

APPENDIX 4D

Half Year Financial Report for the half year ended 31 December 2011

Name of Entity: Charter Hall Group (CHC) – comprising the stapling of ordinary shares in Charter Hall Limited (ACN 113 531 150) and units in Charter Hall Property Trust (ARSN 113 339 147)

Results for announcement to the market

	6 months to 31 December 2011 A\$m	6 months to 31 December 2010 A\$m	Variance (%)
Revenue from ordinary activities	59.7	47.2	26.5%
Profit from ordinary activities after tax attributable to stapled security holders	19.6	46.8	(58.1)%
Operating earnings*	30.9	30.8	0.3%

*Operating earnings is a financial measure which represents the profit/(loss) under Australian Accounting Standards adjusted for fair value adjustments, impairment of assets, gains or losses on sale of investments, acquisition costs, non-operating movements in equity accounted investments, and non-cash items such as security-based benefits expense, amortisation and tax expense/(benefit). Operating earnings is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution to declare. A reconciliation of the Group's statutory profit to operating earnings is provided in Note 6 of the interim financial report.

	6 months to 31 December 2011	6 months to 31 December 2010	Variance %
Basic earnings per stapled security	6.62¢	15.98¢	(58.6)%
Diluted earnings per stapled security	6.17¢	15.05¢	(59.0)%
Operating earnings per stapled security	10.47¢	10.54¢	(0.7)%

Results for announcement to the market (continued)

Distributions	31 December 2011	31 December 2010
Interim distribution in respect of a : CHPT unit CHL share	9.10¢ -	8.00¢ -
Record date for determining entitlements to the distribution	30 December 2011	
Payment date	23 February 2012	

The Group has a Distribution Reinvestment Plan (DRP) under which unitholders may elect to have all or part of their distribution entitlements satisfied by the issue of new units rather than being paid in cash. In accordance with the DRP Rules, the directors have suspended the DRP until further notice.

Net Tangible Assets

	Current period 31 Dec 2011	Previous corresponding Period 31 Dec 2010
Net tangible asset backing per security*	\$2.19	\$2.21

* Under the listing rules NTA backing must be determined by deducting from total tangible assets all claims on those assets ranking ahead of the ordinary securities (ie, all liabilities, preference shares, outside equity interests etc). The number of securities on issue is 296.1 million (2010: 306.3 million). For the calculation of NTA the number of securities is reduced to 295.5 million (2010: 293.8 million). The difference represents securities issued under the Charter Hall Executive Loan Security Plan (ELSP) which are not recognised for accounting purposes, including NTA calculation, under AASB2: *Share Based Payments*. The corresponding loan receivable and interest income are also not recognised.

Control Gained or Lost over Entities during the Period

Name of entity (or group of entities) over which control was gained	Nil
Date control was gained	N/A
Consolidated profit/(loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired	N/A
Profit/(loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	N/A

Details of Associates and Joint Venture entities

Refer attached financial statements (Note 7: Investments in associates and joint ventures).

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Accounting standards used by foreign entities

International Financial Reporting Standards

Qualification of audit/review

Not applicable. Refer attached half year financial report for review report.

Audit

This report is based on accounts to which one of the following applies: (tick one)

<input type="checkbox"/>	The accounts have been audited. (refer attached financial statements)	<input checked="" type="checkbox"/>	The accounts have been subject to review. (refer attached financial statements)
<input type="checkbox"/>	The accounts are in the process of being audited or subject to review.	<input type="checkbox"/>	The accounts have not yet been audited or reviewed.

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CHARTER HALL GROUP

Comprising the stapling of ordinary shares in Charter Hall Limited (ACN 113 531 150) and units in Charter Hall Property Trust (ARSN 113 339 147)

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

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Directors' report

For the half year ended 31 December 2011

The directors of Charter Hall Limited and the directors of Charter Hall Funds Management Limited, the Responsible Entity of Charter Hall Property Trust, present their report together with the consolidated interim financial report of the Charter Hall Group (Group or CHC) and the consolidated interim financial report of the Charter Hall Property Trust Group (Charter Hall Trust Group or CHPT) for the half year ended 31 December 2011, and the Independent Auditor's Review Report thereon. The interim financial report of the Group comprises Charter Hall Limited (Company or CHL) and its controlled entities, which include Charter Hall Funds Management Limited as the responsible entity of Charter Hall Property Trust (Trust). The interim financial report of the Charter Hall Trust Group comprises the Trust and its controlled entities.

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

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

1. Principal activities

During the period the principal 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 period.

2. Directors

The directors of the Board in office at any time during the half year and up to the date of this report are:

K Roxburgh	-	Chairman and Non-Executive Independent Director
R Woodhouse	-	Deputy Chairman and Non-Executive Independent Director
A Brennan	-	Non-Executive Independent Director
G Fraser	-	Non-Executive Independent Director
C Fuchs	-	Executive Director (resigned 24 November 2011)
D Harrison	-	Joint Managing Director
P Kahan	-	Non-Executive Director
C McGowan	-	Non-Executive Independent Director
D Southon	-	Joint Managing Director

3. Distributions

Distributions paid or declared by Charter Hall Group to securityholders:

	2011	2010
	\$'000	\$'000
Interim distribution for the six months ended 31 December 2011 of 9.10 (2010: 8.00) cents per security declared and payable 23 February 2012	26,888	23,500

Distribution Re-investment Plan (DRP)

The DRP was not in operation during the period.

Directors' report

For the half year ended 31 December 2011

4. Review and results of operations

Financial Results

The Group recorded a statutory profit after tax attributable to stapled security holders of \$19.6 million compared to a profit of \$46.8 million for the prior corresponding period. While revenues have increased by 26% due to higher transaction and leasing fees, total income has decreased by 19%. This is due to a reduction in the Group's share of equity accounted net profits largely attributable to underlying mark to market movements on derivatives, together with lower net gains on re-measurement of equity interests. In addition total expenses have increased mainly due to costs associated with an organisational restructure and the retention of management rights over the Charter Hall Office REIT.

Operating earnings amounted to \$30.9 million compared to \$30.8 million in 2010.

Operating earnings is a financial measure which represents the profit/(loss) under Australian Accounting Standards adjusted for fair value adjustments, impairment of assets, gains or losses on sale of investments, acquisition costs, non-operating movements in equity accounted investments, and non-cash items such as security-based benefits expense, amortisation, and tax expense/(benefit).

The inclusion of operating earnings as a measure of the Group's profitability provides investors with the same basis that is used internally for evaluating operating segment performance. Operating earnings is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution to declare.

The operating earnings information included in the table below has not been subject to any specific review procedures by our auditor but has been extracted from Note 6 of the accompanying interim financial report.

