APPENDIX 4D – HALF YEAR REPORT
HALF YEAR ENDED 31 DECEMBER 2010

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)

1. Reporting period

Half year report for the half year ended 31 December 2010.

2. Results for announcement to the market

	Consolidated 6 months to 31 December 2010 $000's	Consolidated 6 months to 31 December 2009 (restated) $000's	% change
Revenue from continuing operations	**47,189**	26,874	76%
Statutory net profit / (loss) for the half year after tax attributable to securityholders	**46,791**	(57,764)	n/m
Operating earnings* attributable to securityholders	**30,849**	14,162	118%

The Board of CHC resolved to equity account the investments in Charter Hall Core Plus Office Fund and Charter Hall Core Plus Industrial Fund from 1 July 2010. The new policy has been applied retrospectively and comparative information in relation to the 2010 financial year has been restated accordingly.

	2010 (Cents)	2009 (Cents) (restated)	% change
Distribution / dividend			
Interim distribution in respect of a CHPT unit	**8.00**	6.40	25%
Interim dividend in respect of a CHL share	**-**	-	n/a
Total	**8.00**	6.40	25%

During this period CHC undertook a security consolidation with investors receiving one security for every four held. The actual distribution for 31 December 2009 was 1.60 cents per security however the security consolidation has changed the per security metrics with 2009 being restated.

Record date for determining entitlements to distributions - 31 December 2010.

The interim distribution is expected to be paid on 28 February 2011.

	2010 (Cents)	2009 (Cents) (restated)	% change
Earnings per security			
Basic earnings per stapled security on profit / (loss) attributable to stapled securityholders	**15.98**	(33.04)	n/m
Basic operating earnings* per stapled security	**10.54**	8.10	30%

*Operating earnings excludes fair value adjustments, gains / losses 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. Refer to note 6 of the half year financial report for a reconciliation between statutory net profit / (loss) and operating earnings.

The basic earnings and operating earnings for 2009 were (9.41) and 2.02 cents per security respectively before taking into account the one for four security consolidation and the change in accounting policy described in note 1.

3. Net tangible assets (NTA) per security

	31 December 2010	31 December 2009 (restated)	% change	30 June 2010 (restated)
NTA per security	**$2.21**	$2.44	(9%)	$2.21

The number of securities on issue is 306.3 million (2009: 187.7 million). For the calculation of NTA the number of securities is reduced to 293.8 million (2009: 175.1 million). The difference represents securities issued under the Executive Loan Security Plan (ELSP) which are not recognised for accounting purposes, including NTA calculation, under AASB 2 *Share Based Payment*. The corresponding loan receivable and interest income are also not recognised.

At 31 December 2009 the number of securities on issue was 750.6 million and the number of securities for the calculation of NTA was 700.3 million before taking into account the one for four security consolidation.

The NTA for 2009 has been restated for the one for four security consolidation and the change in accounting policy described in note 1.

4. Entities over which control has been gained or lost during the period

On 10 November 2010 Charter Hall Holdings Pty Limited acquired Real Estate Capital Investments Limited.

5. Distribution Reinvestment Plan (“DRP”)

The DRP is not in operation.

6. Associates and joint venture entities

The Group holds a 50% interest in the following joint ventures at 31 December 2010:

- Commercial & Industrial Property Pty Ltd;
- Macquarie Office (US) Corporation;
- Macquarie Office (US) No 2 Corporation;
- Macquarie CountryWide (US) Corporation;
- Macquarie CountryWide (US) No 2 Corporation;
- Charter Hall Retail Joint Venture; and
- Reliance Investment Management Pty Limited.

At that date the Group had the following interests in associates:

- Charter Hall Office REIT 9%;
- Charter Hall Retail REIT 8%;
- Charter Hall Direct Property Fund 4%;
- Charter Hall Diversified Property Fund 36%;
- Charter Hall Umbrella Fund 25%;
- Charter Hall Core Plus Office Fund 16%;
- Charter Hall Core Plus Industrial Fund 21%;
- Charter Hall Opportunity Fund No 4 3%; and
- Charter Hall Opportunity Fund No 5 15%.

7. Accounting standards applied to foreign entities

Not applicable.

8. Audit dispute or qualification

None.

