

## APPENDIX 4E

### Annual Financial Report for the year ended 30 June 2023

**Name of Entity:** Charter Hall Retail REIT  
ARSN: 093 143 965

#### Results for announcement to the market

	12 months to 30 June 2023 \$m	12 months to 30 June 2022 \$m	Variance (%)
Revenue from ordinary activities <sup>1</sup>	213.4	200.8	6.3%
Profit from ordinary activities after tax attributable to members	37.8	663.6	(94.3%)
Profit for the year attributable to members	37.8	663.6	(94.3%)
Operating earnings <sup>2</sup>	166.9	164.4	1.5%

<sup>1</sup> The composition of revenue from ordinary activities is detailed in the Consolidated statement of comprehensive income of the annual financial report.

<sup>2</sup> 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. 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 2023 cents per unit	12 months to 30 June 2022 cents per unit	Variance (%)
Basic earnings per unit	6.50	114.67	(94.3%)
Operating earnings per unit	28.71	28.40	1.1%
<b>Distributions</b>	<b>Amount per unit cents per unit</b>	<b>Tax deferred amount per unit cents per unit</b>	
<i>Current year:</i>			
Final distribution	12.80		
Interim distribution	13.00		
Total	25.80		14.73
<i>Previous corresponding year:</i>			
Final distribution	12.80		
Interim distribution	11.70		
Total	24.50		13.77
Record date for determining entitlements to the distribution	30 June 2023		

The REIT recorded a statutory profit for the year of \$37.8 million (2022: \$663.6 million. Operating earnings for the year were \$166.9 million (2022: \$164.4 million).

The increase in the REIT's operating earnings was driven by higher net property income from both wholly owned and joint venture assets as a result of acquisition activity and like for like rental growth which was offset by an increase in finance costs. Distributions for the year amounted to 25.8 cents per unit representing an increase of approximately 5% on 2022.

The full year financial report includes the impact from the acquisition of 18 New Zealand assets leased to Gull in August 2022, Bribie Island Retail Centre in September 2022, 49% of the units in Z Property Limited Partnership which owns 51 New Zealand assets leased to Z Energy in October 2022 and 26% of the units in LWIP2 in March 2023. All long WALE retail properties are triple net (NNN) leased with rent reviews linked to CPI.

These acquisitions were funded through existing undrawn bank debt and the sale of both wholly owned and joint venture assets. Asset divestments during the year included all of the units in CDC Trust in October 2022, Singleton Plaza NSW in November 2022 and Allentown Square Qld in February 2023.

Following these transactions, the REIT's portfolio consists of 49 convenience retail shopping centres across Australia, both wholly owned and through interests in joint ventures and 597 convenience long WALE retail assets across Australia and New Zealand, both wholly owned and through interests in joint ventures.

Refer attached financial statements (Directors Report) for further information.

#### 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 DRP was suspended for the year ended 30 June 2023.

#### Statement of Undistributed Income

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

#### Net Tangible Assets

	30 June 2023	30 June 2022
Net tangible asset backing per unit <sup>1</sup>	4.73	4.91

<sup>1</sup> 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 and associate 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.

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

# Charter Hall Retail REIT

ARSN 093 143 965

Directors' report and financial report  
For the year ended 30 June 2023



### 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.

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## 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 2023.

### 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 Director   |
| - Sue Palmer     | - Non-Executive Director and Chair of Audit, Risk and Compliance Committee |
| - Michael Gorman | - Non-Executive Director   |
| - David Harrison | - Executive Director and Managing Director / Group CEO of Charter Hall     |
| - Ben Ellis      | - Executive Director and Fund Manager / Retail CEO of Charter Hall         |

### Distributions

Distributions paid or declared by the REIT to unitholders:

	2023 \$'m	2022 \$'m
Final distribution for the six months ended 30 June 2023 of 12.80 cents per unit payable on 31 August 2023	74.4	-
Interim distribution for the six months ended 31 December 2022 of 13.00 cents per unit paid on 28 February 2023	75.6	-
Final distribution for the six months ended 30 June 2022 of 12.80 cents per unit paid on 31 August 2022	-	74.4
Interim distribution for the six months ended 31 December 2021 of 11.70 cents per unit paid on 28 February 2022	-	67.7
	<b>150.0</b>	<b>142.1</b>

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 DRP was suspended for the year ended 30 June 2023.

