APPENDIX 4D

Half Year Report
for the period ended 31 December 2011

Name of Entity: Charter Hall Office REIT (ARSN: 093 016 838)

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 continuing activities*	68.4	107.6	(36.4%)
(Loss)/profit from ordinary activities after tax attributable to members	(59.9)	64.8	(192.4%)
(Loss)/profit for the period attributable to members	(59.9)	64.8	(192.4%)
Operating earnings**	65.0	64.1	1.4%

* Revenue/(loss) from ordinary continuing activities is before discontinued operations and net of property expenses and includes a loss of $18.9 million fair value adjustments of investment properties held in joint venture entities (Dec 2010: $0.5 million). The current period also includes $15.6 million (Dec 2010: $19.4 million) fair value adjustments of investment properties. The prior period includes $13.0 million net gain from derivative financial instruments.
** Operating earnings represents the net profit/(loss) of the Trust adjusted for certain unrealised, non-cash, non-recurring capital transactions and other non-core items. A reconciliation of the Trust's profit/(loss) to operating earnings is provided in Note 20 of the financial statements. The inclusion of operating earnings as a measure of the REIT's profitability provides investors with the same basis that is used internally for evaluating operating segment performance and deciding how to allocate resources. Operating earnings is used by the Board to make strategic decisions and is a guide to assessing the appropriate distribution to declare.

Distributions	**Amount per unit**
Current Period: Interim distribution – Dec 11 half-year	11.00¢
Previous Corresponding Period: Interim distribution – Dec 10 half-year	9.25¢
Record date for determining entitlements to the distribution	30 December 2011

The financial report for the half year ended 31 December 2011 has been prepared under Australian Accounting Standards.

The Trust's statutory accounting result is a loss of $59.9 million compared to a profit of $64.8 million in the prior corresponding period. The statutory statement of comprehensive income is presented on the basis that only continuing operations are disclosed as individual line items with the discontinued operations being disclosed as a single line item. The December 2010 comparable result has also been restated on this basis in compliance with the accounting standards. The statutory accounting result includes the following items:

- Net Fair value adjustments on Australian controlled investment properties of $5.3 million (Dec 2010: $15.2 million).

- Fair value adjustments of investment properties held through Australian joint venture entities of loss of $18.9 million (Dec 2010: ($0.5) million)

- Net loss on derivative financial instruments of $7.5 million (Dec 2010: net gain of $13.0 million). Comprising net realised gains on derivative financial instruments of $24.6 million (Dec 2010: net loss of $19.2 million) and fair value adjustments of derivative financial instruments of a loss of $32.1 million (Dec 2010: net gain of $32.2 million) due mainly to the strengthening of the Australian dollar and the reduced level of derivatives.

- Loss from discontinued operations of $76.8 million (Dec 2010: gain $7.6 million). This loss/gain is attributable to the United States, European and Asian operating segments. The loss from discontinued operations is detailed further in the financial statements in Note 9 and includes the following items:

  - US deferred tax expense of $17.8 million (Dec 2010: $14.7 million) resulting from the fair value adjustments of US investment properties and investment properties held through joint venture entities.
  - Loss on disposals of ($37.2) million (Dec 2010: ($1.8) million), include a loss on sale of the US properties ($40.7) million, a loss on sale of Charter Hall Office Germany Atrium Sarl ($0.7 million) and a gain on sale of Macquarie Office Italy ($4.2 million). The prior period included a net loss on sale of a US property ($1.4 million).
  - A transfer from reserves of cumulative FX losses of $34.0 million in relation to the disposals.
  - A loss on obtaining control of MOF 401 Jackson Tampa, LLC of ($8.8) million relating to MOF 401 Jackson Tampa, LLC becoming controlled.
  - A net revaluation loss on US controlled properties of ($3.7) million (Dec 2010: $0.4 million), a revaluation loss on European controlled properties of nil (Dec 2010: ($2.1) million), and a revaluation loss on Asian controlled properties of nil (Dec 2010: ($3.1) million).

Operating earnings of the Trust were $65.0 million representing a 1.4% increase compared to the prior period.

Refer to the attached Income Statement, Balance Sheet and Cash Flow Statement for further detail.

Details of Distributions

Refer attached financial statements, Directors Report and Note 4: Distributions Paid and Payable).

Details of Distribution Reinvestment Plan

The REIT has established 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. The DRP suspension commenced with the DRP for the half year ended 31 December 2010.

Net Tangible Assets

	Current period **31 Dec 2011**	**Previous corresponding Period** **31 Dec 2010**
Net tangible asset backing per unit*	$3.66	$3.96

* 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).

Control Gained or Lost over Entities during the Period

Name of entity (or group of entities) over which control was gained	MOF 401 Jackson Tampa LLC
Date control was gained	7 November 2011
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	($8.8) million
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	$0.5 million
Name of entity (or group of entities) over which control was lost	Charter Hall Office Germany Atrium Sarl
Date control was lost	18 August 2011
Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control	$0.3 million
Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period	($0.6) million

Details of Associates and Joint Venture entities

Refer attached financial statements (Note 11: Investment in Joint Venture Entities).

Accounting standards used by foreign entities

N/A

Qualification of audit/review

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

CHARTER HALL OFFICE REIT
(ARSN 093 016 838)
FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2011

Financial Report
for the half year ended 31 December 2011

Important Notice

Charter Hall Office Management Limited, ABN 75 006 765 206; AFSL 247075 (CHOML) is the responsible entity of Charter Hall Office REIT ARSN 093 016 838 (CQO). CHOML is a wholly owned subsidiary of Charter Hall Limited ABN 57 113 531 150 (Charter Hall Group).

Past performance is not a reliable indicator of future performance. Due care and attention has been exercised in the preparation of forecast information; however, forecasts by their very nature are subject to uncertainty and contingencies, many of which are outside the control of CHOML. Actual results may vary from any forecasts and any variation may be materially positive or negative.

This report has been prepared for general information purposes only and is not an offer or invitation for subscription or purchase of, or recommendation of, securities. It does not take into account the investment objectives, financial situation or needs of any investor. Before investing, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

CHOML does not receive fees in respect of the general financial product advice it may provide; however, it will receive fees for operating CQO which, in accordance with CQO's constitution, are calculated by reference to the value of the assets and the performance of CQO. Entities within the Charter Hall Group may also receive fees for managing the assets of, and providing resources to CQO. Charter Hall Group and its related corporations, together with their officers and directors, may hold securities in CQO from time to time.

Financial Report
for the half year ended 31 December 2011

Contents

Directors' report
for the half year ended 31 December 2011

The Directors of Charter Hall Office Management Limited (Responsible Entity), the responsible entity of Charter Hall Office REIT (CQO), present their report together with the consolidated financial report of CQO and its controlled entities (together, the REIT) for the half year ended 31 December 2011 (period).

Directors

The following persons have held office as Directors of the Responsible Entity during the period and up to the date of this report:

– Roger Davis (Chairman)
– Andrew Love
– James Broadbent
– David Harrison
– David Southon
– Adrian Taylor (alternate for David Harrison and David Southon).

Principal activities

The principal activity of the REIT during the period was property investment. The REIT's activities include property investment in prime Australian and United States (US) office buildings. During the period the REIT disposed of its remaining European office building and four of its United States office buildings which formed part of the agreement signed on 3 August 2011 to sell the entire United States property portfolio.

Distributions

The interim distribution of income for the period is 11.00 cents per unit. The distribution will be paid on 21 February 2012.

Review and results of operations

The result for the half year ended 31 December 2011 was a loss of $59.9 million compared to a profit of $64.8 million for the prior half year, as detailed below:

Reconciliation of operating earnings to statutory (loss)/profit

	6 months to 31 Dec 2011 $'m	6 months to 31 Dec 2010 $'m
Net property income from continuing operations	**72.7**	72.0
Net property income from discontinued operations	**48.2**	57.9
Other income net of derivative financial instruments	**6.5**	6.0
Finance costs	**(50.5)**	(60.4)
Management fees	**(7.0)**	(8.4)
REIT expenses	**(5.3)**	(3.3)
Withholding and current tax expense	**0.4**	0.3
Operating earnings from continuing and discontinued operations[1]	**65.0**	64.1
Net loss on sale of investment properties and controlled entities and obtaining control of MOF 401 Jackson Tampa, LLC	**(46.7)**	(1.8)
Net property valuation (losses)/gains – investment properties and investment in joint venture entities	**(17.3)**	13.1
Gain/(loss) recognised on remeasurement of assets in discontinued US joint venture entities	**17.3**	-
Realised and unrealised net (loss)/gain on derivative financial instruments	**(10.5)**	34.5
Capital transaction related to realised net loss on derivative financial instruments	**-**	(21.5)
Deferred US capital gains tax (expense)/benefit	**(17.8)**	(15.2)
Amortisation of lease incentives and straightlining adjustment of fixed contracts	**(9.7)**	(2.1)
Transfer from reserves of cumulative FX losses on disposal of foreign investments	**(34.0)**	-
Other	**(6.2)**	(6.3)
(Loss)/profit for the period from continuing and discontinued operations	**(59.9)**	64.8

Directors' report
for the half year ended 31 December 2011

Review and results of operations (continued)

	6 months to 31 Dec 2011 $'m	6 months to 31 Dec 2010 $'m
Basic and diluted earnings		
Earnings per unit from continuing operations (cents) [2]	**3.43**	11.63
Earnings per unit from discontinued operations(cents) [2]	**(15.57)**	1.55
Operating earnings per unit (cents)[3]	**13.18**	13.00
Distribution per unit in respect of the half year ended 31 December (cents)	**11.00**	9.25

1 Further detail on the operating earnings is contained in Note 20.

2 Basic and diluted earnings per unit is based on the weighted average number of ordinary units from the date of issue.

3 Operating earnings per unit is calculated based on the weighted average number of ordinary units on issue from the date of income entitlement.

Operating earnings amounted to $65.0 million (Dec 2011: $64.1 million). 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 and non-cash items such as straighlining of fixed contracts, amortisation of lease incentives and movements in US capital gains tax.

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

Operating earnings information included in the table above has not been subject to any specific review procedures by our auditor but has been extracted from Note 20 of the accompanying half year financial report.

The reported loss for the period reflects the improved market conditions, however, offset by the gain on re-measurement of the investment in the United States joint ventures of $17.3 million, net loss on sale of investment in properties and controlled entities of $37.9 million, net loss on obtaining control of MOF 401 Jackson Tampa, LLC of $8.8 million, net property valuation losses of $17.3 million, net losses from derivative financial instruments of $10.5 million and the transfer from reserves of cumulative FX losses on disposal of foreign investments of $34.0 million.

Significant changes in the state of affairs

On 19 July 2011, the REIT announced it had exchanged contracts to sell NCR House, North Sydney for $57.3 million.

On 18 August 2011, the REIT sold its investment in the Atrium Charlottenburg, Berlin property. The sale was to entities related to the lender and no equity was realised.

On 7 September 2011 it was announced that Ernst & Young had been appointed as advisors to assist with CQO's corporate governance and fee review, details of which were first announced on 18 July 2011. The review had regard to the current best practice models for ASX listed trusts. On 24 November 2011, it was announced that Ernst & Young's corporate governance suggestions had all been adopted by CQO, as they were seen to be in the best interests of the CQO unitholders.

On 15 September 2011 the REIT refinanced its $365.0 million Australian Commercial Mortgage Backed Security (CMBS) facility with a $290 million secured debt facility and proceeds retained from prior CMBS asset sales and working capital. The new facility which is being provided by Australian banks has a term of up to three years whilst providing the flexibility to pursue a securitised debt market issuance at any time.

Directors' report

for the half year ended 31 December 2011

Disposal of the United States portfolio

On the 3 August 2011, the REIT entered into an agreement to sell the US portfolio. The estimated realisation of net proceeds from the US transaction after estimated sales costs and price adjustments is US$575 million[1].

Under the sales agreement, the closing of the sale of each US property (or CQO's interest in each property) is subject to customary closing conditions including receipt of lender consents and other third party consents. As at the date of these financial statements, the REIT had sold $0.7 billion of the expected $1.71 billion of assets contracted for sale. The Directors cannot provide any assurances that closing will be achieved on the remaining portfolio and if closing does not occur, then it could materially alter the expected sales proceeds. The Board expects to provide a special distribution to unitholders of net sales proceeds.

Under the sale agreement, the following properties have been sold:

Date of sale completion announced	Property closed
Sold pre balance date	
28 September 2011	700 Thirteenth Street, Washington
5 October 2011	30 Independence Boulevard, New Jersey
24 November 2011	Promenade II, Atlanta
15 December 2011	SunTrust Financial Centre, Tampa, Florida. The REIT had 91% ownership interest in this building.
Sold post balance date	
13 January 2012	Pasadena Towers, Pasadena
13 January 2012	745 Atlantic Avenue, Boston
13 January 2012	Chase Tower, Indianapolis

On 1 November 2011, the REIT announced that as part of the sale of the US portfolio, that an agreement had been executed with the REITs joint venture partner, MPG Office Trust (MPG). The agreement allows the transfer of the REITs interest in its joint venture with MPG, after the sale of two interests in two properties held by the joint venture, Wells Fargo Center, Denver and San Diego Tech Center, Los Angeles.