CHARTER HALL GROUP

FINANCIAL REPORT

COMPRISING CHARTER HALL LIMITED AND ITS CONTROLLED ENTITIES

FOR THE HALF YEAR ENDED 31 DECEMBER 2010

Contents

Directors' Report

Charter Hall Group (the Group or CHC) comprises Charter Hall Limited (the Company or CHL) and its controlled entities, which include Charter Hall Funds Management Limited as the responsible entity of Charter Hall Property Trust (the Trust or CHPT). 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 Directors of the Board present their Report, together with the consolidated Financial Report of the Group, for the half year ended 31 December 2010, and the Independent Auditor's Review Report thereon.

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.

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 (appointed 6 October 2010)
P Derrington	Non-Executive Independent Director (resigned 10 November 2010)
G Fraser	Non-Executive Independent Director
C Fuchs	Executive Director
D Harrison	Joint Managing Director
P Kahan	Non-Executive Director
C McGowan	Non-Executive Independent Director
D Southon	Joint Managing Director

Distributions

Distributions paid or declared by Charter Hall Group to securityholders since the end of the previous financial year were:

	2010 $'000	2009 $'000
Interim distribution for the six months ended 31 December 2010 of 8.00 (2009: 6.40) cents per security declared and payable 28 February 2011.	**23,500**	11,204

The actual distribution for 2009 was 1.60 cents per security. Adjusted for the one for four security consolidation the comparative is 6.40 cents per security.

Distribution Re-investment Plan (DRP)

The DRP is not in operation for this distribution.

Results

The 31 December 2010 half year financial results are summarised as follows:

		Dec 2010	Dec 2009 (restated)	Dec 2009[1]
Revenue including minority interests ($ million)	***2***	**47.2**	26.9	31.3
Statutory net profit / (loss) after tax for stapled securityholders ($ million)		**46.8**	(57.8)	(65.8)
Operating earnings for stapled securityholders ($ million)	***3***	**30.8**	14.2	14.2
Distribution to stapled securityholders ($ million)		**23.5**	11.2	11.2
Operating earnings per stapled security (cents)	***3***	**10.54**	8.10	2.02
Distribution per stapled security (cents)		**8.00**	6.40	1.60
		Dec 2010	June 2010 (restated)	June 2010[1]
Total assets ($ million)		**933**	976	988
Total liabilities ($ million)		**133**	165	165
Net assets ($ million)		**801**	811	823
Net assets attributable to stapled securityholders ($ million)		**769**	760	772
Securities on issue (million)	***4***	**294**	175	700
NTA per security ($)	***4***	**2.21**	2.21	0.56
Gearing – borrowings to total assets	***5***	**7%**	8%	8%
Funds under management ($ billion)		**10.4**	10.2	10.2

1 – Numbers from the 31 December 2009 and 30 June 2010 Financial Reports before taking into account the one for four security consolidation and re-statement in relation to change accounting policy as described in note 1.

2 – Gross revenue does not include gains on sale of investments of $3.1 million (2009: loss of $10.9 million) or share of net profits of associates of $23.1 million (2009: profit of $0.1 million).

3 – 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.

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 tangible assets net of cash.

The increase in operating earnings from $14.2 million in the previous corresponding period to $30.8 million is mainly due to increased fund management fees principally from the acquisition of the majority of the Macquarie real estate platform and increased income from investments in Charter Hall Office REIT (CQO) and Charter Hall Retail REIT (CQR).

Although the number of securities on issue increased, this translates to operating earnings per security (EPS) of 10.54 cents compared to 8.10 cents in 2009. As a result the Distribution per security (DPS) increased from 6.40 cents to 8.00 cents.

Net Tangible Assets per security (NTA) has remained steady at $2.21 per security at 30 June 2010 and $2.21 at 31 December 2010. The retained profits for the period were offset by other items including a $16 million movement in the foreign currency translation reserves of CQO and CQR that are equity accounted by CHC.

Review of operations

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

Over the 1HFY11 period the Group delivered $30.8 million of operating earnings based on EBITDA of $30.9 million[1]. Property investment contributed $18.3 million (60%), property funds management contributed $10.3 million (33%) and development investment contributed $2.3 million (7%) to EBITDA[2].

<u>Property investment</u>

The Group's property investment portfolio comprises $562 million of co-investments across eight funds and one 100% held property valued at $19 million. The property portfolio contributed EBITDA of $18.3 million[1] (60%) to the Group's earnings and has remained resilient with the weighted average cap rate stabilised at 8.0%. The portfolio has a weighted average lease expiry of 6.4 years and minimum rent reviews of 3.7% per annum. The weighted average level of occupancy across the portfolio is 95%.