Reconciliation of Statutory Profit to Operating Earnings

	2011 (\$'000) Excluding non-controlled interest in DRF	2010 (\$000) Excluding non- controlled interest in DRF
Statutory profit after tax attributable to stapled securityholders	19,561	46,791
Fair value adjustments on investments, property and derivatives ¹	4,157	(9,027)
Net gain on re-measurement of equity interests	(3,581)	(11,573)
(Gain)/loss on sale of investments, property and derivatives ¹	2,118	(241)
Security based benefits expense	1,287	2,082
Income tax expense/(benefit) ¹	4,059	477
Other ¹	3,341	2,340
Operating earnings	30,942	30,849

"DRF" is the Charter Hall Direct Retail Fund.

1. These items include the Group's share of non-operating movements in equity accounted investments.

Basic weighted average number of securities per Note 2	295,413,565	292,759,187
Basic earnings per security	6.62 cents	15.98 cents
Operating earnings per security	10.47 cents	10.54 cents

Directors' report

For the half year ended 31 December 2011

4. Review and results of operations(continued)

The 31 December 2011 financial results with comparatives are summarised as follows:

	Charter Hall Group		Charter Hall Trust Group	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Revenue including minority interests (\$ million) ¹	59.7	47.2	27.9	18.10
Statutory net profit/(loss) after tax - stapled securityholders (\$ million)	19.6	46.8	20.8	39.7
Statutory basic earnings per stapled security (cents)	6.62	15.98	7.03	13.56
Operating earnings for stapled securityholders (\$ million) ²	30.9	30.8	N/A	N/A
Operating earnings per stapled security (cents) ²	10.47	10.54	N/A	N/A
Distribution to stapled securityholders (\$ million)	26.9	23.5	26.9	23.5
Distribution per stapled security (cents)	9.10	8.00	9.10	8.00
	Dec 2011	Jun 2011	Dec 2011	Jun 2011
Total assets (\$ million)	936	958	1,036	1,032
Total liabilities (\$ million)	155	176	137	135
Net assets attributable to stapled securityholders (\$ million) ³	747	750	851	850
Securities on issue (million) ⁴	295	294	295	294
Net assets per security	2.53	2.55	2.88	2.89
Net tangible assets (NTA) attributable to stapled securityholders (\$ million)	647	650	851	850
NTA per security (\$) ⁴	2.19	2.21	2.88	2.89
Gearing – borrowings to total assets ⁵	8.42%	8.12%	9.42%	9.44%
Funds under management (\$ billion)	10.1	10.7	N/A	N/A

1 – Gross revenue does not include gains on sale of investments of \$0.3 million (2010: gains of \$3.4 million) or share of net profits of associates of \$5.7 million (2010: profit of \$23.5 million).

2 – Excludes fair value adjustments on investment property, financial assets and financial instruments, gains on sale of investments, non-operating movements in equity accounted investments, and non-cash items such as net gain on re-measurement of equity interests, share based payments expense, amortisation and income tax expense / benefit.

3 – Excludes non-controlled interest in DRF.

4 – Excludes stapled securities issued under ELSP Plan in accordance with *AASB 2 Share-Based Payment*.

5 – Gearing is calculated by using debt net of cash divided by total assets net of cash.

Distribution per security (DPS) has increased from 8.00 cents to 9.10 cents.

Net Tangible Assets per Security (NTA) has decreased from \$2.21 at 30 June 2011 to \$2.19 per security at period end.

Funds Under Management (FUM) has decreased from \$10.7 billion at 30 June 2011 to \$10.1 billion at December 2011 primarily as a result of US asset sales by Charter Hall Office REIT ("CQO"), in line with its strategy to exit from all offshore markets. CQO has a binding contract to sell its remaining interests in US assets which are expected to close in the six months to June 2012.

Gearing has increased from 8.12% at 30 June 2011 to 8.42% at 31 December 2011.

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 delivered \$30.9 million (FY10: \$30.8 million) of operating earnings, with property investment contributing \$15.3 million (FY10: \$14.6 million), property funds management contributing \$11.3 million (FY10: \$10.5 million), development investment contributing \$1.3 million (FY10: \$2.3 million), and the Group's interest in DRF contributing \$3.0 million (FY10: \$3.4 million).

Directors' report

For the half year ended 31 December 2011

4. Review and results of operations (continued)

Property investment

The Group's property investment activities are classified into the following categories reflecting different sources of external equity managed across the Group:

- direct property investment,
- co-investment property interest in listed funds,
- co-investment property interest in wholesale unlisted funds, and
- co-investment property interest in retail investor funds.

A summary of the activities of each of the above categories is provided below.

i) Direct property investments

Following the sale of the Mentone Showrooms property during the period, the Group's direct property investments are within the Charter Hall Direct Retail Fund ("DRF"). DRF is consolidated by the Group due to its 65% interest.

During the period the Group sold its direct interest in the Mentone Showrooms in Melbourne, Victoria realising a gain on sale of \$0.6 million.

Charter Hall Direct Retail Fund (DRF) - \$0.2 billion FUM, CHPT interest 49% & CHL interest 16%

DRF is an unlisted property fund that 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 31 December 2011 this portfolio benefited from an occupancy rate of 99.5% and a weighted average lease expiry of 6.1 years. The fund's debt facility expires in November 2013. The fund remains open for investor applications with the issue of a product disclosure statement in December 2010.

ii) Listed funds

Charter Hall Office REIT (CQO) - \$3.2 billion FUM, CHPT interest 10.0% with an equity interest carrying value of \$180.9 million (additional 3.3% interest to be acquired subject to proposal to privatise (refer Note 5 of the interim financial statements))

At 31 December 2011 the CQO portfolio comprises 28 high grade office assets located in major business districts in Australia (18 assets), and the United States (10 assets, all under contract for sale). Consistent with its ongoing strategy of reweighting to Australia, CQO has either sold or contracted to sell all offshore property assets.

The Group's participation in a Consortium to acquire CQO's Australian portfolio

On 31 December 2011, the Responsible Entity of CQO, CHOML, entered into a binding Scheme Implementation Agreement ("SIA") with Reco Ambrosia Pte Ltd ("RAP") (an affiliate of Government of Singapore Investment Corporation Pte Ltd), the Public Sector Pension Investment Board of Canada ("PSP"), and a member of the Charter Hall Group (ASX:CHC) (collectively known as the Consortium), in relation to a proposed trust scheme under which the Consortium will acquire all the units in CQO except certain of those held by the members of the Consortium and their associates¹, for a consideration of \$2.49 per unit in respect of the Australian assets only.

On 3 January 2012 the Group announced that it had agreed final documentation on a series of consortium arrangements in relation to CQO, conditional in the event of the above scheme being implemented. These include the Management Agreement and Unitholders' Agreement that will govern Charter Hall's obligations and ongoing relationship with the other CQO consortium members.

Charter Hall will continue to manage CQO on an unlisted basis with a similar fee structure and quantum had CQO remained a listed A-REIT.

In the event this transaction is completed, Charter Hall will review the carrying value of the management rights in relation to CQO to reflect CQO moving from a listed REIT to a wholesale unlisted trust.

¹ Other than PSP in respect of part of its holding of CQO units.