On 7 November 2011, the REIT obtained control over MOF 401 Jackson Tampa, LLC. Upon gaining control the REIT ceased to account for the entity as an associate and commenced accounting for its investment as a subsidiary with a non-controlling interest. On 16 December 2011, the REIT purchased the 9% non-controlling interest in this subsidiary.

Consortium approach to acquire the Australian portfolio

On 31 December 2011, CHOML entered into a Scheme Implementation Agreement (SIA) with Reco Ambrosia Pte Ltd (an affiliate of Government of Singapore Investment Corporation Pte Ltd), the Public Sector Pension Investment Board of Canada and a member of Charter Hall Group (collectively, the Bidders) under which CQO unitholders other than the Bidders and their associates would receive a cash payment of $2.49 per CQO unit (representing the cash payment for the Australian portfolio) and the net proceeds from the expected sale of the US portfolio.

On the 13 February 2012 the REIT released an explanatory memorandum providing more details on the proposed transaction. Unitholders should read this carefully and vote on the matter. Unitholders are expected to meet to vote on the transaction on 15 March 2012 where if 75% of eligible unitholders approve, and subject to the transaction achieving close, the units in the REIT will transfer to the Bidders.

There remains conditionality associated with the SIA, that could result in the offer being withdrawn even if the unitholders approve the transaction. Additionally, there could also be circumstances where a $11m break fee is paid by CQO if the deal does not complete.

[1] In determining the estimated net sale proceeds, it is assumed that the conditions for closing are met for the entire US portfolio, thereby achieving closing of the sale of all properties. To the extent that conditions to closing are not satisfied for certain properties or all properties this may materially impact the proceeds received by CQO. In addition, various other factors may vary the quantum of the net sales proceeds, including movements in working capital, timing of properties sold, debt transfer taxation charges or termination costs. Because satisfaction of these assumptions is not within the control of CHOML, CHOML is not in a position to give, and does not give, any assurance as to the quantum or timing of receipt of net sale proceeds.

Directors' report

for the half year ended 31 December 2011

At the date of this financial report and to the best of the Directors' knowledge and belief, there are no other anticipated changes in the operations of the REIT which would have a material impact on the future results of the REIT. Property valuation changes, movements in deferred tax, movements in the fair value of derivative financial instruments and movements in foreign exchange and interest rates and availability of both debt and equity capital may have a material impact on the REIT's results in future years, however, these cannot be reliably estimated at the date of this report.

Events occurring after balance date

As noted in the section describing the sale of the US portfolio, there have been additional United States properties sold after balance date that reflect the continuing progress of the REIT to dispose of its United States portfolio. Please refer previous page for details of those properties.

Since the end of the financial period, the directors of the Responsible Entity are not aware of any other matter or circumstance not otherwise dealt with in this report or the financial report that has significantly affected or may significantly affect the operations of the REIT, the results of those operations or the state of affairs of the REIT in financial periods subsequent to the half year ended 31 December 2011.

Interests in the REIT

The movement in units of the REIT during the period is set out below:

	6 months to 31 Dec 2011 units	12 months to 30 Jun 2011 units
Units on issue at the beginning of the period	**493,319,730**	4,872,354,215
Units issued during the period	**-**	60,778,510
Reduction in units from the unit consolidation during the period[1]	**-**	(4,439,812,995)
Units on issue at the end of the period	**493,319,730**	493,319,730

1 On 15 September 2010, the REIT completed a unit consolidation on the basis of one consolidated unit for every 10 pre-consolidated units, resulting in a corresponding increase in pre-consolidation metrics by a factor of 10.

Value of assets

	31 Dec 2011 $'m	30 Jun 2011 $'m
Value of REIT assets	**2,777.9**	3,224.6

The value of the REIT's assets is derived using the basis set out in Note 1 to the financial statements.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

Rounding of amounts to the nearest hundred thousand dollars

The REIT is a registered scheme of a kind referred to in Class Order 98/0100 (as amended) 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 hundred thousand dollars in accordance with that Class Order, unless otherwise indicated.

Directors' report
for the half year ended 31 December 2011

This report is made in accordance with a resolution of the directors of Charter Hall Office Management Limited.

Roger Davis
Chairman

Sydney
20 February 2012

Auditor's Independence Declaration

As lead auditor for the review of Charter Hall Office REIT 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 Office REIT and the entities it controlled during the period.

J A Dunning
Partner
PricewaterhouseCoopers

Sydney
20 February 2012

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Interim Report
as at 31 December 2011

Consolidated statement of comprehensive income[1]

	Note	**6 months to 31 Dec 2011 $'m**	6 months to 31 Dec 2010 $'m
Income			
Property rental income		**57.9**	58.5
Property expenses		**(16.8)**	(16.6)
Net property income		**41.1**	41.9
Share of profit and valuation gains from investment in joint venture entities	11(a)(ii)	**8.3**	27.6
Distribution income		**0.6**	0.6
Valuation gains on investment properties	2(b)	**15.6**	19.4
Interest income		**2.8**	5.1
Net gain from derivative financial instruments	2(c)	**-**	13.0
Total income net of property expenses		**68.4**	107.6
Expenses			
Management fees	2(f)	**(4.1)**	(4.5)
Finance costs	2(d)	**(24.9)**	(39.1)
Net loss on sale of investment properties		**(0.7)**	-
Net loss on sale of investment in controlled entities		**-**	(0.4)
Valuation losses on investment properties	2(b)	**(10.3)**	(4.2)
Net loss from derivative financial instruments	2(c)	**(7.5)**	-
Other expenses	2(e)	**(4.5)**	(2.0)
Total expenses		**(52.0)**	(50.2)
Profit before tax from continuing operations		**16.4**	57.4
Tax benefit/(expense)	3	**0.5**	(0.2)
Profit from continuing operations		**16.9**	57.2
(Loss)/profit from discontinued operations[1]	9(c)	**(76.8)**	7.6
(Loss)/profit for the period		**(59.9)**	64.8
Other comprehensive income/(loss)			
Exchange differences on translation of foreign operations		**33.1**	(150.5)
Transfer of cumulative FX losses on disposal of assets held for sale		**34.0**	-
Other comprehensive income/(loss) for the period, net of tax		**67.1**	(150.5)
Total comprehensive income/(loss) for the period		**7.2**	(85.7)
(Loss)/profit for the period is attributable to:			
Unitholders of the REIT from continuing operations		**16.9**	57.2
Unitholders of the REIT from discontinued operations		**(77.4)**	7.6
Non-controlling interests		**0.6**	-
		(59.9)	64.8
Total comprehensive income/(loss) for the period is attributable to:			
Unitholders of the REIT from continuing and discontinued operations		**6.6**	(85.6)
Non-controlling interests		**0.6**	(0.1)
		7.2	(85.7)
Basic and diluted earnings per unit			
Earnings per unit (cents) from continuing operations	5	**3.43**	11.63
Earnings per unit (cents) from discontinued operations	5	**(15.57)**	1.55
Distributions per unit in respect of the period ended 31 December (cents)	4	**11.00**	9.25

1 Note to reader: The consolidated statement of comprehensive income has been re-presented for the half years ended 31 December 2011 and 31 December 2010 by presenting the post-tax loss of discontinued operations of the United States, European and Japanese investment properties as a single line, '(Loss)/profit from discontinued operations'.

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

Interim Report
for the half year ended 31 December 2011

Consolidated balance sheet[1]

	Note	**31 Dec 2011 $'m**	30 Jun 2011 $'m
Current assets			
Cash and cash equivalents	6	**98.9**	169.2
Receivables	7(a)	**32.4**	33.0
Derivative financial instruments	8	**4.0**	74.2
Investment properties held for sale	10(a)	**-**	57.0
Other		**1.0**	1.1
		136.3	334.5
Assets classified as held for sale[1]	9(b)	**794.4**	1,045.1
Total current assets		**930.7**	1,379.6
Non-current assets			
Investment properties	10(a)	**1,091.9**	1,069.1
Investment in joint venture entities	11	**733.1**	752.8
Available-for-sale financial assets		**18.4**	18.4
Derivative financial instruments	8	**3.2**	4.0
Other		**0.6**	0.7
Total non-current assets		**1,847.2**	1,845.0
Total assets		**2,777.9**	3,224.6
Current liabilities			
Payables	12	**16.3**	14.5
Interest bearing liabilities	13(a)	**-**	365.0
Provisions	14	**54.3**	54.3
Derivative financial instruments	8	**-**	47.1
Other		**5.6**	4.0
		76.2	484.9
Liabilities classified as held for sale[1]	9(b)	**296.8**	487.2
Total current liabilities		**373.0**	972.1
Non-current liabilities			
Interest bearing liabilities	13(a)	**585.3**	396.8
Deferred tax liabilities	15	**-**	-
Derivative financial instruments	8	**11.9**	1.1
Total non-current liabilities		**597.2**	397.9
Total liabilities		**970.2**	1,370.0
Net assets		**1,807.7**	1,854.6
Equity			
Contributed equity	16	**2,678.2**	2,677.4
Reserves	17	**(246.3)**	(291.3)
Accumulated losses	18	**(624.3)**	(531.6)
Total parent entity interest		**1,807.6**	1,854.5
Non-controlling interests		**0.1**	0.1
Total equity		**1,807.7**	1,854.6

1 Note to reader: The consolidated balance sheet as at 31 December 2011 presents all assets and liabilities of the United States investment properties classified as held for sale, whilst the consolidated balance as at 30 June 2011 presents all assets and liabilities of the United States and European investment properties as classified as held for sale. The European investment property was disposed on 18 August 2011.

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

Interim Report
for the half year ended 31 December 2011

Consolidated statement of changes in equity

	Note	Contributed equity	Reserves	Accumulated losses	Total	Non-controlling interests	Total equity
		Attributable to unitholders of the REIT					
		$'m	$'m	$'m	$'m	$'m	$'m
Total equity at 1 July 2011		**2,677.4**	**(291.3)**	**(531.6)**	**1,854.5**	**0.1**	**1,854.6**
(Loss)/profit for the period		**-**		**(60.5)**	**(60.5)**	**0.6**	**(59.9)**
Other comprehensive income		**-**	**67.1**	**-**	**67.1**	**-**	**67.1**
Total comprehensive income		**-**	**67.1**	**(60.5)**	**6.6**	**0.6**	**7.2**
Transactions with unitholders in their capacity as unitholders:							
Contributions of equity, net of issue costs	16	**0.8**	**-**	**-**	**0.8**	**-**	**0.8**
Distributions provided for or paid	4	**-**	**-**	**(54.3)**	**(54.3)**	**-**	**(54.3)**
Non-controlling interest on control of subsidiary		**-**	**-**	**-**	**-**	**(0.6)**	**(0.6)**
Transfer from accumulated losses		**-**	**(22.1)**	**22.1**	**-**	**-**	**-**
		0.8	**(22.1)**	**(32.2)**	**(53.5)**	**(0.6)**	**(54.1)**
Total equity at 31 December 2011		**2,678.2**	**(246.3)**	**(624.3)**	**1,807.6**	**0.1**	**1,807.7**
Total equity at 1 July 2010		2,662.7	(171.6)	(423.2)	2,067.9	0.3	2,068.2
Profit for the period		-	-	64.8	64.8	-	64.8
Other comprehensive income		-	(150.4)	-	(150.4)	(0.1)	(150.5)
Total comprehensive income		-	(150.4)	64.8	(85.6)	(0.1)	(85.7)
Transactions with unitholders in their capacity as unitholders:							
Contributions of equity, net of issue costs	16	14.7	-	-	14.7	-	14.7
Distributions provided for or paid	4	-	-	(45.6)	(45.6)	-	(45.6)
Transfer from accumulated losses		-	42.3	(42.3)	-	-	-
		14.7	42.3	(87.9)	(30.9)	-	(30.9)
Total equity at 31 December 2010		2,677.4	(279.7)	(446.3)	1,951.4	0.2	1,951.6

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

Consolidated cash flow statement

	6 months to 31 Dec 2011 $'m	6 months to 31 Dec 2010 $'m
Cash flows from operating activities		
Property rental income received	**106.3**	116.7
Property expenses paid	**(33.7)**	(41.5)
Distributions received from investment in joint venture entities[1]	**27.6**	24.8
Distributions received from available-for-sale assets	**0.6**	0.6
Interest received	**3.3**	6.8
Net realised (losses)/gains on derivative financial instruments	**27.0**	(23.8)
Other operating expenses paid	**(10.4)**	(11.6)
Finance costs paid	**(36.7)**	(43.2)
Net tax refund from/(payment to) taxation authorities	**(4.3)**	(4.6)
Net cash flows from operating activities	**79.7**	24.2
Cash flows from investing activities		
Payments for investment in joint venture entities	**-**	(0.7)
Payments for investment properties and capital expenditure	**(24.1)**	(14.6)
Payments for property under construction	**-**	-
Proceeds from sale of investment properties and controlled entities	**395.6**	14.8
Payment for escrow cash on sale of investment properties	**(115.8)**	-
Net cash flows from investing activities	**255.7**	(0.5)
Cash flows from financing activities		
Proceeds from borrowings	**290.0**	-
Repayments of borrowings	**(636.4)**	(102.5)
Distributions paid to ordinary unitholders	**(54.3)**	(26.7)
Distributions paid to non-controlling interests	**-**	-
Net cash flows from financing activities	**(400.7)**	(129.2)
Net decrease in cash and cash equivalents	**(65.3)**	(105.5)
Cash and cash equivalents at the beginning of the period	**199.2**	300.8
Effects of exchange rate movements on cash and cash equivalents	**(1.4)**	(8.4)
Cash and cash equivalents at the end of the period	**132.5**	186.9

1 The cash received from joint venture entities is net of capital expenditure.

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

Notes to the consolidated financial statements

1 Summary of significant accounting policies

The general purpose financial report for the half year reporting period ended 31 December 2011 has been prepared in accordance with the requirements of the REIT Constitution, Australian Accounting Standard *AASB 134: Interim Financial Reporting* and the *Corporations Act 2001*.