<u>Property funds management</u>

The acquisition of the majority of the Macquarie Real Estate Platform in March 2010 has significantly increased the Group's weighting to annuity style funds management earnings, which made up 79% of funds management revenue in the first half. This division achieved a 28% EBITDA margin in 1HFY11, compared to a margin of 23% in 1HFY10. The Group believes there is potential for future margin expansion as the market recovers. Funds under management (FUM) has increased to $10.4 billion with acquisitions and revaluations more than offsetting negative foreign exchange movements and disposals.

The Group has continued to focus on improving the quality of earnings in the managed funds and has made substantial progress in delivering on the funds' stated strategies. The funds management business has three external sources of equity: listed REITs, wholesale funds and retail investors.

Listed REITs

The Charter Hall Office REIT (ASX: CQO) continued to reweight its investment portfolio to Australia. When the current transactions in progress are completed, 62% of CQO net tangible assets will comprise Australian assets. CQO revalued its portfolio as at 31 December 2010 at $3.6 billion, an increase of 1.1% over 30 June 2010 book value (excluding foreign exchange movement). At its half year presentation CQO advised that the full year earnings guidance had been increased to 26 cents per unit.

CQO's unit price has outperformed the broader A-REIT index (S&P A-REIT 200) by 38%[3] since announcing its strategy in August 2010 to continue reweighting to the Australian market.

On 8 February 2011 CQO announced that it had received a letter from a substantial unitholder stating that they may, in certain circumstances, convene an Extraordinary General Meeting ('EGM') of unitholders. At the date of this Financial Report the directors are not aware of any EGM having been convened or requisitioned.

---

[1] EBITDA is calculated by treating Charter Hall Direct Retail Fund (DRF) on a net contribution basis
[2] Management EBITDA calculated by allocating all group expenses to this division
[3] Performance on total return basis measured from 21 August 2010 to 21 February 2011

Charter Hall Retail REIT (ASX: CQR) also continued to reweight its investment portfolio to Australia. When the current transactions in progress are completed, Australian assets will comprise 93% of CQR net tangible assets.

CQR revalued its portfolio as at 31 December 2010 at $1.6 billion, an decrease of 0.2% over 30 June 2010 book value due to a softening in cap rates from 7.89% to 8.13% which was mostly offset by positive net operating income growth.

The unit price of CQR's has outperformed the broader A-REIT index (S&P A-REIT 200) by 19%[3] since announcing its strategy in August 2010 to continue reweighting to the Australian market.

Over the six months to 31 December 2010, listed FUM has reduced from $6.2 billion to $5.8 billion with $518 million attributed to negative FX movements partly offset by an increase of $68 million due to acquisitions and revaluations.

Wholesale Fund

The Core Plus Office Fund (CPOF) and the Core Plus Industrial Fund (CPIF) have raised further equity over the period and have in aggregate acquired $304 million of assets. The funds have performed strongly during the first half with market capitalisation rates remaining stable for both funds and assets in aggregate were revalued upward by $61 million. Core wholesale unlisted FUM[4] increased from $1.8 billion to $2.4 billion.

The Charter Hall Opportunity Fund 4 and 5 (CHOF4 and 5) have a combined seven projects under management. The FUM of the combined portfolio increased from $715 million to $785 million over the last six months.

Retail Fund

The retail investor fund business has $1.5 billion of FUM across 13 funds in office, retail and industrial markets. CHC has established new fund products in line with current investor preferences. Charter Hall has launched the Charter Hall Direct Industrial Fund (DIF) and has raised circa $44 million in equity. DIF has acquired assets valued in aggregate at $70 million. The Fund has achieved independent rating agency Lonsec's highest investment rating namely ("Highly Recommended") and now has a portfolio of three assets.

The Group has restructured the Core Plus Retail Fund (CPRF) into a retail investor fund. Charter Hall launched the fund renamed as the Charter Hall Direct Retail Fund (DRF) in December 2010 that is currently open for investment. Once CHPT's interest in DRF falls below 50% it will cease to be consolidated by CHC.

<u>Development investment</u>

The Group's development investment comprises a 50% interest in Commercial & Industrial Property Pty Ltd (CIP), an industrial development business together with an investment in CHOF 4 and 5. CIP contributed $2.1 million of earnings to the Group over 1HFY11 compared to $1.4 million over the previous corresponding period.

The Group's investments in CHOF 4 and 5 have an aggregate book value of $31.1 million and contributed $0.3 million to the Group's operating earnings over the half.

---

[3] Performance on total return basis measured from 21 August 2010 to 21 February 2011
[4] Excludes wholesale opportunistic platform

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 6.