## Directors' report (continued)

### Review and results of operations

The 30 June 2023 financial results are summarised as follows:

	2023	2022
Revenue from ordinary activities	213.4	200.8
Statutory profit (\$ millions)	37.8	663.6
Basic earnings per unit (cents)	6.50	114.67
Operating earnings (\$ millions)	166.9	164.4
Operating earnings per unit (cents)	28.71	28.40
Distributions (\$ millions)	150.0	142.1
Distributions per unit (cents)	25.80	24.50
Total assets (\$ millions)	4,099.5	4,045.0
Total liabilities (\$ millions)	1,351.0	1,190.5
Net assets attributable to unitholders (\$ millions)	2,748.5	2,854.5
Units on issue (millions)	581.2	581.2
Net assets per unit (\$)	4.73	4.91
Balance sheet gearing - total debt (net of cash and derivatives) to total assets (net of cash and derivatives)	29.0%	25.5%
Look through gearing - total debt (net of cash and derivatives) to total assets (net of cash and derivatives)	34.0%	32.1%

The REIT recorded a statutory profit for the year of \$37.8 million (2022: \$663.6 million). Operating earnings for the year were \$166.9 million (2022: \$164.4 million).

The table below sets out income and expenses that comprise operating earnings:

	Notes	2023 \$'m	2022 \$'m
<i>Convenience Retail</i>			
Net property income from wholly owned properties		154.1	148.6
Net income from joint venture entities		28.6	28.8
<b>Total convenience retail segment income</b>		<b>182.7</b>	<b>177.4</b>
<i>Long WALE retail</i>			
Net property income from wholly owned properties		3.3	-
Net income from joint venture and associate entities		36.7	30.8
<b>Total long WALE retail segment income</b>		<b>40.0</b>	<b>30.8</b>
Interest income		0.6	-
Management fees		(16.1)	(15.3)
Finance costs		(36.5)	(25.0)
Other expenses		(3.8)	(3.5)
<b>Operating earnings</b>	A	<b>166.9</b>	<b>164.4</b>

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.

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 increase in the REIT's operating earnings was driven by higher net property income from both wholly owned and joint venture assets as a result of acquisition activity and like for like rental growth which was offset by an increase in finance costs. Distributions for the year amounted to 25.8 cents per unit representing an increase of approximately 5% on 2022.

The full year financial report includes the impact from the acquisition of 18 New Zealand assets leased to Gull in August 2022, Bribie Island Retail Centre in September 2022, 49% of the units in Z Property Limited Partnership which owns 51 New Zealand assets leased to Z Energy in October 2022 and 26% of the units in LWIP2 in March 2023. All long WALE retail properties are triple net (NNN) leased with rent reviews linked to CPI.



## Directors' report (continued)

These acquisitions were funded through existing undrawn bank debt and the sale of both wholly owned and joint venture assets. Asset divestments during the year included all of the units in CDC Trust in October 2022, Singleton Plaza NSW in November 2022 and Allentown Square Qld in February 2023.

Following these transactions, the REIT's portfolio consists of 49 convenience retail shopping centres across Australia, both wholly owned and through interests in joint ventures and 597 convenience long WALE retail assets across Australia and New Zealand, both wholly owned and through interests in joint ventures.

A reconciliation of operating earnings to statutory profit on a look through basis (including the REIT's share of joint ventures and associates) is set out below:

	2023 \$'m	2022 \$'m
<b>Operating earnings</b>	<b>166.9</b>	164.4
Net revaluation (loss)/gain on investment properties	(83.6)	450.7
Straight lining of rental income and amortisation of incentives	(18.0)	(20.6)
Acquisition related and other costs	(5.6)	(5.6)
Net (loss)/gain on derivative financial instruments	(19.9)	70.9
Foreign exchange gain	1.0	4.8
Other	(0.6)	(1.0)
Loss on sale of investment properties	(2.4)	-
<b>Statutory profit for the year</b>	<b>37.8</b>	663.6
Basic weighted average number of units (millions)	581.2	578.7
Basic earnings per unit (cents)	6.50	114.67
Operating earnings per unit (cents)	28.71	28.40
Distribution per unit (cents)	25.80	24.50

### Property Valuations

External valuations were conducted at 30 June 2023 for 97% of the REIT's portfolio, including joint ventures. Over the 12 months to 30 June 2023 the REIT's portfolio valuation (including the REIT's share of joint ventures) decreased by \$83.6 million due to wholly owned valuations decreasing by \$65.9 million and joint venture valuations decreasing by \$17.7 million.