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

(a) Basis of preparation

The accounting policies adopted in the preparation of the interim financial report are consistent with those of the previous financial year and corresponding interim period unless otherwise stated. The principal accounting policies adopted in the preparation of the interim financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. This report covers the Charter Hall Office REIT (CQO) consolidated entity consisting of CQO and its controlled entities (together, the REIT).

Compliance with Australian Accounting Standard *AASB 134: Interim Financial Reporting* ensures that the interim financial report complies with *IAS 34: Interim Financial Reporting* (IAS 34) as issued by the International Accounting Standards Board (IASB). Consequently, this interim financial report has been prepared in accordance with and complies with IAS 34.

Historical cost convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and derivative financial instruments held at fair value.

Critical accounting estimates

The preparation of the consolidated financial statements in conformity with Australian Accounting Standards may require the use of certain critical accounting estimates and management to exercise its judgement in the process of applying the REIT's accounting policies. Other than estimates relating to costs to sell the investments in US joint ventures, the estimation of fair values described in Note 1(d), 1(f), 1(g), 1(h) and 1(m) and assumptions relating to deferred tax liabilities and the joint venture outperformance distribution provision, no key assumptions concerning the future, or other estimation of uncertainty at the balance date, have a significant risk of causing material adjustments to the consolidated financial statements in the period.

(b) Principles of consolidation

The consolidated financial statements of the REIT incorporate the assets and liabilities of the REIT's controlled entities as at 31 December 2011 and their results for the financial period then ended. The effects of all transactions between entities in the consolidated entity have been eliminated in full.

Controlled entities are those entities over which the REIT has the power to govern the financial and operating policies.

Non-controlling interests are those interests in partly owned subsidiaries which are not held directly or indirectly by the REIT.

Where control of an entity is obtained during a financial period, its results are included in the consolidated statement of comprehensive income from the date on which control commences. Where control of an entity ceases during a financial period, its results are included for that part of the period during which control existed.

The acquisition method of accounting is used to account for business combinations.

1 Summary of significant accounting policies (continued)

(c) REIT formation

The REIT was established on 8 October 1993. The operations of the REIT commenced with the purchase of various properties on 6 December 1993.

(d) Investment properties

Investment properties comprise investment interests in land and buildings (including integral plant and equipment) held for the purpose of letting to produce rental income, including properties that are under construction for future use as investment properties.

Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition, the investment properties are then stated at fair value. Fair value of an investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. A ‘willing seller' is neither a forced seller nor one prepared to sell at a price not considered reasonable in the current market. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition. Gains and losses arising from changes in the fair values of investment properties are included in the consolidated statement of comprehensive income in the period in which they arise.

At each balance date, the fair values of the investment properties are assessed by the Responsible Entity by reference to independent valuation reports or through appropriate valuation techniques adopted by the Responsible Entity. Fair value is determined assuming a long-term investment period. Specific circumstances of the owner are not taken into account.

Fair value measurement of property under construction is only applied if the fair value is considered to be reliably measured.

The use of independent valuers is on a progressive basis over a three year period, or earlier, where the Responsible Entity believes there may be a material change in the carrying value of the property.

Where an independent valuation is not obtained, factors taken into account, where appropriate, by the Directors in determining fair value may include:

- assuming a willing buyer and a willing seller, without duress and an appropriate time to market the property to maximise price;
- information obtained from valuers, sales and leasing agents, market research reports, vendors and potential purchasers;
- capitalisation rates used to value the asset, market rental levels and lease expiries;
- changes in interest rates;
- asset replacement values;
- discounted cash flow models;
- available sales evidence; and
- comparisons to valuation assignments across the market, performed by valuation professionals.

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

The carrying amount of investment properties recorded in the consolidated balance sheet takes into consideration components relating to lease incentives, leasing costs and assets relating to fixed increases in operating lease rentals in future years.

As the fair value method has been adopted for investment properties, the buildings and any component thereof (including plant and equipment) are not depreciated. Taxation allowances for the depreciation of buildings and plant and equipment are claimed by the REIT and contribute to the tax deferred component of distributions.

1 Summary of significant accounting policies (continued)

(d) Investment properties (continued)

Investment properties held for sale

Investment properties are classified as held for sale when it is highly probable that the carrying amount will be recovered principally through a sale transaction rather than through continuing use. Investment properties classified as held for sale are classified as current assets and measured at fair value.

(e) Investment in joint venture entities

The REIT exercises joint control over its joint venture entities, but neither the REIT nor its joint venture partner has control in its own right, irrespective of their ownership interest. Investments in joint venture entities are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost, except for investments accounted for under Note 1(g), (assets and liabilities as held for sale and discontinued operations).

Under this method, the REIT's share of the profits or losses of each joint venture entity is recognised as income in the consolidated statement of comprehensive income, and its share of movements in reserves is recognised in the consolidated balance sheet. Distributions receivable from associates reduce the carrying value of the investments.

At each balance date, the recoverable amount of the REIT's investment in joint venture entities is assessed to ensure that it is carried at the lower of the equity accounted amount and the recoverable amount. Where the equity accounted value exceeds the recoverable amount, a write-down is recognised to reflect the value of the investment at its recoverable amount.

Joint venture operations

The REIT has interests in properties through unincorporated joint ventures where interests are held directly and jointly. The REIT's proportionate share of revenues, expenses, assets and liabilities in property interests held as tenants in common are included in their respective items of the consolidated statement of comprehensive income and the consolidated balance sheet.

(f) Available-for-sale financial assets

Available-for-sale financial assets include investments in unit trusts that are either designated in this category or not classified in any other financial assets categories. Unlisted investments are stated at the value of the REIT's interest in the underlying assets which approximate fair value. Gains and losses arising from changes in the fair value of the financial assets are presented in the consolidated statement of comprehensive income in the period in which they arise. Dividend income from financial assets at fair value is recognised in the consolidated statement of comprehensive income as part of revenue from continuing operations when the REIT's right to receive payment is established.

(g) Assets and liabilities classified as held for sale and discontinued operations

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, financial assets and investment property that are carried at fair value which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

1 Summary of significant accounting policies (continued)

(g) Assets and liabilities classified as held for sale and discontinued operations (continued)

Non-current assets which are held for sale are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale are presented separately from the other assets in the consolidated balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated balance sheet.

A discontinued operation is a component of the REIT that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated statement of comprehensive income.

(h) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The REIT may designate certain derivatives as either hedges of net investments in foreign operations (net investment hedges) or hedges of exposures to variability in cash flows associated with future interest payments on variable rate debt (cash flow hedges).

To quality as effective hedging, the REIT documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The REIT also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

None of the financial derivative contracts held by the REIT qualify for hedge accounting, and accordingly, changes in the fair value of these contracts are recorded in the consolidated statement of comprehensive income.

(i) Interest bearing liabilities

Borrowings are initially recorded at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of comprehensive income over the period of the borrowing using the effective interest method.

(j) Tax

Under current Australian income tax legislation, the REIT is not liable to pay income tax provided unitholders are presently entitled to all the distributable income of the REIT each year. The liability for capital gains tax that may arise if the Australian properties were sold is not accounted for in this financial report.

Macquarie Office (US) Corporation and Macquarie Office (US) No 2 Corporation (US REITs), controlled entities of the REIT, have both elected to be taxed as Real Estate Investment Trusts (REITs) under United States (US) federal taxation law, and on this basis, will generally not be subject to US income taxes on that portion of the US REITs' taxable income or capital gains which are distributable to the US REITs' shareholders, provided that the US REITs comply with the requirements of the US Internal Revenue Code of 1986 and maintain their REIT status.

1 Summary of significant accounting policies (continued)

(j) Tax (continued)

In respect of its US investments, the REIT may ultimately realise a capital gain or loss on disposal, which if not distributed, may attract a US income tax liability. If the gain is distributed, a US withholding tax liability may arise and may give rise to a foreign tax credit which would be available to unitholders. A current tax liability is recognised in the financial statements for any realised gains on US investments. A deferred tax asset or liability is recognised based on the temporary difference between the carrying amount of the US investment property assets in the consolidated balance sheet and their associated tax cost bases.

Where applicable, deferred income tax is determined using the balance sheet method, being the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and unused tax losses. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

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

(k) Revenue recognition

Property rental income represents income earned from the rental of REIT properties (inclusive of outgoings recovered from tenants) and is recognised on a straightline basis over the lease term. The portion of rental income relating to fixed increases in operating lease rentals in future periods is recognised as a separate component of investment properties.

Interest income is recognised using the effective interest method.

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

Gains on the sale of investment properties and investments in joint venture entities are calculated as the difference between the carrying amount of the asset at the date of disposal and the net proceeds from disposal and are included in the consolidated statement of comprehensive income in the period of disposal. Where revenue is obtained from the sale of properties or assets, it is recognised when the significant risks and rewards have transferred to the buyer. This will normally take place on exchange of unconditional contracts.

Revenue is measured at the fair value of consideration received or receivable.

1 Summary of significant accounting policies (continued)

(l) Foreign currency translation

(i) Functional and presentation currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars, which is the REIT's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income, except when deferred in equity as qualifying net investment hedges and qualifying cash flow hedges.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(iii) Foreign operations

Transactions of foreign controlled entities and equity accounted joint venture entities are measured using the currency of the primary economic environment in which those entities operate. Assets and liabilities of foreign controlled entities and equity accounted joint venture entities are translated into the presentation currency at exchange rates ruling at balance date while income and expenses are translated into presentation currency at average exchange rates for the year. Exchange differences arising on translation of the interests in foreign controlled entities and equity accounted joint venture entities are taken directly to the foreign currency translation reserve. On consolidation, or by way of reserve transfer, exchange differences on loans and cross currency swaps denominated in foreign currencies, which hedge net investments in foreign operations, are reflected in the foreign currency translation reserve.

At the balance date, the spot and average rates used were:

	December 2011	June 2011
Spot rate		
US Dollar	1.0209	1.0713
Euro	0.7879	0.7401
Yen	N/A	86.1772

	December 2011	December 2010
Average rate		
US Dollar	1.0349	0.9551
Euro	0.7532	0.7184
Yen	N/A	79.4338

On disposal of interest in foreign controlled entities, the cumulative foreign exchange gains/losses relating to these investments are transferred to the consolidated statement of comprehensive income in accordance with the requirements of AASB 121 *The Effect of Changes in Foreign Exchange Rates*. Similarly, cumulative foreign exchange differences on cross currency swaps transferred into the foreign currency translation reserve over the life of the investment are reclassified back to accumulated losses (refer to Note 17).

1 Summary of significant accounting policies (continued)

(m) Fair value estimation

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

The fair value of financial instruments traded in active markets is determined using quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the REIT is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The REIT uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps and cross currency swaps are calculated as the present value of the future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the end of the reporting period.

The nominal value less estimated credit adjustments of trade receivables and payables approximate their fair values. The fair value of financial liabilities for disclosure purposes is determined by discounting the future contractual cash flows at the current market interest rate that is available to the REIT for similar financial instruments.

(n) Segment information

Segment information is presented on the same basis as that used for internal reporting purposes. The segments are reported in a manner that is consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of the Responsible Entity.

(o) Earnings per unit

Basic earnings per unit is determined by dividing profit attributable to the unitholders by the weighted average number of ordinary units on issue during the financial period.

Diluted earnings per unit is determined by dividing the profit attributable to the unitholders by the weighted average number of ordinary units and dilutive potential ordinary units on issue during the year.

Basic and diluted earnings per unit from continuing operations is determined by dividing profit from continuing operations attributable to the unitholders by the weighted average number of ordinary units on issue during the financial period.

Basic and diluted earnings per unit from discontinued operations is determined by dividing loss from discontinued operations attributable to the unitholders by the weighted average number of ordinary units on issue during the financial period.

1 Summary of significant accounting policies (continued)

(p) Impact of standards issued but not yet applied by the REIT

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2011 reporting periods. The REIT's assessment of the impact of these new standards including new IFRS standards whereby AASB equivalents have not yet been issued (to the extent relevant to the REIT) and interpretations is set out below.

(i) AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2015)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets. The standard is not applicable until 1 January 2015 but is available for early adoption. AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not traded. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in the statement of comprehensive income. The REIT has not yet decided when to adopt AASB 9. However, management does not expect this will have a significant impact on the REIT's consolidated financial statements.

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

In December 2010, the AASB amended AASB 112 *Income Taxes* to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. The REIT will apply the amendment from 1 July 2012. However, there will be no impact on any of the amounts recognised in the consolidated financial statements.