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 financial report. Amounts in the directors' report and 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
24 February 2011

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

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

Auditor's Independence Declaration

As lead auditor for the review of Charter Hall Limited for the half year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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 the entities it controlled during the period.

Robert Baker

R Baker
Partner
PricewaterhouseCoopers

Sydney
24 February 2011

	Note	**31 December 2010 $'000**	31 December 2009 (restated) $'000
Revenue		**47,189**	26,874
Gains / (losses) on sale of investments		**3,444**	(5,801)
Investment property expenses		**(2,534)**	(3,027)
Employee benefits expenses		**(24,176)**	(8,270)
Depreciation		**(497)**	(307)
Other expenses		**(5,676)**	(2,410)
Finance costs		**(3,872)**	(3,740)
Foreign exchange gains		**174**	-
Share of net profit / (losses) of associates and joint ventures accounted for using the equity method		**23,461**	(8,016)
Net gain on re-measurement of equity interests		**11,573**	-
Fair value adjustments – property investments		**(764)**	(49,616)
Fair value adjustments – derivatives		**(21)**	583
Impairment of goodwill		**-**	(15,328)
Profit / (loss) before income tax		**48,300**	(69,058)
Income tax (expense) / benefit		**813**	(115)
Profit / (loss) for the half year		**49,113**	(69,173)
Attributable to:			
Equity holders of Charter Hall Limited		**7,085**	(1,278)
Equity holders of Charter Hall Property Trust (non-controlling interest)		**39,706**	(56,486)
Profit / (loss) attributable to stapled securityholders of Charter Hall Group		**46,791**	(57,764)
Net profit / (loss) attributable to other non-controlling interests		**2,322**	(11,409)
Profit / (loss) for the half year		**49,113**	(69,173)
		Cents per stapled security	**Cents per stapled security**
Distributions paid and payable		**8.00**	6.40
Basic earnings per stapled security attributable to stapled securityholders	2	**15.98**	(33.04)
Diluted earnings per stapled security attributable to stapled securityholders	2	**15.05**	(30.16)

The 31 December 2009 earnings per stapled security have been recalculated for the restatement for the change in accounting policy and the security consolidation.

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

	Notes	31 December 2010 $'000	31 December 2009 (restated) $'000
Profit / (loss) for the half year		**49,113**	(69,173)
Other comprehensive income for the half year:			
Foreign currency reserve movement		**(15,931)**	(41)
Total comprehensive income / (loss) for the half year		**33,182**	(69,214)
Attributable to:			
Equity holders of Charter Hall Limited		**6,914**	(1,319)
Equity holders of Charter Hall Property Trust (non-controlling interest)		**23,957**	(56,486)
Comprehensive income / (loss) attributable to stapled securityholders of Charter Hall Group		**30,871**	(57,805)
Net comprehensive income / (loss) attributable to other non-controlling interests		**2,311**	(11,409)
Total comprehensive income / (loss) for the half year		**33,182**	(69,214)

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

	Notes	31 December 2010 $'000	30 June 2010 (restated) $'000	1 July 2009 (restated) $'000
ASSETS				
Current assets				
Cash and cash equivalents		**14,712**	28,380	1,923
Trade and other receivables		**45,415**	48,361	17,082
Investment properties held for sale		**-**	45,000	-
Total current assets		**60,127**	121,741	19,005
Non-current assets				
Trade and other receivables		**5,000**	3,750	5,307
Investments accounted for using the equity method	7	**505,733**	453,669	247,875
Financial assets at fair value through the profit and loss	8	**78,898**	73,739	210,256
Investment properties		**162,226**	202,118	15,770
Property, plant and equipment		**3,894**	3,592	2,304
Intangible assets	9	**111,831**	111,831	-
Deferred tax assets		**5,566**	5,721	3,946
Derivative financial instruments		**37**	-	-
Other assets		**-**	-	295
Total non-current assets		**873,185**	854,420	485,753
Total assets		**933,312**	976,161	504,758
LIABILITIES				
Current liabilities				
Trade and other payables		**53,455**	55,018	14,221
Borrowings		**348**	-	-
Provisions		**958**	749	222
Total current liabilities		**54,761**	55,767	14,443
Non-current liabilities				
Trade and other payables		**8,070**	11,270	-
Borrowings		**68,506**	91,228	14,220
Deferred tax liabilities		**596**	1,273	852
Derivative financial instruments		**58**	4,754	-
Provisions		**810**	879	25
Total non-current liabilities		**78,040**	109,404	15,097
Total liabilities		**132,801**	165,171	29,540
Net assets		**800,511**	810,990	475,218
Equity				
Equity holders of Charter Hall Limited				
Contributed equity		**9,508**	9,427	6,383
Reserves		**(51,394)**	(44,658)	(45,997)
Accumulated losses		**(49,751)**	(61,698)	(36,530)
Parent entity interest		**(91,637)**	(96,929)	(76,144)
Equity holders of Charter Hall Property Trust (non-controlling interest)		**860,203**	857,290	551,362
Stapled securityholders of Charter Hall Group interest		**768,566**	760,361	475,218
Other non-controlling interest of Charter Hall Direct Retail Fund (DRF)		**31,945**	50,629	-
Total equity		**800,511**	810,990	475,218

