APPENDIX 4E

Annual Financial Report
for the year ended 30 June 2021

Name of Entity: Charter Hall Retail REIT

ARSN: 093 143 965

Results for announcement to the market

	12 months to 30 June 2021 $m	12 months to 30 June 2020 $m	Variance (%)
Revenue from ordinary activities [1]	191.6	206.1	(7.0%)
Profit from ordinary activities after tax attributable to members	291.2	44.2	558.8%
Profit for the year attributable to members	291.2	44.2	558.8%
Operating earnings [2]	156.2	142.7	9.5%

[1] The composition of revenue from ordinary activities is detailed in the Consolidated statement of comprehensive income of the annual financial report.

[2] Operating earnings is a financial measure which represents profit under Australian Accounting Standards adjusted for net fair value movements, non-cash accounting adjustments such as straight lining of rental income and amortisations and other unrealised one-off items that are not in the ordinary course of business or are capital in nature. Operating earnings includes the rental revenue recognised in respect of tenants who have been (or will be) provided with rent free incentives as a result of COVID-19. This approach is consistent with the REIT's treatment of rent free incentives provided in the ordinary course of its operations which are amortised over the term of the lease. 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. Operating earnings is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution. The distribution considers operating earnings and net cash flows from operating activities generated during the period.

	12 months to 30 June 2021 cents per unit	12 months to 30 June 2020 cents per unit	Variance (%)
Basic earnings per unit	50.90	9.46	438.0%
Operating earnings per unit	27.30	30.56	(10.7%)

Distributions	**Amount per unit cents per unit**	**Tax deferred amount per unit cents per unit**
Current year:		
Final distribution	12.70	
Interim distribution	10.70	
Total	23.40	13.27
Previous corresponding year:		
Final distribution	10.00	
Interim distribution	14.52	
Total	24.52	16.06
Record date for determining entitlements to the distribution	30 June 2021	

The REIT recorded a statutory profit for the year of $291.2 million (2020: $44.2 million). The increase in statutory profit was predominately driven by positive net revaluation gains on investment properties over the period. Operating earnings for the year were $156.2 million (2020: $142.7 million) with net cash flow from operating activities for the year of $154.5 million (2020: $132.9 million) reflecting the reduction in COVID – 19 tenant support over the period combined with strong cash collections.

The $13.5 million increase in operating earnings was due to:

- $18.1 million increase in income from Long WALE convenience assets driven by acquisitions over the period being the Coles Distribution Centre in Adelaide and the bp New Zealand portfolio;

- $5.3 million reduction in income from the convenience retail assets driven by same property income growth offset by the divestment of assets in the prior period

- $3.3 million reduction in finance costs as a result of the continuation of the lower interest rate environment and reduced leverage during the period due to equity raised in April 2020; and

- Other expenses increasing $2.6 million due to the increase in management fee driven by the portfolio valuation increase comprising of the net acquisitions over the period and valuation increases.

COVID-19 mandated temporary trading restrictions and closures over the period impacted sales. The longest trading restriction over the period impacted our four centres in Victoria with other states also having shorter periods of trading restrictions. For all states, once COVID -19 trading restrictions were eased sales improved through our centres to levels in line or higher than those pre COVID-19. Despite periods of restricted trade, sales continue to remain strong with shopping centre moving annual turnover growth for the period of 5.4% demonstrating the essential nature of our shopping centres and our shopper customers preference to shop closer to home.

During these periods of temporary disruption and restricted trade, support continued to be provided to our specialty tenants in line with the State Governments' legislation (Code of Conduct). Tenant support equated to $5.4 million in rental relief in the form of rent free incentives and deferrals (look through including the REIT's share of convenience retail joint ventures: $6.7 million). This is less than the tenant support provided to our specialty tenants in the three months to 30 June 2020 of $8.2 million in the form of rent free incentives and deferrals (look through including the REIT's share of convenience retail joint ventures: $10.7 million). Easing of trading restrictions and subsequent strong sales recovery resulted in the reduction in tenant support from 30 June 2020. Despite the strong performance of our shopping centres during the period, uncertainty of future operating conditions remains due to COVID-19.

Over the 12 months from 30 June 2020 to 30 June 2021, the REIT's portfolio valuation uplift was $130 million or 3.7%. The valuation uplift comprised of $35 million or 1.2% on the shopping centre portfolio and $95 million or 14.1% on the long WALE convenience portfolio. Over the 12 month period to 30 June 2021, 100% of the REIT's portfolio was externally revalued at least once, including joint ventures. The impact of COVID-19 has been considered in both our independent and directors' valuations.

Details of Distributions

Refer attached financial statements (Directors Report and Note A2: *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.

The REIT raised $11.8 million from the DRP for the 31 December 2020 distribution and will raise $15.0 million from the DRP for the 30 June 2021 distribution.

Statement of Undistributed Income

Refer attached consolidated financial statements (Note C4: Accumulated losses).

Net Tangible Assets

	30 June 2021	**30 June 2020**
Net tangible asset backing per unit [1]	4.01	3.75

[1] 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 (i.e., all liabilities, preference shares, outside equity interest, etc.)

Control gained or lost over entities during the year

N/A

Details of Associates and Joint Venture entities

Refer attached financial statements (Note B2: Investment in joint venture entities).

Other significant information

Refer attached financial statements (Directors Report).

Accounting standards used by foreign entities

International Financial Reporting Standards.

Significant features of operating performance

Refer attached financial statements (Directors Report).

Reconciliation of operating profits to statutory profit

Refer attached financial statements (Note A1: Segment information).

Segment results

Refer attached financial statements (Note A1: Segment information).

Performance trends

Refer attached financial statements (Directors Report).

Other factors

Refer attached financial statements (Directors Report).

Audit

This report is based on accounts to which one of the following applies.

☑	The accounts have been audited (refer attached financial statements).	☐	The accounts have been subject to review (refer attached financial statements).
☐	The accounts are in the process of being audited or subject to review.	☐	The accounts have not yet been audited or reviewed.

Charter Hall

Charter Hall Retail REIT

ARSN 093 143 965

Directors’ report and financial report

For the year ended 30 June 2021

Important Notice

Charter Hall Retail Management Limited ABN 46 069 709 468; AFSL 246996 (CHRML) is the responsible entity of Charter Hall Retail REIT ARSN 093 143 965 (REIT). CHRML is a controlled entity of Charter Hall Limited ABN 57 113 531 150 (Charter Hall). The REIT is domiciled in Australia. The registered office of the REIT is Level 20, No.1 Martin Place, Sydney NSW 2000.

Past performance is not a reliable indicator of future performance. Due care and attention have 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 CHRML. Actual results may vary from 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.

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

Contents

Directors' report

The Directors of Charter Hall Retail Management Limited (Responsible Entity or CHRML), the Responsible Entity of Charter Hall Retail REIT, present their report together with the consolidated financial statements of Charter Hall Retail REIT and its controlled entities (together, the REIT, the Fund) for the year ended 30 June 2021.

Principal activities

The principal activity of the REIT during the year was property investment. There were no significant changes in the nature of the REIT's activities during the year.

Directors

The following persons have held office as Directors of the Responsible Entity during the year and up to the date of this report, unless otherwise stated:

- Roger Davis – Chair and Non-Executive Independent Director
- Sue Palmer – Non-Executive Independent Director and Chair of Audit, Risk and Compliance Committee
- Michael Gorman – Non-Executive Independent Director
- David Harrison – Executive Director and Managing Director / Group CEO of Charter Hall
- Greg Chubb – Executive Director and Fund Manager / Retail CEO of Charter Hall

Distributions

Distributions paid or declared by the REIT to unitholders:

	2021 $'m	2020 $'m
Final distribution for the six months ended 30 June 2021 of 12.70 cents per unit payable on 31 August 2021	**72.9**	-
Interim distribution for the six months ended 31 December 2020 of 10.70 cents per unit paid on 26 February 2021	**61.1**	-
Final distribution for the six months ended 30 June 2020 of 10.00 cents per unit paid on 28 August 2020	**-**	57.1
Interim distribution for the six months ended 31 December 2019 of 14.52 cents per unit paid on 28 February 2020	**-**	64.3
	134.0	121.4

A liability has been recognised in the consolidated financial statements as the final distribution had been announced to the market as at the balance date.

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.

The DRP issue price is determined at a discount of 1.0% to the daily average of the volume weighted average market price of units traded on the ASX during the 15 business days commencing on the third business day following the distribution record date. The REIT raised $11.8 million from the DRP for the 31 December 2020 distribution and will raise $15.0 million from the DRP for the 30 June 2021 distribution.

Review and results of operations

The REIT recorded a statutory profit for the year of $291.2 million (2020: $44.2 million). The increase in statutory profit was predominately driven by positive net revaluation gains on investment properties over the period. Operating earnings for the year were $156.2 million (2020: $142.7 million) with net cash flow from operating activities for the year of $154.5 million (2020: $132.9 million) reflecting the reduction in COVID – 19 tenant support over the period combined with strong cash collections.

The $13.5 million increase in operating earnings was due to:

- $18.1 million increase in income from Long WALE convenience assets driven by acquisitions over the year being the Coles Distribution Centre in Adelaide and the bp New Zealand portfolio;

- $5.3 million reduction in income from the convenience retail assets driven by same property income growth offset by the divestment of assets in the prior year;

Directors' report (continued)

- $3.3 million reduction in finance costs as a result of the continuation of the lower interest rate environment and reduced leverage during the period due to equity raised in April 2020; and

- Other expenses increasing $2.6 million due to the increase in management fee driven by the portfolio valuation increase comprising of the net acquisitions over the year and valuation increases.

COVID-19 mandated temporary trading restrictions and closures over the period impacted sales. The longest trading restriction over the period impacted our four centres in Victoria with other states also having shorter periods of trading restrictions. For all states, once COVID -19 trading restrictions were eased sales improved through our centres to levels in line or higher than those pre COVID-19. Despite periods of restricted trade, sales continue to remain strong with shopping centre moving annual turnover growth for the period of 5.4% demonstrating the essential nature of our shopping centres and our shopper customers preference to shop closer to home.

During these periods of temporary disruption and restricted trade, support continued to be provided to our specialty tenants in line with the State Governments' legislation (Code of Conduct). Tenant support equated to $5.4 million in rental relief in the form of rent free incentives and deferrals (look through including the REIT's share of convenience retail joint ventures: $6.7 million). This is less than the tenant support provided to our specialty tenants in the three months to 30 June 2020 of $8.2 million in the form of rent free incentives and deferrals (look through including the REIT's share of convenience retail joint ventures: $10.7 million). Easing of trading restrictions and subsequent strong sales recovery resulted in the reduction in tenant support from 30 June 2020. Despite the strong performance of our shopping centres during the period, uncertainty of future operating conditions remains due to COVID-19.

Over the 12 months from 30 June 2020 to 30 June 2021, the REIT's portfolio valuation uplift was $130 million or 3.7%. The valuation uplift comprised of $35 million or 1.2% on the shopping centre portfolio and $95 million or 14.1% on the long WALE convenience portfolio. Over the 12 month period to 30 June 2021, 100% of the REIT's portfolio was externally revalued at least once, including joint ventures. The impact of COVID-19 has been considered in both our independent and directors' valuations.

Operating earnings is a financial measure which represents profit under Australian Accounting Standards adjusted for net fair value movements, non-cash accounting adjustments such as straight lining of rental income and amortisations and other unrealised one-off items that are not in the ordinary course of business or are capital in nature. Operating earnings includes the rental revenue recognised in respect of tenants who have been (or will be) provided with rent free incentives as a result of COVID-19. This approach is consistent with the REIT's treatment of rent free incentives provided in the ordinary course of its operations which are amortised over the term of the lease.

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. Operating earnings is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution. The distribution considers operating earnings and net cash flows from operating activities generated during the period.

The table below sets out income and expenses that comprise operating earnings and the adjustments to arrive at net cash flows from operating activities:

	Notes	2021 $'m	2020 $'m
Net property income from wholly owned properties		**141.4**	146.4
Net income from joint venture entities		**27.1**	27.4
Total convenience retail segment income		**168.5**	173.8
Long WALE retail segment income		**25.6**	7.5
Interest income		**0.1**	0.4
Management fees		**(13.0)**	(10.8)
Finance costs		**(21.6)**	(24.9)
Other expenses		**(3.4)**	(3.3)
Operating earnings	A	**156.2**	142.7
COVID-19 tenant support*		**(6.7)**	(10.0)
Timing of cash receipts and payments		**5.0**	0.2
Net cash flows from operating activities		**154.5**	132.9

* Includes $6.7 million (2020: $10.7 million) of COVID-19 tenant support provided in the form of rent free incentives and deferrals less change in expected credit loss provisioning (2021: $nil, 2020: $0.7million).

Directors' report (continued)

A reconciliation of net cash flows from operating activities and operating earnings to statutory profit is set out below:

	2021 $'m	2020 $'m
Net cash flows from operating activities	**154.5**	132.9
COVID-19 tenant support[1]	**6.7**	10.0
Timing of cash receipts and payments	**(5.0)**	(0.2)
Operating earnings	**156.2**	142.7
Net revaluation gains/(losses) on investment properties	**141.4**	(41.5)
Straight lining of rental income and amortisation of incentives	**(20.2)**	(9.6)
Acquisition related and other costs	**(2.6)**	-
Loss on sale of investment properties	**(1.0)**	(5.5)
Impairment of joint venture acquisition costs	**-**	(14.7)
Net gains/(loss) on derivative financial instruments	**13.9**	(23.3)
Provision for rent relief[2]	**3.0**	(3.0)
Other	**0.5**	(0.9)
Statutory profit for the year	**291.2**	44.2
Basic weighted average number of units (millions)	**572.1**	467.1
Basic earnings per unit (cents)	**50.90**	9.46
Operating earnings per unit (cents)	**27.30**	30.56
Distribution per unit (cents)	**23.40**	24.52

1 Includes $6.7 million (2020: $10.7 million) of COVID-19 tenant support provided in the form of rent free incentives and deferrals less change in expected credit loss provisioning (2021: $nil, 2020: $0.7million).

2 Movement in provision for COVID-19 rent relief. The 30 June 2021 financial results are summarised as follows:

	2021	2020
Net property income from wholly owned properties ($ millions)	**141.4**	146.4
Net income from convenience retail segment joint venture entities ($ millions)	**27.1**	27.4
Net income from long WALE segment joint venture entities ($ millions)	**25.6**	7.5
Net profit after tax ($ millions)	**291.2**	44.2
Basic earnings per unit (cents)	**50.90**	9.46
Operating earnings ($ millions)	**156.2**	142.7
Operating earnings per unit (cents)	**27.30**	30.56
Distributions ($ millions)	**134.0**	121.4
Distributions per unit (cents)	**23.40**	24.52
Total assets ($ millions)	**3,341.0**	3,110.1
Total liabilities ($ millions)	**1,035.8**	968.0
Net assets attributable to unitholders ($ millions)	**2,305.2**	2,142.1
Units on issue (millions)	**574.3**	570.9
Net assets per unit ($)	**4.01**	3.75
Balance sheet gearing - total debt (net of cash and derivatives) to total assets (net of cash and derivatives)	**25.7%**	22.7%
Look through gearing - total debt (net of cash and derivatives) to total assets (net of cash and derivatives)	**33.1%**	30.3%

Directors' report (continued)

Significant changes in the state of affairs

Joint Venture Arrangements

In July 2020, the REIT increased its long WALE retail investments by acquiring a 52% interest in the Charter Hall Direct CDC Trust (CDC Trust) from a Charter Hall managed fund, for a gross price of $60.1 million. The CDC Trust owns a $218.0 million distribution facility in Edinburgh Park, SA fully leased to Coles Group Limited.

