall Group distribution paid in respect of the securities purchased using the loan proceeds. At the time of the roll-over in June 2008, distributions received on these securities exceeded an arms length interest rate.

In FY11, however, the distributions received were below an arms length interest rate $209,375 on each loan. This has not been charged to each of the borrowers.

30 Key management personnel continued

On 7 June 2011, the loans were extended for a further three year period to 31 July 2014, with repayment, interest, security and LVR conditions that are at arms length terms and conditions as follows:

Repayment

Minimum repayments of $300,000 each on or before 31 July 2011, $500,000 each on or before 31 July 2012 and 31 July 2013 respectively, with the remaining principal balance at the end of the term.

Interest

An interest rate of 12.5% p.a. for a loan to value ratio (LVR) greater than 50%, 10.5% p.a. for an LVR less than or equal to 50%; 9% p.a. for an LVR less than or equal to 40%, with interest payable in arrears upon each distribution date of the Charter Hall Group, commencing February 2012.

Additional Security

Security over these loans is by way of a first ranking mortgage over all CHC securities held by the Harrison Family Trust and Southon Family Trust, with the borrowers having the right to release CHC securities if the LVR is less than 40%. At 30 June 2011, the number of CHC securities held by the Harrison Family Trust was 2,009,521 and the number held by the Southon Family Trust was 2,048,521.

LVR covenant

Loans are not to exceed an LVR of 60%, at bi-annual testing dates, with the borrowers obligated to provide either additional security or repay such amount of the loan within 30 days, to ensure compliance with the LVR covenant.

31 Remuneration of auditors

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

	2011 $	2010 $
(a) Audit services		
PricewaterhouseCoopers Australian firm		
Audit and review of financial reports	**387,791**	257,849
Non-PricewaterhouseCoopers audit firms for audit services		
Ernst & Young	**–**	59,035
W F White & Co	**1,940**	5,510
Total remuneration for audit services	**389,731**	322,394
(b) Taxation services		
PricewaterhouseCoopers Australian firm		
Tax compliance services, including review of company income tax returns	**55,050**	25,920
Non-PricewaterhouseCoopers firms for taxation services		
Ernst & Young	**163,659**	130,920
Total remuneration for taxation services	**218,709**	156,840
(c) Advisory services		
PricewaterhouseCoopers Australian firm		
Long-term incentive plan structure	**53,525**	9,000
Due diligence for equity raising and acquisition	**–**	380,000
Non-PricewaterhouseCoopers firms for advisory services		
Ernst & Young	**5,200**	33,269
Total remuneration for advisory services	**58,725**	422,269

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:

	2011 $'000	2010 $'000
Within one year	**1,476**	1,311
Later than one year but not later than five years	**8,088**	8,966
Commitment fees from associates	**9,564**	10,277

(b) Capital commitments

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

	2011 $'000	2010 $'000
Investment property		
Payable:		
Within one year	**–**	1,550

(c) Commitments: Investment in associates

On 21 June 2011, Charter Hall Group entered into a Unit Transfer Agreement (UTA) to acquire an additional 3.3% stake in CQO from New York based hedge fund Fir Tree Capital. The stake acquired under the UTA and the Group's existing stake will bring total Group ownership in CQO to 13.3%.

Under the UTA, settlement and completion of the transfer of the CQO sale units will be effected when at least 80% of the proceeds from the Charter Hall Office Management Limited announced CQO US asset sale program are returned to CQO unit holders. Fir Tree Capital will receive any return of capital implemented by CQO prior to settlement under the UTA. In the event that up to 20% of the US assets by value have not been sold and the net proceeds from the assets sold have been returned to unit holders, Fir Tree Capital will receive its pro rate share of the 30 June 2011 net book value of the unsold assets together with any subsequent adjustment based on the realised value of those assets.

The acquisition of the CQO sale units under the UTA will represent a 5.64% discount to CQO's proforma Australian NTA as at 30 June 2011. On 3 August 2011, CQO provided a proforma Australian NTA per unit of $2.62. Assuming this NTA per unit, the commitment to acquire Fir Tree Capital's 3.3% stake is approximately $40.0 million. This will be funded from the proceeds of the return of capital by CQO of approximately $53.0 million.

33 Related parties

(a) Parent entity

The parent entity within the Group is Charter Hall Limited.

(b) Controlled entities

Interests in controlled entities 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 income was earned from related parties during the year:

	2011 $	2010 $
Accounting fees	**4,155,000**	1,567,000
Marketing fees	**113**	–
Management and performance fees from associates	**39,208,306**	24,078,267
Transaction fees from associates	**17,389,370**	4,509,418
Commitment fees from associates	**–**	119,775
Property management fees from associates	**20,806,449**	3,037,846

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

33 Related parties continued

(e) Loans to/from related parties

	2011 $	2010 $
Loans to joint ventures		
Opening balance	**3,750,000**	1,750,000
Loans advanced	**1,250,000**	2,000,000
Interest charged	**594,658**	221,342
Interest received	**(594,658)**	(221,342)
Closing balance	**5,000,000**	3,750,000