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

	Attributable to owners of CHC					
	Contributed equity $'000	**Reserves $'000**	**Retained earnings $'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**
Loss for the half year	-	-	(57,764)	(57,764)	(11,409)	(69,173)
Foreign currency reserve movement	-	(41)	-	(41)	-	(41)
Total comprehensive loss for the half year	-	(41)	(57,764)	(57,805)	(11,409)	(69,214)
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	(213)	-	-	(213)	-	(213)
Distribution provided for or paid	-	-	(11,204)	(11,204)	(1,765)	(12,969)
Security based payments reserve	-	658	-	658	-	658
Other	-	-	(19)	(19)	-	(19)
	(213)	658	(11,223)	(10,778)	63,060	52,282
Balance at 31 December 2009 (restated)	**634,095**	**(45,380)**	**(182,080)**	**406,635**	**51,651**	**458,286**
Balance at 1 July 2010	**936,445**	**(40,029)**	**(136,055)**	**760,361**	**50,629**	**810,990**
Profit for the half year	-	-	46,791	46,791	2,322	49,113
Foreign currency reserve movement	-	(15,920)	-	(15,920)	(11)	(15,931)
Total comprehensive income / (loss) for the half year	-	(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 transaction 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**

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

	Notes	31 December 2010 $'000	31 December 2009 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**46,948**	26,740
Payments to suppliers and employees (inclusive of goods and services tax)		**(39,456)**	(20,783)
Interest paid		**(3,872)**	(3,816)
Distributions and dividends from investments		**18,162**	6,655
Interest received		**1,300**	2,558
Income tax paid		**(76)**	(42)
Net cash inflow from operating activities		**23,006**	11,312
Cash flows from investing activities			
Payment for property, plant and equipment		**(794)**	(362)
Payments for investment property		**(14,556)**	(5,693)
Proceeds on disposal of investment property		**97,149**	107,400
Payments for investments		**(79,573)**	(15,769)
Proceeds on sale of investments		**3,772**	29,700
Cash acquired on consolidation of DRF		**-**	5,983
Loans to related parties		**(1,250)**	-
Net cash inflow from investing activities		**4,748**	121,259
Cash flows from financing activities			
Proceeds from issues of securities (less equity raising costs)		**-**	(1,281)
Repayment of borrowings		**(36,692)**	(92,401)
Proceeds from borrowings		**11,250**	-
Payments to terminate derivative financial instruments		**(4,409)**	(9,875)
Distributions paid to securityholders		**(11,571)**	(7,820)
Net cash outflow from financing activities		**(41,422)**	(111,377)
Net increase / (decrease) in cash and cash equivalents		**(13,668)**	21,194
Cash and cash equivalents at the beginning of the half year		**28,380**	1,923
Effects of exchange rate changes on cash and cash equivalents		**-**	(2)
Cash and cash equivalents at the end of the half year		**14,712**	23,115

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

1. BASIS OF PREPARATION OF HALF YEAR REPORT

This general purpose financial report for the interim half year reporting period ended 31 December 2010 has been prepared in accordance with Accounting Standard AASB 134, *Interim Financial Reporting* and the *Corporations Act 2001*. The Charter Hall Group financial report represents the consolidated financial report of 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 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 2010 and any public announcements made by Charter Hall Group during the half year to 31 December 2010 in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted in the preparation of the financial report are consistent with those of the previous financial year and corresponding interim reporting period, other than as stated below.