### Significant changes in the state of affairs

#### Acquisitions

In August 2022, the REIT acquired a portfolio of 18 Gull service stations in New Zealand for a total consideration of \$58.1 million.

In September 2022, the REIT paid \$7.2 million to acquire Bribie Island Retail Centre, Qld a site adjacent to Bribie Island Shopping Centre.

#### Joint venture acquisitions

In October 2022, the REIT paid \$118.2 million to acquire 49% of the units in Z Property Limited Partnership. Z Property owns 51 long WALE convenience retail assets, located in New Zealand leased to Z Energy on triple net lease terms. Z Energy is a New Zealand based subsidiary of Ampol.

In March 2023, the REIT paid \$42.0 million to acquire 17.8% of the units in LWIP2 Trust (LWIP2). In April 2023, the REIT paid \$19.4 million to acquire an additional 8.2% of the units in LWIP2. LWIP2 owns a portfolio of 11 convenience long WALE assets across Australia.

#### Disposals

In November 2022, the REIT sold Singleton Plaza, NSW for a total consideration of \$8.6 million.

In February 2023, the REIT sold Allentown Square, Qld for a total consideration of \$55.9 million.

#### Joint venture disposals

In October 2022, the REIT sold the units in CDC Trust for a total consideration of \$95.1 million.

In June 2023, the REIT through its 50% interest in CHRP1 sold Brickworks Marketplace, SA for a total consideration of \$85 million. In July 2023, CQR received a capital distribution from CHRP1 of \$42 million representing its 50% share in the net sales proceeds.

## Directors' report (continued)

### *Debt arrangements and hedging*

In July 2022, the NZD borrowings were repaid utilising existing undrawn bank facilities. The REIT also entered into new forward exchange contracts to hedge its foreign currency exposure from its NZD denominated investments.

In July 2022, the REIT extended two of its bilateral facilities. \$75.0 million was extended to July 2027 and \$150.0 million was extended to July 2026 along with a \$50 million increase in limit to \$200.0 million.

In March 2023, the REIT entered into a series of new interest rates swaps totalling \$250 million. The swaps were set at a fixed rate of 3% for a period of 24 months commencing in June 2023 and included an upfront payment of \$4.6 million.

There were no other significant changes in the state of affairs of the REIT that occurred during the year.

### Business strategies and prospects

The REIT's strategy is to be the leading owner of property for convenience retailers. This is through our convenience shopping centres and our long WALE retail properties with long triple net 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
- 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 triple net leases to major convenience retailers, including bp, Ampol and Coles, with contracted rental increases predominately linked to consumer price inflation. 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 delegates management of the properties to the Charter Hall Group and supports its sustainability and governance initiatives.

## Directors' report (continued)

Risk		Description	Mitigation
<b>External Risks</b>	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.	The REIT ensures it consistently delivers on strategy with a focus on non-discretionary convenience retail including investment in long WALE retail assets with contracted growth attributes. The REIT undertakes a 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, the REIT ensures that it remains informed of market changes.
	Geopolitical risks materially disrupt supply chains	Geopolitical unrest disrupts supply chains causing increased costs and delays in timing to complete capital works and developments.	The REIT ensures it takes into account potential disruptions in supply chains by establishing timetables for delivery and partnering with high quality suppliers.
<b>Financial Risks</b>	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 a joint venture partnership may result in reputational or financial damage.	The REIT mitigates these risks by implementation of its debt diversity strategy combined with regular monitoring and reporting on debt covenants and stress testing of liquidity positions. Furthermore the REIT actively manages debt tenor to mitigate liquidity risk in debt markets. The REIT has demonstrated strong performance, equity raising track record and access to diversified equity partners across sources. The REIT manages its relationships with its partners through investment agreements including investment committee oversight of all key decisions with structured and pre-agreed reporting.
	Interest rates	Rising interest rates driven by inflation may adversely impact the REIT by increasing finance costs and impacting the amount the REIT has available to distribute to investors.	The REIT has a Treasury Risk Management Policy which includes policies and controls to minimise the impact of fluctuating interest rates on the REIT's financial performance. The REIT enters into interest rate swaps in order to provide more certainty for the REIT's finance costs.