Directors' report

For the half year ended 31 December 2011

4. Review and results of operations (continued)

Charter Hall Retail REIT (CQR) - \$2.0 billion FUM, CHPT interest 10.0% with an equity interest carrying value of \$102.9 million

CQR's investment strategy is to invest in neighbourhood and sub-regional shopping centres in Australia anchored by Coles and Woolworths. The REIT's portfolio comprises assets across Australia with a reduced offshore exposure given the successful divestment program implemented in recent years. The portfolio is predominantly anchored by the dominant national grocery businesses in those markets. Asset revaluations of CQR's portfolio at 31 December 2011 resulted in valuation decrements of \$14.7 million to \$1.9 billion due to currency movements impacting offshore asset carrying values and interest rate derivative movements also impacting the CQR NTA. The occupancy of the CQR Australian portfolio at 31 December 2011 was 98.8%, with like for like property net operating income growth of 3.5%, reflecting the non-discretionary nature of income from the underlying assets. Since 1 July 2011 the REIT has contracted to acquire three Australian assets for over \$90 million (100% share), utilising proceeds from the sale of its US wholly owned assets, one of which was included in the joint venture with Telstra Super.

iii) Wholesale unlisted funds

Core Plus Office Fund (CPOF) – \$1.4 billion FUM, CHPT interest 13% & CHL interest 1% with a combined equity interest carrying value of \$112.9 million

CPOF is an Australian unlisted wholesale office fund managed by the Group. CPOF has continued to focus on improving portfolio metrics, creating value via enhancements and acquisitions and was included in the industry recognised IPD/Mercer unlisted wholesale property index for the first time. With occupancy of 97% and a lease expiry profile of 5.7 years, CPOF continues to raise new external equity with an additional \$105 million of equity subscribed and invested into CPOF during the period. 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 June and December quarters of this calendar year, CPOF has a current weighted average capitalisation rate of 7.83%.

The Group also originates and manages segregated mandate capital for direct property investments either in joint venture with funds such as CPOF or CQR or as 100% owned assets by our clients. There is a total portfolio value of \$650 million within the segregated mandate business.

Core Plus Industrial Fund (CPIF) - \$0.5 billion FUM, CHPT interest 8% & CHL interest 10% with a combined equity interest carrying value of \$53.9 million

CPIF is an Australian unlisted wholesale industrial fund managed by the Group. CPIF has continued to focus on improving portfolio metrics, creating value via enhancements and acquisitions and was included in the industry recognised IPD/Mercer unlisted wholesale property index for the first time. The current weighted average capitalisation rate of the portfolio is 8.20%, with a WALE of 12 years and continues to be underpinned by strong tenant covenants with 25, 16, and 13 year leases respectively to Woolworths, Coles and Volkswagen over its major assets. CPIF has demonstrated a solid performance in what has been a challenging market environment, by outperforming the IPD Industrial index by +6.8% net over three years. The fund continues its active management completing renewals/extensions or new leases during the first half of FY12 over 44,320sqm or 15.77% of the total portfolio with occupancy increasing materially from 91% to 98%.

CPIF has completed a \$150 million capital raising providing the fund with a further \$150 million of acquisition capacity post completion of the new Woolworths logistics facility.

iv) Retail investor funds - This business manages equity raised from retail investors via advisers and through direct distribution channels, with combined FUM of \$1.5 billion

Charter Hall Diversified Property Fund (DPF) - \$0.1 billion FUM, CHPT equity interest of 25% representing a carrying value of \$12.0 million

DPF is as an unlisted property fund with rolling seven-year review events that primarily invests in a diversified portfolio of Australian direct properties anchored by three office buildings and three quality industrial properties located in established markets throughout Sydney, Melbourne and Perth which benefited from an occupancy rate of 97% and a weighted average lease expiry of 6.3 years.

A total of \$80 million in asset sales have been completed with net proceeds being used to reduce gearing and provide a capital return to investors ahead of a review event for the fund in October 2012, likely to lead to a further sale of remaining assets.

Directors' report

For the half year ended 31 December 2011

4. Review and results of operations (continued)

Charter Hall Direct Property Fund (CHDPF) - \$0.5 billion FUM, CHPT interest 4% representing a carrying value of \$10.5 million

CHDPF is an unlisted property fund that primarily invests in a diversified portfolio of Australian direct properties anchored by nine office properties located in established markets throughout Sydney, Melbourne and Brisbane which benefit from an occupancy rate of 95% and a weighted average lease expiry of 4.1 years with leases to over 120 tenants. The weighted average cap rate was 8.5%. The fund remains open for investor applications with the issue of a product disclosure statement in December 2010 and is continuing to provide limited liquidity through six-monthly withdrawal offers.

Charter Hall Umbrella Fund (CHUF) - \$0.1 billion FUM, CHPT interest 26% representing a carrying value of \$40.4 million

CHUF is an unlisted fund of funds with investments predominantly in Charter Hall Group managed funds, with no balance sheet gearing and exposure to a portfolio of 55 office, industrial and retail properties across Australia and New Zealand, with a WALE of 7.9 years and a current occupancy of 98%. Limited liquidity offers have and continue to be made available to investors.

The Group also manages a series of pooled and single asset syndicates totalling \$200 million in asset value, in which the Group has no equity interest.

Property funds management

The property funds management business provides investment management, asset management, property management, development management, leasing and transaction fees to not only funds in which the Group has a co-invested stake, but also to funds established and managed by the Group. The Group also provides services via segregated mandates looking to capitalise on the Group's expertise.

The Group's managed funds have acquired approximately \$70 million of property in Australia this half with Charter Hall Retail REIT's ("CQR") acquisition of Albany Creek and Gladstone Shopping Centres. The Group's managed funds have divested approximately \$690 million of assets, of which approximately \$490 million relates to the divestment of CQO's United States portfolio. Acquisitions are expected to accelerate in 2H FY12 resulting from new equity flows in CPOF and CPIF providing \$450 million of new investment capacity together with further reinvestment of offshore sale proceeds by CQR into the Australian market.

The integrated property services model provides transactional, leasing, investment management, asset management and property management profits within the Property Funds Management business, which substantially enhance the returns from the capital invested in property and development investments.

Development investment

The Group's development investments comprise a 50% interest in Commercial and Industrial Property Pty Ltd (CIP), an industrial development business, a 50% interest in an office development project at 685 La Trobe Street, Melbourne, together with equity co-investment interests in CHOF 4 and 5. CIP contributed \$0.9 million (FY10: \$2.1 million) of operating earnings to the Group, CHOF 4 and 5 incurred a loss of \$0.1 million (FY10: profit \$0.2 million) for the period and the Group has earned a commitment fee of \$0.2 million relating to the Workzone development being undertaken by CHOF 5 resulting in a combined contribution to operating earnings before interest and tax of \$1.0 million (FY10: \$2.3 million). The development at 685 La Trobe Street is at an early stage in the development process and has not made a contribution to the current period result.

Charter Hall Opportunity Fund 4 (CHOF4) - \$0.1 billion FUM, CHL interest 3% with an equity interest carrying value of \$1.0 million

CHOF4 is fully allocated with six of eight projects completed and capital returned to investors

The two remaining projects in CHOF4 comprise Home HQ North Shore and a joint venture leasehold land interest in the Gepps Cross Trade Centre, Adelaide.