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 Controlled entities

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

(a) Details of controlled entities

Name of entity	Country of incorporation	Class of securities	Equity holding 2011 %	Equity holding 2010 %
Controlled entities of Charter Hall Limited				
Charter Hall Holdings Pty Limited	Australia	Ordinary	**100**	100
Charter Hall CUB Pty Ltd	Australia	Ordinary	**100**	100
CH La Trobe Trust	Australia	Ordinary	**100**	–
Controlled entities of Charter Hall Holdings Pty Ltd				
Charter Hall (NZ) Pty Limited	Australia	Ordinary	**100**	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	USA	Ordinary	**100**	100
Charter Hall Office Management Limited	Australia	Ordinary	**100**	100
Charter Hall Asset Services Limited	Australia	Ordinary	**100**	100
Charter Hall Real Estate Europe Limited	UK	Ordinary	**100**	100
Charter Hall Asset Services Europe Sp z.o.o	Poland	Ordinary	**100**	–
Charter Hall Retail Management Limited[1]	Australia	–	**–**	–
Charter Hall Direct Property Management Limited[1]	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**	100
Charter Hall Real Estate Management Services (WA) Pty Limited	Australia	Ordinary	**100**	100
Charter Hall Real Estate Management Services (VIC) Pty Limited	Australia	Ordinary	**100**	100

Name of entity	Country of incorporation	Class of securities	Equity holding 2011 %	2010 %
Charter Hall Real Estate Management Services (TAS) Pty Limited	Australia	Ordinary	**100**	100
Charter Hall Real Estate Management Services (SA) Pty Limited	Australia	Ordinary	**100**	100
Charter Hall Real Estate Management Services (ACT) Pty Limited	Australia	Ordinary	**100**	100
Charter Hall Real Estate Management Services (NSW) Pty Limited	Australia	Ordinary	**100**	100
Charter Hall Real Estate Management Services (QLD) Pty Limited	Australia	Ordinary	**100**	100
Controlled entities of Charter Hall Real Estate Inc				
CHREI US Office LLC	USA	Ordinary	**100**	100
CHREI US Retail LLC	USA	Ordinary	**100**	100

1 The purchase of all shares of these is expected to complete during the quarter ending 30 September 2011. Although Charter Hall does not own the shares of these entities, Charter Hall has economic control of these entities and hence they are consolidated.

Name of entity	Country of incorporation	Class of securities	Equity holding 2011 %	2010 %
Controlled entities of Charter Hall Property Trust				
Charter Hall Direct Retail Fund[1]				
(formerly Charter Hall Core Plus Retail Fund)	Australia	Ordinary	**66**	66
Charter Hall Co-Investment Trust[2]	Australia	Ordinary	**100**	100
Charter Hall Special Situations Office Fund[3]	Australia	Ordinary	**100**	100

1 In 2008, CHPT sold down its interest in DRF 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 DRF into its financial statements. However, on 8 December 2009, Charter Hall announced that based on discussions with ASIC the Group would consolidate its interest in DRF from 1 July 2009. Subsequently, the Group has announced its intention to sell down its interest in DRF.

2 Charter Hall Co-Investment Trust is an entity which was set up by Charter Hall Property Trust to hold its investments in Charter Hall Office REIT (CQO), Charter Hall Retail REIT (CQR) and Charter Hall Direct Property Fund (CHDPF).

3 Special Situations Office Fund is currently inactive, but will likely be used for Charter Hall's next unlisted fund.

Name of entity	Country of incorporation	Class of securities	Equity holding 2011 %	2010 %
Controlled entities of Charter Hall Direct Retail Fund				
Core Plus Retail Fund New Zealand	Australia	Ordinary	**100**	100
Redcliffe Retail Property Trust	Australia	Ordinary	**100**	100
Belconnen Retail Warehouse Trust	Australia	Ordinary	**100**	100
Box Hill Retail Warehouse Trust	Australia	Ordinary	**100**	100
Nerang Retail Warehouse Trust	Australia	Ordinary	**100**	100
Nowra Retail Warehouse Trust	Australia	Ordinary	**100**	100
Penrith Retail Warehouse Trust	Australia	Ordinary	**100**	100
Stafford Retail Warehouse Trust	Australia	Ordinary	**100**	100
Ipswich Retail Property Trust	Australia	Ordinary	**100**	100
Rothwell Retail Property Trust	Australia	Ordinary	**100**	100
Mentone Property Trust	Australia	Ordinary	**100**	100
Charter Hall MMN Property Trust	Australia	Ordinary	**100**	100
CPRF Gepps X Trust	Australia	Ordinary	**100**	100
CPRF Gepps 109 Trust	Australia	Ordinary	**100**	100
CPRF MSN Property Trust	Australia	Ordinary	**100**	100

35 Investments in associates

(a) Carrying amounts

Information relating to associates is set out below.