## Directors' report (continued)

<b>Operational Risks</b>	Work, Health & Safety (WHS) obligations, critical safety incident or significant crisis	The REIT has a commitment to promote and protect the health, safety and wellbeing of its people, customers, contractors and all users of the REIT's assets.	<p>The 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.</p> <p>To focus the REIT's efforts on eradication of modern slavery in its supply chain the REIT has adopted the Modern Slavery Statement (Australian Modern Slavery Act 2018) and published its second statement with supply chain spend by category.</p>
	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.	<p>The cyber security strategy and program continues with external validation and yearly review of IT policies against best practice.</p> <p>The REIT undertakes annual penetration tests against critical systems and properties and has brought all critical systems under IT General Controls (ITGC) including regular user access reviews. The REIT's internal audit includes risk identification and assessment for new platforms. The REIT also has a formal cyber insurance policy which covers incident remediation costs.</p>
	Organisational culture and conduct	The REIT's ongoing success depends on its ability to attract, engage and retain a motivated and high-performing workforce to deliver its strategic objectives and an inclusive culture that supports its values.	The REIT receives management services from Charter Hall who has a Code of Conduct which covers all employees and undertakes consistent messaging and tone at the top regarding behaviour. Charter Hall also has a formal Whistleblower Policy in place and process to obtain regular employee feedback on culture and behaviours which is used to inform management decisions.
<b>Environmental</b>	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.	The REIT has aligned with the TCFD framework and updated its climate change scenarios. The REIT has set a pathway to net zero Scope 1 and Scope 2 emissions by 2025. The REIT has undertaken physical climate change risk exposure assessments across assets and 98% of its shopping centres have climate change adaptation plans. Climate change adaptation due diligence is undertaken during the REIT's acquisition process.

## Directors' report (continued)

Regulatory	AFSL compliance	CHRML is required to comply with Australian Financial Services Licence requirements. It does this through the REIT's 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, the REIT has 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. The REIT has in place a Compliance Plan including oversight of Conflict of Interest / Related Party protocols and formalised asset allocation protocols.

### Events occurring after balance date

In July 2023, the REIT received a capital distribution from CHRP1 of \$42 million representing its 50% share in the net sales proceeds of Brickworks Marketplace.

In July 2023, the REIT entered into a series of new interest rate swaps totalling \$400 million. The swaps were set at a fixed rate of 3.8% for a period of 12 months commencing in June 2025.

### Likely developments and expected results of operations

The consolidated financial statements have been prepared on the basis of current known market conditions. 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.

At the date of this report and to the best of the Directors' knowledge and belief, there are no other anticipated changes in the operations of the REIT which would have a material impact on the future results of the REIT. Property valuation changes, movements in the fair value of derivative financial instruments and movements in interest rates may have a material impact on the REIT's results in future years.

### Indemnification and insurance of Directors, officers and auditor

During the year, the REIT, pursuant to Article 19 of its constitution, contributed to the premium for a contract to insure all Directors, secretaries, executive officers and officers of the REIT and of each related body corporate of the REIT with the balance of the premium paid by Charter Hall Group and funds managed by members of Charter Hall Group. 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

Base fees of \$18.2 million (2022: \$17.8 million) were paid or are payable to the Responsible Entity or its associates for the services provided during the year, in accordance with the REIT's constitution as disclosed in Note D1 to the consolidated financial statements.

## Directors' report (continued)

The interests in the REIT held by the Responsible Entity or its associates as at 30 June 2023 and fees paid to its associates during the year are disclosed in Note D1 to the consolidated financial statements.

### Interests in the REIT

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

	2023	2022
Units on issue at the beginning of the year	581,229,609	574,297,122
Units issued during the year		
- via Distribution Reinvestment Plan	-	6,932,487
<b>Units on issue at the end of the year</b>	<b>581,229,609</b>	<b>581,229,609</b>

### Value of assets

	2023 \$'m	2022 \$'m
<b>Value of REIT assets</b>	<b>4,099.5</b>	<b>4,045.0</b>

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 2023.