Directors' report

For the half year ended 31 December 2011

4. Review and results of operations (continued)

Charter Hall Opportunity Fund 5 (CHOF5) - \$0.8 billion FUM, CHL interest 15% with an equity interest carrying value of \$36.2 million

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.

The first stage of The Park Megacentre in Hastings, New Zealand opened on 29 September 2011.

40 Creek Street, Brisbane is now 97% committed, with six Heads of Agreements signed in the last quarter over 2,600sqm.

The sales and marketing of the first stage at Little Bay Cove was successfully launched in November 2011, with the release of the 10 land lots and the first apartment building for the estate, Solis (45 apartments). To date 14 unconditional sales have been secured with an additional seven sales contracts being issued to purchasers.

During January 2012, the builder on the Aquilo townhouse project in Mentone, Victoria was placed into voluntary administration. Following legal advice and the consent of the senior debt financier (ANZ), management terminated the construction contract. Management is now working to appoint a suitable replacement builder to complete the project. A total of 12 townhouses were settled in the December quarter taking the total number of townhouses settled to 19 (16%).

Basement construction works at WorkZone in Perth are underway. Project senior debt funding has been finalised with NAB and ANZ on a 50/50 basis, with the first drawdown taking place in December 2011. The marketing campaign for the sale of Workzone also commenced through CBRE in early February 2012.

Construction of the Lacrosse Apartments in La Trobe Street, Melbourne continues to progress with the final slab pour on level 22 completed late January 2012. It is anticipated that settlements will occur from April 2012, as the apartments are progressively handed over by the builder. Five apartments remain available for sale from a total of 312.

5. Events occurring after balance date

No matter or circumstance has arisen since 31 December 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.


6. Auditor's independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

7. Rounding off of amounts

The Group is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the directors' report and interim financial report. Amounts in the directors' report and interim financial report have been rounded to the nearest thousand dollars, in accordance with that class order, unless otherwise indicated.

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



Kerry Roxburgh
Chairman
Sydney
22 February 2012



Auditor's Independence Declaration

As lead auditor for the review of Charter Hall Limited and Charter Hall Property Trust for the half year ended 31 December 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Robert Baker

R A Baker
Partner
PricewaterhouseCoopers

Sydney
22 February 2012

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Interim financial statements

for the half year ended 31 December 2011

Consolidated statements of comprehensive income

	Notes	Charter Hall Group		Charter Hall Trust Group	
		31 Dec 2011 \$'000	31 Dec 2010 \$'000	31 Dec 2011 \$'000	31 Dec 2010 \$'000
Income					
Revenue		59,706	47,189	27,941	18,063
Share of net profit of associates accounted for using the equity method		5,687	23,461	2,128	19,160
Net gain on re-measurement of equity interests		3,581	11,573	3,410	11,573
Net gain on investment in associates at fair value		-	130	-	130
Net gain on sale of investment properties and derivatives		273	3,444	-	-
Net valuation gains on investment properties		498	-	498	2,651
Foreign exchange gains		9	174	10	169
Total income		69,754	85,971	33,987	51,746
Expenses					
Investment property expenses		(1,970)	(2,534)	(1,915)	(2,577)
Employee benefits expenses		(31,263)	(24,176)	-	-
Depreciation		(552)	(497)	-	-
Finance costs		(4,858)	(3,872)	(4,594)	(2,981)
Net valuation losses on investment properties		-	(894)	-	(894)
Net unrealised loss from derivative financial instruments		(417)	(21)	(417)	(21)
Net loss on investment in associates at fair value		(817)	-	(795)	-
Loss on sale of investment property		-	-	(350)	-
Impairment of investment in associate		(130)	-	-	-
Asset management fees		-	-	(3,010)	(2,842)
Occupancy costs		(1,200)	(1,262)	-	-
Legal and consulting costs		(3,380)	(318)	(10)	(11)
Other expenses		(2,443)	(4,097)	(784)	(469)
Total expenses		(47,030)	(37,671)	(11,875)	(9,795)
Profit/(loss) before tax		22,724	48,300	22,112	41,951
Income tax (expense)/benefit		(2,230)	813	-	329
Profit/(loss) for the period		20,494	49,113	22,112	42,280
Other comprehensive income/(loss)					
Exchange differences on translation of foreign operations		4,103	(15,931)	4,058	(15,761)
Other comprehensive income/(loss) for the period, net of tax		4,103	(15,931)	4,058	(15,761)
Total comprehensive income/(loss) for the period		24,597	33,182	26,170	26,519
Profit/(loss) for the period is attributable to:					
Equity holders of Charter Hall Limited		(1,193)	7,085	-	-
Equity holders of Charter Hall Property Trust (non-controlling interest)		20,754	39,706	20,754	39,706
Profit / (loss) attributable to stapled securityholders of Charter Hall Group					
Net profit / (loss) attributable to other non-controlling interests		933	2,322	1,358	2,574
Profit / (loss) for the period		20,494	49,113	22,112	42,280
Total comprehensive income/(loss) for the period is attributable to:					
Equity holders of Charter Hall Limited		(1,156)	6,914	-	-
Equity holders of Charter Hall Property Trust (non-controlling interest)		24,817	23,957	24,817	23,957
Total comprehensive income/(loss) attributable to stapled securityholders of Charter Hall Group					
Total comprehensive income/(loss) attributable to other non-controlling interests		936	2,311	1,353	2,562
Total comprehensive income/(loss) for the period		24,597	33,182	26,170	26,519
Basic and diluted earnings per stapled security					
Basic earnings per stapled security (cents) attributable to securityholders	2	6.62	15.98	7.03	13.56
Diluted earnings per stapled security (cents) attributable to securityholders	2	6.17	15.05	6.52	12.50