(iii) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities and revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in *AASB 127 Consolidated and Separate Financial Statements*, and Interpretation *12 Consolidation – Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. While the REIT does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

1 Summary of significant accounting policies (continued)

(p) Impact of standards issued but not yet applied by the REIT (continued)

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. The REIT does not proportionately account any of its joint venture entities. Accordingly, the REIT does not expect this standard to have any impact on its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 128. Application of this standard by the REIT will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the REIT's investments.

AASB 127 is renamed Separate Financial Statements and is now a standard dealing solely with separate financial statements. Application of this standard by the REIT will not affect any of the amounts recognised in the financial statements.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a “partial disposal” concept. The REIT is still assessing the impact of these amendments.

The REIT does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

(iv) AASB 13 Fair Value Measurement (AASB 13) and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The REIT has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The REIT does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

(q) Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current financial year. As a result of applying *AASB 5: Non Current Assets Held for Sale and Discontinued Operations (AASB 5)* all items of revenue and expense relating to discontinued operations have been reclassified to a single line and disclosed as “Loss from discontinued operations” in the consolidated statement of comprehensive income.

(r) Rounding of amounts

The REIT is a registered scheme of a kind referred to in Class Order 98/0100 (as amended) issued by the Australian Securities & Investments Commission relating to the ‘rounding off’ of amounts in the financial report. Amounts in the financial report have been rounded to the nearest hundred thousand dollars in accordance with that Class Order, unless otherwise indicated.

2 Profit for the period from continuing operations

The profit for the period from continuing operations (unless otherwise specified) before income tax includes the following items of revenue and expenses:

(a) Revenue

	6 months to 31 Dec 2011 $'m	6 months to 31 Dec 2010 $'m
Property rental income	**57.9**	58.5
Distribution income	**0.6**	0.6
Property valuation gains – investment properties	**15.6**	19.4
Interest income	**2.8**	5.1
Net gain from derivative financial instruments	**-**	13.0
	76.9	96.6

(b) Property valuation gains/(losses)

	6 months to 31 Dec 2011 $'m	6 months to 31 Dec 2010 $'m
Property valuations on directly held investment properties		
Gains	**15.6**	19.4
Losses	**(10.3)**	(4.2)
Net property valuation gains – directly held investment properties	**5.3**	15.2
Property valuations on investments in joint venture entities		
Gains	**-**	0.7
Losses	**(18.9)**	(1.2)
Net property valuation losses – recognised in share of profit from investments in joint venture entities	**(18.9)**	(0.5)
Net property valuation (losses)/gains	**(13.6)**	14.7
Net property valuation (losses)/gains by geographic location[1]		
Australia	**(13.6)**	14.7
	(13.6)	14.7

1 Refer to Note 9 for property valuation gains/(losses) relating to discontinued segments of the United States, Europe and Asia.

Revaluations are net of adjustments including straightlining of rental income and amortisation of lease incentives.

(c) Net gains/(losses) from derivative financial instruments

	6 months to 31 Dec 2011 $'m	6 months to 31 Dec 2010 $'m
Gains on derivative financial instruments		
Realised	**25.4**	7.8
Unrealised	**50.8**	64.5
Losses on derivative financial instruments		
Realised	**(0.8)**	(27.0)
Unrealised	**(82.9)**	(32.3)
	(7.5)	13.0

(d) Finance costs

	6 months to 31 Dec 2011 $'m	6 months to 31 Dec 2010 $'m
Finance costs paid or payable	**25.4**	30.2
Less: Capitalised finance costs	**(0.5)**	(1.0)
	24.9	29.2
Borrowing costs written off during the year	**-**	9.9
	24.9	39.1

2 Profit for the period from continuing operations (continued)

(e) Other expenses

	6 months to 31 Dec 2011 $'m	6 months to 31 Dec 2010 $'m
Accounting fees	**0.8**	0.8
Audit committee fees – Independent directors	**0.3**	-
Audit fees	**0.1**	0.2
Compliance fees – Independent directors	**-**	0.1
Custodian fees	**0.1**	0.1
Directors' and officers' insurance	**0.1**	0.2
Legal fees	**-**	0.1
Postage fees	**-**	0.1
Printing fees	**0.1**	-
Scheme Implementation costs	**1.8**	-
Registry fees	**-**	0.2
Stock exchange costs	**0.1**	0.1
Taxation fees	**0.1**	-
Unitholder communication costs	**0.1**	0.1
Extraordinary general meeting costs	**0.8**	-
Other	**0.1**	-
	4.5	2.0

Other expenses have been paid in accordance with the REIT Constitution.

(f) Management fees

The management fee for the financial period is detailed as follows:

	6 months to 31 Dec 2011 $'000	6 months to 31 Dec 2010 $'000
Base management fee	**4,096**	4,491
Performance fee	**-**	-
	4,096	4,491

Of the total base management fee, the Responsible Entity received remuneration of $4,096,000 (December 2010: $4,491,000) from the consolidated entity.

No performance fee was earned by the Responsible Entity during the period. In the calculation of the performance fee, outperformance will be assessed on a cumulative basis and accordingly, underperformance for the period from 1 July 2002 to 31 December 2011 will need to be recovered before the Responsible Entity is entitled to any future performance fees.

3 Tax expense/(benefit)

	6 months to 31 Dec 2011 $'m	6 months to 31 Dec 2010 $'m
Withholding tax benefit/(expense)	**0.5**	(0.2)
Deferred US capital gains tax (expense)/benefit[1]	**-**	-
	0.5	(0.2)

1 Refer to Note 9(b) for deferred tax liabilities relating to the deferred US capital gains tax within the discontinued United States operations.

4 Distributions paid and payable

	Distribution cents per unit	Total amount $'m
Ordinary unitholders		
2011 distributions for the half year ended:		
31 December 2011[1]	**11.00**	**54.3**
	11.00	**54.3**
Ordinary unitholders		
2010 distributions for the half year ended:		
31 December 2010	9.25	45.6
	9.25	45.6

1 The distribution of 11.0 cents per unit was declared prior to 31 December 2011 and will be paid on 21 February 2012.

Pursuant to the REIT Constitution, the amount distributed to unitholders is at the discretion of the Responsible Entity. The Responsible Entity uses operating earnings (refer to Note 20) as a guide to assessing an appropriate distribution to declare.

The distributions paid and declared during the period totalled $108.6 million relating to the distributions for the June 2011 and the December 2011 half years of $54.3 million and $54.3 million respectively. The December 2011 distribution does not include the distributions of any US asset sale proceeds.

5 Earnings per unit

		6 months to 31 Dec 2011	6 months to 31 Dec 2010
Basic and diluted earnings			
Earnings per unit for profit from continuing operations	cents	**3.43**	11.63
Earnings per unit for (loss) from discontinued operations	cents	**(15.57)**	1.55
Earnings per unit	cents	**(12.14)**	13.18
Earnings used in the calculation of basic and diluted earnings per unit			
Profit from continuing operations	$'m	**16.9**	57.2
(Loss)/profit from discontinued operations	$'m	**(76.8)**	7.6
(Loss)/profit from continuing and discontinued operations	$'m	**(59.9)**	64.8
Weighted average number of ordinary units used in the calculation of basic and diluted earnings per unit[1]	millions	**493.3**	491.7

1 Weighted average number of ordinary units is calculated from the date of issue.

6 Cash and cash equivalents

For the purposes of the consolidated cash flow statement, cash includes cash in banks and units in Macquarie Treasury Fund. As at balance date, the REIT and its proportionate share of joint venture entities held units in Macquarie Treasury Fund valued at $80.0 million. Cash as at balance date shown in the consolidated cash flow statement is reconciled to the related items in the consolidated balance sheet as follows:

	Note	**31 Dec 2011 $'m**	30 Jun 2011 $'m
Cash at bank		**98.9**	138.4
Term deposit		**-**	30.8
Total cash and cash equivalents – continuing operations		**98.9**	169.2
Plus cash classified to assets held for sale	9(b)	**33.6**	30.0
Total cash and cash equivalents		**132.5**	199.2

(a) Cash not available for use

Cash at bank and the term deposit include amounts that have restrictions on their use. Certain balances may no longer be able to be distributed or utilised by the REIT as lender restrictions may limit or require that the funds be used in a certain manner.

The cash held for sale balance includes cash held as part of the US property balances of $1.6 million held by lenders in relation to the US property debt facilities. The cash classified to assets held for sale balance does not include US$121.5 million (A$119.0 million) in cash which is included in an escrow account by a US lender at 31 December 2011, relating to the sale of US properties (refer to Note 9(b)).

7 Receivables

(a) Receivables

	31 Dec 2011 $'m	30 Jun 2011 $'m
Current		
Rent receivable	**2.6**	6.8
Distribution receivable	**29.6**	26.0
Withholding tax receivable	**0.2**	-
Interest receivable	**-**	0.1
Sundry debtors	**-**	0.1
	32.4	33.0

The REIT's receivables are carried at amounts that approximate their fair value.

(b) Receivables – held for sale

As at June 2011, the receivables included in assets classified as held for sale in Note 9(b) comprised of a non-current loan receivable of $47.8 million from MOF 401 Jackson Tampa, LLC, the joint venture that owned the SunTrust Finance Centre, Tampa. This amount was partially (91% REIT ownership) offset by a payable of $44.7 million from the joint venture entity as included in Note 9(b) and 11(b)(iii).

As part of the sale of the SunTrust Financial Centre, Tampa property during December 2011, this receivable was partially repaid and the balance was forgiven.

8 Derivative financial instruments

The table represents the derivative financial instruments held by the REIT as continuing. Derivative financial instruments classified as held for sale are included in Note 9(b).

	31 Dec 2011 $'m	30 Jun 2011 $'m
Assets		
Current		
Interest rate swaps	**-**	3.3
Forward foreign exchange contracts	**4.0**	-
Cross currency swaps	**-**	70.9
	4.0	74.2
Non-current		
Interest rate swaps	**-**	0.8
Forward foreign exchange contracts	**3.2**	3.2
Cross currency swaps	**-**	-
	3.2	4.0
Liabilities		
Current		
Interest rate swaps	**-**	1.0
Forward foreign exchange contracts	**-**	46.1
Cross currency swaps	**-**	-
	-	47.1
Non-current		
Interest rate swaps	**11.9**	1.1
Forward foreign exchange contracts	**-**	-
Cross currency swaps	**-**	-
	11.9	1.1

Interest rate swaps (including held for sale swaps)

The REIT has entered into interest rate swap agreements totalling the Australian dollar equivalent of $476.0 million (June 2011: $618.0 million) that entitle it to receive interest, at quarterly intervals, at a floating rate on a notional principal amount and oblige it to pay interest at a fixed rate on the same amount. The interest rate swap agreements have the effect of swapping the REIT's interest rate on long term borrowings from a floating rate to a fixed rate.

In the prior period, the REIT had interest rate swap agreements totalling the Australian dollar equivalent of $274.0 million that entitled it to receive interest at a fixed rate on a notional principal amount and obliged it to pay interest at a floating rate on the same amount. These matured during the period.

As at balance date, the interest rates on the interest rate swap agreements vary from 4.31% to 5.57% per annum (June 2011: 0.46% to 7.50% per annum).

The interest rate swap contracts do not qualify for hedge accounting and, accordingly, the change in fair value of these swaps is recorded in the consolidated statement of comprehensive income.

Forward foreign exchange contracts (including held for sale contracts)

The REIT has entered into forward foreign exchange contracts to sell US dollars and receive Australian dollars at an average exchange rate of A$1.00 = US$0.7559 (June 2011: A$1.00 = US$0.7559). The last of these forward contracts matures in August 2014. The REIT has no remaining forward foreign exchange contracts in place to sell Australian dollars and receive US dollars (June 2011: A$1.00 = US$0.8253).

8 Derivative financial instruments (continued)

Foreign exchange options

With the announced sale of the United States portfolio and anticipated repatriation of US dollar proceeds to Australian dollars the REIT has entered into a foreign exchange hedging program to help provide some protection to movements in USD exchange rates. The REIT entered into a program of zero cost cap and collars to sell US dollars and receive Australian dollars. Under the program, if the USD:AUD exchange rate is above the average "Cap" rate at the various maturity of the agreements, the REIT has the option to sell the USD Amount at the respective Cap rate. Similarly, if the USD:AUD exchange rate falls lower than the "Collar" average rate at the maturity of the agreements, the counter party would make the REIT sell the specified USD amount at the "Collar" rate. If the USD exchange rate were between the Collar and Cap rate at maturity, that particular hedge would expire with no value. At 31 December 2011 the REIT had the following zero cost cap and collars arrangements:

Hedge Number	Amount US$'m	Cap Weighted average for trades per hedge US$ = A$1.00	Collar Weighted average for trades per hedge US$ = A$1.00	Maturity
1	100.0	1.0401	0.8000	15 Jan 2012
2	50.0	1.0400	0.8259	31 Jan 2012
3	200.0	1.0200	0.8273	15 Feb 2012

None of the REIT's hedging qualifies for hedge accounting and, accordingly, changes in the fair value of these contracts are recorded in the consolidated statement of comprehensive income.