In July 2020, CHRP1 divested West Ryde Marketplace, NSW for a gross price of $56.5 million. Proceeds from the sale were used to fund a $49 million return of capital paid in August 2020. The REIT's share of capital return proceeds was $24.5 million.

In December 2020, the REIT paid $122.5 million to acquire 50% of the units in CH Dartmouth NZ Wholesale Fund (CDNZW). CDNZW has a 49% indirect interest in 70 long WALE convenience retail assets leased to bp New Zealand.

Acquisitions

In June 2021, the REIT exchanged contracts to acquire Butler Central Shopping Centre, WA for a total consideration of $51.2 million. Settlement is expected to occur in September 2021.

Financing

In August 2020, the REIT extended two of its bilateral facilities that were due to mature in FY2022 with $120.0 million to mature in August 2024 and $75.0 million to mature in August 2025.

In November 2020, the REIT increased one of its bilateral facility limits due to mature in August 2025 from $115.0 million to $130.0 million. The maturity was unchanged.

In March 2021, the REIT extended one of its bilateral facilities due to mature in FY23 with $150.0 million to mature in February 2025.

In June 2021, the REIT entered into a new bilateral facility for $100.0 million due to mature in March 2026. These proceeds were used to reduce another bilateral facility from $150.0 million to $50.0 million. The remaining $50.0 million, due to mature in FY2025, was extended to mature in July 2026. In addition, the REIT extended another one of its bilateral facilities, of which $40.0 million was due to mature in FY23 and $90.0 million was due to mature in FY26. Both are now due to mature in July 2026.

COVID-19 rent relief

The REIT continued to work with tenants impacted by COVID-19 to provide rental relief in line with State Governments' legislation by providing rent free incentives and deferrals. The REIT provided $5.4 million in rental relief (look through including the REIT's share of convenience retail joint ventures: $6.7 million). This rent relief was comprised of:

	2021		2020	
	$'m	**$'m**	$'m	$'m
	CQR	**Look through**	CQR	Look through
Rent free incentives	**4.4**	**5.4**	3.6	4.6
Rent free incentives expected to be agreed*	**-**	**-**	2.3	3.0
Rent deferrals	**1.0**	**1.3**	2.3	3.1
Total	**5.4**	**6.7**	8.2	10.7

* As at 30 June 2021 and 30 June 2020.

Rent free incentives agreed by 30 June 2021 have been treated as lease modifications and are therefore amortised over the life of the lease. If agreements were not finalised by period end the equivalent of the rent free incentive has been expensed as a provision for rent relief. All rent free incentives were agreed as at 30 June 2021.

Business strategies and prospects

The REIT's strategy is to be the leading owner of property for convenience retailers. This is through our convenience and convenience plus shopping centres and our long WALE retail properties with long leases to non-discretionary retailers. When acquiring these properties, the REIT's investment criteria includes the following considerations:

- Exposure to predominantly non-discretionary retailing;
- Investing in regions with sound, long term demographic growth;
- Consideration of the geographic diversity of the REIT's portfolio;
- The resilience of the income to be generated from the property; and

Directors' report (continued)

- Potential future value adding opportunity.

The shopping centres in the portfolio typically range in area up to 25,000 sqm and have capital and income growth potential. The long WALE retail properties in the portfolio have long leases to major convenience retailers with contracted rental increases. The REIT aims to maintain and enhance the portfolio through active asset and property management and to proactively manage its equity and debt.

The REIT has a target look through portfolio gearing range of 30-40% and a target interest cover ratio of at least 2.5 times. The REIT maintains an investment grade credit rating of Baa1 with a stable outlook with Moody's.

The material business risks faced by the REIT that are likely to have an effect on its financial performance are set out below. A dedicated risk and compliance team are responsible for the ongoing review and monitoring of compliance and risk management systems. The Board regularly review material risks to ensure they remain within the REIT's agreed risk appetite. The REIT aligns its policies and targets to those of the Charter Hall Group, for those properties within the fund's operational control. The REIT also delegates management of the properties to the Charter Hall Group and supports its sustainability and governance initiatives.

Directors' report (continued)

Risk		Description	Mitigation
External Risks	Property cycle risk and adverse market or economic conditions	Failure to insulate against property cycle downturns and slowing economic conditions may have an impact on asset values and investor returns.	We ensure we consistently deliver on strategy with a focus on non-discretionary convenience retail including investment in long WALE retail assets with contracted growth attributes. We undertake detailed annual strategic review for all assets to inform recycling of capital into new areas and formal exit strategies for investments.
	Structural change in Retail	Disruptive competitors and changing retail spend behaviours may have an impact on key tenants and on marginal tenancies. This may impact space requirements from tenants. Changing technology is changing tenant and shoppers' expectations.	By undertaking ongoing due diligence including demographics, catchments, competitor threats, and by leveraging consultant expertise we ensure that we remain informed of market changes.
	Strategic challenges posed by COVID-19	COVID-19 will have tactical and economic impacts in the short term and is expected to have portfolio consequences in the longer term.	The senior management team is deeply connected to industry, tenants and key partners to inform ongoing planning to manage COVID-19 implications through the REIT. The focus on non-discretionary convenience retail places the portfolio in a resilient position against the impacts of COVID-19.
Financial Risks	Debt and equity capital management	Effective capital management is required to meet the REIT's ongoing liquidity and funding requirements. The inability to raise new capital to pursue growth opportunities or to raise replacement capital at challenging points in the debt or equity markets cycle is a key risk. A relationship breakdown or termination of joint venture partnership may result in reputational or financial damage.	We mitigate these risks by the implementation of our debt diversity strategy combined with regular monitoring and reporting on debt covenants and stress testing of liquidity positions. We have demonstrated strong performance and equity raising track record and access to diversified equity partners across sources. We manage our relationships with our partners through investment agreements including investment committee oversight of all key decisions with structured and pre-agreed reporting.

Directors' report (continued)

Operational Risks	Work, Health & Safety (WHS) obligations, critical safety incident or significant crisis	We have a commitment to promote and protect the health, safety and wellbeing of its people, customers, contractors and all users of the REIT's assets.	Our Group WHS Manager collaborates closely with retail property management teams to ensure the roll-out of enhanced contractor registration / on-boarding platforms, incident notification platform, ongoing Risk Audits and training of centre teams regarding incident response and management. To focus our efforts on eradication of modern slavery in our supply chain we have adopted the Modern Slavery Statement (Australian Modern Slavery Act 2018), established a Modern Slavery working group and piloted the PCA's supplier prequalification tool for our top suppliers.
	Technology and cyber security	There is increasing sophistication of cyber-attacks, particularly denial of service impact on Building Management Security. A reportable data breach may result in adverse impact on reputation and / or financial penalty.	The cyber security strategy and program continues with external validation and yearly review of IT policies against best practice. We undertake annual penetration tests against critical systems and properties and have brought all critical systems under IT General Controls (ITGC) including regular user access reviews. Our internal audit includes risk identification and assessment for new platforms. We also have a formal cyber insurance policy which covers incident remediation costs.
	Organisational culture and conduct	Our ongoing success depends on our ability to attract, engage and retain a motivated and high-performing workforce to deliver our strategic objectives and an inclusive culture that supports our values.	We have a Code of Conduct in place with all employees and undertake consistent messaging and tone from the top regarding behaviour. We have a formal Whistleblower Policy in place and process to obtain regular employee feedback on culture and behaviours which is used to inform management decisions.
Environmental	Climate change	There is an increasing interest and expectation amongst investor groups on reporting against climate change risk. There has been the introduction of the Task Force on Climate-related Financial Disclosures (TCFD) as a framework to address climate change through governance, risk management, metrics and targets.	We have aligned with the TCFD framework and developed our Climate Strategy for a Low Carbon Economy and Business as Usual Scenario. We have created a TCFD Working Group to inform and report on climate resilience. We have set a pathway to net zero Scope 1 and Scope 2 emissions by 2025. We have undertaken physical climate change risk exposure assessments across assets and planning for climate change adaptation. Climate change adaptation due diligence is undertaken during our acquisition process.

Directors' report (continued)

Regulatory	AFSL compliance	CHRML is required to comply with Australian Financial Services Licence requirements. It does this through our established policies and frameworks.	Regular compliance reporting is undertaken to Audit, Risk and Compliance Committee (ARCC) including mandatory annual compliance training requirements for all employees. In addition, we have formalised compliance committees with annual external audit of compliance plans.
	Management of conflicts of interest	Inadequate management of tenant and acquisition conflicts may arise between Charter Hall managed funds or related party transactions may be inappropriately managed. There is also a risk that the REIT fails to pay market rate for related party services.	Conflict of Interest protocols are embedded in the business including annual declarations from all employees and directors, board reporting / approval for all related party transactions. We have in place a Compliance Plan / function including oversight of Conflict of Interest / Related Party protocols and formalised asset allocation protocols.

Events occurring after balance date

In response to managing COVID-19 cases, state government mandated trading restrictions have been reimposed post 30 June 2021. These mandated trading restrictions have impacted the operations of our convenience retail assets across NSW, Melbourne and the ACT. Other than this, and to the best of the Directors' knowledge and belief, there has not arisen in the interval between the end of the financial year and the date of this report any matter or circumstance that has significantly affected, or may significantly affect the REITs operations, the result of those operations, or the REIT's state of affairs, in future financial years.

Likely developments and expected results of operations

The consolidated financial statements have been prepared on the basis of current known market conditions which are influenced by the COVID-19 pandemic. The extent to which a potential deterioration in either the capital or property markets that may have an impact on the results of the REIT is unknown. Such developments could influence property market valuations, the ability to raise or refinance debt and the cost of such debt, or the ability to raise equity.

Indemnification and insurance of Directors, officers and auditor

During the year, the REIT, pursuant to Article 19 of its constitution, paid a premium for a contract to insure all Directors, secretaries and officers of the REIT and of each related body corporate of the REIT. The insurance does not provide cover for the independent auditors of the REIT or of a related body corporate of the REIT. In accordance with usual commercial practice, the insurance contract prohibits disclosure of details relating to the nature of the liabilities covered by the insurance, the limit of indemnity and the amount of the premium paid under the contract.

Provided the officers of the Responsible Entity act in accordance with the REIT's constitution and the *Corporations Act 2001*, the officers are indemnified out of the assets of the REIT against losses incurred while acting on behalf of the REIT. The REIT indemnifies the auditor (PricewaterhouseCoopers Australia) against any liability (including legal costs) for third party claims arising from a breach by the REIT of the auditor's engagement terms, except where prohibited by the *Corporations Act 2001*.

Fees paid to, and interests held in the REIT by, the Responsible Entity or its associates

In accordance with the REIT's constitution, base fees of $14.6 million (2020: $12.5 million) plus payments relating to the cost recovery of property services were paid or are payable to the Responsible Entity, its associates or third party service providers for the services provided during the year.

The interests in the REIT held by the Responsible Entity or its associates as at 30 June 2021 and fees and other payments paid to its associates during the year are disclosed in Note D1 to the consolidated financial statements.

Directors’ report (continued)

Interests in the REIT

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

	2021	2020
Units on issue at the beginning of the year	**570,944,990**	440,901,884
Units issued during the year		
- via Distribution Reinvestment Plan	**3,352,132**	4,368,544
- via Placement issue	**-**	115,617,608
- via Unit Purchase Plan	**-**	10,056,954
Units on issue at the end of the year	**574,297,122**	570,944,990

Value of assets

	2021 $'m	2020 $'m
Value of REIT assets	**3,341.0**	3,110.1

The value of the REIT’s assets is derived using the basis set out in the notes to the consolidated financial statements for the year ended 30 June 2021.

Environmental regulations

The operations of the REIT are subject to environmental regulations under Commonwealth, State and Territory legislation in relation to property developments and the ownership of petrol stations.

Under the lease agreements for the petrol stations owned by the REIT, any environmental exposures are the responsibility of the tenant, and the REIT is indemnified against any losses resulting from environmental contamination.

In relation to the property developments, the REIT is obliged to ensure all works carried out under any development approval comply with that approval as well as any further relevant statutory requirements. The REIT ensures that contracts it enters into with builders for its developments stipulate that the builder must:

(a) ensure that in carrying out the contractor's activities:
   - (i) it complies with all statutory requirements and other requirements of the contract for the protection of the environment;
   - (ii) it does not pollute, contaminate or otherwise damage the environment; and
   - (iii) its subcontractors comply with the requirements referred to in the contract;

(b) make good any pollution, contamination or damage to the environment arising out of, or in any way in connection with, the contractor's activities, whether or not it has complied with all statutory requirements or other requirements of the contract for the protection of the environment; and

(c) indemnify the REIT to the full extent permitted by law against:
   - (i) any liability to or a claim by a third party; and
   - (ii) all fines, penalties, costs, losses or damages suffered or incurred by the REIT, arising out of or in connection with the contractor's breach of the contract.

Approvals for property developments are required under various local, State and Territory environmental laws.

To the best of the Directors’ knowledge, the operations of the REIT have been undertaken in compliance with the applicable environmental regulations in each jurisdiction where the REIT operates.