		Ownership interest			
Name of entity	**Principal activity**	**2011 %**	**2010 %**	**2011 $'000**	**2010 $'000**
Accounted for at fair value through profit or loss					
Unlisted					
Charter Hall Diversified Property Fund	Property investment	**36.4%**	31.9%	**26,964**	22,068
Charter Hall Umbrella Fund	Property investment	**24.9%**	24.9%	**40,612**	41,578
Charter Hall Direct Property Fund	Property investment	**3.5%**	3.5%	**10,438**	9,787
Macquarie Property Income Fund	Property investment	**–**	4.6%	**–**	306
Charter Hall Property Securities Fund	REIT securities investment	**1.4%**	–	**431**	–
				78,445	73,739
Equity accounted:					
Unlisted					
Charter Hall Opportunity Fund 4	Property development	**3.0%**	3.0%	**1,218**	1,254
Charter Hall Opportunity Fund 5	Property development	**15.0%**	15.0%	**31,286**	24,670
Charter Hall Core Plus Office Fund	Property investment	**16.2%**	16.8%	**110,428**	104,314
Charter Hall Core Plus Industrial Fund	Property investment	**21.3%**	25.0%	**53,281**	51,989
Listed					
Charter Hall Office REIT	Property investment	**10.0%**	7.5%	**185,681**	155,149
Charter Hall Retail REIT	Property investment	**8.2%**	7.4%	**88,189**	82,326
				470,083	419,702
Total investments in associates				**548,528**	**493,441**

The above associates are incorporated in Australia.

The investments in Charter Hall Diversified Property 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 investment in Charter Hall Diversified Property Fund consists of units which represent a 19.6% (2010: 19.6%) interest but also an additional investment in the form of bridging equity of $19.9 million (2010: $15.0 million), which is 16.8% (2010: 12.3%).

The investments in Macquarie Property Income Fund and Charter Hall Property Securities Fund are held by controlled entities of Charter Hall Limited and are accounted for at fair value through the profit or loss (note 14).

The investments in Charter Hall Opportunity Funds 4 and 5 held by Charter Hall Limited are equity accounted in the consolidated financial statements (note 17). The investments in Charter Hall Core Plus Office Fund, Charter Hall Core Plus Industrial Fund, 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. Refer to note 32 for details of commitments relating to acquisition of further units in Charter Hall Office REIT.

(b) Movements in carrying amounts

(i) Investments at fair value through profit or loss

	2011 $'000	2010 $'000
Charter Hall Diversified Property Fund		
Opening balance	**22,068**	22,319
Investment	**4,900**	5,989
Fair value adjustment	**(4)**	(6,240)
Closing balance	**26,964**	22,068
Charter Hall Umbrella Fund		
Opening balance	**41,578**	48,049
Investment	**–**	76
Fair value adjustment	**(966)**	(6,547)
Closing balance	**40,612**	41,578
Charter Hall Direct Property Fund		
Opening balance	**9,787**	–
Investment	**–**	8,454
Fair value adjustment	**651**	1,333
Closing balance	**10,438**	9,787
Macquarie Property Income Fund		
Opening balance	**306**	–
Investment	**119**	307
Fair value adjustment	**14**	(1)
Disposal of units	**(439)**	–
Closing balance	**–**	306
Charter Hall Property Securities Fund		
Opening balance	**–**	–
Investment	**435**	–
Fair value adjustment	**(4)**	–
Closing balance	**431**	–
Charter Hall Direct Retail Fund (formerly Charter Hall Core Plus Retail Fund)		
Opening balance	**–**	139,888
Eliminated on consolidation	**–**	(139,888)
Closing balance	**–**	–
Total investments at fair value through profit or loss		
Opening balance	**73,739**	210,256
Investment	**5,454**	14,824
Fair value adjustment	**(309)**	(11,453)
Disposal of units	**(439)**	–
Eliminated on consolidation	**–**	(139,888)
Closing balance	**78,445**	73,739

35 Investments in associates continued

(ii) Equity accounted investments

	2011 $'000	2010 $'000
Charter Hall Opportunity Fund 4		
Opening balance	**1,254**	2,951
Investment	**–**	714
Share of (loss)/profit after income tax	**(26)**	150
Distributions received/receivable	**(10)**	(2,561)
Closing balance	**1,218**	1,254
Charter Hall Opportunity Fund 5		
Opening balance	**24,670**	15,328
Investment	**7,605**	10,440
Share of loss after income tax	**(989)**	(1,116)
Reserves	**–**	18
Closing balance	**31,286**	24,670
Charter Hall Core Plus Office Fund		
Opening balance	**104,314**	146,702
Share of profit/(loss) after income tax	**11,415**	(2,599)
Distributions received/receivable	**(5,516)**	(5,329)
Disposal of units	**–**	(34,460)
Gain on remeasurement of equity interest	**215**	–
Closing balance	**110,428**	104,314
Charter Hall Core Plus Industrial Fund		
Opening balance	**51,989**	57,915
Share of profit/(loss) after income tax	**3,770**	(2,184)
Distributions received/receivable	**(2,935)**	(3,742)
Gain on remeasurement of equity interest	**457**	–
Closing balance	**53,281**	51,989
Charter Hall Office REIT		
Opening balance	**155,149**	–
Investment	**37,031**	111,458
Gain on remeasurement of equity interest	**14,239**	48,353
Share of profit/(loss) after income tax	**5,688**	(5,613)
Distributions received/receivable	**(9,424)**	(3,105)
Reserves	**(17,002)**	4,056
Closing balance	**185,681**	155,149

	2011 $'000	2010 $'000
Charter Hall Retail REIT		
Opening balance	**82,326**	–
Investment	**7,425**	69,335
Gain on remeasurement of equity interest	**1,815**	11,372
Share of profit after income tax	**4,928**	3,615
Distributions received/receivable	**(6,177)**	(2,568)
Reserves	**(2,128)**	572
Closing balance	**88,189**	82,326
Total equity accounted investments		
Opening balance	**419,702**	222,896
Investment	**52,061**	191,947
Share of (loss)/profit after income tax	**24,786**	(7,747)
Distributions received/receivable	**(24,062)**	(17,305)
Reserves	**(19,130)**	4,646
Disposal of units	**–**	(34,460)
Gain on remeasurement of equity interests	**16,726**	59,725
Closing balance	**470,083**	419,702

(c) Fair value of listed investments in associates

	2011 $'000	2010 $'000
Charter Hall Office REIT	**165,397**	91,359
Charter Hall Retail REIT	**79,705**	61,408

Fair value represents market value of CQO and CQR units as at 30 June 2011 and 2010.