### 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	<p>Roger joined the Board of CQR on 7 June 2018 and was appointed Chair of the Board on 13 November 2018.</p> <p>Roger brings over 35 years' experience in banking and investment banking in Australia, the US and Japan.</p> <p>He is currently a Consulting Director at Rothschild (Australia) Limited and a Director of Argo Investments Limited. In his career as a 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.</p> <p>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.</p> <p>Current listed directorships</p> <p>Argo Investments Limited (ASX: ARG)</p> <p>Former listed directorships in the last three years</p> <p>Nil</p>	Chair of Board of Directors, Member of Audit, Risk and Compliance Committee	83,895
Sue Palmer	<p>Sue joined the Board of CQR on 10 November 2015.</p> <p>With more than 40 years' corporate and finance experience, Sue is a professional non-executive director and held senior finance roles across a range of diversified industries during her executive career.</p> <p>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 has a Bachelor of Commerce from the University of Queensland. She is a Chartered Accountant and Fellow of the Australian Institute of Company Directors.</p> <p>Current listed directorships</p> <p>Nil</p> <p>Former listed directorships in last three years</p> <p>Qube Holdings Limited (ASX: QUB)</p> <p>New Hope Corporation Limited (ASX: NHC)</p>	Chair of Audit, Risk and Compliance Committee	10,000

## Directors' report (continued)

Director	Experience	Special responsibilities	Interest in units of the REIT
Michael Gorman	<p>Michael joined the Board of CQR on 10 November 2016.</p> <p>Michael brings more than 30 years' extensive experience in both real estate and the public equity and debt markets.</p> <p>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.</p> <p>Michael is a Non-Executive Director of GPT Funds Management Limited, the Responsible Entity of the GPT wholesale unlisted funds platform and is the Chair of the Investor Representative Committees for both the GPT Wholesale Office Fund and the GPT Wholesale Shopping Centre Fund. Michael is also a Non-Executive Director of Adelaide Airport Limited and the chair of its Property People &amp; Culture Committee and a member of the Infrastructure and Remuneration Committees.</p> <p>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.</p> <p>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.</p> <p>Current listed directorships</p> <p>Nil</p> <p>Former listed directorships in last three years</p> <p>Nil</p>	Member of Audit, Risk and Compliance Committee	25,069



## Directors' report (continued)

David Harrison	<p>David joined the Board of CQR on 1 March 2010.</p> <p>David has over 30 years' property market experience across office, retail and industrial sectors in multiple geographies globally.</p> <p>As Charter Hall's Managing Director and Group CEO, David is responsible for strategically growing the business and maintaining its position as a multi-core sector market leader. David has overseen the growth of the Charter Hall Group from \$500 million to \$88 billion of assets under management in 15 years.</p> <p>David is an executive member of Charter Hall Retail REIT, Charter Hall Long WALE REIT and Partnership Investment Committees, and Chair of the Executive Property Valuation Committee and Executive Leadership Committee.</p> <p>David is the Chair of the Property Council of Australia Nominations and Financial Management Committees. David is also a member of the Property Council Australia Champions of Change Coalition.</p> <p>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.</p> <p>Current listed directorships</p> <p>Charter Hall Group (ASX: CHC)</p> <p>Charter Hall Long WALE REIT (ASX: CLW)</p> <p>Former listed directorships in last three years</p> <p>Nil</p>	Nil	134,378
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## Directors' report (continued)

Director	Experience	Special responsibilities	Interest in units of the REIT
Ben Ellis	<p>Ben joined the Board of CQR on 17 January 2022.</p> <p>Ben brings more than 22 years' experience in the property market, and with that deep knowledge of Charter Hall's business.</p> <p>As Fund Manager of the Charter Hall Retail REIT and Charter Hall's Retail CEO, Ben 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.</p> <p>Prior to becoming the Retail CEO, Ben held several roles with Charter Hall including the Head of Retail Wholesale, then more recently has been Head of Capital Transactions across the Group's property platform, overseeing more than \$25 billion of gross transactions across all sectors.</p> <p>Ben holds a Bachelor of Applied Science, Property Economics from Queensland University of Technology.</p> <p>Current listed directorships</p> <p>Nil</p> <p>Former listed directorships in last three years</p> <p>Nil</p>	Nil	2,250