Directors' report (continued)

Information on current Directors

Director	Experience	Special responsibilities	Interest in units of the REIT
Roger Davis	Appointed 7 June 2018 Roger was appointed to the Board of the management company of the Charter Hall Retail REIT on 7 June 2018 as Independent Non-Executive Director and Chair Elect. Roger was appointed Chair of the Board on 13 November 2018. Roger brings over 35 years' experience in banking and investment banking in Australia, the US and Japan. He is currently a Consulting Director at Rothschild (Australia) Limited, a Director of Argo Investments Limited, as well as the Chairman of AIG Australia Limited. In his career as senior executive, Roger was a Managing Director at Citigroup, where he worked for over 20 years in Australia, Japan and the US. More recently, he was a Group Managing Director at ANZ Banking Group responsible for all the Commercial, Investment and Institutional Banking activities. Roger has a Bachelor of Economics (Hons) from the University of Sydney and a Master of Philosophy from Oxford. He is also a qualified CPA. Current listed directorships Argo Investments Limited (ASX: ARG) Former listed directorships in the last three years Aristocrat Leisure Limited (ASX: ALL) Ardent Leisure Management Limited (ASX: AAD) Bank of Queensland (ASX: BOQ)	Chair of Board of Directors, Member of Audit, Risk and Compliance Committee	38,669
Sue Palmer	Appointed 10 November 2015 Sue was appointed to the Board of the management company for the Charter Hall Retail REIT on 10 November 2015. Sue is a professional non-executive director and experienced corporate and finance executive. Sue has held senior finance roles across a range of diversified industries, with the most recent being as Chief Finance Officer of the large construction and mining company Thiess. During her executive career and subsequently, Sue has held a number of non-executive director roles on ASX listed, government and private company boards. Sue is a Chartered Accountant and Fellow of the Australian Institute of Company Directors. Current listed directorships Nil Former listed directorships in last three years Qube Holdings Limited (ASX: QUB) RCR Tomlinson Limited (ASX: RCR) New Hope Corporation Limited (ASX: NHC)	Chair of Audit, Risk and Compliance Committee	Nil

Directors' report (continued)

Director	Experience	Special responsibilities	Interest in units of the REIT
Michael Gorman	Appointed 10 November 2016 Michael joined the Board in 2016. He brings more than 30 years' extensive experience in both real estate and the public equity and debt markets. In his 11 years with Novion Property Group, an ASX top 50 entity, and its predecessors, Michael held a number of executive positions including Deputy Chief Executive Officer, Chief Investment Officer and Fund Manager. In these roles, Michael was directly responsible for raising several billion dollars in equity on the Australian Securities Exchange and corporate bonds in the domestic and US markets. Also in 2016, Michael was appointed Non-Executive Director of GPT Funds Management Limited, the Responsible Entity of the GPT wholesale unlisted funds platform. Michael is also a Non-Executive Director of Adelaide Airport Limited and the chair of its Property People & Culture Committee and a member of the Infrastructure Committee. Michael completed the Advanced Management Programme at INSEAD, France, holds an MBA from the Australian Graduate School of Management of UNSW, a Bachelor of Science (Architecture) UNSW and a Bachelor of Architecture (First Class Honours, University Medal) at UNSW. Michael is a Graduate Member of the Australian Institute of Company Directors, a Fellow of the Australian Property Institute and a Fellow of the Royal Society of Arts. Current listed directorships Nil Former listed directorships in last three years Nil	Member of Audit, Risk and Compliance Committee	25,069
David Harrison	Appointed 1 March 2010 With a specific focus on strategy, David is responsible for all aspects of the Charter Hall Group business. Recognised as a multi-core sector market leader, David has over 34 years' global property market experience and has led transactions exceeding $40 billion of commercial, retail and industrial property assets. Under his stewardship, the Charter Hall Group portfolio has grown from $500 million to $52.0 billion of assets under management. David holds a Bachelor of Business Degree (Land Economy) from the University of Western Sydney, is a Fellow of the Australian Property Institute (FAPI) and holds a Graduate Diploma in Applied Finance from the Securities Institute of Australia. David is a Fellow of the Australian Property Institute (FAPI) and Property Male Champions of Change. He is also National President of the Property Council of Australia and a member of the Nominations Committee (Director since 14 April 2016, National Vice-President from 2017-2021, National President since 30 March 2021) and a member of the Board for NSW Rugby Union. Current listed directorships Charter Hall Group (ASX: CHC) Charter Hall Long WALE REIT (ASX: CLW) Former listed directorships in last three years Nil	Nil	124,378

Directors' report (continued)

Director	Experience	Special responsibilities	Interest in units of the REIT
Greg Chubb	Appointed 5 February 2016 Greg is Fund Manager of the Charter Hall Retail REIT and Charter Hall's Retail CEO, with over 30 years property market experience. Greg is responsible for all management aspects of the Retail Funds Management platform to deliver value creation within the retail portfolio and optimise returns for our investors. Prior to joining Charter Hall in 2014, Greg was the Property Director at Coles Supermarkets Australia and Managing Director and Head of Retail for Sandalwood/Jones Lang LaSalle in Greater China. Greg has also held executive leadership roles at Mirvac and Lend Lease. Greg holds a Bachelor of Business Degree (Land Economy) from the University of Western Sydney, is a Fellow of the Australian Property Institute (FAPI) and is Deputy Chair of the Shopping Centre Council of Australia. Current listed directorships Nil Former listed directorships in last three years Nil	Nil	45,319

Meetings of Directors

	Full meetings of Directors		Meetings of Audit, Risk and Compliance Committee	
Name	Eligible to attend	Attended	Eligible to attend	Attended
Roger Davis	7	7	4	4
Sue Palmer	7	6	4	4
Michael Gorman	7	7	4	4
David Harrison	7	7	-	-
Greg Chubb	7	7	-	-

Company Secretary

Mark Bryant was appointed as Company Secretary for the REIT on 1 July 2015.

Mark holds a Bachelor of Business (Accounting), a Bachelor of Laws (Hons), a Graduate Certificate in Legal Practice, and is admitted as a lawyer of the Supreme Court of NSW. Mark has over 15 years' experience as a lawyer, including advising on listed company governance, securities law, funds management, real estate and general corporate law.

Mark is the Group General Counsel and Company Secretary for the Charter Hall Group.

Non-audit services

The Responsible Entity may decide to employ the auditor (PricewaterhouseCoopers) on assignments in addition to the statutory audit duties where the auditor's expertise and experience with the REIT are important.

Details of the amounts paid to the auditor for audit and non-audit services provided during the year are disclosed in Note D5 to the consolidated financial statements.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit, Risk and Compliance Committee, is satisfied that the provision of the non-audit services is compliant with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out in Note D5 to the consolidated financial statements, did not compromise the auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

– all non-audit services have been reviewed by the Audit, Risk and Compliance Committee to ensure that they do not impact the integrity and objectivity of the auditor; and

Directors' report (continued)

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

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 18.

Rounding of amounts to the nearest hundred thousand dollars

As permitted by ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission relating to the 'rounding off' of amounts in the Directors' report and consolidated financial statements. Amounts in the Directors' report and consolidated financial statements have been rounded to the nearest hundred thousand dollars, unless otherwise indicated.

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

Directors' authorisation

The Directors' report is made in accordance with a resolution of the Directors. The financial statements were authorised for issue by the Directors on 16 August 2021. The Directors have the power to amend and re-issue the financial statements.

Roger Davis
Chair
Sydney
16 August 2021

Auditor's Independence Declaration

As lead auditor for the audit of Charter Hall Retail REIT for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Charter Hall Retail REIT and the entities it controlled during the period.

Ryan McMahon
Partner
PricewaterhouseCoopers

Sydney
16 August 2021

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Consolidated statement of comprehensive income

	Notes	2021 $'m	2020 $'m
Revenue			
Property income	A1	**191.5**	205.7
Interest income		**0.1**	0.4
Total revenue		**191.6**	206.1
Other income			
Share of net profit from joint venture entities	B2	**159.8**	42.0
Net gain on movement in fair value of investment properties		**36.0**	-
Net gain from derivative financial instruments	C3	**10.5**	-
Total revenue and other income		**397.9**	248.1
Expenses			
Property expenses		**(66.2)**	(67.8)
Net loss on movement in fair value of investment properties		**-**	(67.9)
Net loss from derivative financial instruments		**-**	(14.9)
Net loss on disposal of investment properties		**(0.4)**	(5.3)
Management fees	D1	**(13.0)**	(10.8)
Finance costs	C2	**(23.9)**	(27.3)
Impairment of joint venture acquisition costs		**-**	(4.3)
Acquisition related and other costs		**(2.6)**	-
Provision for rent relief*		**2.3**	(2.3)
Other expenses		**(2.9)**	(3.3)
Total expenses		**(106.7)**	(203.9)
Profit for the year		**291.2**	44.2
Other comprehensive income**			
Change in the fair value of cash flow hedges	C4	**(5.2)**	1.2
Exchange differences on translation of foreign operations		**(0.7)**	-
Other comprehensive income		**(5.9)**	1.2
Total comprehensive income for the year		**285.3**	45.4
Basic and diluted earnings per ordinary unitholder of the REIT			
Earnings per unit (cents)	A2	**50.90**	9.46

* Movement in provision for COVID rent relief.

** All items in other comprehensive income can be reclassified into profit or loss when specific conditions are met.

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

Consolidated balance sheet

	Notes	2021 $'m	2020 $'m
Assets			
Current assets			
Cash and cash equivalents		**19.3**	80.5
Receivables and other assets	D2	**7.8**	9.6
Distributions receivable		**11.0**	8.4
Derivative financial instruments	C3	**4.8**	5.2
Deposits on investment properties		**2.6**	-
Prepayments		**1.4**	1.0
Total current assets		**46.9**	104.7
Non-current assets			
Investment properties	B1	**2,314.4**	2,240.3
Investments in joint venture entities	B2	**940.2**	665.9
Derivative financial instruments	C3	**39.5**	99.2
Total non-current assets		**3,294.1**	3,005.4
Total assets		**3,341.0**	3,110.1
Liabilities			
Current liabilities			
Payables and other liabilities	D2	**40.9**	29.4
Distribution payable	A2	**72.9**	57.1
Derivative financial instruments	C3	**-**	11.9
Total current liabilities		**113.8**	98.4
Non-current liabilities			
Borrowings	C2	**883.5**	830.4
Derivative financial instruments	C3	**38.5**	39.2
Total non-current liabilities		**922.0**	869.6
Total liabilities		**1,035.8**	968.0
Net assets		**2,305.2**	2,142.1
Equity			
Contributed equity	C4	**2,858.0**	2,846.2
Reserves	C4	**(4.4)**	1.5
Accumulated losses		**(548.4)**	(705.6)
Total equity		**2,305.2**	2,142.1

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

Consolidated statement of changes in equity

	Notes	Contributed equity $'m	Reserves $'m	Accumulated losses $'m	Total $'m
Total equity at 1 July 2019		2,428.8	0.3	(628.4)	1,800.7
Profit for the year		-	-	44.2	44.2
Other comprehensive income		-	1.2	-	1.2
Total comprehensive (loss)/ income for the year		-	1.2	44.2	45.4
Transactions with unitholders in their capacity as unitholders					
- Contributions of equity, net of issue costs	C4	417.4	-	-	417.4
- Distributions paid and payable	A2	-	-	(121.4)	(121.4)
Total equity at 30 June 2020		2,846.2	1.5	(705.6)	2,142.1
Total equity at 1 July 2020		**2,846.2**	**1.5**	**(705.6)**	**2,142.1**
Profit for the year		**-**	**-**	**291.2**	**291.2**
Other comprehensive loss		**-**	**(5.9)**	**-**	**(5.9)**
Total comprehensive (loss)/income for the year		**-**	**(5.9)**	**291.2**	**285.3**
Transactions with unitholders in their capacity as unitholders					
- Contributions of equity, net of issue costs	C4	**11.8**	**-**	**-**	**11.8**
- Distributions paid and payable	A2	**-**	**-**	**(134.0)**	**(134.0)**
Total equity at 30 June 2021		**2,858.0**	**(4.4)**	**(548.4)**	**2,305.2**

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

Consolidated cash flow statement

		2021 $'m	2020 $'m
Cash flows from operating activities			
Property income received		**227.5**	233.5
Property expenses paid		**(69.5)**	(76.7)
Distributions received from investment in joint venture entities		**49.1**	27.9
Other operating expenses paid		**(17.0)**	(15.2)
Finance costs paid		**(22.5)**	(24.4)
Interest and other income		**0.1**	0.4
Net GST paid to ATO on operating activities		**(13.0)**	(12.8)
Net GST (paid)/received from ATO on investing activities		**(0.2)**	0.2
Net cash flows from operating activities	A3	**154.5**	132.9
Cash flows from investing activities			
Proceeds from sale of investment properties and units in a fixed trust		**-**	172.8
Payments for investment properties, joint ventures and capital expenditure		**(235.6)**	(322.9)
Capital distribution received from joint venture entity		**24.5**	-
Deposit paid for investment property		**(2.6)**	-
Net cash flows used in investing activities		**(213.7)**	(150.1)
Cash flows from financing activities			
Proceeds from borrowings		**410.6**	297.0
Repayment of borrowings		**(294.4)**	(493.5)
Settlement of interest rate swaps		**(11.9)**	-
Proceeds from issue of units		**-**	398.0
Distributions paid to unitholders, net of DRP		**(106.3)**	(108.6)
Net cash flows (used in)/from financing activities		**(2.0)**	92.9
Net (decrease)/increase in cash held		**(61.2)**	75.7
Cash and cash equivalents at the beginning of the year		**80.5**	4.8
Cash and cash equivalents at the end of the year		**19.3**	80.5

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

Non-cash financing and investing activities

The following non-cash financing activities are not reflected in the statement of cash flows:

	Notes	2021 $'m	2020 $'m
Distributions by the REIT during the year satisfied by the issue of units under the DRP	A2, C4	**11.8**	19.5

About this report

The notes to these consolidated financial statements include additional information which is required to understand the operations, performance and financial position of the REIT. They are organised in four key sections:

- **Fund performance** – provides key metrics used to define financial performance.
- **Property portfolio assets** – explains the structure of the investment property portfolio and investments in joint ventures.
- **Capital structure and financial risk management** – details of how the REIT manages its exposure to various financial risks.
- **Further information** – provides additional disclosures not included in previous sections but relevant in understanding the financial statements.

Critical accounting estimates

The preparation of the consolidated financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates and management to exercise its judgement in the process of applying the REIT's accounting policies.

The areas involving significant estimates or judgements are:

- Consolidation decisions and classification of joint arrangements – B2 Investment in joint venture entities
- Fair value estimation – B1 Investment properties, C2 Borrowings and liquidity and C3 Derivative financial instruments
- Provision for expected credit losses – C5 (iv) Credit risk

The estimation uncertainty arising from COVID-19 on the above areas has been disclosed in Note A and throughout the relevant notes to the financial report.

A. Fund performance

This section provides additional information on the key financial metrics used to define the results and performance of the REIT, including operating earnings by segment, net property income, distributions and earnings per unit.

Operating earnings is a financial measure which represents profit under Australian Accounting Standards adjusted for net fair value movements, non-cash accounting adjustments such as straight lining of rental income and amortisations and other unrealised one-off items that are not in the ordinary course of business or are capital in nature. Operating earnings includes the rental revenue recognised in respect of tenants who have been provided with rent free incentives as a result of COVID-19. This approach is consistent with the REIT's treatment of rent free incentives provided in the ordinary course of its operations which are amortised over the term of the lease.

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. Operating earnings is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution. The distribution considers operating earnings and net cash flows from operating activities generated during the year.