(d) Share of equity accounted associates' profits or losses

	2011 $'000	2010 $'000
Profit before income tax	**32,083**	13,607
Income tax expense	**(1,748)**	(1,431)
Profit after income tax	**30,335**	12,176

35 Investments in associates continued

(e) Summarised financial information of associates

	Group's share of: Assets $'000	Liabilities $'000	Revenues $'000	Profit/(loss) $'000
2011				
Charter Hall Diversified Property Fund	55,979	30,009	5,332	1,979
Charter Hall Umbrella Fund	37,957	648	1,982	2,226
Charter Hall Direct Property Fund	18,320	7,800	1,834	1,344
Charter Hall Opportunity Fund 4	3,756	2,538	201	(26)
Charter Hall Opportunity Fund 5	46,964	15,678	2,844	(989)
Charter Hall Core Plus Office Fund	220,889	110,461	15,739	11,415
Charter Hall Core Plus Industrial Fund	94,925	41,644	10,801	3,770
Charter Hall Office REIT	322,713	137,032	23,055	5,688
Charter Hall Retail REIT	157,069	68,880	17,388	4,928
	958,572	414,691	79,176	30,335
2010				
Charter Hall Diversified Property Fund	49,506	28,909	5,171	(3,884)
Charter Hall Umbrella Fund	37,896	617	2,257	(3,880)
Charter Hall Direct Property Fund	15,850	7,279	578	16
Macquarie Property Income Fund	644	284	15	29
Charter Hall Opportunity Fund 4	3,942	2,653	3,982	150
Charter Hall Opportunity Fund 5	45,402	20,769	211	1,116
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 Office REIT	272,535	117,420	7,082	(5,613)
Charter Hall Retail REIT	145,068	62,721	4,812	3,615
	870,173	379,607	54,278	(12,176)

36 Investments in joint ventures

(a) Carrying amounts

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

Name of company	Principal activity	Ownership interest 2011 %	Ownership interest 2010 %	Consolidated 2011 $'000	Consolidated 2010 $'000
Unlisted					
Commercial and Industrial Property Pty Ltd	Property development	**50%**	50%	**28,843**	26,517
Maguire Macquarie Management LLC	Asset management	**50%**	50%	**–**	–
Macquarie-Regency Management LLC	Asset management	**50%**	50%	**26**	117
Reliance Investment Management Pty Limited	Investment management	**50%**	–	**55**	–
Charter Hall Retail JV Trust	Property investment	**50%**	–	**18,700**	–
				47,624	26,634

(b) Movements in carrying amounts

	2011 $'000	2010 $'000
Commercial and Industrial Property Pty Limited		
Opening balance	**26,517**	24,979
Investment	**–**	–
Share of profit after income tax	**3,984**	1,538
Dividends received/receivable	**(1,658)**	–
Closing balance	**28,843**	26,517
Maguire Macquarie Management LLC		
Opening balance	**–**	–
Closing balance	**–**	–
Macquarie-Regency Management LLC		
Opening balance	**117**	–
Investment	**–**	117
Share of profit after income tax	**221**	–
Dividends received/receivable	**(312)**	–
Closing balance	**26**	117
Reliance Investment Management Pty Limited		
Opening balance	**–**	–
Investment	**281**	–
Share of profit after income tax	**(226)**	–
Closing balance	**55**	–
Charter Hall Retail JV Trust		
Opening balance	**–**	–
Investment	**18,534**	–
Share of profit after income tax	**1,631**	–
Distribution received/receivable	**(1,465)**	–
Closing balance	**18,700**	–

36 Investments in joint ventures continued

(c) Carrying value of joint venture entity

	2011 $'000	2010 $'000
Commercial and Industrial Property Pty Limited	**28,843**	26,517

External valuers 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 at that time of $24,979,044.

In accordance with our accounting policy (note 1(h)), consideration was given to the fair value less cost to sell (FVLCTS) method but management believe VIU gives the most accurate recoverable amount and resulted in a higher recoverable amount.

The base case scenario for assessing value in use has been updated by management at 30 June 2011 and includes an expected gross profit in line with forecast FY12 gross profit of $6 million with a growth factor of 5% and discount rate of 15% through to the end of the forecast period.

There has been no impairment or reversal of impairment in the year ended 30 June 2011 (2010: nil).