Cross currency swaps (including held for sale swaps)

The REIT has no remaining A$/US$ cross currency swap agreements (June 2011: A$285.0 million/US$217.3 million) that entitle it to receive Australian dollar interest, at quarterly intervals, at a rate on notional Australian dollar principal amount and oblige it to pay US dollar interest at a rate on the corresponding notional US dollar amount as per the swap contract. The swap agreements had the effect of swapping the REIT's long-term Australian dollar borrowings into US dollar borrowings.

As at June 2011, the Australian dollar interest prevailing on the US dollar cross currency swaps varied from 5.02% to 5.04% per annum and the US dollar interest rate prevailing on the cross currency swaps was 0.25% per annum.

The cross currency swap contracts did not qualify for hedge accounting and, accordingly, changes in the fair value of these contracts were recorded in the consolidated statement of comprehensive income. A transfer was subsequently made from undistributed income to the foreign currency translation reserve for fair value movements in the swaps to offset movements in this reserve relating to the US investments of the REIT.

Notwithstanding the accounting outcome from using any of the above types of derivatives, the Responsible Entity considers that these derivative contracts are appropriate and help to offset some of the economic foreign exchange and interest rate exposures of the REIT.

9 Assets and liabilities classified as held for sale and discontinued operations

(a) Details of discontinued operations

Details describing discontinued operations of the REIT and current status are outlined in the table below:

Discontinued Operations	Description	Status
United States	As at 30 June 2011, this was a portfolio of office buildings across the United States comprised of 7 wholly owned investment properties and interests in 7 other investment properties held through joint ventures.	On 3 August 2011 contracts were exchanged to sell the entire US portfolio, subject to customary closing conditions including receipt of lender consents and other third party consents. As at 31 December 2011, the sale of four wholly owned investment properties have been closed in accordance with the sale contract. A further three properties were sold after balance date.
Europe	The Atrium Charlottenburg in Berlin, Germany.	On 18 August 2011 the REIT disposed of its interest in this property.
Japan	3 wholly owned office buildings located in Tokyo, Japan.	These properties were disposed of on 21 January 2011.

The discontinued operations include all assets such as cash, receivables and investment properties as well as liabilities including trade payables, debt liabilities and other liabilities relating to the United States, European and Asian operations of the REIT.

MOF 401 Jackson Tampa, LLC

On 7 November 2011, the REIT obtained control over MOF 401 Jackson Tampa, LLC. Upon gaining control the REIT ceased to account for the entity as an associate and commenced accounting for it’s investment as a subsidiary with a non-controlling interest. On 16 December 2011, the REIT purchased the 9% non-controlling interest in this subsidiary.

9 Assets and liabilities classified as held for sale and discontinued operations (continued)

(b) Details of assets and liabilities classified as held for sale

The table below sets out the assets and liabilities of the discontinued segments of the REIT's business that continue to be owned by the REIT as at balance date. The assets and liabilities classified as held for sale are presented as aggregate amounts in the consolidated balance sheet.

		Discontinued operations		
31 December 2011	Note	**United States operations $'m**	**Europe operations $'m**	**Total $'m**
Assets classified as held for sale				
Cash and cash equivalents	6	**33.6**	**-**	**33.6**
Receivables		**3.4**	**-**	**3.4**
Investment property	10(b)	**452.2**	**-**	**452.2**
Investment in joint venture entities	11	**185.1**	**-**	**185.1**
Other assets[1]		**120.1**	**-**	**120.1**
Total assets classified as held for sale		**794.4**	**-**	**794.4**
Liabilities classified as held for sale				
Payables		**13.5**	**-**	**13.5**
Interest bearing liabilities	13(b)	**246.4**	**-**	**246.4**
Deferred tax liability	15	**33.6**	**-**	**33.6**
Other liabilities		**3.3**	**-**	**3.3**
Total liabilities classified as held for sale		**296.8**	**-**	**296.8**

1 Other assets include $119.0 million in escrow cash by the US lender relating to proceeds from the disposal of US properties during the period.

		Discontinued operations		
30 June 2011	Note	**United States operations $'m**	**Europe operations $'m**	**Total $'m**
Assets classified as held for sale				
Cash and cash equivalents	6	24.8	5.2	30.0
Receivables		2.8	0.1	2.9
Investment property	10(b)	725.2	77.6	802.8
Investment in joint venture entities	11	155.8	-	155.8
Receivables – associate	7(b)	47.8	-	47.8
Other assets		5.8	-	5.8
Total assets classified as held for sale		962.2	82.9	1,045.1
Liabilities classified as held for sale				
Payables		22.9	0.4	23.3
Derivative financial instruments		-	2.4	2.4
Interest bearing liabilities	13(b)	361.7	80.1	441.8
Deferred tax liability	15	15.8	-	15.8
Other liabilities		3.9	-	3.9
Total liabilities classified as held for sale		404.3	82.9	487.2

9 Assets and liabilities classified as held for sale and discontinued operations (continued)

(c) Details of financial performance and cash flow information relating to discontinued operations

The table below sets out the financial performance and cash flow information for the discontinued operations. For assets within discontinued operations that have been divested during the period, the relevant financial performance and cash flow information up to the date of disposal have been included.

	Note	**6 months to 31 Dec 2011 $'m**	6 months to 31 Dec 2010 $'m
Income			
Property rental income		**40.7**	57.3
Property expense		**(25.1)**	(29.0)
Net property income		**15.6**	28.3
Share of gains/(losses) from investment in joint venture entities	11(b)(ii)	**-**	11.0
Distribution income		**3.5**	-
Valuation gains on investment properties		**12.6**	6.9
Interest income		**0.9**	2.4
Net gain on sale of investment in controlled entities[1]		**3.5**	0.1
Gain recognised on the remeasurement of assets of discontinued US joint venture entities		**17.3**	-
Total income net of property expenses		**53.4**	48.7
Expenses			
Management fees		**(1.9)**	(3.0)
Finance costs		**(9.7)**	(11.0)
Net loss on sale of investment properties[1]		**(40.7)**	-
Net loss on obtaining control of MOF 401 Jackson Tampa, LLC[2]		**(8.8)**	-
Valuation losses on investment properties		**(16.3)**	(11.7)
Net loss from derivative financial instruments		**(0.4)**	-
Other expenses		**(0.6)**	(0.7)
Transfer from reserves of cumulative FX loss on disposal of assets		**(34.0)**	-
Total expenses		**(112.4)**	(26.4)
Profit before tax from discontinued operations		**(59.0)**	22.3
Tax expense		**(17.8)**	(14.7)
(Loss)/profit after tax of discontinued operations		**(76.8)**	7.6
Net cash flows from operating activities		**4.2**	10.0
Net cash flows from investing activities		**223.6**	(7.9)
Net cash flows from financing activities[3]		**(217.1)**	1.7
		10.7	3.8

1 Refer Note 9(d) below.

2 This is the recognition of the net assets of MOF 401 Jackson Tampa, LLC upon obtaining control of the entity to fair value less costs to sell.

3 Includes a $46.4 million (December 2010: $3.9 million) repayment of intercompany loans to the Australian continuing segment.

9 Assets and liabilities classified as held for sale and discontinued operations (continued)

(d) Details of disposals

During the period the following disposals have occurred relating to discontinued operations and in the general course of business:

	Interest disposed	Date of disposal	Total consideration 6 months to 31 Dec 2011 $'m	6 months to 31 Dec 2010 $'m
Discontinued operations				
United States portfolio				
700 Thirteenth Street, Washington	Property	27 September 2011	**124.2**	-
30 Independence Boulevarde,Warren Township	Property	5 October 2011	**33.1**	-
Promenade II, Atlanta	Property	23 November 2011	**141.3**	-
SunTrust Financial Center, Tampa	Property	15 December 2011	**78.4**	-
Quintana Campus, Irvine	Property	7 December 2010	**-**	-[1]
European portfolio				
Atrium Charlottenburg, Berlin,	Trust	18 August 2011	**-**	-
City Central, Milan	Trust	29 June 2010	4.3[2]	-
			381.3	-
In general course of business				
Australian portfolio				
NCR House, North Sydney	Property	31 August 2011	**57.3**	-
Total gross consideration			**438.6**	-

1 The consideration received was nil as the property was sold by the receiver.

2 Receipt of the balance of the purchase price withheld by the purchaser as tax law changes did not eventuate.

(e) Details of disposals including disposals in discontinued operations

The net loss on sale of discontinued operations and in the general course of business during the period were:

	6 months to 31 Dec 2011 $'m	6 months to 31 Dec 2010 $'m
Details of disposals during the period:		
Total gross cash consideration – net of transaction costs and capital allowances before debt and other prorations	**402.0**	(2.1)
Carrying amount of net assets sold	**(439.9)**	0.3
Loss on sale before FX loss realisation	**(37.9)**	(1.8)
Foreign exchange loss realised on disposal	**(34.0)**	-
Total loss on sale	**(71.9)**	(1.8)

The carrying amounts of assets and liabilities as at the date of disposal were:

	31 Dec 2011 $'m	31 Dec 2010 $'m
Cash and cash equivalents	**6.3**	-
Receivables	**0.1**	0.2
Investment properties	**514.2**	58.7
Other assets	**0.5**	-
Total assets	**521.1**	58.9
Payables	**1.0**	0.3
Derivative financial instruments	**2.4**	-
Interest bearing liabilities	**77.8**	58.9
Total liabilities	**81.2**	59.2
Net assets	**439.9**	(0.3)

10 Investment properties

(a) Investment properties

	31 Dec 2011 $'m	30 Jun 2011 $'m
Current		
Australian properties held for sale[1]	-	57.0
Non-current		
Australian properties	1,062.2	1,047.3
Australian properties – property under construction	29.7	21.8
US properties[2]	-	-
European properties[2]	-	-
Asian properties[2]	-	-
	1,091.9	1,069.1
	1,091.9	1,126.1

1 The prior period current Australian property held for sale relates to NCR House, North Sydney which was sold during the current financial period.

2 Reclassified to assets held for sale. Refer below for further information.

Investment properties for continuing investment purposes include unamortised lease incentives of $25.4 million (June 2011: $16.5 million) and a straightlining asset of $13.0 million (June 2011: $15.1 million).

A number of the REIT investment properties are secured against its borrowings. Refer to Note 13.

A reconciliation of the carrying amount of non-current investment properties at the beginning and end of the current and previous periods is set out below:

	6 months to 31 Dec 2011 $'m	12 months to 30 Jun 2011 $'m
Carrying amount at the beginning of the period	1,069.1	2,141.3
Additions (including capital expenditure)[1]	13.6	30.5
Additions – development capital expenditure	7.9	7.7
Disposals[2]	-	(42.2)
Straightlining of fixed contracts	(1.6)	(14.0)
Amortisation of fitout lease incentives	(2.4)	(7.3)
Capitalised lease fees and rent free incentives	-	6.1
Revaluation increment/(decrement)	5.3	2.9
Foreign exchange rate differences on translation[3]	-	(196.1)
Reclassification to current investment properties held for sale	-	(57.0)
Reclassification of investment property to assets held for sale	-	(802.8)
Carrying amount at the end of the period	1,091.9	1,069.1

1 In the prior period, included in additions is capital expenditure of $22.7 million relating to assets reclassified to held for sale.

2 For the prior period, disposals relate to the sale of the Japanese investment properties and the results of their operations have been included as discontinued.

3 The exchange rate differences arising on the translation of the REIT's offshore investments are offset to the extent of the translation differences arising on the REIT's foreign currency denominated borrowings and cross currency swaps.

10 Investment properties (continued)

(b) Investment properties – held for sale

	31 Dec 2011 $'m	30 Jun 2011 $'m
US properties	**452.2**	725.2
European properties	**-**	77.6
	452.2	802.8

Investment properties held for sale include unamortised lease incentives of $14.2 million (June 2011: $22.7 million) and a straightlining asset of $9.1 million (June 2011: $15.0 million).

11 Investment in joint venture entities

	31 Dec 2011 $'m	30 Jun 2011 $'m
Continuing investments in joint venture entities		
2 Park Street Trust	**352.1**	364.7
Market Street Trust	**159.7**	159.6
No. 1 Martin Place Office Tower Trust	**198.9**	206.1
No. 1 Martin Place Car Park Trust	**22.4**	22.4
	733.1	752.8
Held for sale joint venture entities		
Macquarie BDN, LLC	**29.6**	52.4
Maguire Macquarie Office, LLC	**202.2**	151.6
MOF 401 Jackson Tampa, LLC	**-**	6.3
	231.8	210.3
Loss on remeasurement of assets of held for sale US joint venture entities[1]	**(46.7)**	(54.5)
	185.1	155.8
Carrying amount of investment in joint venture entities including held for sale	**918.2**	908.6

1 As described in Note 11(b)(iii) below.

(a) Continuing investments in joint venture entities

(i) Carrying amount of investment in joint venture entities – continuing operations

	6 months to 31 Dec 2011 $'m	12 months to 30 Jun 2011 $'m
Carrying amount at the beginning of the period	**752.8**	981.0
Additions	**-**	3.1
Disposals – continuing operations	**-**	-
Disposals – discontinued operations[1]	**-**	(1.5)
Share of profit before property valuation gains	**27.2**	54.0
Share of net property valuation gains/(losses)	**(18.9)**	13.3
Share of profit before property valuation gains – held for sale	**-**	15.0
Share of net property valuation gains – held for sale	**-**	5.8
Distributions paid and payable	**(28.0)**	(58.2)
Exchange rate differences on translation[2]	**-**	(50.8)
Unrealised loss relating to US joint venture entity[3]	**-**	1.4
Reclassification of investment in joint venture entities to assets held for sale and discontinued operations	**-**	(210.3)
Carrying amount at the end of the period	**733.1**	752.8

1 The prior period loss on sale relates to the Quintana Campus, Irvine property that was sold by the receiver.

2 The exchange rate differences arising on the translation of the REIT's offshore investments are offset to the extent of the translation differences arising on the REIT's foreign currency denominated borrowings and cross currency swaps.