Coronavirus (COVID-19) impact

In preparing its financial statements the REIT has considered the current and ongoing impact that the COVID-19 pandemic has had on its business operations and upon the business operations of its tenant customers. In assessing such impacts management have relied upon certain key estimates to evaluate current and future business conditions. Inherent in any estimate is a level of uncertainty. In particular, due to COVID-19, estimation uncertainty is heightened this year. Estimation uncertainty is associated with:

- the extent and duration of the disruption to the REIT's tenant customers arising from the actions by governments, businesses and consumers to contain the spread of the virus;
- the extent and duration of the expected economic downturn, including:
  - the disruption to capital markets;
  - deteriorating credit and liquidity concerns, impacting the ability of the REIT's speciality tenants to meet their rental obligations;
  - increasing unemployment and declines in consumer discretionary spending; and
  - percentage of population vaccinated and effectiveness of vaccines which the REIT will continue to monitor and adapt as new information is available;
- the effectiveness of government and central bank measures that have and will be put in place to support businesses and consumers through this disruption and economic downturn; and
- judgements in property valuations such as letting up time, incentives provided and vacancy.

COVID-19 mandated temporary trading restrictions and closures over the period impacted sales. The longest trading restriction over the period impacted our four centres in Victoria with other states also having shorter periods of trading restrictions. For all states, once COVID -19 trading restrictions were eased sales improved through our centres to levels in line or higher than those pre COVID-19. Despite periods of restricted trade, sales continue to remain strong with shopping centre moving annual turnover growth for the period of 5.4% demonstrating the essential nature of our shopping centres and our shopper customers preference to shop closer to home.

During these periods of temporary disruption and restricted trade, support continued to be provided to our specialty tenants in line with the State Governments' legislation (Code of Conduct). Tenant support equated to $5.4 million in rental relief in the form of rent free incentives and deferrals (look through including the REIT's share of convenience retail joint ventures: $6.7 million). This is less than the tenant support provided to our specialty tenants in the three months to 30 June 2020 of $8.2 million in the form of rent free incentives and deferrals (look through including the REIT's share of convenience retail joint ventures: $10.7 million). Easing of trading restrictions and subsequent strong sales recovery resulted in the reduction in tenant support from 30 June 2020. Despite the strong performance of our shopping centres during the period, uncertainty of future operating conditions remains due to COVID-19.

Over the 12 months from 30 June 2020 to 30 June 2021, the REIT's portfolio valuation uplift was $130 million or 3.7%. The valuation uplift comprised of $35 million or 1.2% on the shopping centre portfolio and $95 million or 14.1% on the long WALE convenience portfolio. Over the 12 month period to 30 June 2021, 100% of the REIT's portfolio was externally revalued at least once, including joint ventures. The impact of COVID-19 has been considered in both our independent and director's valuations.

In response to the increased estimation uncertainty the REIT has assessed the carrying values of its assets and liabilities in light of COVID-19. Specific areas of assessment include impairment testing, refining methodologies and calculation of expected credit losses, fair value measurement of investment properties and associated disclosures within the financial statements.

The REIT has developed various accounting estimates in this report based on forecasts of economic conditions which reflect expectations and assumptions as at 30 June 2021 about future events that the Directors believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing forecasts. The underlying assumptions are also subject to uncertainties which are often outside the control of the REIT. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in this report.

A1. Segment information

(a) Description of segments

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 REIT has two operating segments:

Convenience Retail

This segment comprises convenience-based retail shopping centre investment properties held directly and through investments in joint venture entities.

Long WALE Retail Property

This segment comprises long WALE retail investment properties held through investments in joint venture entities.

The value of investments, income and expenses are included based on the REIT's ownership percentage. Investment properties are presented on the basis set out in Note B1. All other assets and liabilities are presented on a consolidated basis, in line with the consolidated balance sheet. This is consistent with the manner in which the information is presented to the Board in its capacity as chief operating decision maker.

(b) Segment information provided to the Board

The operating earnings and net cash flows from operating activities reported to the Board for the operating segments for the years ended 30 June 2021 and 30 June 2020 are as follows:

	2021 $'m	2020 $'m
Convenience retail segment		
Property rental income	149.0	162.8
Other income	42.5	42.9
Add back: non-cash adjustments	16.1	8.5
Property expenses	(66.2)	(67.8)
Net income from joint venture entities	27.1	27.4
Total convenience retail segment income	**168.5**	173.8
Long WALE retail segment income	**25.6**	7.5
Total segment income	**194.1**	181.3
Interest income	0.1	0.4
Management fees (refer to note D1)	(13.0)	(10.8)
Finance costs	(21.6)	(24.9)
Other expenses	(3.4)	(3.3)
Operating earnings	**156.2**	142.7
COVID-19 tenant support*	(6.7)	(10.0)
Timing of cash receipts and payments	5.0	0.2
Net cash flows from operating activities	**154.5**	132.9

* Includes $6.7 million (2020: $10.7 million) of COVID-19 tenant support provided in the form of rent free incentives and deferrals less change in expected credit loss provisioning (2021: $nil, 2020: $0.7 million).

Property rental income

Property rental income represents income earned from the long-term rental of REIT properties and is recognised on a straight line basis over the lease term. The portion of rental income relating to fixed increases in operating lease rentals in future years is recognised as a separate component of investment properties. Turnover rent is recognised on an accrual basis.

Minimum lease payments to be received includes future amounts to be received on non-cancellable operating leases, not recognised in the financial statements at balance date. The remainder will be accounted for as property rental income as it is earned. Amounts receivable under non-cancellable operating leases where the REIT's right to consideration for a service directly corresponds with the value of the service provided to the customer have not been included (for example, variable amounts payable by tenants for their share of the operating costs of the asset).

A. Fund performance (continued)

Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements as receivable are as follows:

	Within 1 $'m	1 to 2 years $'m	2 to 3 years $'m	3 to 4 years $'m	4 to 5 years $'m	Over 5 years $'m	Total $'m
2021	**181.7**	**163.3**	**146.5**	**130.7**	**112.2**	**387.6**	**1,122.0**
2020	177.5	157.7	135.8	117.4	102.0	403.5	1,093.9

Lease modification

Rent free incentives agreed by 30 June have been treated as lease modifications. The impact of modification accounting is that the reduced rental income will be recognised on a straight-line basis over the remaining lease term.

Other income

Other income principally includes non-lease income derived under lease agreements with tenants. Non-lease income relates to the proportion of shopping centre operating costs which are recoverable from tenants in accordance lease agreements and relevant Retail Tenancy Acts. See note D8 for further details.

Property expenses

Property expenses, other expenses and outgoings, including rates, taxes and other property outgoings incurred in relation to investment properties where such expenses are the responsibility of the REIT, are recognised on an accruals basis.

A reconciliation of net cash flows from operating activities and operating earnings to statutory profit is set out below:

	2021 $'m	2020 $'m
Net cash flows from operating activities	**154.5**	132.9
COVID-19 tenant support[1]	**6.7**	10.0
Timing of cash receipts and payments	**(5.0)**	(0.2)
Operating earnings	**156.2**	142.7
Net revaluation gains on investment properties	**141.4**	(41.5)
Straight lining of rental income and amortisation of incentives	**(20.2)**	(9.6)
Acquisition related and other costs	**(2.6)**	-
Loss on sale of investment properties	**(1.0)**	(5.5)
Impairment of joint venture acquisition costs	**-**	(14.7)
Net gain/(loss) on derivative financial instruments	**13.9**	(23.3)
Provision for rent relief[2]	**3.0**	(3.0)
Other	**0.5**	(0.9)
Statutory profit for the year	**291.2**	44.2
Basic weighted average number of units (millions)	**572.1**	467.1
Basic earnings per unit (cents)	**50.90**	9.46
Operating earnings per unit (cents)	**27.30**	30.56
Distribution per unit (cents)	**23.4**	24.5

1 Includes $6.7 million (2020: $10.7 million) of COVID-19 tenant support provided in the form of rent free incentives and deferrals less change in expected credit loss provisioning (2021: $nil, 2020: $0.7 million).

2 Movement in provision for COVID rent relief.

A. Fund performance (continued)

A2. Distributions and earnings per unit

(a) Distributions paid and payable

	Distribution Cents per unit	Total amount $'m
Ordinary unitholders		
Distributions for the half year ended:		
31 December 2020 (paid 26 February 2021)	**10.70**	**61.1**
30 June 2021 (payable 31 August 2021)*	**12.70**	**72.9**
	23.40	**134.0**
Ordinary unitholders		
Distributions for the half year ended:		
31 December 2019 (paid 28 February 2020)	14.52	64.3
30 June 2020 (paid 28 August 2020)	10.00	57.1
	24.52	121.4

* The distribution of 12.70 cents per unit for the six months period ended 30 June 2021 was declared prior to 30 June 2021 and will be paid on 31 August 2021.

Pursuant to the REIT's constitution, the amount distributed to unitholders is at the discretion of the Responsible Entity. The Responsible Entity uses operating earnings (refer to Note A1) as a guide to assessing an appropriate distribution to declare.

A liability is recognised for the amount of any distribution declared by the REIT on or before the end of the reporting period but not distributed at balance date.

Under current Australian income tax legislation, the REIT is not liable to pay income tax provided the trustee has attributed all the taxable income of the REIT to unitholders.

(b) Earnings per unit

	2021	2020
Basic earnings per ordinary unitholder of the REIT		
Earnings per unit (cents)	**50.90**	9.46
Operating earnings per unit (cents)	**27.30**	30.56
Earnings used in the calculation of basic earnings per unit		
Net profit for the year ($'m)	**291.2**	44.2
Operating earnings for the year ($'m)	**156.2**	142.7
Weighted average number of units used in the calculation of basic earnings per unit (millions)*	**572.1**	467.1

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

Basic earnings per unit is determined by dividing the profit by the weighted average number of ordinary units on issue during the year.

Operating earnings per unit is determined by dividing the operating earnings by the weighted average number of ordinary units on issue during the year.

Diluted earnings per unit is determined by dividing the profit by the weighted average number of ordinary units and dilutive potential ordinary units on issue during the year. The REIT has no dilutive or convertible units on issue.

A. Fund performance (continued)

A3. Reconciliation of net profit to operating cash flow

(a) Reconciliation of statutory profit to net cash flows from operating activities

	Notes	2021 $'m	2020 $'m
Statutory profit for the year		**291.2**	44.2
Non-cash items			
Straight lining and amortisation of lease incentives		**15.9**	8.0
Share of net profit on investment in joint venture entities		**(104.8)**	(8.8)
Property valuation (gain)/ loss		**(36.0)**	67.9
Acquisition related and other costs		**2.6**	-
Loss on sale of investment properties		**0.4**	5.3
Net (gain)/loss on derivative financial instruments	B2, C3	**(8.1)**	17.3
Impairment of joint venture acquisition costs		**-**	4.3
Provision for rent relief		**(2.3)**	2.3
Foreign exchange gains		**(0.6)**	-
Change in assets and liabilities			
(Increase)/decrease in assets			
Receivables and other assets		**(0.8)**	(2.4)
Accrued interest on derivative instruments		**0.5**	(0.3)
Net income receivable from investment in joint venture entities		**(8.6)**	(8.1)
Prepayments		**(0.4)**	0.5
Unamortised borrowing costs		**(0.9)**	0.8
Increase/(decrease) in liabilities			
Payables and other liabilities		**6.4**	1.9
Net cash flows from operating activities		**154.5**	132.9

B. Property portfolio assets

The REIT's property portfolio assets comprise directly held investment properties and indirectly held interests in investment properties held through joint ventures. Investment properties comprise investment interests in land and buildings held for long term rental yields, including properties that are under development for future use as investment properties. Investments in joint ventures comprise indirect interests in investment properties held by a separate legal entity to the REIT.

The following table summarises the property portfolio assets detailed in this section, including those directly owned and the REIT's ownership share of the properties indirectly held:

	Notes	2021 $'m	2020 $'m
Non-current assets			
Investment properties	B1	**2,314.4**	2,240.3
Joint venture investment property	B2	**1,332.9**	983.2
Joint venture adjustment*	B2	**(392.7)**	(317.3)
Property portfolio assets, including interests in joint venture		**3,254.6**	2,906.2

* Joint venture adjustment includes non-investment property assets and liabilities of the REIT's joint ventures.

B1. Investment properties

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. Revaluation gains and losses are included in the consolidated statement of comprehensive income in the year in which they arise.

Assets held for sale

Assets which are classified as held for sale are classified as current assets as it is expected they will be divested within the coming reporting period. Each asset is for sale in its current condition and is subject to an active marketing campaign or has an executed sales contract.

Development properties

The total cost of a development property is generally capitalised to its carrying value until development is complete. At the commencement of a development project, an estimated valuation on completion is obtained and the capitalised costs during the project are monitored against this initial valuation.

Post completion, the property is externally valued with a full formal report and thereafter the stabilised asset valuation process applies.

At each reporting date, the carrying values of development properties are reviewed to determine whether they are in excess of their fair value. Where appropriate, an adjustment is made to reflect fair value.

(a) Valuation process

The Responsible Entity conducts an investment property valuation process on a semi-annual basis. Valuations are performed either by independent professionally qualified external valuers or by Charter Hall's internal valuers who hold recognised relevant professional qualifications.

The use of independent external valuers is on a progressive basis over a two year period, or earlier, where the Responsible Entity deems it appropriate or believes there may be a material change in the carrying value of the property. For properties not under development or classified as held for sale, if the external valuation is more than 12 months old then the property is externally valued. For others, an assessment is made as to which properties are likely to have had material movements in the book value reported at the last reporting period to determine whether they should be revalued externally or whether an internal valuation is applicable. Where an internal valuation differs from the most recent independent valuation by +/- 5%, a new independent valuation is obtained.

As at 30 June 2021, 64% of non-development investment properties, including joint ventures, (excluding assets held for sale) were externally valued. During the year ended 30 June 2021, 100% of these non-development investment properties, including joint ventures, (excluding assets held for sale) were externally valued (2020: 99%).

(b) Valuation techniques and key judgements

In determining fair value of investment properties, management has considered the nature, characteristics and risks of its investment properties. Such risks include but are not limited to the property cycle, structural changes in retail and the current

B. Property portfolio assets (continued)

and future macro-economic environment. In particular, the impact of COVID-19 on underlying tenant businesses and markets has led to heightened estimation uncertainty in the key assumptions and inputs applied to the REIT's investment properties. The table below identifies the assumptions and inputs, which are not based on observable market data, used to measure the fair value (level 3) of the wholly owned investment properties:

	Fair value $'m	Gross market rent ($ p.a./sqm)	Adopted capitalisation rate (%)	Adopted terminal yield (%)	Adopted discount rate (%)
2021	**2,314.4**	**163 - 677**	**5.0 - 8.3**	**5.3 - 8.5**	**5.8 - 9.3**
2020	2,240.3	159 - 673	4.8 - 8.3	4.9 - 8.5	6.0 - 9.3

Term	Definition
Discounted Cash Flow (DCF) method	A method in which a discount rate is applied to future expected income streams to estimate the present value.
Income capitalisation method	A valuation approach that provides an indication of value by converting future cash flows to a single current capital value.
Gross market rent	The estimated amount for which an interest in real property should be leased to a tenant on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.
Capitalisation rate	The return represented by the income produced by an investment, expressed as a percentage.
Terminal yield	A percentage return applied to the expected net income following a hypothetical sale at the end of the cash flow period.
Discount rate	A rate of return used to convert a future monetary sum or cash flow into present value.