Change in accounting policy

The Board of CHC 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 within the funds transacted on the basis of the net tangible assets of the investments rather than 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)

	30 June 2010 $'000	Restatements $'000	30 June 2010 (restated) $'000
Non-current assets			
Investments accounted for using the equity method	297,366	156,303	453,669
Financial assets at fair value through the profit and 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**

1. BASIS OF PREPARATION OF HALF YEAR REPORT (continued)

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
Financial assets at fair value through the profit and 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) – retained earnings impact	570,110	(18,748)	551,362
Total equity	**493,966**	**(18,748)**	**475,218**

Consolidated Income Statement (Extract)

	6 months to 31 December 2009 $'000	Restatements $'000	6 months to 31 December 2009 (restated) $'000
Revenue	31,325	(4,451)	26,874
Gains / (losses) on sale of investments	(10,854)	5,053	(5,801)
Share of net profit of associates and joint venture accounted for using the equity method	106	(8,122)	(8,016)
Fair value adjustments – property investments	(65,172)	15,556	(49,616)
Loss before income tax	**(77,094)**	**8,036**	**(69,058)**
Loss for the half year	**(77,209)**	**8,036**	**(69,173)**
Attributable to:			
Equity holders of Charter Hall Property Trust (non-controlling interest)	**(64,522)**	**8,036**	**(56,486)**

	Cents per stapled security	Restatements	Restated cents per stapled security
Basic earnings per stapled security on loss attributable to stapled securityholders	(37.64)	4.60	(33.04)
Diluted earnings per stapled security on loss attributable to stapled securityholders	(34.40)	4.24	(30.16)

* The earnings per stapled security numbers have been restated for the change in accounting policy and the one for four security consolidation.

2. EARNINGS PER STAPLED SECURITY

	Consolidated 31 December 2010	Consolidated 31 December 2009 (restated)
Basic – earnings per stapled security (cents)	**15.98**	(33.04)
Diluted – earnings per stapled security (cents)	**15.05**	(30.16)
Basic – operating earnings per stapled security (cents)	**10.54**	8.10

Earnings reconciliation

	2010 $'000	2009 (restated) $'000
Basic earnings per stapled security:		
Net profit / (loss) after tax for CHC securityholders	**46,791**	(57,764)
Diluted earnings per stapled security*:		
Net profit / (loss) after tax for CHC securityholders	**47,798**	(56,959)

Basic operating earnings per stapled security:
Refer to note 6 for further details

* 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 comparatives have been restated in accordance with AASB 133 *Earnings Per Share* for the change in accounting policy and security consolidation.

The weighted average number of stapled securities on issue used in the calculation of basic ordinary earnings per stapled security was 292,759,187 stapled securities (2009: 699,541,655 before the one for four consolidation or approximately 174,885,413 after).

The weighted average number of stapled securities on issue used in the calculation of diluted ordinary earnings per stapled security was 317,594,347 stapled securities (2009: 755,676,912 before the one for four consolidation or approximately 188,919,228 after).

3. DISTRIBUTIONS

Distributions to stapled securityholders recognised in the current period are:

December 2010	**Payment per Unit**	**Total Amount $'000**	**Date of Payment**
Units			
Interim distribution	8.00 cents	23,500	28 February 2011
Total distribution	**8.00 cents**	**23,500**	

December 2009	**Payment per Unit**	**Total Amount $'000**	**Date of Payment**
Units			
Interim distribution	6.40 cents	11,204	26 February 2010
Total distribution	6.40 cents	11,204	

The actual distribution for 2009 was 1.60 cents per security but with the one for four security consolidation the comparative is 6.40 cents per security.

4. EQUITY SECURITIES ISSUED

	1 July to 31 December 2010 Stapled Securities ’000	**1 July to 31 December 2010 $’000**	1 July to 31 December 2009 Stapled Securities ’000	1 July to 31 December 2009 $’000
Issues of stapled securities during the period				
Opening balance	**1,162,380**	**936,445**	698,040	634,308
Add back ELSP securities reversed*	**50,344**	**73,179**	50,344	73,179
Distribution reinvestment plan	**12,641**	**7,521**	2,210	1,044
	1,225,365	**1,017,145**	750,594	708,531
Consolidation at one for four	**(919,023)**	**-**	-	-
Less: transaction costs	**-**	**-**	-	(1,260)
Less: reversal of ELSP securities*	**(12,586)**	**(73,179)**	(50,344)	(73,179)
	293,756	**943,966**	700,250	634,092

* securities issued under the Executive Loan Security Plan (ELSP) are not recognised for accounting purposes under AASB 2 *Share Based Payment*.

The total number of securities issued at 31 December 2010 including ELSP securities is 306,341,814 (2009: 750,594,010 before the security consolidation or approximately 187,648,503 after).

5. CONTINGENT LIABILITIES

Details and estimated maximum amounts of contingent liabilities (for which no amounts are recognised in the financial statements) are as follows:

The consolidated entity has obtained bank guarantees of $4.5 million on behalf of Charter Hall Funds Management Limited to satisfy the net tangible asset requirements of its Australian Financial Services licence. No liability is expected to arise.