3 Related to debt payable to the REIT by MOF 401 Jackson Tampa, LLC, a joint venture entity.

11 Investment in joint venture entities (continued)

(a) Continuing investments in joint venture entities (continued)

(ii) Share of profit/(loss) from investment in joint venture entities – continuing operations

	Note	**6 months to 31 Dec 2011 $'m**	6 months to 31 Dec 2010 $'m
Income			
Property rental income		**35.5**	35.9
Property expenses		**(8.3)**	(7.8)
Net property income		**27.2**	28.1
Share of profits before property valuation gains from joint venture entities		**27.2**	28.1
Property valuation gains			
Property valuation gains on investment properties	2(b)	**-**	0.7
Property valuation losses on investment properties	2(b)	**(18.9)**	(1.2)
Share of property valuation gains/(losses) from joint venture entities		**(18.9)**	(0.5)
Share of gain from investment in joint venture entities		**8.3**	27.6

(iii) Share of joint venture entities' assets and liabilities – continuing operations

	31 Dec 2011 $'m	30 Jun 2011 $'m
Current assets		
Cash and cash equivalents	**8.8**	6.7
Receivables	**0.3**	1.6
Other	**0.2**	0.9
	9.3	9.2
Non-current assets		
Investment properties	**756.0**	773.7
	756.0	773.7
Total assets	**765.3**	782.9
Current liabilities		
Payables	**32.2**	30.1
	32.2	30.1
Total liabilities	**32.2**	30.1
Net assets	**733.1**	752.8

(b) Held for sale joint venture entities

(i) Carrying amount of investment in joint venture entities – held for sale

	31 Dec 2011 $'m	30 Jun 2011 $'m
Carrying amount at the end of the period before remeasurement for discontinued operations	**167.8**	210.3
Gain/(loss) on remeasurement of assets in discontinued US joint venture entities[1]	**17.3**	(54.5)
Carrying amount at the end of the period after remeasurement for discontinued operations	**185.1**	155.8

1 Refer to the description of the adjustment as noted in the paragraph below.

11 Investment in joint venture entities (continued)

(b) Held for sale joint venture entities (continued)

(i) Carrying amount of investment in joint venture entities – held for sale (continued)

Ceasing equity accounting of United States joint venture entities

On 1 June 2011, the REIT ceased equity accounting its US joint venture entities (as required by *AASB 5: Non Current Assets Held for Sale and Discontinued Operations*) on the basis that these investments are classified as held for sale. From 1 June 2011, investments in the US joint venture entities are recorded at the lower of carry value and fair value less costs to sell. This has two impacts:

- any profit or losses generated post 1 June 2011 by the US joint ventures are not reflected in the statutory result and, accordingly, the profit and loss for the period is not included in the REIT's carrying value of its US joint ventures at 31 December 2011; and
- the US joint venture investments are recorded at the lower of carry value and fair value less costs to sell.

For the period, the aggregate of both adjustments results in a net gain of $17.3 million (June 2011: net loss of $54.5 million).

(ii) Share of gain/(loss) from investment in joint venture entities – discontinued operations

The share of gain/(loss) from investment in joint venture entities from discontinued operations in the prior period reflects the results of 6 months to 31 December 2010 of operations. The date of the reclassification to assets held for sale, was 1 June 2011 in accordance with the requirements set out in Australian Accounting Standard*, AASB 5: Non-Current Assets Held for Sale and Discontinued Operations*. The loss on remeasurement of assets in discontinued United States joint venture entities held for sale, as shown in Note 11(b)(i) represents the write-down to the lower of the carry value and fair value less costs to sell, in accordance with the accounting standard.

	6 months to 31 Dec 2011 $'m	6 months to 31 Dec 2010 $'m
Income		
Property rental income	**-**	59.1
Property expenses	**-**	(25.4)
Net property income	**-**	33.7
Expenses		
Management base fee	**-**	(0.9)
Finance costs	**-**	(22.9)
Loss on sale of investment properties[1]	**-**	(1.5)
Other expenses	**-**	(0.6)
Total expenses	**-**	(25.9)
Share of profits before property valuation gains/(losses)	**-**	7.8
Property valuation gains		
Property valuation gains on investment properties	**-**	3.2
Property valuation (losses) on investment properties	**-**	-
Share of property valuation gains	**-**	3.2
Share of gain/(loss) from investment in joint venture entities – held for sale	**-**	11.0
Gain/(loss) on re-measurement of assets in discontinued US joint venture entities	**17.3**	-
Share of gain from investment in joint venture entities – held for sale after re-measurement	**17.3**	11.0

1 The prior period loss on sale relates to the Quintana Campus, Irvine property that was sold by the receiver.

11 Investment in joint venture entities (continued)

(b) Held for sale joint venture entities (continued)

(iii) Share of joint venture entities' assets and liabilities – held for sale

The table below discloses summarised financial information of joint ventures as at 31 December 2011 and 30 June 2011 that are no longer accounted for using the equity method of accounting. Investments in joint ventures in the United States were equity accounted until 1 June 2011 when they were reclassified as assets held for sale. Upon reclassification, the interests in joint ventures were accounted for at the lower of carrying value and fair value less costs to sell. Since equity accounting has ceased, the movements in net assets of the joint ventures after reclassification to assets held for sale are no longer recognised in the REIT's consolidated balance sheet.

Summarised financial information of joint ventures classified as held for sale

	31 Dec 2011 $'m	30 Jun 2011 $'m
Cash and cash equivalents	**26.3**	25.0
Receivables	**1.2**	2.6
Other	**1.6**	1.0
Investment properties	**812.8**	801.5
Total assets	**841.9**	830.1
Payables	**10.2**	9.6
Other	**9.8**	10.9
Interest bearing loans		
External[1]	**590.1**	586.6
Related entity[1]	**-**	44.7
Total liabilities	**610.1**	651.8
Net assets of joint ventures held for sale	**231.8**	178.3

Reconciliation of net assets of joint ventures at balance date classified as held for sale to adjusted carrying value at balance date

	31 Dec 2011 $'m	30 Jun 2011 $'m
Net assets of joint ventures held for sale at balance date	**231.8**	178.3
Unrealised loss relating to related US joint venture entity[2]	**-**	1.4
Movement in net asset position of joint ventures since classification as held for sale	**(17.6)**	30.6
Net assets of joint ventures held for sale at 1 June 2011	**214.2**	210.3
Loss on re-measurement of US joint ventures to the lower of carrying amount and fair value less costs to sell since classification as held for sale	**(29.1)**	(54.5)
Adjusted carrying value of joint ventures held for sale at balance date	**185.1**	155.8

1 Interest bearing loans include US joint venture property borrowings denominated in US dollars and are secured by a mortgage over the respective property. The prior period related entity non-current liability of $44.7 million related to the debt payable to the REIT by MOF 401 Jackson Tampa, LLC, a joint venture entity. The SunTrust Financial Centre, Tampa property was sold during the current period.

2 In the prior period, the net asset position of MOF 401 Jackson Tampa, LLC was negative at balance date. As a result, the REIT had offset unrealised losses against the loan receivable by the REIT from this joint venture.

11 Investment in joint venture entities (continued)

(c) Financing and capital commitments

The Australian joint venture properties are financed either by the bank 'back stop' facility or the syndicated bank debt facility of the consolidated entity and are included in Note 13.

The joint venture entities have committed to make certain expenditure and fitout contributions. The REIT's share of the committed expenditure for both continuing and discontinued operations is $5.9 million (June 2011: $19.1 million) of which $5.8 million (June 2011: $17.0 million) is payable within one year and $0.1 million (June 2011: $2.1 million) is payable between one and five years. These commitments have not been reflected in the financial statements of the REIT.

Investment properties held in the United States joint ventures are secured by mortgages over the properties in those joint ventures, which in aggregate are valued at $812.8 million (June 2011: $801.5 million).

12 Payables

	31 Dec 2011 $'m	30 Jun 2011 $'m
Current		
Outgoings payable	**5.9**	2.9
Interest payable	**2.0**	3.3
Indirect taxes payable	**0.5**	1.1
Property sale costs payable	**0.5**	0.6
Sundry creditors and accruals	**7.4**	6.6
	16.3	14.5

Payables totalling $13.5 million (2011: $23.3 million) are included as held for sale as disclosed in Note 9(b).

13 Interest bearing liabilities

(a) Interest bearing liabilities – Australian segment

	31 Dec 2011 $'m	30 Jun 2011 $'m
Current		
Commercial mortgage backed securities (CMBS) - Series 2	**-**	365.0
Less: Unamortised transaction costs	**-**	-
	-	365.0
Non-current		
Bank finance back-stop facility	**290.0**	-
Syndicated bank debt	**300.0**	400.7
Less: Unamortised transaction costs	**(4.7)**	(3.9)
	585.3	396.8

(b) Interest bearing liabilities – held for sale

	Note	**31 Dec 2011 $'m**	**30 Jun 2011 $'m**
Euro bank debt		**-**	80.1
US dollar mortgages		**248.5**	366.0
Preference shares		**0.1**	0.1
Less: Unamortised transaction costs		**(2.2)**	(4.4)
	9(b)	**246.4**	441.8

The table above does not include the interest bearing liabilities of the US joint venture entities. Refer Note 9 for further details.

13 Interest bearing liabilities (continued)

(c) Australian debt facilities

The bank finance back-stop facility is secured by registered first mortgages over 6 of the 18 Australian properties of the consolidated entity (including its investments in the No. 1 Martin Place Office Tower Trust and the No. 1 Martin Place Car Park Trust, Australian joint venture entities) which together are valued at $642.5 million.

The syndicated bank debt is secured by mortgages over 11 of the 18 Australian properties (including its investments in the Market Street Trust and 2 Park Street Trust) together valued at $1,175.7 million, and also has a second ranking security over the bank finance back-stop facility properties noted above.

(d) United States debt facilities

The US dollar mortgages relate to the following US properties: Chase Tower, Indianapolis, SunTrust Center, Orlando, Pasadena Towers, Pasadena, and 745 Atlantic Avenue, Boston.

Consolidated wholly owned United States investment properties are secured by a mortgage over the respective properties, which are valued in total at $452.2 million.

(e) European debt facilities

The Euro bank debt was extinguished in August 2011 when the REIT disposed of its interest in the Atrium Charlottenburg, Berlin property.

(f) Selected financial covenants of debt facilities

All of the interest bearing loans have obligations and undertakings that the REIT or borrowing entities must comply with. Some of the interest bearing liabilities include financial covenants which the borrower must comply with, and are summarised in the table below.

Borrower	Maturity	Drawn balance Dec 2011 $'m	Financial covenant
Charter Hall Office REIT (Syndicated bank loan facility)	Jan 2014	300.0	Trust ICR > 1.5 times Syndicate LVR < 60% Syndicate ICR > 1.5 times
Bank Back-Stop Facility	June 2014	290.0	Facility ICR > 1.75 times Facility LVR < 50%
Collectively, MOF 745 Atlantic Avenue Boston, LLC, Pasadena Towers, LLC and Macquarie BDN, LLC	May 2016 (Term Loan Tranche) May 2014 (Revolver Tranche) [3]	118.2[2]	Facility Covenants The debt agreement contains an LVR covenant and a debt yield covenant relating to the facility.
SunTrust Center Owner, LLC (Orlando)	Jan 2016	75.4	DSCR > 1.2 times Guarantor is Macquarie Office (US) No 2 Corporation[1]
Macquarie Office Monument Center I, LLC and Macquarie Office Monument Center II, LLC (Indianapolis)	Mar 2016	113.6	Guarantor is Macquarie Office (US) No 2 Corporation[1]

1 The guarantee obligations are restricted to certain circumstances as detailed in the relevant guarantee agreements.

2 This represents the full drawn balance of the facility with the lender including 100% of the facility relating to Macquarie BDN, LLC (1 & 3 Christina Centre, Delaware).

3 The revolver tranche has two options to extend for one year each subject to certain conditions being met at each option period.

The summary above does not include all the debt facilities within the joint venture operations.

13 Interest bearing liabilities (continued)
(g) Credit facilities

The table below summarises facilities with additional capacity to draw upon.

	31 Dec 2011 $'m	30 Jun 2011 $'m
Syndicated bank debt facility limit[1]	**600.0**	600.0
Bank finance back-stop facility	**290.0**	-
US Three Asset Secured Loan Facility – revolver facility[2]	**58.7**	79.2
	948.7	679.2
Amount used:		
Syndicated bank debt facility	**300.0**	400.7
Bank finance back-stop facility	**290.0**	-
US Three Asset Secured Loan Facility – revolver facility[2]	**-**	-
Amount of facilities unused	**358.7**	278.5

1 The syndicated bank debt facility is available to the REIT and can be drawn up to the facility limit. The bank facility is subject to certain financial covenants that apply including a loan to value ratio over the secured properties that may limit the value that may be drawn.