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

Interim financial statements

for the half year ended 31 December 2011

Consolidated Balance Sheets

	Notes	Charter Hall Group		Charter Hall Trust Group	
		31 Dec 2011 \$'000	30 Jun 2011 \$'000	31 Dec 2011 \$'000	30 Jun 2011 \$'000
Current assets					
Cash and cash equivalents		24,924	26,266	4,429	4,841
Receivables		43,104	43,438	13,652	13,788
Investment properties held for sale		-	921	-	-
Total current assets		68,028	70,625	18,081	18,629
Non-current assets					
Receivables		8,400	9,400	382,694	355,874
Investments accounted for using the equity method	7	533,431	517,707	428,428	436,108
Investments in associates at fair value through the profit and loss	7	63,322	78,445	62,914	78,014
Inventories		8,735	7,450	-	-
Investment properties		144,064	159,518	144,064	143,718
Property, plant and equipment		2,782	3,167	-	-
Intangible assets	8	99,994	99,994	-	-
Deferred tax assets		6,827	11,255	-	-
Total non-current assets		867,555	886,936	1,018,100	1,013,714
Total assets		935,583	957,561	1,036,181	1,032,343
Current liabilities					
Trade and other payables		46,485	58,061	34,848	32,728
Derivative financial instruments		219	-	219	-
Provisions		795	834	-	-
Total current liabilities		47,499	58,895	35,067	32,728
Non-current liabilities					
Trade and other payables		2,796	12,106	-	-
Borrowings		101,619	101,862	101,619	101,862
Deferred tax liabilities		1,425	1,129	-	-
Derivative financial instruments		588	407	588	407
Provisions		1,281	1,217	-	-
Total non-current liabilities		107,709	116,721	102,207	102,269
Total liabilities		155,208	175,616	137,274	134,997
Net assets		780,375	781,945	898,907	897,346
Equity					
<i>Equity holders of Charter Hall Limited</i>					
Contributed equity	4	9,534	9,503	-	-
Reserves		(49,671)	(47,547)	-	-
Accumulated losses		(63,522)	(62,329)	-	-
Parent entity interest		(103,659)	(100,373)	-	-
<i>Equity holders of Charter Hall Property Trust</i>					
Contributed equity	4	937,561	934,458	937,561	934,458
Reserves		(8,004)	(9,747)	(8,004)	(9,747)
Accumulated losses		(78,446)	(74,520)	(78,446)	(74,520)
Equity holders of Charter Hall Property Trust (non-controlling interest)		851,111	850,191	851,111	850,191
Interest attributable to stapled securityholders		747,452	749,818	851,111	850,191
Non-controlling interest in DRF		32,923	32,127	47,796	47,155
Total equity		780,375	781,945	898,907	897,346

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

Interim financial statements

for the half year ended 31 December 2011

Consolidated Statement of Changes in Equity - Group

Attributable to the 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 2010	936,445	(40,029)	(136,055)	760,361	50,629	810,990
Profit /(loss) for the half year	-	-	46,791	46,791	2,322	49,113
Other comprehensive income	-	(15,920)	-	(15,920)	(11)	(15,931)
Total comprehensive income/(loss)	-	(15,920)	46,791	30,871	2,311	33,182
Transactions with equity holders in their capacity as equity holders:						
Non-controlling interest in DRF	-	-	-	-	(19,601)	(19,601)
Contributions of equity, net of issue costs	7,521	-	-	7,521	-	7,521
Distribution provided for or paid	-	-	(23,500)	(23,500)	(1,394)	(24,894)
Security based payments reserve	-	2,082	-	2,082	-	2,082
Transactions with non-controlling interests	-	(8,769)	-	(8,769)	-	(8,769)
	7,521	(6,687)	(23,500)	(22,666)	(20,995)	(43,661)
Balance at 31 December 2010	943,966	(62,636)	(112,764)	768,566	31,945	800,511
Balance at 1 July 2011	943,961	(57,294)	(136,849)	749,818	32,127	781,945
Profit for the half year	-	-	19,561	19,561	933	20,494
Foreign currency reserve movement	-	4,106	-	4,106	(3)	4,103
Total comprehensive income / (loss)	-	4,106	19,561	23,667	930	24,597
Transactions with equity holders in their capacity as equity holders:						
Distribution provided for or paid	-	-	(26,888)	(26,888)	(1,309)	(28,197)
Security based payments reserve	-	1,287	-	1,287	-	1,287
Performance rights and options exercised	3,134	(1,176)	-	1,958	-	1,958
Transactions with non-controlling interests	-	(2,390)	-	(2,390)	1,175	(1,215)
Transfer to accumulated losses	-	(2,208)	2,208	-	-	-
	3,134	(4,487)	(24,680)	(26,033)	(134)	(26,167)
Balance at 31 December 2011	947,095	(57,675)	(141,968)	747,452	32,923	780,375

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

Interim financial statements

for the half year ended 31 December 2011

Consolidated Statement of Changes in Equity - Trust Group

Attributable to the owners of Charter Hall Trust Group

	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total \$'000	Non- controlling interest \$'000	Total equity \$'000
Balance at 1 July 2010	927,018	4,627	(79,219)	852,426	50,629	903,055
Profit /(loss) for the half year	-	-	39,706	39,706	2,574	42,280
Other comprehensive income	-	(15,749)	-	(15,749)	(12)	(15,761)
Total comprehensive income/(loss)	-	(15,749)	39,706	23,957	2,562	26,519
Transactions with equity holders in their capacity as equity holders:						
Non-controlling interest in DRF	-	-	-	-	(4,548)	(4,548)
Contributions of equity, net of issue costs	7,440	-	-	7,440	-	7,440
Distribution provided for or paid	-	-	(23,500)	(23,500)	(1,441)	(24,941)
Transactions with non-controlling interests	-	(120)	-	(120)	-	(120)
	7,440	(120)	(23,500)	(16,180)	(5,989)	(22,169)
Balance at 31 December 2010	934,458	(11,242)	(63,013)	860,203	47,202	907,405
Balance at 1 July 2011	934,458	(9,746)	(74,520)	850,192	47,154	897,346
Profit for the half year	-	-	20,754	20,754	1,358	22,112
Foreign currency reserve movement	-	4,063	-	4,063	(5)	4,058
Total comprehensive income / (loss)	-	4,063	20,754	24,817	1,353	26,170
Transactions with equity holders in their capacity as equity holders:						
Distribution provided for or paid	-	-	(26,888)	(26,888)	(1,904)	(28,792)
Performance rights and options exercised	3,103	-	-	3,103	-	3,103
Transactions with non-controlling interests	-	(113)	-	(113)	1,193	1,080
Transfer to accumulated losses	-	(2,208)	2,208	-	-	-
	3,103	(2,321)	(24,680)	(23,898)	(711)	(24,609)
Balance at 31 December 2011	937,561	(8,004)	(78,446)	851,111	47,796	898,907