6. 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 are 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 two reportable segments, the performance of which it monitors separately.

Property investment
Includes 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 and corporate
Property funds management services, development management services and other property services.

(b) Segment information provided to the Board

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

2010	Property investment $'000	DRF (100%) $'000	Property funds management and corporate $'000	Combined Group $'000
Total net rental income	-	7,894	-	7,894
Total investment income	14,864	-	2,271	17,135
Total rental and property income	14,864	7,894	2,271	25,029
Total corporate income	-	-	37,382	37,382
Total income	**14,864**	**7,894**	**39,653**	**62,411**
Operating expenses	(129)	(524)	(26,922)	(27,575)
EBITDA	**14,735**	**7,370**	**12,731**	**34,836**
Depreciation	-	-	(497)	(497)
EBIT	**14,735**	**7,370**	**12,234**	**34,339**
Interest income	188	242	551	981
Interest expense[2]	(345)	(2,691)	-	(3,036)
Operating earnings	**14,578**	**4,921**	**12,785**	**32,284**
Non-controlling interest	-	(1,435)	-	(1,435)
Operating earnings excluding NCI	**14,578**	**3,486**	**12,785**	**30,849**
Number of securities ('000)				292,759
Operating EPS				**10.54cps**
Number of securities for DPS ('000)				293,755
DPS				**8.00cps**
Share of profits of joint ventures and associates[1]	18,055	4,081	1,325	23,461

1 This item includes operating and non-operating earnings.
2 Excluding $836,000 which relates to movement in the earn out 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.

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

6. Segment information (continued)

The operating segments provided to the Board for the reportable segments for the half year ended 31 December 2009 is as follows:

2009	Property investment $'000	DRF (100%) $'000	Property funds management and corporate $'000	Combined Group $'000
Total net rental income	1,076	6,816	-	7,892
Total investment income	6,088	-	(428)	5,670
Total rental and property income	7,164	6,816	(428)	13,552
Total corporate income	120	-	13,492	13,612
Total income	**7,284**	**6,816**	**13,064**	**27,164**
Operating expenses	(125)	(406)	(9,280)	(9,811)
EBITDA	**7,159**	**6,410**	**3,784**	**17,353**
Depreciation	-	-	(307)	(307)
EBIT	**7,159**	**6,410**	**3,477**	**17,046**
Interest income	260	1,834	231	2,325
Interest expense	(556)	(3,183)	(11)	(3,750)
Operating earnings	**6,863**	**5,061**	**3,697**	**15,621**
Non-controlling interest	-	(1,458)	-	(1,458)
Operating earnings excluding NCI	**6,863**	**3,603**	**3,697**	**14,163**
Number of securities ('000)				174,885
Operating EPS				**8.10 cps**
Number of securities for DPS ('000)				175,063
DPS				**6.40 cps**
Share of profits of joint ventures and associates[1]	(9,035)	-	1,019	(8,016)

1 This item includes operating and non-operating earnings.

6. Segment information (continued)

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

	2010 $'000	2009 (restated) $'000
Total income per segment note	**62,411**	27,164
Add: investment property expenses	**2,534**	3,027
Add: interest income	**861**	2,113
Less: equity accounted profit segment information	**(18,553)**	(4,023)
Less: other	**(64)**	(1,407)
Revenue per income statement	**47,189**	26,874

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

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

	2010 ($'000) Excluding non-controlled interest	2010 ($'000) Including non-controlled interest	2009 ($000) Excluding non-controlled interest (restated)
Statutory profit	**46,791**	**49,113**	**(57,764)**
Fair value losses	476	785	37,481
Net gain on re-measurement of equity interest	(11,573)	(11,573)	-
Loss / (gain) on sale of investments, property and derivatives	(2,544)	(3,444)	5,452
Impairment of goodwill on consolidation of DRF and investments	-	-	15,328
Business combination acquisition costs	11	11	-
Non-operating movements in equity accounted investments	(4,772)	(4,906)	12,573
ELSP and PROP expense	2,082	2,082	658
Amortisation	367	367	319
Tax benefit	(708)	(813)	115
Foreign exchange gain	(117)	(174)	-
Finance costs – change in Macquarie earn out	836	836	-
Operating earnings	**30,849**	**32,284**	**14,162**
Basic weighted average number of securities per note 2	292,759,187		174,885,413
Operating earnings per security (excluding non-controlling interest)	10.54		8.10