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

	2011 $'000	2010 $'000
Revenues	**83,055**	43,079
Expenses	**(75,732)**	(40,873)
Profit before income tax	**7,323**	2,206

(e) Share of joint venture's assets and liabilities

	2011 $'000	2010 $'000
Current assets	**19,775**	11,256
Non-current assets	**35,809**	3,799
Total assets	**55,584**	15,055
Current liabilities	**8,985**	2,328
Non-current liabilities	**21,726**	6,605
Total liabilities	**30,711**	8,933
Net assets	**24,873**	6,122

37 Events occurring after the reporting date

Since 30 June 2011, the following matters have arisen:

- On 26 June 2011, Orange Capital, Luxor and Point Lobos issued a notice calling a CQO unitholder meeting for 27 July 2011, with a resolution to change the Responsible Entity of CQO from Charter Hall Office Management Limited (CHOML) to Moss Capital Funds Management Limited. The resolution was voted upon at the unitholder meeting and the unitholders voted against the resolution, retaining CHOML as the responsible entity of the REIT.
- On 18 July 2011, the Responsible Entity of CQO (CHOML) announced a corporate governance review. The review will examine the existing governance framework between Charter Hall Group and the Responsible Entity and will provide recommendations on appropriate corporate governance arrangements and a fee structure for the REIT that is consistent with current best practice models for ASX-listed trusts, including unitholders voting on the appointment of non-executive Directors of the Responsible Entity. The recommendations will be considered at the Annual General Meeting.
- On 3 August 2011, CQO announced it had exchanged contracts to sell 100% of the US portfolio for a gross price of US$1.71 billion. The closing of the sale of each US property (or CQO's interest in each property) is subject to customary closing conditions including receipt of lender consents and other third party consents. The Board expects to provide a return of capital via a pro-rata special distribution to unitholders of net sales proceeds.
- On 26 August 2011, the Independent directors of CHOML received an indicative, highly conditional, non-binding and confidential proposal from Macquarie Capital Group Limited on behalf of a consortium including itself and a number of global institutional investors (the Consortium) to acquire for cash all of the CQO issued units, other than those held by Charter Hall Group. The proposal is subject to a number of conditions, including that the Group does not divest its existing investment in CQO and that CHOML is retained as the responsible entity for CQO. The Group is not a member of the Consortium and any decision to engage the Consortium will only be taken following a decision by the independent directors of CHOML to support the further exploration of this potential transaction with the Consortium.

Except for the matters discussed above, no other matter or circumstance has arisen since 30 June 2011 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.

38 Reconciliation of profit/(loss) after tax to net cash inflow from operating activities

	2011 $'000	2010 $'000
Profit/(loss) after tax for the year	**55,237**	(3,589)
Depreciation and amortisation	**1,545**	1,406
Non-cash employee benefits expense – security-based benefits	**4,090**	1,317
(Gain)/loss on sale of investments, property and derivatives	**(3,350)**	5,827
Net gain on remeasurement of equity interests	**(16,726)**	(59,725)
Fair value adjustments	**3,213**	50,762
Impairment of goodwill	**–**	15,328
Impairment of management rights	**19,171**	–
Change in operating assets and liabilities, net of effects from purchase of controlled entity		
(Increase)/decrease in trade debtors	**(1,565)**	1,390
Increase in accrued revenue	**(661)**	(3,975)
Decrease in other operating assets	**5,205**	10,948
(Decrease)/increase in trade creditors	**(3,992)**	8,693
Increase in accrued expenses	**3,798**	45
Net income receivable from investment in associates and joint venture entities	**(4,789)**	8,180
Increase in other operating liabilities	**276**	3,186
Decrease in provision for deferred income tax	**(2,670)**	(950)
Net cash inflow from operating activities	**58,782**	38,843

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

39 Earnings per security

	2011 Cents	2010 (restated) Cents
(a) Basic earnings per stapled security		
Basic earnings attributable to the stapled securityholders of Charter Hall Group	**17.85**	3.22
(b) Diluted earnings per security		
Diluted earnings attributable to the stapled securityholders of Charter Hall Group	**17.06**	3.67

	2011 $'000	2010 $'000
(c) Reconciliations of earnings used in calculating earnings per security		
Profit attributable to the ordinary equity holders of the Group used in calculating basic earnings per security	**52,338**	6,840
Interest received from LTI securities	**2,077**	1,611
Profit attributable to the ordinary equity holders of the Group used in calculating diluted earnings per security	**54,415**	8,451

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

	2011 Number	2010 Number
Weighted average number of ordinary securities used as the denominator in calculating basic earnings per security	**293,253,621**	212,540,278
Adjustments for calculation of diluted earnings per security:		
Performance rights	**3,480,731**	1,408,542
Service rights	**206,340**	–
Options	**9,482,030**	3,657,826
Securities issued under the Charter Hall Limited Executive Loan Security Plan (ELSP)	**12,585,920**	12,585,920
Weighted average number of ordinary securities and potential ordinary securities used as the denominator in calculating diluted earnings per security	**319,008,642**	230,192,566

The comparatives have been restated in accordance with AASB 133 Earnings Per Share for the change in accounting policy and security consolidation.

(e) Information concerning the classification of securities

(i) 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.

(ii) 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 corresponding loans granted to employees. Under AASB 2 Share-based Payments, the loan, interest received on the loan, securities 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.

40 Security-based benefits

(a) Charter Hall – Executive Loan Security Plan (ELSP) (legacy plan)

The ELSP was suspended on 1 July 2009.

The establishment of the Charter Hall Limited Executive Loan Security Plan was approved by the Board in the process of the initial public offering. Staff who were eligible to participate in the plan were determined by the Joint Managing Directors in discussion with the Board.