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

Interim financial statements

for the half year ended 31 December 2011

Consolidated Cash Flow Statements

	Notes	Charter Hall Group		Charter Hall Trust Group	
		31 Dec 2011 \$'000	31 Dec 2010 \$'000	31 Dec 2011 \$'000	31 Dec 2010 \$'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		64,366	46,948	9,436	12,680
Payments to suppliers and employees (inclusive of goods and services tax)		(54,431)	(39,456)	(6,705)	(6,486)
Finance costs paid		(4,146)	(3,872)	(4,375)	(2,810)
Distributions and dividends from investments		17,984	18,162	14,619	12,860
Interest received		1,604	1,300	851	768
Income tax paid		(126)	(76)	-	-
Net cash flows from operating activities		25,251	23,006	13,826	17,012
Cash flows from investing activities					
Payment for property, plant and equipment		(170)	(794)	-	-
Payments for investment property		(356)	(14,556)	(356)	(13,803)
Payments for inventory		(1,205)	-	-	-
Payment for business combination – deferred consideration		(14,300)	-	-	-
Proceeds on disposal of investment property		17,345	97,149	-	75,995
Payments for investments in associates and joint ventures		(19,735)	(79,573)	(26,262)	(52,853)
Proceeds on disposal of investments in associates		14,306	3,772	44,336	7,984
Loans to related parties		-	(1,250)	(8,180)	(256)
Repayments received on loans to related parties		800	-	-	-
Net cash flows from investing activities		(3,315)	4,748	9,538	17,067
Cash flows from financing activities					
Proceeds from issues of securities		3,060	-	3,041	-
Proceeds from borrowings		23,300	11,250	23,300	15,500
Repayment of borrowings		(23,300)	(36,692)	(23,300)	(36,692)
Payments to terminate derivative financial instruments		-	(4,409)	-	(4,409)
Security issue transaction costs		(23)	-	(23)	-
Borrowing costs		(247)	-	(247)	-
Distributions paid to securityholders		(26,043)	(11,571)	(26,535)	(12,880)
Net cash flows from financing activities		(23,253)	(41,422)	(23,764)	(38,481)
Net decrease in cash and cash equivalents		(1,317)	(13,668)	(400)	(4,402)
Cash and cash equivalents at the beginning of the half year		26,266	28,380	4,841	6,638
Effects of exchange rate changes on cash and cash equivalents		(25)	-	(12)	(14)
Cash and cash equivalents at the end of the half year		24,924	14,712	4,429	2,222

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

Interim financial statements for the half year ended 31 December 2011

1. Summary of significant accounting policies

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

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

As permitted by Class Order 05/642, issued by the Australian Securities and Investments Commission, this financial report is a combined financial report that presents the interim financial statements and accompanying notes of both the Charter Hall Group and the Charter Hall Trust Group.

The interim financial report of the Charter Hall Group comprises Charter Hall Limited and its controlled entities including Charter Hall Property Trust. 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 a non-controlling interest, the stapled securityholders of CHL are the same as the stapled securityholders of CHPT.

The interim financial report of the Charter Hall Trust Group comprises the Trust and its controlled entities.

This general purpose interim financial report for the half year reporting period ended 31 December 2011 has been prepared in accordance with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Act 2001.

The interim financial report does not include all notes normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by Charter Hall Group during the half year ended 31 December 2011 in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted in the preparation of the interim financial report are consistent with those of the previous financial year and corresponding interim reporting period.

Going concern – Charter Hall Property Trust

At 31 December 2011 the Trust has booked a liability for the \$26,888,000 distribution payable on 23 February 2012. As a result, at 31 December 2011, current liabilities exceed current assets by \$16,986,000. The interim financial statements have been drawn up on a going concern basis as the directors believe the Trust will be able to meet its debts as they become due and payable through continuing to generate net inflows from operations and accessing the \$66,990,000 undrawn finance facilities available to it, if needed.

Interim financial statements

for the half year ended 31 December 2011

2. Earnings per stapled security

	Charter Hall Group		Charter Hall Trust Group	
	6 months to 31 Dec 2011	6 months to 31 Dec 2010	6 months to 31 Dec 2011	6 months to 31 Dec 2010
Basic earnings per stapled security				
Basic earnings attributable to the stapled securityholders of Charter Hall Group	6.62	15.98	7.03	13.56
Diluted earnings per stapled security				
Diluted earnings attributable to the stapled securityholders of Charter Hall Group	6.17	15.05	6.52	12.50
Reconciliations of earnings used in calculating earnings per security				
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Profit attributable to the ordinary equity holders of the Group used in calculating basic earnings per security	19,561	46,791	20,754	39,706
Interest received from LTI securities*	62	1,007	-	-
Net profit / (loss) after tax for securityholders	19,623	47,798	20,754	39,706

* Diluted earnings calculation includes stapled securities (which are derecognised for accounting under AASB 2 *Share-Based Payment*) and performance rights and options issued under the ELSP. Diluted earnings are higher than basic earnings as interest income on loans to employees for stapled securities under the ELSP would be recognised.

The weighted average number of stapled securities on issue used in the calculation of basic ordinary earnings per stapled security was 295,413,565 stapled securities (2010: 292,759,187).

The weighted average number of stapled securities on issue used in the calculation of diluted ordinary earnings per stapled security was 318,289,681 stapled securities (2010: 317,594,347).

3. Distributions

Distributions to stapled securityholders recognised in the current period are:

December 2011	Payment per Unit	Total Amount \$'000	Date of Payment
Units			
Interim distribution	9.10 cents	26,888	23 February 2012
December 2010	Payment per Unit	Total Amount \$'000	Date of Payment
Units			
Interim distribution	8.00 cents	23,500	28 February 2011

Interim financial statements

for the half year ended 31 December 2011

4. Stapled securities issued

Stapled securities Number of units ¹	Details	Date	6 months to 31 December 2011 \$'000	6 months to 30 June 2011 \$'000
1,162,380,237	Balance per accounts	30 Jun 10		936,445
50,343,595	Add back LTI securities reversed last year ²			73,179
12,641,256	DRP issue			7,516
1,225,365,088	Balance before consolidation			1,017,140
(919,023,274)	Consolidation at one for four			-
306,341,814	Balance			1,017,140
(12,585,920)	Less: LTI securities reversed ²			(73,179)
293,755,894	Balance per accounts	30 Jun 11	943,961	943,961
12,585,920	Add back LTI securities reversed last year ²		73,179	
1,714,082	Performance rights and options exercised		3,134	
(11,907,844)	Cancellation of forfeited LTI securities off market		(65,692)	
296,148,052	Balance		954,582	
(678,055)	Less: LTI securities reversed ²		(7,487)	
295,469,997	Balance per accounts	31 Dec 11	947,095	
	Charter Hall Limited		9,534	9,503
	Charter Hall Property Trust		937,561	934,458
			947,095	943,961

¹ This includes shares of Charter Hall Limited and units in 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 (ELSP) have been issued in trust and have a corresponding loan given to the employee. Under AASB 2: *Share Based Payment*, the loan, interest received on the loan, securities and the distribution paid and payable are derecognised for the preparation of the interim financial statements.

The total number of securities issued at 31 December 2011 including ELSP securities is 296,148,052 (June 2011: 306,341,814).

Interim financial statements

for the half year ended 31 December 2011

5. Commitments and contingent liabilities

Commitments

On 21 June 2011, the 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. Under the UTA, settlement and completion of the transfer of the CQO sale units would be effective when at least 80% of the proceeds from the CQO announced US asset sale program was returned to CQO unit holders.

Subsequently, on 5 December 2011, the Group announced that the terms of the UTA had been amended to take account of Reco Ambrosia Pte Ltd (an affiliate of Singapore Investment Corporation Pte Ltd) and the Public Sector Pension Investment Board of Canada (collectively known as the Consortium) bid for CQO, which was unanimously recommended by the independent directors of the Responsible Entity of CQO (Charter Hall Office Management Limited). The UTA now provides that the Group would only acquire the 3.3% interest in the event that the Consortium's offer for CQO is not put to CQO unit holders or is ultimately rejected by CQO unit holders in which case Fir Tree is then entitled to put that interest to the Group.