The movement in capitalisation rate is considered by the REIT as the most significant assumption to impact the fair value of investment properties. For CQR wholly owned investment properties if the capitalisation rate expanded by 25 basis points, fair value would reduce by $90.2 million from the fair value as at 30 June 2021 (including the REIT's share of joint venture properties $150.4 million). And if the capitalisation rate compressed by 25 basis points, fair value would increase by $97.8 million from the fair value as of 30 June 2021 (including the REIT's share of joint venture properties $163.9 million).

In addition to the above, all valuations have considered the impact of COVID-19 including assumptions on market rent, vacancy rates and other leasing assumptions including capital incentives.

Movement in the inputs are likely to have an impact on the fair value of investment properties. An increase in gross market rent will likely lead to an increase in fair value. A decrease in adopted capitalisation rate, adopted terminal yield or adopted discount rate will likely lead to an increase in fair value.

(c) Reconciliation of the carrying amount of investment properties at the beginning and end of the year

	2021 $'m	2020 $'m
Carrying amount at the beginning of the year	**2,240.3**	2,388.6
Add back prior period held for sale	**-**	60.7
Additions and capital improvements*	**54.0**	44.1
Net revaluation increment/(decrement)	**36.0**	(67.9)
Straight lining and amortisation of lease incentives**	**(15.9)**	(7.9)
Disposals	**-**	(177.3)
Carrying amount at the end of the year	**2,314.4**	2,240.3

*Includes rent free incentives provided under the Code of Conduct of $4.4 million (2020: $3.6 million).
**Includes amortisation of rent free incentives provided under the Code of Conduct of $6.1 million (2020: $1.5 million).

B2. Investment in joint venture entities

The REIT accounts for investments in joint venture entities using the equity method. The REIT exercises joint control over the joint venture entities, but neither the REIT nor its joint venture partners have control in their own right, irrespective of their ownership interest. The principal activity of all joint venture entities during the period was property investment.

B. Property portfolio assets (continued)

The REIT regularly reviews equity accounted investments for impairment by reference to changes in circumstances or contractual arrangements, external independent property valuations and market conditions, using generally accepted market practices. When a recoverable amount is estimated through a value in use calculation, critical judgements and estimates are made regarding future cash flows and an appropriate discount rate.

Information relating to the joint venture entities is detailed below:

Joint venture entity	Country of establishment	Principal activity	Ownership interest 2021 %	Ownership interest 2020 %
Charter Hall Retail Partnership No.1 Trust (CHRP1)	Australia	Property investment	**50.0%**	50.0%
Charter Hall Retail Partnership No.2 Trust (CHRP2)	Australia	Property investment	**49.9%**	49.9%
Charter Hall Retail Partnership No.6 Trust (CHRP6)	Australia	Property investment	**20.0%**	20.0%
Charter Hall Australian Convenience Retail Trust (CHART)*	Australia	Property investment	**47.5%**	47.5%
CH Gateway Plaza Trust (CHGWT)	Australia	Property investment	**50.0%**	50.0%
CH Salamander Bay Square Trust (CHSBT)	Australia	Property investment	**50.5%**	50.5%
Charter Hall Direct CDC Trust (CHCDC)**	Australia	Property investment	**52.0%**	-
CH Dartmouth NZ Wholesale Fund (CDNZW)***	Australia	Property investment	**50.0%**	-

* Previously CH Dartmoor Wholesale Fund (CHDWF).

** In July 2020, the REIT acquired 52.0% of the units of CHCDC for $60.1 million classified as a Joint Venture.

*** In December 2020, the REIT acquired 50.0% of the units of CDNZW for $122.5 million classified as a Joint Venture.

(a) Gross equity accounted value of investment in joint venture entities

	2021 $'m	2020 $'m
Balance at the beginning of the year	**665.9**	382.8
Acquisition of interest in joint ventures	**182.6**	251.7
Share of profits and net property valuation gains	**159.8**	42.0
Impairment of joint venture acquisition costs	**-**	(4.3)
Distributions paid and payable*	**(51.6)**	(31.5)
Capital distribution	**(24.5)**	-
Distribution reinvested	**7.5**	4.7
Equity calls	**1.0**	22.0
Other	**(0.5)**	(1.5)
Balance at the end of the year	**940.2**	**665.9**

* Includes $11.0 million in distributions payable to the REIT at 30 June 2021 (2020: $8.4 million).

(b) Share of results attributable to joint venture entities

The tables below provide summarised information about the financial performance of the joint venture entities as a whole as at 30 June 2021, not the REIT's proportionate share. Those investments that are not individually material to the REIT have been included in aggregate in the column 'Other Shopping Centre Investments' (Other SCI) and 'Other Long WALE Investments' (Long WALE Other).

B. Property portfolio assets (continued)

2021	CHRP1 100% interest $'m	CHRP2 100% interest $'m	Other SCI 100% interest $'m	Long WALE CHART 100% interest $'m	Long WALE Other 100% interest* $'m	Total 100% interest $'m
Income						
Property income	**40.2**	**18.5**	**51.0**	**-**	**14.3**	**124.0**
Share of net profit from associates	**-**	**-**	**-**	**46.4**	**7.3**	**53.7**
Property expenses	**(13.7)**	**(5.0)**	**(14.4)**	**-**	**(1.3)**	**(34.4)**
Net property income	**26.5**	**13.5**	**36.6**	**46.4**	**20.3**	**143.3**
Finance costs	**(5.3)**	**(2.3)**	**(2.6)**	**(11.9)**	**(2.0)**	**(24.1)**
Other expenses	**(2.1)**	**(1.0)**	**(1.4)**	**(0.2)**	**(0.1)**	**(4.8)**
Total expenses	**(7.4)**	**(3.3)**	**(4.0)**	**(12.1)**	**(2.1)**	**(28.9)**
Operating earnings	**19.1**	**10.2**	**32.6**	**34.3**	**18.2**	**114.4**
Net revaluation increment/(decrement) on investment properties	**9.6**	**(0.9)**	**18.3**	**61.9**	**132.1**	**221.0**
Loss on disposal	**(1.1)**	**-**	**-**	**-**	**-**	**(1.1)**
Net unrealised gain on derivative financial instruments	**2.4**	**1.1**	**1.0**	**8.1**	**-**	**12.6**
Provision for rent relief	**0.5**	**0.3**	**0.7**	**-**	**-**	**1.5**
Other	**(2.9)**	**(2.1)**	**(2.5)**	**(0.4)**	**(1.5)**	**(9.4)**
Statutory profit for the year	**27.6**	**8.6**	**50.1**	**103.9**	**148.8**	**339.0**
Total comprehensive income	**27.6**	**8.6**	**50.1**	**103.9**	**148.8**	**339.0**
REIT's interest in total comprehensive income	**13.8**	**4.3**	**17.0**	**49.3**	**75.4**	**159.8**

* In July 2020, the REIT acquired 52.0% of the units of CHCDC. The above table shows the financial performance of CHCDC from 16 July 2020 to 30 June 2021. In December 2020, the REIT acquired 50.0% of the units of CDNZW. The above table shows the financial performance of CDNZW from 22 December 2020 to 30 June 2021.

2020	CHRP1 100% interest $'m	CHRP2 100% interest $'m	Other SCI 100% interest $'m	Long WALE CHART 100% interest $'m	Total 100% interest $'m
Income					
Property income	47.5	19.1	43.7	-	110.3
Share of net profit from associates	-	-	-	24.5	24.5
Property expenses	(15.9)	(5.0)	(12.0)	-	(32.9)
Net property income	31.6	14.1	31.7	24.5	101.9
Finance costs	(6.7)	(3.5)	(2.9)	(6.3)	(19.4)
Other expenses	(2.4)	(1.0)	(1.0)	(0.1)	(4.5)
Total expenses	(9.1)	(4.5)	(3.9)	(6.4)	(23.9)
Operating earnings	22.5	9.6	27.8	18.1	78.0
Net revaluation increment/(decrement) on investment properties	(1.7)	(17.2)	(4.0)	61.9	39.0
Loss on disposal	(0.4)	-	-	-	(0.4)
Net unrealised loss on derivative financial instruments	(1.9)	(1.2)	(0.2)	(11.4)	(14.7)
Provision for rent relief	(0.5)	(0.3)	(0.7)	-	(1.5)
Other	(2.1)	(1.3)	(0.2)	-	(3.6)
Statutory profit for the year	15.9	(10.4)	22.7	68.6	96.8
Total comprehensive income	15.9	(10.4)	22.7	68.6	96.8
REIT's interest in total comprehensive income	8.0	(5.3)	6.8	32.5	42.0

B. Property portfolio assets (continued)

(c) Share of joint venture entities' assets and liabilities

The tables below provide summarised information about the financial position of the joint venture entities as a whole as at 30 June 2021, not the REIT's proportionate share. Those investments that are not individually material to the REIT have been included in aggregate in the column 'Other SCI' and 'Long WALE Other'. Materiality is assessed on the investments' contribution to the REIT's income and net assets.

2021	CHRP1 100% interest $'m	CHRP2 100% interest $'m	Other SCI 100% interest $'m	Long WALE CHART 100% interest $'m	Long WALE Other 100% interest* $'m	Total Total 100% interest $'m
Summarised balance sheet:						
Current assets**	**5.1**	**3.0**	**7.9**	**12.1**	**6.5**	**34.6**
Investment properties - non-current assets	**467.2**	**220.5**	**635.2**	**-**	**260.1**	**1,583.0**
Investment in units - non-current assets	**-**	**-**	**-**	**986.1**	**332.3**	**1,318.4**
Current liabilities	**10.6**	**5.0**	**10.2**	**9.6**	**6.9**	**42.3**
Derivative financial instruments - non-current liabilities	**5.0**	**2.6**	**2.1**	**3.8**	**-**	**13.5**
Borrowings - non-current liabilities	**162.0**	**59.8**	**93.2**	**425.3**	**100.3**	**840.6**
Net assets	**294.7**	**156.1**	**537.6**	**559.5**	**491.7**	**2,039.6**
REIT's interest in %	**50.0**	**49.9**	**Various**	**47.5**	**Various**	
REIT's interest in $'m and carrying value	**147.3**	**77.9**	**200.3**	**265.7**	**249.0**	**940.2**

* In July 2020, the REIT acquired 52.0% of the units of CHCDC for $60.1 million. In December 2020, the REIT acquired 50.0% of the units of CDNZW for $122.5 million.

** In July 2020, CHRP1 divested West Ryde Marketplace, NSW for a gross price of $56.5 million. The property was held for sale as at 30 June 2020.

2020	CHRP1 100% interest $'m	CHRP2 100% interest $'m	Other SCI 100% interest $'m	Long WALE CHART 100% interest $'m	Total 100% interest $'m
Summarised balance sheet:					
Current assets	105.3	27.8	16.0	12.0	161.1
Investment properties - non-current assets	453.7	216.0	596.0	-	1,265.7
Investment in units - non-current assets	-	-	-	924.1	924.1
Current liabilities	10.2	4.2	6.6	9.6	30.6
Derivative financial instruments - non-current liabilities	7.5	4.0	3.1	11.8	26.4
Borrowings - non-current liabilities	206.1	87.8	97.6	424.9	816.4
Net assets	335.2	147.8	504.7	489.8	1,477.5
REIT's interest in %	50.0	49.9	Various	47.5	
REIT's interest in $'m and carrying value	167.6	73.8	191.8	232.7	665.9

B3. Expenditure commitments

The REIT and joint venture entities may enter into contracts for the acquisition, construction and development of properties in Australia. The commitments of the REIT in relation to such contracts are $48.6 million for the acquisition of Butler Central, WA and $5.8 million for other commitments (2020: $6.2 million). The REIT's share in the commitments of the joint venture entities is $0.2 million (2020: $0.8 million). These commitments have not been recognised in the consolidated financial statements of the REIT.

Unless otherwise disclosed in the consolidated financial statements, there have been no material changes to the REIT's commitments or contingent liabilities since the last consolidated financial statements.

C. Capital structure and financial risk management

The REIT's activities expose it to numerous external financial risks such as market risk, credit risk and liquidity risk. This section explains how the REIT utilises its risk management framework to reduce volatility from these external factors.

C1. Capital risk management

Prudent capital management is one of the key strategies of the REIT, aligning with the REIT's resilient portfolio of non-discretionary Australian supermarket anchored shopping centres and extending capital partnerships.

The REIT sources its capital through:

- debt sourced from a diverse mix of local and international banks and the US private placement bond market; and
- the listed Australian equity market.

The REIT is able to alter its capital mix by issuing new units, utilising the DRP, electing to have the DRP underwritten, adjusting the amount of distributions paid, activating a unit buyback program or selling assets to reduce borrowings.

Its capital management approach is regularly reviewed by management and the Board to ensure compliance with gearing, interest cover ratios and other covenants within approved limits and continuing to operate as a going concern.

The REIT has a target look-through portfolio gearing of 30% to 40% of debt to total assets.

The REIT's policy is to hedge 100% of the foreign currency risk of any gross asset or liability value, see note C3. The REIT's foreign currency assets or liabilities include the US Private Placement notes (USPPs) on issue and the REIT's investment in foreign operations.

The REIT also protects its assets by taking out insurance with creditworthy insurers.

C2. Borrowings and liquidity

(a) Borrowings

Borrowings are initially recognised at fair value, estimated by comparing the margin on the facility to the pricing of a similar facility in the current market, and subsequently measured at amortised cost using the effective interest rate method or at their fair value at the time of acquisition in the case of assumed liabilities in a business combination. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the borrowings are recognised in profit or loss over the expected life of the borrowings unless there is an effective fair value hedge of the borrowings, in which case a fair value adjustment will be applied based on the mark to market movement in the benchmark component of the borrowings and this movement is recognised in profit or loss. All borrowings with maturities greater than 12 months after reporting date are classified as non-current liabilities. Refer to B2 (c) for borrowings within joint ventures.

	2021				2020			
	Current $'m	**Non-current $'m**	**Total carrying amount $'m**	**Fair value $'m**	Current $'m	Non-current $'m	Total carrying amount $'m	Fair value $'m
US Private Placement notes*	**-**	**451.9**	**451.9**	**458.3**	-	513.6	513.6	484.3
Bank loan - term debt**	**-**	**431.6**	**431.6**	**436.3**	-	316.8	316.8	316.9
Total unsecured borrowings	**-**	**883.5**	**883.5**	**894.6**	-	830.4	830.4	801.2
Undrawn bank facility			**288.9**				389.5	

* Includes a fair value hedge adjustment of $18.5 million (30 June 2020: $42.8 million).