Securities were granted under the plan at market value and were 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 distributes 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:

	2011 Number	2010 Number
Opening balance (number of securities)	**50,343,597**	50,343,595
Other	**–**	2
Impact of consolidation at one for four	**(37,757,677)**	–
	12,585,920	50,343,597

During the year, nil (2010: 4,500,000) securities were forfeited by ELSP members but have been retained in the plan.

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

In 2008, the Board engaged external advisers to gain a market perspective on long term incentive (LTI) arrangements. The Board, in consultation with the independent remuneration consultants, resolved in the prior year to replace the ELSP and utilise the PROP as the Group's LTI.

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.

	2009 Number	2010 Number	2011 Number	Total Number
Performance rights				
Rights issued on 22/12/08	407,242	–	**–**	**407,242**
Rights issued on 13/11/09	–	1,562,250	**–**	**1,562,250**
Rights issued on 18/6/10	–	644,625	**–**	**644,625**
Rights issued on 6/9/10	–	–	**863,345**	**863,345**
Rights issued on 11/11/10	–	–	**465,388**	**465,388**
Rights issued	407,242	2,206,875	**1,328,733**	**3,942,850**
Number rights forfeited/lapsed in prior years	–	(69,467)	**–**	**(69,467)**
Number rights forfeited/lapsed in current year	(27,094)	(40,000)	**(7,693)**	**(74,787)**
Number rights vested in prior year	–	–	**–**	**–**
Number rights vested in current year	–	–	**–**	**–**
Closing balance	380,148	2,097,408	**1,321,040**	**3,798,596**

	2009 Number	2010 Number	2011 Number	Total Number
Service rights				
Rights issued on 6/9/10	–	–	**316,377**	**316,377**
Rights issued	–	–	**316,377**	**316,377**
Number rights forfeited/lapsed in prior years	–	–	**–**	**–**
Number rights forfeited/lapsed in current year	–	–	**(51,096)**	**(51,096)**
Number rights vested in prior year	–	–	**–**	**–**
Number rights vested in current year	–	–	**–**	**–**
Closing balance	–	–	**265,281**	**265,281**
Options				
Options issued on 4/11/09 at $1.94	–	4,088,078	**–**	**4,088,078**
Options issued on 13/11/09 at $1.94	–	1,497,036	**–**	**1,497,036**
Options issued on 18/6/10 at $2.80	–	1,611,656	**–**	**1,611,656**
Options issued on 6/9/10 at $2.44	–	–	**2,035,649**	**2,035,649**
Options issued on 11/11/10 at $2.44	–	–	**1,163,464**	**1,163,464**
Options issued on 19/1/11 at $2.35	–	–	**123,397**	**123,397**
Options issued	–	7,196,770	**3,322,510**	**10,519,280**
Number options forfeited/lapsed in prior years	–	–	**–**	**–**
Number options forfeited/lapsed in current year	–	(391,472)	**(19,232)**	**(410,704)**
Number options vested in prior year	–	–	**–**	**–**
Number options vested in current year	–	–	**–**	**–**
Closing balance	–	6,805,298	**3,303,278**	**10,108,576**

(c) Expenses arising from security-based benefits transactions

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

	2011 $'000	2010 $'000
Performance rights and options plan	**4,090**	1,317

The model inputs for the Black-Scholes method for assessing the fair value at loan date for the ELSP securities and PROP rights and options issued during the year ended 30 June 2011 include the following:

Grant date	07/08/08	10/10/08	19/11/08	22/12/08	13/11/09	18/06/10	06/09/10	11/11/10	11/01/11
Security price at grant date *	$3.46	$2.64	$1.64	$1.20	$2.40	$2.80	**$2.44**	**$2.44**	**$2.35**
Loan value per security *	$4.16	$4.16	$4.16	$4.16	$1.94	$2.80	**$2.44**	**$2.44**	**$2.35**
Expiry of loan	06/08/13	09/08/13	18/11/13	21/12/13	01/07/14	18/06/15	**06/09/15**	**06/09/15**	**06/09/16**
Expected price volatility	23.68%	22.75%	58.06%	59.49%	40.00%	40.00%	**40.00%**	**40.00%**	**40.00%**
Risk-free interest rate	5.85%	4.28%	3.72%	3.19%	5.50%	5.50%	**5.50%**	**5.50%**	**5.50%**

* Security prices for prior years have been restated for the unit consolidation during the year.

41 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 accumulated losses

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 accumulated losses for the year of the closed group consisting of Charter Hall Limited and Charter Hall Holdings Pty Ltd.