Contingent liabilities

Charter Hall Opportunity Fund 4 ("CHOF 4")

The Group is entitled to performance fees in respect of CHOF 4, calculated at 33.34% of the excess return above a gross equity internal rate of return ("IRR") of 13% on the paid up capital allocated to a project. To date, the Group has received a total of \$14.2 million in performance fees over the life of this fund. There have been no performance fees recognised in the current period or in the prior year ended 30 June 2011. Contractual arrangements allow a clawback of performance fees on termination of CHOF 4 (currently scheduled for December 2012) to the extent necessary to allow CHOF 4 to achieve a gross equity IRR equal to 13%. The gross equity IRR is calculated prior to the deduction of performance fees, fund management fees, fund costs and income tax.

The Fund's projects are currently projected to achieve a gross equity IRR of 13%, despite recent writedowns in the projected realisable value from its two remaining projects. Accordingly no provision has been raised in the financial statements at 31 December 2011. Should these forecast values not be achieved the Fund's gross project equity IRR may fall below 13% triggering the clawback arrangements. The repayment of performance fees is limited to the total amount of performance fees received by the Group.

No other performance fees received by the Group from other Charter Hall managed funds in prior periods are subject to clawback arrangements.

There were no other contingent liabilities as at 31 December 2011.

Interim financial statements

for the half year ended 31 December 2011

6. Segment information

(a) Description of segments

Charter Hall Group

Management has determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions. The Board is responsible for allocating resources and assessing performance of the operating segments, and therefore has been identified as the chief operating decision maker.

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 and unlisted property funds. The property investment division has the profit result of DRF identified separately for management.

Property funds management

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

Development investment

This segment comprises property development activities of the Group.

Charter Hall Trust Group

The Charter Hall Trust Group's only business is investing in direct property and listed and unlisted property funds. Consequently the Charter Hall Trust Group comprises a single reportable segment.

(b) Segment information provided to the Board

The operating segments provided to the Board for the reportable segments for the half year ended 31 December 2011 is as follows:

	Property investment \$'000	Property funds management \$'000	Development investment \$'000	DRF (100%) \$'000	Combined Group \$'000
31 December 2011					
Total net rental income	332	-	-	7,033	7,365
Total investment income	16,885	-	-	-	16,885
Total rental and property income	17,217	-	-	7,033	24,250
Net development income	-	-	954	-	954
Total corporate income	-	48,156	-	-	48,156
Total income	17,217	48,156	954	7,033	73,360
Operating expenses	(187)	(36,959)	-	(275)	(37,421)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	17,030	11,197	954	6,758	35,939
Depreciation	-	(552)	-	-	(552)
Earnings before interest and tax (EBIT)	17,030	10,645	954	6,758	35,387
Interest income	76	663	302	87	1,128
Interest expense ¹	(1,767)	-	-	(2,519)	(4,286)
Operating earnings (including 100% of DRF)	15,339	11,308	1,256	4,326	32,229
Non-controlling interest	-	-	-	(1,287)	(1,287)
Operating earnings	15,339	11,308	1,256	3,039	30,942
Weighted average number of securities ('000)					295,414
Operating EPS					10.47cps
Number of securities for dividend per security (DPS) ('000)					295,470
DPS					9.10cps

1. Excludes \$572,000 which relates to movement in the earnout payable to Macquarie. This item is considered to be non-operating.

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

Interim financial statements

for the half year ended 31 December 2011

6. Segment information (continued)

The operating segments provided to the Board for the reportable segments for the half year ended 31 December 2010 is as follows:

	Property investment \$'000	Property funds management \$'000	Development investment \$'000	DRF (100%) \$'000	Combined Group \$'000
31 December 2010					
Total net rental income	-	-	-	7,894	7,894
Total investment income	14,864	-	-	-	14,864
Total rental and property income	14,864	-	-	7,894	22,758
Net development income	-	-	2,271	-	2,271
Total corporate income	-	37,382	-	-	37,382
Total income	14,864	37,382	2,271	7,894	62,411
Operating expenses	(129)	(26,922)	-	(524)	(27,575)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	14,735	10,460	2,271	7,370	34,836
Depreciation	-	(497)	-	-	(497)
Earnings before interest and tax (EBIT)	14,735	9,963	2,271	7,370	34,339
Interest income	188	551	-	242	981
Interest expense ¹	(345)	-	-	(2,691)	(3,036)
Operating earnings (including 100% of DRF)	14,578	10,514	2,271	4,921	32,284
Non-controlling interest	-	-	-	(1,435)	(1,435)
Operating earnings	14,578	10,514	2,271	3,486	30,849
Weighted average number of securities ('000)					292,759
Operating EPS					10.54cps
Number of securities for dividend per security (DPS) ('000)					293,755
DPS					8.00cps

1. Excludes \$836,000 which relates to movement in the earnout payable to Macquarie. This item is considered to be non-operating.

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

	2011 \$'000	2010 \$'000
Total income per segment note	73,360	62,411
Add: investment property expenses	1,690	2,534
Add: interest income	1,128	861
Less: equity accounted profit in property investment segment	(15,645)	(16,283)
Less: equity accounted profit in funds management segment	(804)	(2,354)
Less: equity accounted profit in development investment segment	18	84
Less: other	(41)	(64)
Revenue per Statement of Comprehensive Income	59,706	47,189

Operating earnings is a financial measure which represents the profit/(loss) under Australian Accounting Standards adjusted for fair value adjustments, impairment of assets, gains or losses on sale of investments, acquisition costs, non-operating movements in equity accounted investments, and non-cash items such as security-based benefits expense, amortisation, and tax expense/(benefit).

The inclusion of operating earnings as a measure of the Group's profitability provides investors with the same basis that is used internally for evaluating operating segment performance. Operating earnings is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution to declare.

Interim financial statements

for the half year ended 31 December 2011

6. Segment information (continued)

The calculation of operating earnings by adjusting for amounts in the Statement of Comprehensive Income including, and excluding the non-controlled interest in DRF is shown below:

	2011 (\$'000)	2010 (\$000)
	Excluding non-controlled interest in DRF	Excluding non- controlled interest in DRF
Statutory profit after tax attributable to stapled securityholders	19,561	46,791
Fair value adjustments on investments, property and derivatives ¹	4,157	(9,027)
Net gain on re-measurement of equity interests	(3,581)	(11,573)
(Gain)/loss on sale of investments, property and derivatives ¹	2,118	(241)
Security based benefits expense	1,287	2,082
Income tax expense/(benefit) ¹	4,059	477
Other ¹	3,341	2,340
Operating earnings	30,942	30,849

"DRF" is the Charter Hall Direct Retail Fund.

¹ These items include the Group's share of non-operating movements in equity accounted investments.

Basic weighted average number of securities per note 2	295,413,565	292,759,187
Operating earnings per security	10.47 cents	10.54 cents

Assets and liabilities have not been reported on a separate basis as the Board is provided with consolidated information.