2 The US Three Asset Secured Loan revolver facility is available to two of the three US secured properties (excluding 1 & 3 Christina Centre) and can be drawn up to a revolver facility limit. The revolver facility is subject to certain financial covenants that may limit the value that may be drawn or result in a repayment being required.

14 Provisions

	6 months to 31 Dec 2011 $'m	12 months to 30 Jun 2011 $'m
Current		
Distribution to ordinary unitholders		
Opening balance	**54.3**	41.4
Distribution declared	**54.3**	99.9
Paid during the period	**(54.3)**	(87.0)
Distributions reinvested	**-**	-
Closing balance	**54.3**	54.3

Joint venture outperformance distribution

The REIT is entitled to an 80% share of the profits and losses of Maguire Macquarie Office, LLC. Profits are allocated in accordance with ownership percentages up to the amount which would provide both the REIT and MPG Office, LP (MPG) an internal rate of return on their capital contributions of 12% over a five year period. Profits over 12% are allocated 25% to MPG and 75% to Maguire Macquarie Office, LLC.

The first calculation period of the joint venture outperformance distribution was on 5 January 2011 and will also be calculated at the end of the subsequent five year period following that date or on the transfer of control of the REIT shares in Maguire Macquarie Office, LLC.

As at balance date, the estimated joint venture outperformance distribution payable to MGP is nil (June 2011: nil). The provision represents the current best estimated amount payable using current values based on discounted forecast net cash flows. Market factors, which are outside of the control of the REIT, may impact future assessments of property values, rental income and capital expenditure, each of which is a key input into the calculation of the joint venture outperformance distribution provision.

15 Deferred tax liabilities

A reconciliation of the carrying amount of net deferred tax liability at the opening and end of the current and previous periods is set out below:

	6 months to 31 Dec 2011 $'m	12 months to 30 Jun 2011 $'m
US capital gains deferred tax liability		
Opening balance	**-**	1.4
Charged to the Statement of Comprehensive Income		
Movement in tax liabilities recognised	**17.8**	14.4
Reclassified to liabilities held for sale	**(17.8)**	(15.8)
Closing balance	**-**	-

The deferred tax liability forms part of the liabilities classified as held for sale as it relates to the US operations. Refer to Note 9(b).

Capital gains on the sale of the REIT's US investments are subject to US withholding tax pursuant to the Foreign Investment in Real Property Tax Act, at a withholding tax rate of 35% if the capital gain is distributed. If the capital gain is not distributed, but the proceeds from the disposal are reinvested in a qualifying asset, the tax payable can be deferred and the tax cost base of the sold asset is rolled over into the tax cost base of the qualifying asset. Refer to Note 1(j). All deferred tax movements are recorded through the consolidated statement of comprehensive income as part of the loss on discontinued operations.

16 Contributed equity

Number of units	Details	Date of income entitlement	**6 months to 31 Dec 2011 $'m**	12 months to 30 Jun 2011 $'m
4,872,354,215	Units on issue	30 Jun 10		2,662.7
60,778,510	DRP issue	1 Jul 10		14.7
4,933,132,725	Balance before unit consolidation			2,677.4
(4,439,812,995)	Reduction in units from the unit consolidation	1 Jul 10		-
	Equity issue costs			-
493,319,730	Units on issue	30 Jun 11	**2,677.4**	2,677.4
	Equity issue costs		**0.8**	
493,319,730	Units on issue	31 Dec 11	**2,678.2**	

As stipulated in the REIT Constitution, each unit represents a right to an individual share in the REIT and does not extend to a right to the underlying assets of the REIT. There are no separate classes of units and each unit has the same rights attaching to it as all other units in the REIT.

Each unit confers the right to vote at meetings of unitholders, subject to any voting restrictions imposed on a unitholder under the *Corporations Act 2001*.

Consolidation of units

On 15 September 2010, the REIT completed a unit consolidation on the basis of one consolidated unit for every ten pre-consolidated units. Where the consolidation of a holding resulted in a fractional unit, that fraction was rounded up to the next whole unit. The consolidation of units resulted in the REIT reducing its total units on issue from 4,933,132,725 to 493,319,730 units, resulting in a corresponding increase in pre-consolidation metrics including price and NTA per unit by a factor of ten. As the consolidation did not involve a return of capital to unitholders, there has been no direct impact on the REIT's market capitalisation or net assets.

16 Contributed equity (continued)

Distribution reinvestment plan

The REIT has established 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. The DRP suspension commenced with the DRP for the half year ended 31 December 2010.

17 Reserves

	6 months to 31 Dec 2011 $'m	12 months to 30 Jun 2011 $'m
Foreign currency translation reserve		
Opening balance	**(291.3)**	(171.6)
Translation of foreign operations and foreign denominated borrowings	**33.1**	(183.8)
Transfer (to)/from accumulated losses[1]	**(22.1)**	51.9
Transfer to profit of cumulative FX losses on disposal of foreign investment	**34.0**	12.2
Closing balance	**(246.3)**	(291.3)

1 This transfer represents the Australian dollar equivalent of the spot rate movement in the US dollar cross currency swaps held by the REIT. The foreign exchange movement in the cross currency swaps act as a hedge against the net exchange rate movements in the REIT's US dollar investments and US dollar borrowings.

The 31 December 2011 financial statements reflect a reclassification in the 30 June 2011 balance sheet of $26.0 million of foreign currency translation losses from the 'foreign currency translation reserve' to 'accumulated losses' (refer to Note 18) that arose in the 6 month period ended 30 June 2011 when the REIT disposed of its investment in Japan. This reclassification has no impact on the total comprehensive income or profit from continuing activities for the period ended 31 December 2011, nor does it impact net assets as at 30 June 2011.

Nature and purpose of foreign currency translation reserve

Foreign exchange differences arising on translation of the interests in foreign controlled entities and foreign equity accounted joint ventures are taken directly to the foreign currency translation reserve, as described in Note 1(l).

On disposal of interests in foreign controlled entities, the cumulative foreign exchange gains/losses relating to these investments are transferred to the consolidated statement of comprehensive income in accordance with the requirements of AASB 121 *The Effect of Changes in Foreign Exchange Rates*. Similarly, cumulative foreign exchange differences on cross currency swaps transferred into the foreign currency translation reserve over the life of the investment are reclassified back to accumulated losses (refer to Note 18).

18 Accumulated losses

	6 months to 31 Dec 2011 $'m	12 months to 30 Jun 2011 $'m
Opening balance	**(531.6)**	(423.2)
(Loss)/profit for the period	**(60.5)**	43.4
Distributions paid and payable	**(54.3)**	(99.9)
Transfer of losses to foreign currency translation reserve	**22.1**	(51.9)
Closing balance	**(624.3)**	(531.6)

The Responsible Entity uses operating earnings (refer to Note 20) as a guide to assessing an appropriate distribution to declare.

19 Net tangible assets

	31 Dec 2011 $'m	30 Jun 2011 $'m
Total assets	**2,777.9**	3,224.6
Less: Total liabilities	**(970.2)**	(1,370.0)
Less: Net tangible assets attributable to minority interest	**(0.1)**	(0.1)
Net tangible assets attributable to the REIT	**1,807.6**	1,854.5

		31 Dec 2011	30 Jun 2011
Total number of units on issue	million	**493.3**	493.3
Net tangible asset backing per unit	$	**3.66**	3.76

20 Segment information

The Directors of the Responsible Entity have determined the operating segments based on the reports reviewed by the chief operating decision maker, being the Board of the Responsible Entity.

The Board considers the business from the aspect of each core portfolio and the REIT operations and has identified four operating segments. The segments are: the Australian investment properties, comprising controlled and joint venture investment properties; United States investment properties, comprising controlled and joint venture investment properties; European investment properties; and Japanese investment properties. Other includes all non-property related activities including derivative financial instruments, debt, expenses and minority interests.

As disclosed in this financial report, the United States (US) investment properties segment is accounted for as a discontinued operation as it is intended that the entire segment will be disposed of during this financial year, however, it is included in operating earnings for the purposes of calculating possible distributions to unitholders. The European investment property (sold on 18 August 2011) and the Japanese investment properties (sold on 21 January 2011) are also accounted for as discontinued operations. However, the Board has decided to remove the inclusion of the European operations for the purposes of calculating operating earnings in the current period.

20 Segment information (continued)

(a) Operating segments

The operating segments disclose each core portfolio in both their respective local currencies and in Australian dollars. 'Other' is presented in Australian dollars only. This information is presented on a 'look through' basis. The term 'look through' refers to the assets, liabilities, revenue and expenses of the controlled entities and the assets, liabilities, revenue and expenses held through joint venture entities. The value of assets, liabilities, revenue and expenses held in joint venture entities are included based on the REIT's ownership percentage. Total assets and total liabilities are presented in line with the consolidated statutory accounts. This is consistent with the manner in which the information is presented to the Board in its capacity as chief operating decision maker.

	Continuing operations	Discontinued operations					
	Australian investment properties $'m	United States investment properties $'m	European investment properties[1] $'m	Japanese investment properties $'m	Total discontinued operations $'m	Other $'m	**Total $'m**
6 months to 31 Dec 2011							
Net property income (local currency)	**A$72.7**	**US$49.6**	**€-**	**¥-**			
Net property income (A$)	**72.7**	**48.2**	**-**	**-**	**48.2**	**-**	**120.9**
Other income and net derivatives						**6.5**	**6.5**
Finance costs						**(50.5)**	**(50.5)**
Management fees						**(7.0)**	**(7.0)**
REIT expenses						**(5.3)**	**(5.3)**
Withholding and current tax expense						**0.4**	**0.4**
Operating earnings	**72.7**	**48.2**	**-**	**-**	**48.2**	**(55.9)**	**65.0**

1 The European operations are excluded from the calculation of operating earnings for the 31 December 2011 period.

	31 Dec 2011
Weighted average number of ordinary units used in the calculation of operating earnings per unit[2] (millions)	**493.3**
Operating earnings per unit (cents)	**13.18**

2 Weighted average number of ordinary units used in the calculation of operating earnings per unit is calculated from the date of income entitlement.

20 Segment information (continued)

(a) Operating segments (continued)

	Continuing operations	Discontinued operations					
	Australian investment properties	United States investment properties	European investment properties	Japanese investment properties	Total discontinued operations	Other	**Total**
	$'m	$'m	$'m	$'m	$'m	$'m	**$'m**
6 months to 31 Dec 2010							
Net property income (local - millions)	A$72.0	US$52.7	€-	¥152.8			
Net property income (A$)	72.0	56.0	-	1.9	57.9	-	129.9
Other income and net derivatives						6.0	6.0
Finance costs						(60.4)	(60.4)
Management fees						(8.4)	(8.4)
REIT expenses						(3.3)	(3.3)
Withholding and current tax expense						0.3	0.3
Operating earnings	72.0	56.0	-	1.9	57.9	(65.8)	64.1

	31 Dec 2010
Weighted average number of ordinary units used in the calculation of operating earnings per unit[1] (millions)	493.3
Operating earnings per unit (cents)	13.00

1 Weighted average number of ordinary units used in the calculation of operating earnings per unit is calculated from the date of income entitlement.

20 Segment information (continued)

(a) Operating segments (continued)

	Not held for sale	Held for sale				
	Australian investment properties $'m	United States investment properties $'m	European investment properties $'m	Japanese investment properties $'m	Total assets held for sale	**Total** **$'m**
31 December 2011						
Investment properties (local – millions)	A$1,847.9	US$1,291.4	€-	¥-		
Investment properties (A$)	1,847.9	1,265.0	-	-	1,265.0	3,112.9
Total assets						3,420.2
Total liabilities						1,612.5
Capital expenditure	23.7	1.2			1.2	24.9
30 June 2011						
Investment properties (local – millions)	A$1,899.8	US$1,635.5	€57.4	¥-		
Investment properties (A$)	1,899.8	1,526.7	77.6	-	1,604.3	3,504.1
Total assets						3,905.2
Total liabilities						2,050.6
Capital expenditure	17.6	33.0	-	-	33.0	50.6

20 Segment information (continued)

(b) Reconciliation of operating earnings to statutory profit/(loss) before tax

Income is presented on the basis of each segment's operating earnings. Operating earnings is a financial measure which represents the profit/(loss) under Australian Accounting Standards adjusted for certain unrealised and non cash items, reserve transfers, capital transactions and other non core items.

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 and non-cash items such as straighlining of fixed contracts, amortisation of lease incentives and movements in US capital gains tax.