	2011 $'000	2010 $'000
Income statement		
Revenue from continuing operations		
Revenue	60,783	40,250
Depreciation	(1,506)	(666)
Employee benefits expense	(43,899)	(25,949)
Finance costs	(16,565)	(26,377)
Business combination transaction costs	–	(6,636)
Foreign exchange (loss)/gain	(407)	1
Share of net loss of associates accounted for using the equity method	2,742	572
Gain on sale of investments, property and derivatives	793	–
Impairment of goodwill	(19,171)	–
Fair value adjustments	(10,742)	(295)
Occupancy costs	(1,934)	–
Legal and consulting costs	(1,195)	–
Other expenses	(4,687)	(4,267)
Loss before income tax	(35,788)	(23,367)

	2011 $'000	2010 $'000
Statement of comprehensive income		
Loss after income tax for the year	(28,541)	(20,376)
Other comprehensive income for the year:		
Exchange differences on translation of foreign operations	(18)	18
Total comprehensive income for the year	(28,559)	(20,358)
Summary of movements in consolidated accumulated losses		
Accumulated losses at the beginning of the financial year	(52,721)	(32,345)
Loss for the year	(28,541)	(20,376)
Accumulated losses at the end of the financial year	(81,262)	(52,721)

(b) Balance sheet

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

	2011 $'000	2010 $'000
Assets		
Current assets		
Cash and cash equivalents	12,501	11,610
Trade and other receivables	39,011	32,937
Total current assets	51,512	44,547
Non-current assets		
Trade and other receivables	5,000	5,145
Investments accounted for using the equity method	61,402	52,559
Investment in associates at fair value through profit or loss	15,461	–
Investments in controlled entities	75,455	47,305
Property, plant and equipment	3,159	3,561
Investment property	15,800	–
Intangible assets	99,994	119,164
Deferred tax assets	10,767	21,500
Total non-current assets	287,038	249,234
Total assets	338,550	293,781
Liabilities		
Current liabilities		
Trade and other payables	77,786	28,529
Provisions	816	749
Total current liabilities	78,602	29,278
Non-current liabilities		
Trade and other payables	12,106	11,270
Loans from Charter Hall Property Trust	355,874	324,933
Deferred tax liabilities	872	15,330
Provisions	1,086	879
Total non-current liabilities	369,938	352,412
Total liabilities	448,540	381,690
Net liabilities	(109,990)	(87,909)
Equity		
Contributed equity	9,503	9,427
Reserves	(38,231)	(44,615)
Accumulated losses	(81,262)	(52,721)
Total equity	(109,990)	(87,909)

Directors' declaration
for the year ended 30 June 2011

The closed group has net liabilities but has access to debt facilities provided by Charter Hall Property Trust (CHPT) which, together with CHL, forms part of the Charter Hall Group stapled entity. At 30 June 2011, the amounts drawn under these facilities totals $355.9 million and are not repayable until 31 July 2018.

Charter Hall Group is proposing to reallocate capital from CHPT to CHL which would result in the capital being more appropriately balanced between CHL and CHPT. Any such proposal will require approval at a general meeting of securityholders.

In the Directors' opinion:

(a) the financial statements and notes set out on pages 51 to 119 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 Group's financial position as at 30 June 2011 and of its performance for the financial year ended on that date;

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

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 41 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 41.

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
26 September 2011

Independent auditor's report to the members of Charter Hall Limited

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 2011, 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. 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.

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

Independent auditor's report to the members of
Charter Hall Limited (contd)

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

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

Independence

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

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 2011 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 and notes also comply with International Financial Reporting Standards as disclosed in Note 1

Report on the Remuneration Report

We have audited the remuneration report included in pages 15 to 47 of the directors' report for the year ended 30 June 2011. 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 2011, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Robert Baker

R A Baker
Partner

29 September 2011

Unitholder analysis
Securityholder information 31 August 2011

The securityholder information set out below was applicable as at 31 August 2011.

A Distribution of equity securities as at 31 August 2011

Analysis of numbers of equity securityholders by size of holding:

Number of securities held by security holders	Ordinary securities held per band
1 to 1,000	161,456
1,001 to 5,000	1,776,511
5,001 to 10,000	2,045,043
10,001 to 50,000	7,434,131
50,001 to 100,000	3,113,058
100,001 and Over	293,510,084
Total	308,040,283

B Registered equity securityholders as at 31 August 2011

Twenty largest quoted equity securityholders

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

	Ordinary securities	
	Number held	Percentage of issued securities
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	52,353,225	17.00%
J P MORGAN NOMINEES AUSTRALIA LIMITED	33,535,802	10.89%
BUTTONWOOD NOMINEES PTY LTD	28,979,275	9.41%
CITICORP NOMINEES PTY LIMITED	26,355,361	8.56%
NATIONAL NOMINEES LIMITED	24,100,462	7.82%
CITICORP NOMINEES PTY LIMITED	16,223,171	5.27%
CHL EXECUTIVE LOAN SECURITY PLAN MANAGERS PTY LTD	12,585,899	4.09%
ARJON PTY LTD	12,553,988	4.08%
ARJON PTY LTD	12,553,988	4.08%
ARJON PTY LTD	12,553,987	4.08%
ARJON PTY LTD	12,553,987	4.08%
AMP LIFE LIMITED	7,282,996	2.36%
COGENT NOMINEES PTY LIMITED	5,765,849	1.87%
J P MORGAN NOMINEES AUSTRALIA LIMITED	4,707,498	1.53%
COGENT NOMINEES PTY LIMITED	3,764,901	1.22%
WYLLIE GROUP PTY LTD	2,500,000	0.81%
EQUITY TRUSTEES LIMITED	2,461,198	0.80%
MR DAVID JOHN SOUTHON	2,048,360	0.66%
MR DAVID WILLIAM HARRISON	2,009,521	0.65%
BOND STREET CUSTODIANS LIMITED	1,510,907	0.49%
RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	1,358,886	0.44%
CEDAYU PTY LTD	1,119,334	0.36%

C Substantial holders as at 31 August 2011

Substantial holders in the Group are set out below:

Ordinary securities	Number held	Percentage
Arjon Pty Ltd	50,215,950	16.30%
Commonwealth Bank of Australia	35,684,098	11.58%
Macquarie Group	31,793,385	10.48%
AMP Limited	24,116,875	7.83%

D Voting rights as at 31 August 2011

The voting rights attaching to ordinary shares are based 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 Group can be found at http://www.charterhall.com.au

The website is a useful source of information about the Group and its managed funds. The site contains a variety of investor information, including presentations, webcasts, newsletters, annual reports, half year updates and announcements to the ASX.