Interim financial statements

for the half year ended 31 December 2011

7. Investments in associates and joint ventures

Charter Hall Group

	31 Dec 2011 %	30 Jun 2011 %	31 Dec 2011 \$'000	30 Jun 2011 \$'000
Accounted for at fair value through profit and loss				
<i>Unlisted</i>				
Charter Hall Diversified Property Fund	25.2%	36.4%	12,030	26,964
Charter Hall Umbrella Fund	25.6%	24.9%	40,386	40,612
Charter Hall Direct Property Fund	3.7%	3.5%	10,498	10,438
Charter Hall Property Securities Fund	1.6%	1.4%	408	431
			63,322	78,445
Equity accounted				
<i>Unlisted</i>				
Charter Hall Opportunity Fund No 4	3.0%	3.0%	1,037	1,218
Charter Hall Opportunity Fund No 5	15.0%	15.0%	36,245	31,286
Charter Hall Core Plus Office Fund	14.0%	16.2%	112,949	110,428
Charter Hall Core Plus Industrial Fund	18.0%	21.3%	53,942	53,281
<i>Listed</i>				
Charter Hall Office REIT	10.0%	10.0%	180,928	185,681
Charter Hall Retail REIT	10.0%	8.2%	102,882	88,189
<i>Joint ventures - unlisted</i>				
Commercial and Industrial Property Pty Ltd	50.0%	50.0%	26,912	28,843
Maguire Macquarie Management LLC	50.0%	50.0%	-	-
Macquarie-Regency Management LLC	50.0%	50.0%	25	26
Reliance Investment Management Pty Limited	50.0%	50.0%	-	55
Charter Hall Retail Joint Venture	50.0%	50.0%	18,511	18,700
			533,431	517,707
Total			596,753	596,152

Charter Hall Trust Group

	31 Dec 2011 %	30 Jun 2011 %	31 Dec 2011 \$'000	30 Jun 2011 \$'000
Accounted for at fair value through profit and loss				
<i>Unlisted</i>				
Charter Hall Diversified Property Fund	25.2%	36.4%	12,030	26,964
Charter Hall Umbrella Fund	25.6%	24.9%	40,386	40,612
Charter Hall Direct Property Fund	3.7%	3.5%	10,498	10,438
			62,914	78,014
Equity accounted				
<i>Unlisted</i>				
Charter Hall Core Plus Office Fund	12.8%	13.3%	102,633	90,257
Charter Hall Core Plus Industrial Fund	7.8%	21.3%	23,474	53,281
<i>Listed</i>				
Charter Hall Office REIT	10.0%	10.0%	180,928	185,681
Charter Hall Retail REIT	10.0%	8.2%	102,882	88,189
<i>Joint ventures - unlisted</i>				
Charter Hall Retail Joint Venture	50.0%	50.0%	18,511	18,700
			428,428	436,108
Total			491,342	514,122

Interim financial statements

for the half year ended 31 December 2011

8. Intangible assets

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

	31 Dec 2011 \$'000	30 Jun 2011 \$'000
Management rights	99,994	99,994

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% (June 2011: 13 -18%) 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% (June 2011: 3%) per annum; and
- Terminal value multiple of 7.0 times earnings (June 2011: 7.0 times).

Consortium approach to acquire the Australian portfolio

On 31 December 2011, the Responsible Entity of CQO, CHOML, entered into a binding Scheme Implementation Agreement ("SIA") with Reco Ambrosia Pte Ltd ("RAP") (an affiliate of Government of Singapore Investment Corporation Pte Ltd), the Public Sector Pension Investment Board of Canada ("PSP"), and a member of the Charter Hall Group (ASX:CHC) (collectively known as the Consortium), in relation to a proposed trust scheme under which the Consortium will acquire all the units in CQO except certain of those held by the members of the Consortium and their associates (Other than PSP in respect of part of its holding of CQO units), for a consideration of \$2.49 per unit in respect of the Australian assets only.

A scheme memorandum has been provided to unitholders to provide more details on the proposed transaction.

On 3 January 2012 the Group announced that it had agreed final documentation on a series of consortium arrangements in relation to CQO, conditional in the event of the above scheme being implemented. These include the Management Agreement and Unitholders' Agreement that will govern Charter Hall's obligations and ongoing relationship with the other CQO consortium members.

The proposed trust scheme under which the Consortium will acquire all the units in CQO (except those held by the members of the Consortium or their associates) is expected to be implemented by the end of March, however, it is conditional on a number of matters set out in the SIA, including the completion of the US asset sale process, and unitholders voting in favour of the proposed scheme.

Charter Hall will continue to manage CQO on an unlisted basis with a similar fee structure and quantum had CQO remained a listed REIT.

In the event this transaction is completed, Charter Hall will review the \$47 million carrying value of the management rights in relation to CQO to reflect CQO moving from a listed REIT to a wholesale unlisted trust.

Interim financial statements

for the half year ended 31 December 2011

9. Events occurring after the balance sheet date

No matter or circumstance has arisen since 31 December 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.

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Directors' declaration for the half year ended 31 December 2011

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

- a) the financial statements and notes of Charter Hall Limited and its controlled entities including Charter Hall Property Trust and its controlled entities ("Charter Hall Group") and Charter Hall Property Trust and its controlled entities ("Charter Hall Trust Group") set out on pages 9 to 23 are in accordance with the *Corporations Act 2001*, including:
- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of Charter Hall Group's and Charter Hall Trust Group's financial position as at 31 December 2011 and of their performance for the half year ended on that date; and
- b) there are reasonable grounds to believe that both Charter Hall Limited and the Charter Hall Property Trust will be able to pay their debts as and when they become due and payable.

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



Kerry Roxburgh
Chairman
Sydney
22 February 2012



Independent auditor's review report to the stapled securityholders of Charter Hall Group and Charter Hall Trust Group

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report which comprises:

- The balance sheet as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, selected explanatory notes and the directors' declaration for Charter Hall Limited which comprises Charter Hall Limited and the entities it controlled during that half year which form the consolidated entity ("Charter Hall Group"). The Charter Hall Group is deemed to (and does) include, because of stapling interests, the Charter Hall Property Trust (the Trust) and the entities the Trust controlled during that half year.
- The balance sheet as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, selected explanatory notes and the directors' declaration for Charter Hall Trust Group which comprises Charter Hall Property Trust and the entities it controlled during that half year, which form the consolidated entity ("Charter Hall Trust Group").

Directors' responsibility for the half-year financial report

The directors of Charter Hall Limited and the directors of Charter Hall Funds Management Limited, the responsible entity of Charter Hall Property Trust (collectively referred to as "the directors") are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the financial positions of both the Charter Hall Group and the Charter Hall Trust Group as at 31 December 2011 and of their performances for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Charter Hall Limited and Charter Hall Property Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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Independent auditor's review report to the stapled securityholders of Charter Hall Group and Charter Hall Trust Group (continued)

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Charter Hall Group and Charter Hall Trust Group is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Charter Hall Group's and the Charter Hall Trust Group's financial positions as at 31 December 2011 and of their performances for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink that reads 'Robert Baker'.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'Robert Baker'.

R A Baker
Partner

Sydney
22 February 2012

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