** Includes unamortised transaction costs of $4.6 million (30 June 2020: $3.7 million).

US Private Placement notes

Information about USPP notes is summarised in the table below:

	US dollar fixed coupon	**Issue date**	**Maturity date**	**Australian dollar equivalent at issue date $'m**	**Carrying amount 30 Jun 2021 $'m**
USPP	3.55%	July 2015	July 2027	251.6	**266.7**
USPP	3.76%	May 2016	May 2026	177.4	**166.7**
Total exposure				429.0	**433.4**
Fair value hedge adjustment				-	**18.5**
Total				429.0	**451.9**

The REIT's interest rate and foreign exchange exposure under these notes is 100% hedged with cross currency interest rate swaps (Refer to Note C3).

C. Capital structure and financial risk management (continued)

Bank loans – Bilateral revolving facility agreements

Maturity date	Facility limits $'m	Drawn amount at 30 Jun 2021 $'m
July 2023	75.0	**45.0**
August 2023	50.0	**50.0**
November 2023	170.0	**75.0**
February 2025	150.0	**-**
March 2026	100.0	**100.0**
July 2026	180.0	**166.1**
	725.0	**436.1**

Net debt reconciliation

	2020 $'m	Movement in derivatives and foreign exchange $'m	Movement in transaction costs $'m	Movement in cash $'m	2021 $'m
Bank loans	**320.5**	**-**	**-**	**115.6**	**436.1**
Unamortised transaction costs	**(3.7)**	**-**	**(0.8)**	**-**	**(4.5)**
USPP	**470.8**	**(37.4)**	**-**	**-**	**433.4**
Fair value hedge adjustment	**42.8**	**(24.3)**	**-**	**-**	**18.5**
Total unsecured borrowings	**830.4**	**(61.7)**	**(0.8)**	**115.6**	**883.5**
Cash	**(80.5)**	**-**	**-**	**61.2**	**(19.3)**
Net Debt	**749.9**	**(61.7)**	**(0.8)**	**176.8**	**864.2**

	2019 $'m	Movement in derivatives and foreign exchange $'m	Movement in transaction costs $'m	Movement in cash $'m	2020 $'m
Bank loans	517.0	-	-	(196.5)	320.5
Unamortised transaction costs	(4.5)	-	0.8	-	(3.7)
USPP	463.0	7.8	-	-	470.8
Fair value hedge adjustment	(1.3)	44.1	-	-	42.8
Total unsecured borrowings	974.2	51.9	0.8	(196.5)	830.4
Cash	(4.8)	-	-	(75.7)	(80.5)
Net Debt	969.4	51.9	0.8	(272.2)	749.9

Covenants

The USPP notes and unsecured bank loans are repayable immediately if any of the following occurs:

- the REIT defaults on payments of interest or principal;
- interest cover ratio falls below 2.00:1;
- total liabilities to total assets ratio exceeds 50%;
- priority debt of the REIT over the total look through tangible assets exceeds 5%;
- the REIT's look through share in the priority debt of the joint venture entities over the total look through tangible assets exceeds 15%; or
- unencumbered wholly owned assets of the REIT over total tangible assets falls below 85%.

None of the above occurred during the year ended 30 June 2021.

Other significant contract terms

Under loan documents in place with independent third party lenders, the lender may be entitled to call for early repayment of the facility or may place additional conditions upon the REIT if:

- CHRML ceases to be the responsible entity of the REIT;
- CHRML ceases to be under the control of Charter Hall Limited (CHL) or a wholly-owned subsidiary of CHL;

C. Capital structure and financial risk management (continued)

- any one person (or persons acting together) acquires control of the REIT; or
- the units in the REIT cease to be listed on the ASX.

(b) Finance costs

	2021 $'m	2020 $'m
Finance costs paid or payable*	**25.7**	29.9
Less: Capitalised finance costs	**(1.8)**	(2.6)
	23.9	27.3

* Included in finance costs is $25.2 million of interest on financial liabilities measured at amortised cost (2020: $31.7 million).

Borrowing costs associated with development properties are capitalised based on the weighted average interest rate as part of the cost of that asset during the period that is required to complete and prepare the asset for its intended use. The weighted average interest rate takes into consideration the REIT's interest rate hedging profile, term debt and liquidity costs.

C3. Derivative financial instruments

(a) Derivative financial instruments

The REIT uses derivatives to hedge its exposure to interest rates and foreign currency on foreign denominated borrowings. Derivative financial instruments are measured and recognised at fair value on a recurring basis.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The REIT designates certain derivatives as either fair value hedges or cash flow hedges. Hedge ineffectiveness may occur due to credit/debit value adjustments and differences in critical terms between the hedging instrument and the hedged item.

Fair value hedges

The gain or loss relating to interest payments on interest rate swaps hedging fixed rate borrowings is recognised in profit or loss within finance costs. Changes in the fair value of derivative hedging instruments and the hedged fixed rate borrowings attributable to interest rate risk are recognised within 'Net gains/(losses) from derivative financial instruments'. The gain or loss relating to the ineffective portion is also recognised in profit or loss within 'Net gains/(losses) from derivative financial instruments'.

Cash flow hedges

The effective portion of changes in the fair value of derivatives is recognised in other comprehensive income and accumulated in the cash flow hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within 'Net gains/(losses) from derivative financial instruments'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast transaction that is hedged takes place).

Amounts reflected in the financial statements are as follows:

Consolidated balance sheet	**2021**		2020	
	Asset $'m	**Liability $'m**	Asset $'m	Liability $'m
Current				
Interest rate swaps	**-**	**-**	-	11.9
Cross currency swaps	**4.8**	**-**	5.2	-
Total current derivative financial instruments	**4.8**	**-**	5.2	11.9
Non-current				
Interest rate swaps	**11.1**	**10.4**	13.3	19.5
Cross currency swaps	**28.4**	**7.4**	85.9	-
Foreign exchange contract	**-**	**20.7**	-	19.7
Total non-current derivative financial instruments	**39.5**	**38.5**	99.2	39.2
Total derivative financial assets/liabilities	**44.3**	**38.5**	104.4	51.1

Cross currency interest rate swaps currently in place cover 100% (2020: 100%) of the US dollar denominated debt outstanding.

The effects of hedge accounting on the REIT's financial position and performance are as follows:

C. Capital structure and financial risk management (continued)

Cross currency interest rate swaps	**2021** **$'m**	2020 $'m
Carrying amount	**25.8**	91.2
Notional amount	**429.0**	429.0
Maturity date	**22 July 2027**	22 July 2027
Hedge ratio	**1:1**	1:1
Change in fair value of outstanding hedging instruments since 1 July	**(65.4)**	55.3
Change in value of hedged item used to determine hedge effectiveness	**62.8**	(50.5)

Summary of cross currency interest rate swap movements

	2020 **$'m**	**Foreign exchange and fair value movement** **$'m**	**2021** **$'m**
USPP	**(470.8)**	**37.4**	**(433.4)**
Fair value hedge adjustment	**(42.8)**	**24.3**	**(18.5)**
Total USPP exposure	**(513.6)**	**61.7**	**(451.9)**
Cross currency interest rate swaps	**91.2**	**(65.4)**	**25.8**
Accrued interest on swaps	**(5.2)**	**0.4**	**(4.8)**
Total cross currency interest rate swaps	**86.0**	**(65.0)**	**21.0**
Net USPP exposure	**(427.6)**	**(3.3)**	**(430.9)**

	2019 $'m	Foreign exchange and fair value movement $'m	2020 $'m
USPP	(463.0)	(7.8)	(470.8)
Fair value hedge adjustment	1.3	(44.1)	(42.8)
Total USPP exposure	(461.7)	(51.9)	(513.6)
Cross currency interest rate swaps	35.9	55.3	91.2
Accrued interest on swaps	(4.9)	(0.3)	(5.2)
Total cross currency interest rate swaps	31.0	55.0	86.0
Net USPP exposure	(430.7)	3.1	(427.6)

C. Capital structure and financial risk management (continued)

(b) Interest rate swaps

At 30 June 2021, the weighted average fixed rate is 1.14% per annum (2020: 1.15% per annum).

As at balance date the notional principal amounts and periods of expiry of the interest rate swap contracts which are linked to floating rates are as follows:

	1 year or less $'m	2 - 3 years $'m	3 - 4 years $'m	4 - 5 years $'m	More than 5 years $'m	Net position - REIT pays fixed rate and receives floating rate $'m
2021	**-**	**155.0**	**420.0**	**177.4**	**-**	**752.4**
2020	-	-	155.0	420.0	177.4	752.4

(c) Valuation techniques used to derive level 2 fair values

Derivatives are classified as level 2 on the fair value hierarchy as the inputs used to determine fair value are observable market data but not quoted prices.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of cross currency interest rate swaps is determined using forward foreign exchange market rates and the present value of the estimated future cash flows at the balance date.

Credit value adjustments are calculated based on the counterparty's credit risk using the counterparty's credit default swap curve as a benchmark. Debit value adjustments are calculated based on the REIT's credit risk using debt financing available to the REIT as a benchmark.

C4. Contributed equity and reserves

(a) Contributed equity

No. of units	Details	Date of income entitlement	2021 $'m	2020 $'m
440,901,884	Units on issue	30 June 2019		2,428.8
1,639,572	DRP issue	30 August 2019		7.3
20,790,021	Placement issue*	25 February 2020		98.3
2,728,972	DRP issue	28 February 2020		12.2
94,827,587	Placement issue*	30 April 2020		270.5
10,056,954	Unit purchase plan*	28 May 2020		29.1
570,944,990	Units on issue	30 June 2020	**2,846.2**	2,846.2
3,352,132	DRP issue	26 February 2021	**11.8**	
574,297,122	**Units on issue**	**30 June 2021**	**2,858.0**	2,846.2

As stipulated in the REIT's 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 and the ASX Listing Rules. Units on issue are classified as equity and are recognised at the fair value of the consideration received by the REIT. Transaction costs arising on the issue of equity are recognised directly in equity as a reduction in the proceeds of units to which the costs relate.

Distribution Reinvestment Plan (DRP)

The REIT has established a 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. The DRP issue price is determined at a discount of 1.0% to the daily average of the volume weighted average market price of units traded on the ASX during the 15 business days commencing on the third business day following the distribution record date. The REIT raised $11.8 million from the DRP for the 31 December 2020 distribution and will raise $15.0 million from the DRP for the 30 June 2021 distribution.

C. Capital structure and financial risk management (continued)

(b) Reserves

	Foreign currency translation reserve $'m	Cash flow hedge reserve $'m	Foreign currency basis reserve $'m	Total reserves $'m
Opening balance 1 July 2020	**-**	**1.9**	**(0.4)**	**1.5**
Changes in reserves	**(0.7)**	**(4.1)**	**(1.1)**	**(5.9)**
Balance 30 June 2021	**(0.7)**	**(2.2)**	**(1.5)**	**(4.4)**
Opening balance 1 July 2019	-	(0.6)	0.9	0.3
Changes in reserves	-	2.5	(1.3)	1.2
Balance 30 June 2020	-	1.9	(0.4)	1.5

In accordance with the REIT's constitution, amounts may be transferred from reserves or contributed equity to fund distributions.

When cross currency interest rate swaps are used to hedge the market risks of borrowings denominated in foreign currencies, the REIT does not designate the currency basis spread as part of the hedging instrument within the hedge relationship. Currency basis spread is a liquidity premium that is charged for exchanging different currencies, and changes over time impacting the fair value of cross currency swaps. The changes in the fair value of currency basis spread is recognised in other comprehensive income in the hedging reserve in equity.

C5. Financial risk management

The REIT's principal financial instruments comprise cash and cash equivalents, receivables, payables, interest bearing liabilities and derivative financial instruments.

The table below shows the REIT's exposure to a variety of financial risks and the various measures it uses to monitor exposures to these types of risks. The REIT manages its exposure to these financial risks in accordance with the REIT's Financial Risk Management (FRM) policy as approved by the Board. The policy sets out the REIT's approach to managing financial risks, the policies and controls utilised to minimise the potential impact of these risks on its performance and the roles and responsibilities of those involved in the management of these financial risks. Derivative financial instruments are used exclusively for hedging purposes and not for trading or speculative purposes.

Other than financial instruments, the REIT is exposed to property price risk including property rental risks.

C. Capital structure and financial risk management (continued)

Risk	Definition	Exposure	Exposure management
Market risk – Foreign exchange risk	The risk that changes in foreign exchange rates will change the Australian dollar value of the REIT's foreign denominated net assets or earnings.	US Private Placement issuances denominated in US dollars. Investment in foreign operations denominated in NZD.	– Cross currency swaps are used to convert US dollar borrowings into Australian dollar exposures. – NZD denominated borrowings are used to hedge the net investment in the NZD joint venture. Forward exchange contracts are used to hedge the net distributions received.
Market risk – Interest rate risk	The risk that changes in interest rates will change the fair value or cash flows of the REIT's monetary assets and liabilities.	Cash and borrowings at fixed and floating rates.	– Interest rate swaps are used to hedge any movement in interest rates.
Liquidity risk	The risk that the REIT has insufficient liquid assets to meet its obligations as they become due and payable.	Payables, borrowings and other liabilities.	– Maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.
Credit risk	The risk a contracting counterparty will not complete its obligations under a contract and will cause the REIT to make a financial loss.	All financial assets including tenant receivables, financial instruments and derivatives.	– Performing credit reviews on prospective tenants, obtaining tenant collateral and detailed review of tenant arrears. – Reviewing the aggregate exposure of receivables and tenancies across the portfolio. – Limiting the credit exposure to any one financial institution and limiting to investment grade counterparties. – Monitoring the public credit rating of counterparties.

C. Capital structure and financial risk management (continued)

(i) Market risk – Foreign exchange risk

Foreign exchange risk is the risk that changes in foreign exchange rates will change the Australian dollar value of the REIT's net assets or its Australian dollar earnings. The REIT is exposed to foreign currency risk from its investment in foreign operations and foreign currency denominated borrowings from the US Private Placement issuances and its borrowings denominated in NZD's.

The REIT's investment in foreign operations arises from the translation of bp New Zealand assets and liabilities from New Zealand dollars to Australian dollars. This investment, including any investment property revaluation, is 100% economically hedged via the REIT's NZD denominated borrowings.

The table below sets out the REIT's overseas investments by currency (AUD equivalent):

	NZ dollars[1]	
	2021	2020
	$'m	$'m
Assets		
Receivables	**1.7**	-
Equity accounted investments	**166.1**	-
	167.8	-
Liabilities		
Payables	**(1.7)**	-
	(1.7)	-
Net assets/(liabilities)	**166.1**	-

1 Australian dollar equivalents of foreign denominated balances.

(ii) Market risk – Interest rate risk

The table below shows the REIT's exposure to interest rate risk. At balance date, the REIT fixed 68.9% (2020: 77.5%) of its direct and joint venture interest rate exposure.