Investor 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
Email: reits@charterhall.com.au
Telephone: 1300 365 585 (local call cost)
Facsimile: +61 2 8908 4040

External dispute resolution

In the event that a complaint 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 who have first raised their complaint with us and who remain dissatisfied. FOS's contact details are below:

Financial Ombudsman Service

GPO Box 3
Melbourne, Victoria, 3001
Email: info@fos.org.au
Telephone: 1300 565 562 (local call cost)
Facsimile: +61 3 9614 7066
Website: www.fos.org.au

Contact details

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
Website: www.linkmarketservices.com.au
Email: charterhall.reits@linkmarketservices.com.au

Investor relations

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

Charter Hall Group
GPO Box 2704
Sydney NSW 2001
Call : 1300 365 585 (local call cost)
+61 2 8908 4000 (outside Australia)
Fax : +61 2 8908 4040
Email: reits@charterhall.com.au

Corporate directory

Directors

Kerry Roxburgh
Roy Woodhouse
Cedric Fuchs
Colin McGowan
David Harrison
David Southon
Anne Brennan
Glenn Fraser
Peter Kahan

Company Secretary

Nathan Francis

ASX Code

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

Principal registered office in Australia

Level 11, 333 George Street
Sydney NSW 2000
+61 2 8908 4000

Auditor

PricewaterhouseCoopers
Darling Park Tower 2
201 Sussex Street
Sydney NSW 1171

Solicitors

Allens Arthur Robinson
Level 28, Deutsche Bank Place
Cnr of Hunter & Phillip Streets
Sydney NSW 2000

Bankers

Westpac Banking Corporation
Level 3, Westpac Place,
275 Kent Street
Sydney NSW 2000

Website address

www.charterhall.com.au

Disclaimer:

This Annual Report has been prepared and issued by Charter Hall Limited (ABN 57 113 531 150) and Charter Hall Funds Management Limited (ABN 31 082 991 786, AFSL 262861) (CHFML) as Responsible Entity of the Charter Hall Property Trust (together, the Charter Hall Group or Group). The information contained in this report has been compiled to comply with legal and regulatory requirements and to assist the recipient in assessing the performance of the Group independently and does not relate to, and is not relevant for, any other purpose.

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

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

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

CHFML does not receive fees in respect of the general financial product advice it may provide; however, entities within the Charter Hall Group receive fees for operating the Trust in accordance with its constitution. Entities within the Group may also receive fees for managing the assets of, and providing resources to the Trust. For more detail on fees, see this annual report. To contact us, call +61 2 8908 4000 (local call cost).

All information herein is current as at 30 June 2011 unless otherwise stated. All references to dollars ($) or A$ are Australian Dollars unless otherwise status. Exchange rates in this report are A$1.00/US$1.0713/€0.7401

CQO US sale proceeds

In determining the net sale proceeds from the sale of the US portfolio and the pro-rata special distribution to CQO unitholders, it is assumed that the conditions for closing are met for the entire US portfolio, thereby achieving closing of the sale of all properties. To the extent that conditions to closing are not satisfied for certain properties or all properties this may materially impact the proceeds received by CQO and the amount of proceeds available for the pro-rata special distribution to CQO unitholders. In addition, various other factors may vary the quantum of the net sales proceeds and the size of the pro-rata special distribution to CQO unitholders, including movements in working capital, timing of properties sold, debt transfer or termination costs. Because satisfaction of these assumptions is not within the control of CHOML as a member of the Charter Hall Group, neither CHOML nor the Charter Hall Group is in a position to give, and does not give, any assurance as to the quantum or timing of receipt of net sale proceeds.

Information regarding U.S. Investors / U.S. Persons:

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

The securities can only be resold or transferred in a regular brokered transaction on the ASX in accordance with Rule 903 or 904 of Regulation S, where neither it nor any person acting on its behalf knows or has reason to know, that the sale has been prearranged with, or that the purchaser is, in the United States or a U.S. person (e.g. no prearranged trades ('special crossing') with U.S. Persons or other off-market transactions).

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

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

Complaints handling

A formal complaints handling procedure is in place for the Group. CHFML is a member of the Financial Ombudsman Service ("FOS"). Complaints should in the first instance be directed to CHFML. If you have any enquiries or complaints, please contact the Compliance Manager on +61 2 8908 4000 (local call cost).

Cover and pages 1-24: Printed on environmentally friendly stock (55% recycled and 45% oxygen bleached pulp) using vegetable based inks.
Pages 25-132: Printed on a stock sourced from suppliers who practise sustainable management of forests in line with strict international standards.
All suppliers operate under ISO 14001 or FSC accredited environmental systems.

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Charter Hall

Annual Report 2011

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