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

7. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	31 December 2010 $'000	30 June 2010 (restated) $'000
Commercial and Industrial Property Pty Ltd	**26,936**	26,517
Charter Hall Opportunity Fund No 4	**1,285**	1,254
Charter Hall Opportunity Fund No 5	**29,821**	24,670
Charter Hall Office REIT	**170,690**	155,149
Charter Hall Retail REIT	**87,993**	82,326
Charter Hall Core Plus Office Fund	**109,535**	104,314
Charter Hall Core Plus Industrial Fund	**53,059**	51,989
Macquarie Office (US) Corporation	**2,000**	2,000
Macquarie Office (US) No 2 Corporation	**1,150**	1,150
Macquarie CountryWide (US) Corporation	**2,000**	2,000
Macquarie CountryWide (US) No 2 Corporation	**2,300**	2,300
Charter Hall Retail Joint Venture	**18,861**	-
Reliance Investment Management Pty Limited	**103**	-
Total	**505,733**	453,669

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	31 December 2010 $'000	30 June 2010 (restated) $'000
Charter Hall Umbrella Fund	**41,376**	41,578
Charter Hall Diversified Property Fund	**27,251**	22,068
Charter Hall Direct Property Fund	**9,836**	9,787
Macquarie Property Income Fund	**425**	306
Charter Hall Direct Industrial Fund	**10**	-
Total	**78,898**	73,739

9. INTANGIBLES

Management rights acquired on 1 March 2010 as part of the purchase of the majority of the Macquarie Group Limited property platform.

Entity	Fund	**31 December 2010 $'000**	30 June 2010 $'000
Charter Hall Office Management Ltd	CQO	**52,145**	52,145
Charter Hall Retail Management Ltd	CQR	**30,526**	30,526
Charter Hall Direct Property Management Ltd	Direct	**9,807**	9,807
Charter Hall Real Estate Europe Management Ltd	CQO, CQR	**3,728**	3,728
Charter Hall Asset Services Ltd	All funds	**8,655**	8,655
Charter Hall Real Estate Inc	CQO, CQR	**3,150**	3,150
Earn out payable		**11,270**	11,270
		119,281	119,281
Amount recognised in equity accounted investments		**(7,450)**	(7,450)
Total		**111,831**	111,831

The earn out amount payable has been recalculated at 31 December 2010 as $12,106,000 with one third of the amount shown as a current liability and two thirds shown as a non-current liability.

Management's internal calculation for the value attributable to the funds is CQO $63 million, CQR $48 million and Charter Hall Direct Property Fund $28 million.

For the calculation of NTA the amount of $119,281,000 is treated as an intangible and is therefore excluded from the calculation.

10. EVENTS OCCURING AFTER THE BALANCE SHEET DATE

On 8 February 2011 CQO announced that it had received a letter from a substantial unitholder stating that they may, in certain circumstances convene an Extraordinary General Meeting ('EGM') of unitholders. At the date of this Financial Report the directors are not aware of any EGM having been convened or requisitioned.

No other matter or circumstance has arisen since 31 December 2010 that has significantly affected, or may significantly affect:

(a) the Group's operations in future financial years; or
(b) the results of those operations in future financial years; or
(c) the Group's state of affairs in future financial years.

Charter Hall Group

Directors' Declaration

For the half year ended 31 December 2010

In the directors' opinion:

(a) the financial statements and notes set out on pages 6 to 20 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half year ended on that date; and

(b) there are reasonable grounds to believe that the Charter Hall Group will be able to pay its 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
24 February 2011

PRICEWATERHOUSECOOPERS

INDEPENDENT AUDITOR'S REVIEW REPORT
to the members of Charter Hall Limited

PricewaterhouseCoopers
ABN 52 780 433 757

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

Report on the Half Year Financial Report

We have reviewed the accompanying half year financial report of Charter Hall Limited, which comprises the balance sheet as at 31 December 2010, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the half year ended on that date, other selected explanatory notes and the directors' declaration for the Charter Hall Group (the consolidated entity). The consolidated entity comprises both Charter Hall Limited (the company), and the entities it controlled during that half year.

Directors' Responsibility for the Half Year Financial Report

The directors of the company 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 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 the 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 consolidated entity's financial position as at 31 December 2010 and its performance 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, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. 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.

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

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

PRICEWATERHOUSECOOPERS

INDEPENDENT AUDITOR'S REVIEW REPORT
to the members of Charter Hall Limited (continued)

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 Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Robert Baker

R Baker
Partner

Sydney
24 February 2011