	Australian dollars		US dollars[1]		NZ dollars[1]		Total	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
	$'m	$'m	**$'m**	$'m	**$'m**	$'m	**$'m**	$'m
Fixed rate								
USPP[2]	**-**	-	**(433.4)**	(470.8)			**(433.4)**	(470.8)
Net fixed rate exposure	**-**	-	**(433.4)**	(470.8)	**-**	-	**(433.4)**	(470.8)
Floating rate								
Cash	**19.3**	80.5	**-**	-	**-**	-	**19.3**	80.5
Cash - joint venture entities[3]	**6.4**	39.2	**-**	-	**-**	-	**6.4**	39.2
Borrowings[2]	**(270.0)**	(320.5)	**-**	-	**(166.1)**	-	**(436.1)**	(320.5)
Borrowings - joint venture entities[3]	**(383.7)**	(369.7)	**-**	-	**-**	-	**(383.7)**	(369.7)
	(628.0)	(570.5)	**-**	-	**(166.1)**	-	**(794.1)**	(570.5)
Derivative financial instruments								
Cross currency interest rate swaps - fixed to floating[4]	**(429.0)**	(429.0)	**433.4**	470.8	**-**	-	**4.4**	41.8
Interest rate swaps - floating to fixed[5]	**752.4**	752.4	**-**	-	**-**	-	**752.4**	752.4
Interest rate swaps - floating to fixed - joint venture entities[6]	**286.9**	291.9	**-**	-	**-**	-	**286.9**	291.9
	610.3	615.3	**433.4**	470.8	**-**	-	**1,043.7**	1,086.1
Net floating rate exposure	**(17.7)**	44.8	**-**	-	**(166.1)**	-	**(183.8)**	44.8

1 Australian dollar equivalents of foreign denominated balances.

2 Represents the notional principal of the borrowings. Unamortised borrowing costs are excluded as they are not impacted by interest rate risk.

3 The REIT's share of financial assets and liabilities included within its net investment in joint venture entities.

4 The amounts represent the notional principal receivable and payable under the derivative contracts.

5 The amounts represent the notional principal payable under the derivative contracts (excluding derivatives where cash flows have not commenced at balance sheet date.)

6 The REIT's share of the notional principal payable under the derivative contracts (excluding derivatives where cash flows have not commenced at balance sheet date) within its net investment in joint venture entities.

C. Capital structure and financial risk management (continued)

Sensitivity analysis

The table below reflects the potential net increase/(decrease) in the REIT's profit and equity, resulting from changes in Australian interest rates applicable at 30 June 2021, with all other variables remaining constant. The analysis was performed on the same basis for 30 June 2020.

	2021		2020	
	Profit and loss $'m	**Reserves $'m**	Profit and loss $'m	Reserves $'m
Australian interest rates				
+ 1.00% (2020: + 1.00%)	**17.8**	**-**	21.1	-
- 1.00% (2020: - 1.00%)	**(18.6)**	**-**	(22.3)	-

The effect of changes in interest rates on the REIT's profit and equity shown in the table above is mainly impacted by a change in interest payable on the REIT's floating rate interest bearing liabilities, offset by changes in the fair value of derivative financial instruments hedging this exposure.

C. Capital structure and financial risk management (continued)

(iii) Liquidity risk

The following table provides the contractual maturity of the REIT's fixed and floating rate financial liabilities and derivatives as at 30 June 2021. The amounts presented represent the future contractual undiscounted principal and interest cash inflows/(outflows) based on interest rates and foreign exchange rates prevailing at balance date and therefore do not equate to the value shown in the consolidated balance sheet. Repayments which are subject to notice are treated as if notice were given immediately.

	Carrying value $'m	Less than 1 year $'m	1 to 5 years $'m	Over 5 years $'m	Total $'m
2021					
Financial liabilities					
Payables	**(40.9)**	**(40.9)**	**-**	**-**	**(40.9)**
Distribution payable	**(72.9)**	**(72.9)**	**-**	**-**	**(72.9)**
Borrowings	**(869.5)**	**(24.4)**	**(535.6)**	**(447.7)**	**(1,007.7)**
Derivative financial instruments	**(38.5)**	**2.3**	**(20.4)**	**28.0**	**9.9**
Total financial liabilities	**(1,021.8)**	**(135.9)**	**(556.0)**	**(419.8)**	**(1,111.6)**
2020					
Financial liabilities					
Payables	(29.4)	(29.4)	-	-	(29.4)
Distribution payable	(57.1)	(57.1)	-	-	(57.1)
Borrowings	(791.3)	(24.1)	(401.0)	(503.3)	(928.4)
Derivative financial instruments	(51.1)	(8.2)	18.0	32.1	41.9
Total financial liabilities	(928.9)	(118.8)	(383.0)	(471.2)	(973.0)

The amount of credit facilities unused by the REIT at 30 June 2021 is $288.9 million (2020: $389.5 million).

(iv) Credit risk

The maximum exposure to credit risk at the end of each reporting period is equivalent to the carrying value of the financial assets. The REIT has policies to review the aggregate exposures of receivables and tenancies across its portfolio. As at 30 June 2021 the REIT has no significant concentrations of credit risk on its receivables other than exposure to the Woolworths (16.6%), Coles (16.6%), bp Australia (12.1%) and Wesfarmers (6.3%) businesses which contribute 51.6% (2020: 49.7%) of the total portfolio property income including income generated by joint venture entities. The REIT holds collateral in the form of security deposits or bank guarantees over some receivables where appropriate.

The table below shows the ageing analysis of rent receivables of the REIT.

	Less than 30 days $'m	31 to 60 days $'m	61 to 90 days $'m	More than 90 days $'m	Total $'m
2021					
Rent receivables*	**1.8**	**0.2**	**0.2**	**0.4**	**2.6**
Provision for expected credit losses					**(1.1)**
2020					
Rent receivables	1.8	3.3	1.5	0.8	7.4
Provision for expected credit losses					(3.4)

* Includes $1.4 million (2020: $2.3 million) of rent deferrals provided as COVID-19 tenant support.

The REIT applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other financial assets.

The loss allowances for trade and other financial assets are based on assumptions about risk of default and expected loss rates. The REIT uses judgement in making these assumptions, based on the REIT's past history and existing market conditions as well as forward looking estimates at the end of each reporting period.

In relation to COVID-19 the forward-looking judgements and assumptions include:

– the extent and duration of the pandemic and its impact on the ability of tenants to pay deferred rent;

C. Capital structure and financial risk management (continued)

- the impacts of actions by governments and other authorities, including trading restrictions on the REIT's tenants;
- tenant credit quality, assessed based on shared credit risk characteristics; and
- the effect of rental deferral options as at the reporting date.

Agreement to rental deferral options between the REIT and a tenant does not automatically indicate a deterioration of credit risk but is considered within the framework of the above indicators.

The deferral of lease payments offered to tenants have affected the REIT's and its Joint Ventures' normal levels of cash inflows from operations.

The forward-looking judgments and assumptions reflect the best estimate of management as at balance date, using information available to them at that date. Accordingly, the REIT's ECL estimates are inherently uncertain and, as a result, actual results may differ from these estimates.

C6. Offsetting financial assets and liabilities

The REIT is a party to the master agreement as published by International Swaps and Derivatives Associates, Inc. (ISDA) which allow the REIT's counterparties, under certain conditions (i.e. event of default), to set off the position owing/receivable under a derivative contract to a net position outstanding. As the REIT does not have legally enforceable right to set off, none of the financial assets or financial liabilities are offset on the balance sheet of the REIT.

The table below demonstrates the effect of offsetting positions should the REIT's counterparties decide to enforce the legal right to set-off:

	Gross amounts of financial instruments $'m	Amounts subject to set-off $'m	Net amount post set-off $'m
2021			
Derivative assets	**44.3**	**(32.9)**	**11.4**
Derivative liabilities	**(38.5)**	**32.9**	**(5.6)**
Borrowings	**(883.5)**	**-**	**(883.5)**
	(877.7)	**-**	**(877.7)**
2020			
Derivative assets	104.4	(35.7)	68.7
Derivative liabilities	(51.1)	35.7	(15.4)
Borrowings	(830.4)	-	(830.4)
	(777.1)	-	(777.1)

D. Further information

This section provides additional disclosures which are not covered in the previous sections.

D1. Related party information

The REIT is provided investment management and property management related services by Charter Hall Retail Management Limited and Charter Hall Holdings Pty Ltd (the manager). In providing these services, the manager is entitled to fees as outlined in the REIT's constitution. These fees are regularly benchmarked to market to ensure that the REIT receives the highest quality service from the manager under the fee arrangements.

(a) Responsible Entity

The Responsible Entity of the REIT is Charter Hall Retail Management Limited, a wholly owned controlled entity of Charter Hall Limited. The registered office of the Responsible Entity is Level 20, No.1 Martin Place, Sydney NSW 2000.

(b) Directors

No payments were made by the REIT or by the Responsible Entity on behalf of the REIT to the Executive Directors during the year.

Audit, Risk and Compliance Committee fees and Directors' fees totalling $369,860 (2020: $370,600) were paid or payable by the REIT to the Independent Directors, being Roger Davis, Sue Palmer and Michael Gorman, for the year, refer to Note D1(g) for a detailed breakdown of these payments. These amounts are reviewed from time to time in consultation with external experts to ensure that remuneration reflects the services expected to be performed.

(c) Management fees

Under the terms of the REIT's constitution, the Responsible Entity is entitled to receive the following remuneration from the REIT, comprising a base fee and a performance fee:

Base fee

The base fee is calculated as:

(i) 0.45% per annum of the value of the total assets of the REIT up to $700 million; plus

(ii) 0.40% per annum of the value of the total assets of the REIT over $700 million.

Total assets are determined on a look-through basis and the fee calculation is adjusted to deduct the carrying value of the investment in joint venture entities where the management fees are paid by the joint venture.

The base fee is calculated six monthly and is payable quarterly with the first quarterly payment being a part payment on account for the half year. In accordance with the REIT's constitution the Responsible Entity may accept lower fees or defer fees.

Performance fee

In addition to the base management fee, the Responsible Entity is entitled to a performance fee satisfied by the issue of units in the REIT to the Responsible Entity, dependent upon the relative performance of the REIT to the Retail Property Trust Accumulation Index (Index). This Index, calculated from a peer group of property securities that have a principal focus on the retail sector, measures the income and capital growth of the unit prices of the representative trusts.

If the REIT's performance on a semi-annual basis is higher than the percentage increase in the Index, then the Responsible Entity is entitled to new units in the REIT with a total value equal to:

(i) 5% of the total Increased Unitholder Value from outperformance; plus

(ii) 15% of the Increased Unitholder Value above 2% nominal outperformance per annum (1% per half year).

The Increased Unitholder Value is measured as the market capitalisation of the REIT at the commencement of the relevant year, multiplied by the nominal percentage outperformance of the REIT relative to the Index for that year.

The performance fee is calculated and payable, if entitled, each half year at December and June. The performance fee is payable, if entitled, subject to an annual cap, whereby total management fees paid in any one year must not exceed 80 basis points of the value of the gross assets of the REIT (except where the REIT has outperformed its sector peers continuously over a three year period). Any unpaid fees will continue to be paid up to 80 basis points of the value of the assets in any future year.

No performance fee was earned by the Responsible Entity of the REIT during the year. In the calculation of the performance fee, outperformance will be assessed on a cumulative basis. For the period from 1 January 2004 to 30 June 2021, the Index increased in value by 128.5% compared to the REIT's cumulative performance which increased by 101.2% (difference of 27.3%).

D. Further information (continued)

Management fee expenses in CHRP1

Under the terms of its Investment Management Agreement, Charter Hall Holdings Pty Ltd as the Fund Manager of CHRP1 is entitled to a base fee calculated quarterly as 0.40% of the investment property value of CHRP1 and paid within 14 days of quarter end.

Management fee expenses in CHRP2

Under the terms of its Investment Management Agreement, Charter Hall Holdings Pty Ltd as the Fund Manager of CHRP2 is entitled to a base fee calculated monthly as 0.40% of the total assets of CHRP2 and paid within 14 days of month end.

Management fee expenses in CHRP6

Under the terms of its Investment Management Agreement, Charter Hall Holdings Pty Ltd as the Fund Manager of CHRP6 is entitled to a base fee calculated monthly as 0.40% of the total assets of CHRP6 and paid within 14 days of month end.

The total management fees for the year are detailed as follows:

	2021 $'000	2020 $'000
Base fees	**12,969**	10,780
Management fees paid by the REIT	**12,969**	10,780
REIT's share of management fees paid by CHRP1	**916**	1,073
REIT's share of management fees paid by CHRP2	**450**	457
REIT's share of management fees paid by CHRP6	**253**	181
Total management fees paid	**14,588**	12,491
Total management fees paid (%)	**0.41**	0.41

(d) Transactions with the Responsible Entity and its related parties

The Responsible Entity and its related parties held 60,601,875 units in the REIT as at 30 June 2021 (2020: 56,494,117).

Following is a summary of related party transactions for the year ended 30 June 2021:

		Fee amount	
Type of fee	**Method of fee calculation**	**2021 $'000**	2020 $'000
Management fees – wholly owned	Refer note D1(c)	**12,969**	10,780
Management fees – joint ventures	Refer note D1(c)	**1,644**	1,711
Acquisition and due diligence	0.75% and 0.25% of sale price	**2,356**	3,842
Disposal	0.25% of sale price less amounts paid to external agents	**-**	984
Development management (including cost recovery)	3% of development cost if > $1m 5% of development cost if < $1m	**606**	217
Project management	6% of project cost	**647**	976
Majors leasing	7.5% - 15.0% of year one gross rent	**1,221**	523
Property management and specialty leasing costs	Cost recovery	**11,709**	12,277
Other related party costs*	Cost recovery	**13,247**	13,555
		44,399	44,865

* Charter Hall Holdings Pty Limited was also reimbursed $13.2 million (2020: $13.6 million) for centre, IT, occupation health & safety, environmental, finance and accounting services expenses incurred. These expenses include salaries and related finance management and IT costs.

The above fees and transactions were based on market rates and normal commercial terms and conditions and were approved by the Independent Directors.

(e) Outstanding payable balance with the Responsible Entity and its related parties

	2021 $	2020 $
Charter Hall Holdings Pty Limited	**9,543,202**	4,665,776
	9,543,202	4,665,776

(f) Key management personnel

Key management personnel (KMP) powers have not been delegated by the Responsible Entity to any other person.

Details of management fees charged to the REIT by the Responsible Entity and its related parties are included in Note D1(c).

(g) Directors' fees

Independent Directors' fees are as follows:

Total director fees	Sue Palmer	Michael Gorman	Roger Davis	Total
2021	**110,255**	**104,945**	**154,660**	**369,860**
2020	110,255	105,244	155,101	370,600

The level of fees is not related to the performance of the REIT. The Board of the Responsible Entity considers remuneration payable to its Independent Directors from time to time. Remuneration of Independent Directors is approved by the Board and any increases are benchmarked to market rates.

The Executive Directors of the Responsible Entity and Fund Manager of the REIT are employees of Charter Hall Holdings Pty Ltd and are remunerated by Charter Hall Holdings Pty Ltd.