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

A reconciliation of operating earnings to the statutory profit/(loss) before tax is provided as follows:

	6 months to 31 Dec 2011 $'m	6 months to 31 Dec 2010 $'m
Operating Earnings		
- Australian investment properties	**72.7**	72.0
- United States investment properties	**48.2**	56.0
- European investment properties	**-**	-
- Japanese investment properties	**-**	1.9
- Other income and net derivatives	**6.5**	6.0
- Finance costs	**(50.5)**	(60.4)
- Management fees	**(7.0)**	(8.4)
- Other expenses	**(4.9)**	(3.0)
Total operating earnings	**65.0**	64.1
Non-operating earnings		
Amortisation of fitout lease incentives	**(7.9)**	(6.8)
Straightlining of fixed contracts	**(1.8)**	4.7
Net (loss)/gain on sale of investment properties and controlled entities	**(37.9)**	(0.3)
Net loss on obtaining control of MOF 401 Jackson Tampa, LLC	**(8.8)**	(1.5)
Net property valuation gains/(losses) – investment properties	**1.6**	10.4
Net property valuation gains/(losses) – investment in joint venture entities	**(18.9)**	2.7
Gain recognised on the remeasurement of discontinued US joint venture entities	**17.3**	-
US joint venture operating earnings (net of distribution income received)	**(6.9)**	-
Realised and unrealised gain on derivative financial instruments	**(10.5)**	34.5
Loss on early settlement of derivative financial instruments	**-**	(21.5)
Non-performing assets and debt amortisation cost adjustment	**0.7**	(0.1)
Deferred tax (expense)/benefit	**(17.8)**	(15.2)
Capitalised borrowing costs written off	**-**	(6.2)
Transfer from reserves of cumulative FX gains on disposal of foreign investments	**(34.0)**	-
Other	**-**	-
(Loss)/profit after tax and discontinued operations	**(59.9)**	64.8

21 Capital commitments

The REIT is committed to make certain expenditure and fitout contributions. The maximum commitment of the consolidated entity is $141.0 million (June 2011: $141.6 million) of which $85.3 million (June 2011: $47.0 million) is payable within one year and $55.7 million (June 2011: $94.6 million) is payable between one and five years. In addition, the REIT's share of the committed expenditure through joint venture entities is $5.9 million (June 2011: $19.1 million), of which $5.8 million (June 2011: $17.0 million) is payable within one year and $0.1 million (June 2011: $2.1 million) is payable between one and five years. These commitments have not been reflected in the financial statements of the REIT.

The committed expenditure amount includes Charter Hall Office Collins Street Trust's (CHOCST) 50% share of the estimated commitment to construct the 171 Collins Street, Melbourne building, being $52.4 million (June 2011: $25.2 million) payable within one year and $27.2 million (June 2011: $64.2 million) payable between one and five years, and has been incurred jointly and severally with the joint venture partner, a subsidiary of Cbus Property.

The parent entity has an equity subscription agreement with CHOCST, which requires that the REIT must fund up to $26.0 million of equity calls made by CHOCST to fund the construction of the 171 Collins Street, Melbourne building.

22 Contingent liabilities and assets

The borrowers to the US$205.7 million three asset facility, being the respective owners of the 745 Atlantic Building, Pasadena Towers Building and the joint venture borrower of the 1 & 3 Christina Center Building, have provided joint and several liability to the lender, with the exception of the owners of the 1 & 3 Christina Center Building, whose liability is capped at US$60.0 million.

Additional security has also been provided:

- Macquarie Office US Corporation, LLC's shares in Macquarie BDN, LLC have been pledged as security to the lender; and
- both Macquarie Office (US) Corporation and Macquarie Office (US) No 2 Corporation ("the US REIT's") have provided a limited guarantee, which approximates the difference between the property value of 1 & 3 Christina and the agreed debt at 1 & 3 Christina multiplied by 20%. Management estimate that the maximum payable under this guarantee would be approximately US$12 million.

In addition, under this facility the US REIT's have provided limited recourse to the borrower in the form of guarantees for losses caused by against certain acts of misrepresentation or fraud, or for the voluntary placement of or encouragement of the placement of a borrowing entity or its parent into bankruptcy (commonly known as "bad boy acts").

The REIT has entered into various sales agreements for properties or entities which have been sold and contain certain representations and warranties. The representations or warranties may give rise to future liabilities if the purchaser was to make a valid claim. At the time of preparing the financial statements, the Directors are not aware of any claims for damages that have been made for breaches of the representations or warranties other than the matter described below.

The purchaser of the Frankfurt property has notified us of a potential claim for damages. The purchaser's unsubstantiated estimated value of the damages claim is €0.8 million. The validity of the claim has not been acknowledged and is being investigated by the REIT and we cannot express any view on the likely outcome.

The REIT has entered into various advisory agreements in relation to the sale of the US portfolio. Upon the settlement of the individual sales, these sales fees crystalise for payment.

Under the Scheme of Arrangement, the Scheme Implementation Agreement may in some circumstances give rise to a termination payment, as described in Note 23.

At balance date, the REIT has no other contingent assets or liabilities which are material either individually or as a class.

23 Significant contract terms and conditions

Pre-emptive rights

A change in control of the Responsible Entity (RE) or of the REIT itself, or a change in the RE of the REIT may give rise to an event of default under debt facilities at the REIT or the property levels. In addition, pre-emptive rights to the joint venture partners to acquire the REIT's interest in the joint ventures may result.

If the Responsible Entity is removed as RE of the REIT, or there is a change in control of Brandywine Operating Partnership, L.P. (Brandywine) or Macquarie Office, LLC, or other defined events occur, then Brandywine, or Macquarie Office, LLC may exercise its pre-emptive right to acquire the properties of Macquarie BDN, LLC at fair market value.

If there is a change in control of Maguire Properties, LP (Maguire) or Macquarie Office II, LLC (including a change in RE of the REIT), or other defined events occur, then Maguire or Macquarie Office II, LLC may exercise its pre-emptive right to acquire the other party's interest in Maguire Macquarie Office, LLC at fair market value.

In addition, a change of Responsible Entity would (directly or indirectly) afford our co-owner/joint venture partner on No.1 Martin Place, Sydney the right to purchase the REIT's interest in that asset at independent valuation. It may also afford the REIT's co-owner/joint venture partner on 2 Park Street, Sydney and 171 Collins Street, Melbourne the right to purchase the REIT's interest in either of those assets.

Maguire Macquarie Office, LLC Agreement

In certain circumstances, Maguire Properties (Maguire), LP and its affiliates may be entitled to be indemnified by Maguire Macquarie Office, LLC (the company) if Maguire suffers loss in relation to the management of the affairs of the company and its assets including providing guarantees and indemnities to support indebtedness of the entities within the company group or the company itself.

Allocation of Macquarie BDN, LLC (Brandywine, LLC) profits and losses

By virtue of its investment in Macquarie Office (US) Corporation, the REIT is entitled to an allocation of Brandywine, LLC's profits and losses proportional to the REIT's ownership percentage (80%). An exception to this allocation method applies to profits which result from Capital Events. Profits from Capital Events are allocated in accordance with ownership percentages up to the amount which would provide both the REIT and Brandywine an internal rate of return on their capital contributions of 13%. Profits in excess of 13% are allocated 40% to Brandywine and 60% to the REIT. Profits from Capital Events may be derived from the sale or refinancing of investment properties held by Brandywine, LLC, or from the liquidation or dissolution of Brandywine, LLC.

Allocation of Maguire Macquarie Office, LLC profits and losses

The REIT is entitled to an 80% share of the profits and losses of Maguire Macquarie Office, LLC. Profits are allocated in accordance with ownership percentages up to the amount which would provide both the REIT and Maguire an internal rate of return on their capital contributions of 12% over a five year period. Profits in excess of 12% are allocated 25% to Maguire and 75% to Maguire Macquarie Office, LLC.

23 Significant contract terms and conditions (continued)

Charter Hall Office Collins Street Trust

In March 2010, Charter Hall Office Collins Street Trust (CHOCST) and the 171 Collins Street project joint venture partner, a subsidiary of Cbus Property (CBUS), both 'the 171 JV', agreed to jointly construct a 20 story office building at 171 Collins Street, Melbourne.

The 171 JV has entered into an agreement for lease with BHP Billiton to occupy part of the completed 171 Collins Street, Melbourne building (Building). In certain circumstances, an event of delay in completion of the construction, CHOCST and CBUS may be obliged to pay BHP Billiton liquidated damages and other damages. Similarly, CHOCST and CBUS have entered into a construction contract with Brookfield Multiplex to construct the Building which may give rise to the 171 JV (in certain circumstances) receiving liquidated damages and other damages from Brookfield Multiplex in the event of a delay in completion of construction.

The directors of CHOCST have elected to take up a loan from CBUS, which would see CBUS contribute $25 million of construction costs to the project, $12.5m of which would be considered a loan to CHOCST. CHOCST would then contribute the next $25m of construction costs to the project, of which $12.5m would be repayment of the loan. The loan is interest free.

One California debt facility

For loan agreements in relation to One California Plaza, Macquarie Office (US) Corporation, Macquarie Office (US) No 2 Corporation and MPG Office L.P. are collectively guarantors to this facility.

Scheme of Arrangement

On 31 December 2011 CHOML entered into a Scheme Implementation Agreement (SIA) with Reco Ambrosia Pte Ltd (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) (CHC) (collectively known as the Consortium), in relation to a proposed trust scheme (Scheme) under which the Consortium will acquire all the units in CQO except certain of those held by the members of the Consortium or their associates (Proposal). Under the Proposal, CQO unitholders other than the Consortium members and their associates[1] (Eligible Unitholders) will receive $2.49 per CQO unit in respect of the Australian assets (Offer), via a combination of a cash payment and special distributions to be made on the implementation date for the Scheme (Implementation Date).

Unitholders have been sent an Explanatory Memorandum providing details on the proposal. Please refer to this document for more detail.

The SIA contains a break fee of up to $11 million which could be payable to the purchasers in certain circumstances including where members of the Independent Directors Committee change their recommendation in relation to the transaction or where the Bidders terminate the SIA because of a material, unremedied breach by CHOML. If unit holders vote against the scheme with the Independent Directors recommending the scheme, there is no break fee payable.

The SIA has standard termination rights, including if the conditions precedent are not satisfied by 31 May 2012 (or such later date as the parties may agree) and if there is a material, unremedied breach by one of the parties.

23 Significant contract terms and conditions (continued)

US Sales Contract

In August 2011, CQO's US Subsidiaries executed a binding contract to sell all of its interests in its United States ('US') portfolio for a gross price of US$1.71 billion (subject to customary prorations at closing) to entities affiliated with Beacon Capital Partners, LLC ('Beacon Capital'). The closing of the sale of each US property (or CQO's interest in a property) is subject to customary closing conditions, including the receipt of lender consents, joint venture partner consents and other third party consents.

As noted in the directors report, various properties that were contracted for sale have been closed and settled at the date of this financial report.

The contract contains provisions which allow for termination, including with respect to each property individually for Material Adverse Effect (as defined in the contract) with respect to the applicable property, which amongst other things excludes general economic or financial conditions or any change, circumstance or effect generally affecting the market place, unless any such condition affects the applicable property in a materially disproportionate manner. In addition, there are representations and warrantees that have been provided to the purchaser with respect to each property, which survive for a period of 6 months after the closing of the sale of the applicable property and are capped at 2% of the allocated purchase price for the applicable property.

As amended, the contract has a termination date of 29 February 2012, which may be extended by either party under certain circumstances until 30 April 2012.

The agreement notes that the closing of 1 & 3 Christina Centre (the Brandywine joint venture) is subject to the closing of the MPG joint venture interest.

MPG Framework Agreement

On 28 October 2011, CQO's US Subsidiaries entered into an agreement with MPG Office, L.P. and Beacon Capital, agreeing to a framework for the implementation of the sale of CQO's interest in the MPG joint venture to Beacon Capital. The agreement proposes that the MPG joint venture sell the Wells Fargo and San Diego Tech Center buildings to Beacon Capital immediately prior to the sale of CQO's interest in the MPG joint venture to Beacon Capital. Upon the satisfaction of the various terms and conditions contained in the agreement, MPG will provide their consent to these transfers.

This agreement has a termination date of 29 February 2012, which may be extended to 31 March 2012 under certain circumstances.

24 Events occurring after balance date

On 13 January 2012, the REIT settled on the sales of Pasadena Towers, Pasadena, 745 Atlantic Avenue, Boston and Chase Tower, Indianapolis, in accordance with the sale contract, as part of the sale of the entire United States portfolio announced on 3 August 2011.

Other than the matters noted above, the directors of the Responsible Entity are not aware of any other matter or circumstance other than as disclosed in this report or the directors' report that has significantly affected or may significantly affect the operations of the REIT, the results of those operations or the state of affairs of the REIT in the financial period subsequent to the half year ended 31 December 2011.

Interim Report
for the half year ended 31 December 2011

Directors' declaration to unitholders

In the opinion of the directors of Charter Hall Office Management Limited, the Responsible Entity of Charter Hall Office REIT:

(a) the financial statements and notes of Charter Hall Office REIT and its controlled entities (REIT) as set out on pages 7 to 48 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 REIT's financial position as at 31 December 2011 and of its performance for the half year ended on that date; and

(b) there are reasonable grounds to believe that the REIT 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 of Charter Hall Office Management Limited.

Roger Davis
Chairman

Sydney
20 February 2012

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Independent auditor's review report to the Unitholders of Charter Hall Office REIT

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Charter Hall Office REIT (the REIT), which comprises the consolidated balance sheet as at 31 December 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Charter Hall Office REIT and the Charter Hall Office REIT Group (the consolidated entity). The consolidated entity comprises the REIT and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of Charter Hall Office Management Limited 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 consolidated entity's financial position as at 31 December 2011 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 Office REIT, 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. 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 Office REIT 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 2011 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

J A Dunning

J A Dunning
Partner

Sydney
20 February 2012