(h) Directors' interests in REIT units

The number of units held directly, indirectly or beneficially by the Directors of the Responsible Entity or the Directors' related parties at 30 June 2021 is as follows:

	Units held 2021	Units held 2020
Roger Davis	**38,669**	38,669
Greg Chubb	**45,319**	-
Michael Gorman	**25,069**	25,069
David Harrison	**124,378**	124,378

The aggregate number of units of the REIT acquired by the Directors of the Responsible Entity or their related parties during the year is set out below.

	Units 2021	Units 2020
Roger Davis	**-**	10,344
Michael Gorman	**-**	10,344
Greg Chubb	**45,319**	-

No units of the REIT were sold by the Directors of the Responsible Entity or their related parties during the year.

No options in the REIT are held by Directors of the Responsible Entity.

D2. Working capital

The REIT maintains a proactive cash management practice of using excess available cash to reduce drawn revolving debt facilities. This practice, when combined with the REIT's distribution liability at the end of the reporting period, results in a net current asset deficiency of $66.9 million at 30 June 2021 (30 June 2020: nil).

The entity has readily accessible credit facilities with $288.9 million (2020: $389.5 million) of undrawn non-current debt facilities at 30 June 2021 and operating cash flows to meet current liabilities. The REIT does not foresee any issues in meeting the current liabilities over the course of the next 12 months, and therefore, these financial statements have been prepared on a going concern basis.

Financial assets and liabilities not carried at fair value have carrying values that reasonably approximate their fair values.

D. Further information (continued)

(a) Receivables and other assets

	2021 $'m	2020 $'m
Trade receivables*	**2.6**	7.4
Turnover rent receivable	**4.3**	3.5
Accrued income	**2.0**	2.1
Provision for expected credit losses	**(1.1)**	(3.4)
	7.8	9.6

* Includes $1.4 million (2020: $2.3 million) of rent deferrals provided as COVID-19 tenant support.

Trade receivables includes property rental income receivable together with trade receivables relating to revenue from contracts with customers.

The REIT's receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for expected credit losses. The REIT applies the AASB 9 simplified approach to measuring expected credit losses which involves a lifetime expected loss allowance for all trade and other financial assets. The REIT uses judgement in making these assumptions, refer to note C5.4 (iv).

(b) Payables and other liabilities

	2021 $'m	2020 $'m
Current		
Accrued capital expenditure	**10.2**	5.1
Accrued property expenses	**13.3**	8.9
Income received in advance	**7.1**	4.8
Interest payable on interest bearing liabilities	**5.1**	5.5
Other	**5.2**	5.1
	40.9	29.4

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the REIT. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

D3. Parent entity information

The financial information for the parent entity, Charter Hall Retail REIT, has been prepared on the same basis as the REIT's consolidated financial statements except as set out below:

(i) Investments in controlled entities

Investments in controlled entities and joint ventures are accounted for at cost in the financial statements of the parent entity. Such investments include both investments in equity securities issued by the controlled entity and other parent entity interests that in substance form part of the parent entity's investment in the controlled entity. These include investments in the form of interest-free loans which have no fixed contractual term and which have been provided to the controlled entity as an additional source of long term capital.

Dividends and distributions received from controlled entities and joint ventures are recognised in the parent entity's statement of comprehensive income, rather than deducted from the carrying amount of these investments.

(ii) Receivables and payables

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

(iii) Recoverable amount of assets

The carrying amounts of investments in controlled entities and joint ventures valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying value exceeds their recoverable amount, the assets are written down to the lower value. The write-down is expensed in the year in which it occurs.

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	Parent 2021 $'m	Parent 2020 $'m
Balance sheet		
Current assets	**8.7**	91.4
Non-current assets	**3,157.0**	2,930.7
Total assets	**3,165.7**	3,022.1
Current liabilities	**103.9**	77.5
Non-current liabilities	**921.8**	869.7
Total liabilities	**1,025.7**	947.2
Equity		
Contributed equity	**2,858.0**	2,846.2
Reserves	**(159.7)**	(153.8)
Accumulated losses	**(558.3)**	(617.5)
Total equity	**2,140.0**	2,074.9
Statement of comprehensive income		
Statutory profit for the year	**193.3**	17.8
Other comprehensive income	**(5.9)**	
Total comprehensive income	**187.4**	17.8

(b) Guarantees and contingent liabilities

The parent entity did not have any other contingent liabilities which are material, either individually or as a class, at 30 June 2021 (2020: nil).

(c) Commitments

The parent entity may enter into contracts for the acquisition, construction and development of properties in Australia. The commitments of the parent entity in relation to such contracts are $48.6 million for the acquisition of Butler Central, WA and $5.8 million for other commitments (2020: $2.8 million). These commitments have not been reflected in the financial information of the parent entity.

There have been no other material changes to the parent entity's commitments since the last financial statement.

D4. Significant contract terms and conditions

Pre-emptive rights

Under the joint ownership arrangements in place with the other unitholders of our joint venture entities, should CHRML cease to be the Responsible Entity of the REIT, or if there is a change in control of CHRML or the REIT, the joint venture partner has the right to acquire the residual units for fair value in respect of CHRP1, 98% of fair value in respect of CHRP2, 98% of fair value in respect of CHGWT, 98% of fair value in respect of CHSBT, 98% of fair value in respect of CHRP6, fair value in respect of CHDWF, fair value in respect of CHCDC and fair value in respect of CDNZW.

D5. Remuneration of the auditor

	2021 $'000	2020 $'000
Amounts paid or payable to PricewaterhouseCoopers Australian firm for:		
Audit services	**297**	283
Total amount paid or payable to PricewaterhouseCoopers Australian firm	**297**	283

D6. Interest in other entities

Material subsidiaries

The REIT's principal subsidiaries at 30 June 2021 are set out below. Unless otherwise stated, it has contributed equity consisting solely of ordinary units that are held directly by the REIT, and the proportion of ownership interests held equals the voting rights held by the REIT.

D. Further information (continued)

			Ownership interest held by the REIT		
Name of entity	**Country of incorporation**	**Place of business**	**2021**	2020	**Principal activities**
Charter Hall Retail JV Trust	Australia	Australia	**100%**	100%	Property investment
CH SC Trust	Australia	Australia	**100%**	100%	Property investment
CH Campbellfield Trust	Australia	Australia	**100%**	100%	Property investment
CH Rockdale Plaza Trust	Australia	Australia	**100%**	100%	Property investment
CH Dartmoor Trust	Australia	Australia	**100%**	100%	Property investment
CH CDC Trust	Australia	Australia	**100%**	-	Property investment
CH Butler Central Trust	Australia	Australia	**100%**	-	Property investment

D7. Events occurring after balance date

In response to managing COVID-19 cases, state government mandated trading restrictions have been reimposed post 30 June 2021. These mandated trading restrictions have impacted the operations of our convenience retail assets across NSW, Melbourne and the ACT. Other than this, and to the best of the Directors' knowledge and belief, there has not arisen in the interval between the end of the financial year and the date of this report any matter or circumstance that has significantly affected, or may significantly affect the REITs operations, the result of those operations, or the REIT's state of affairs, in future financial years.

D8. Other significant accounting policies

(a) Basis of preparation

The annual financial report of the Charter Hall Retail REIT comprises the Charter Hall Retail REIT and its controlled entities.

These general purpose financial statements have been prepared in accordance with the requirements of the REIT's constitution, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations *Act 2001*. The REIT is a for-profit entity for the purpose of preparing the consolidated financial statements.

Compliance with IFRS

The consolidated financial statements of the REIT also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except derivative financial instruments, investments in financial assets held at fair value and investment properties, which have been measured at fair value.

(b) Principles of consolidation

Controlled entities

Subsidiaries are all entities over which the REIT has control. The REIT controls an entity when the REIT is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the REIT. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of controlled entities have been changed where necessary to ensure consistency with the policies adopted by the REIT.

(c) Foreign currency translation

(i) Functional and presentation currencies

Items included in the financial statements of each of the REIT's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The 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 Australian dollars 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 year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

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 joint venture entities are measured using the currency of the primary economic environment in which those entities operate. Assets and liabilities of foreign joint venture entities are translated at exchange rates ruling at balance date which income and expenses are translated at weighted average exchange rates for the year. Exchange translation of the interests in foreign controlled entities and joint venture entities are taken directly to foreign currency translation reserve.

(d) Comparative information

Where necessary, comparative information has been adjusted to conform to changes in presentation in the current year. No material adjustments have been made to comparative information in this report.

(e) Rounding of amounts

As permitted by ASIC Corporations (Rounding in Financial/Directors' reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission relating to the 'rounding off' of amounts in the Directors' report and financial statements, amounts in the REIT's consolidated financial statements have been rounded to the nearest hundred thousand dollars in accordance with that instrument, unless otherwise indicated.

(f) Changes in accounting standards

The REIT has applied the following standards and amendments for the first time in this financial report. The REIT did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards:

- AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material [AASB 101 and AASB 108]*
- AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform [AASB 9, AASB 139 and AASB 7]*

  AASB 2019-5 *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet issued in Australia [AASB 1054]*

Directors’ declaration to unitholders

In the opinion of the Directors of Charter Hall Retail Management Limited, the Responsible Entity of Charter Hall Retail REIT:

a the consolidated financial statements and notes set out on pages 19 to 53 are in accordance with the *Corporations Act 2001*, including:

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

  ii giving a true and fair view of the consolidated entity’s financial position as at 30 June 2021 and of its performance for the 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.

The Directors have been given declarations by the Fund Manager, who performs the Chief Executive Officer function, and the Head of Retail Finance, who performs the Chief Financial Officer function, required by section 295A of the *Corporations Act 2001.*

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

Roger Davis
Chair
Sydney

16 August 2021

Independent auditor's report

To the unitholders of Charter Hall Retail REIT

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Charter Hall Retail REIT and its controlled entities (together the REIT) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the REIT's financial position as at 30 June 2021 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The REIT financial report comprises:

- the consolidated balance sheet as at 30 June 2021
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated cash flow statement for the year then ended
- the notes to the consolidated financial statements, as contained in the "About this report" section, which include significant accounting policies and other explanatory information
- the directors' declaration to unitholders.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the REIT in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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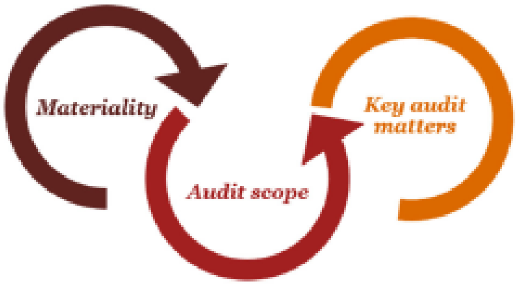
Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the management structure of the REIT, its accounting processes and controls and the industry in which it operates.



Materiality

- For the purpose of our audit we used overall REIT materiality of $7.7 million, which represents approximately 5% of the REIT's operating earnings.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose operating earnings (which is an adjusted profit metric) as the benchmark because, in our view, it is the benchmark against which the performance of the REIT is most commonly measured.
- We selected a 5% threshold based on our professional judgement, noting it is within the range of commonly accepted profit related materiality thresholds.

Audit Scope

- Our audit focused on where the REIT made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The REIT audit team identified separate components of the REIT being its equity accounted investments and the parent entity, Charter Hall Retail REIT. We established an audit strategy for each component.
- The audit work performed at the component level, together with the additional audit procedures performed at the REIT level provided us with sufficient evidence for our opinion on the financial report as a whole.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matter was addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matter to the Audit, Risk and Compliance Committee.

Key audit matter	*How our audit addressed the key audit matter*
Valuation of investment properties, including investment properties held in joint ventures accounted for under the equity method *(Refer to About this report section, Note A and Note B)* The REIT's investment property portfolio is predominately comprised of retail shopping centres generally anchored with non-discretionary major supermarket tenants, as well as long WALE convenience retail properties. At 30 June 2021 the carrying value of the REIT's investment property portfolio (excluding investment properties held in equity accounted investments) was $2,314.4 million (2020: $2,240.3 million). The carrying value of the REIT's joint venture vehicles that also hold investment properties was $940.2 million (2020: $665.9 million). In measuring the carrying value of investment properties, the REIT applied the principles of accounting for investment properties at fair value under Australian Accounting Standards and applied the valuation methodology described in Note B of the financial report. Non-development properties of the REIT are valued by external valuation experts once every 12 months. If a property is not externally valued at balance date, the REIT performs an internal valuation. We considered this a key audit matter because of the:	We assessed the REIT's process for valuing investment properties. This included discussing, with management, the key drivers affecting the value of the investment property portfolio such as, significant new leases entered, capital expenditure and vacancy rates. We also enquired about the impact of COVID-19 on investment property valuations and how this has been considered by the REIT in determining fair value at 30 June 2021. We inspected a selection of independent property market reports and held discussions with PwC Real Estate experts to develop an understanding of prevailing market conditions and their expected impact on the REIT's investment properties. We assessed the design and tested the operating effectiveness of certain controls supporting the REIT's investment property valuation process, including controls relating to the review and approval of valuations adopted. We assessed the scope, competence, capability and objectivity of external valuation experts engaged by the REIT and also internal valuers. Where external valuations were obtained by the REIT, we: • read the relevant valuation reports and agreed the fair values to the REIT's accounting records • compared the tenancy schedules used in the external valuation to the tenancy schedule per the REIT's accounting

Key audit matter	*How our audit addressed the key audit matter*
• Financial significance of the investment property balances in the consolidated balance sheet. • Financial significance of revaluation gains that directly impact the consolidated statement of comprehensive income through the net gain on investment properties. • Inherently subjective nature of investment property valuations such as prevailing market conditions, the individual nature and location, comparable sales evidence and the expected future income for each property. • Significant estimation uncertainty exists with respect to the key inputs and assumptions used by the REIT in developing fair value estimates including capitalisation rates, gross market rent and discount rates. • The importance of the valuation uncertainty to users' understanding of the financial report. • The extent of judgement required by the REIT in light of the continued impact and uncertainty surrounding the COVID-19 pandemic.	records for a sample of external valuations. For a sample of properties which were assessed at greater risk of material misstatement, we performed the following procedures, amongst others, to assess the appropriateness of significant assumptions used in the REIT's assessment of fair value, we: • assessed the appropriateness of the methodology adopted and the mathematical accuracy of valuations. • assessed the appropriateness of certain significant assumptions, including comparing the capitalisation rates and discount rates to market data, including comparable transactions, where possible. • held discussions with certain external valuation firms to develop an understanding of their processes, significant judgements and observations including how they dealt with uncertainties arising from COVID-19 in the valuations. We assessed the reasonableness of the REIT's disclosures in the financial report against the requirements of Australian Accounting Standards. In particular, we assessed the reasonableness of the disclosures made in Note A and B to the financial statements which explains that there is estimation uncertainty in relation to the valuation of investment properties.

Other information

The directors of Charter Hall Retail Management Limited, the Responsible Entity of the REIT (the directors) are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Director's Report. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

The directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the REIT to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the REIT or to cease operations, or have no realistic alternative but to do so.

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Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

RW McMahon
Partner

Sydney
16 August 2021