### Meetings of Directors

Name	Full meetings of Directors		Meetings of Audit, Risk and Compliance Committee	
	Eligible to attend	Attended	Eligible to attend	Attended
Roger Davis	8	8	4	4
Sue Palmer	8	8	4	4
Michael Gorman	8	8	4	4
David Harrison	8	8	-	-
Ben Ellis	8	8	-	-

### Company Secretary

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

Mark holds a Bachelor of Business (Accounting), a Bachelor of Laws (First Class Honours), a Graduate Certificate in Legal Practice, and is admitted as a lawyer of the Supreme Court of NSW. Mark has over 17 years' experience as a lawyer, including advising on listed company governance, securities law, funds management, real estate, and general corporate law. Mark joined Charter Hall in 2012, prior to which he was a Senior Associate in the Sydney office of King & Wood Mallesons.

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

### Non-audit services

There were no non-audit services provided by the auditor (PricewaterhouseCoopers) during the year. (2022: nil)

### 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 17.

### Rounding of amounts to the nearest hundred thousand dollars

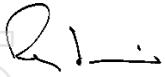
As permitted by ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission relating to the 'rounding off' of amounts in the Directors' report and consolidated financial statements. Amounts in the Directors' report and 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' report (continued)

### 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 14 August 2023. The Directors have the power to amend and re-issue the financial statements.



Roger Davis  
Chair  
Sydney  
14 August 2023



### Auditor's Independence Declaration

As lead auditor for the audit of Charter Hall Retail REIT for the year ended 30 June 2023, 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.

A handwritten signature in black ink, appearing to read 'R. W. McMahon'.

R W McMahon  
Partner  
PricewaterhouseCoopers

Sydney  
14 August 2023

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Liability limited by a scheme approved under Professional Standards Legislation.

## Consolidated statement of comprehensive income

	Notes	2023 \$'m	2022 \$'m
<b>Revenue</b>			
Property income	A1	212.8	200.8
Interest income		0.6	-
<b>Total revenue</b>		<b>213.4</b>	<b>200.8</b>
<b>Other income</b>			
Share of net profit from joint venture and associate entities	B2	40.8	250.1
Net gain on movement in fair value of investment properties	B1	-	279.5
Net gain from derivative financial instruments	C3	-	48.1
Foreign exchange gains		1.0	4.8
<b>Total revenue and other income</b>		<b>255.2</b>	<b>783.3</b>
<b>Expenses</b>			
Property expenses	A1	(69.3)	(67.7)
Net loss on movement in fair value of investment properties	B1	(65.9)	-
Net loss from derivative financial instruments	C3	(15.7)	-
Management fees	D1	(16.1)	(15.3)
Finance costs	C2	(38.8)	(27.6)
Acquisition related and other costs		(5.6)	(5.6)
Other expenses		(3.9)	(3.5)
Net loss on disposal of investment properties		(2.1)	-
<b>Total expenses</b>		<b>(217.4)</b>	<b>(119.7)</b>
<b>Profit for the year</b>		<b>37.8</b>	<b>663.6</b>
<b>Other comprehensive income*</b>			
Change in the fair value of cash flow hedges	C4	(0.2)	6.6
Exchange differences on translation of foreign operations		6.4	(5.5)
<b>Other comprehensive income</b>		<b>6.2</b>	<b>1.1</b>
<b>Total comprehensive income for the year</b>		<b>44.0</b>	<b>664.7</b>
<b>Basic and diluted earnings per ordinary unitholder of the REIT</b>			
Earnings per unit (cents)	A2	6.50	114.67

\* 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	2023 \$'m	2022 \$'m
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		22.4	21.8
Receivables and other assets	D2	10.6	9.9
Distributions receivable		13.4	12.5
Derivative financial instruments	C3	16.8	14.4
Prepayments		2.0	1.9
Assets classified as held for sale	B	2.8	-
<b>Total current assets</b>		<b>68.0</b>	<b>60.5</b>
<b>Non-current assets</b>			
Investment properties	B1	2,680.5	2,692.2
Investments in joint venture and associate entities	B2	1,295.4	1,227.8
Derivative financial instruments	C3	55.6	64.5
<b>Total non-current assets</b>		<b>4,031.5</b>	<b>3,984.5</b>
<b>Total assets</b>		<b>4,099.5</b>	<b>4,045.0</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables and other liabilities	D2	45.6	45.9
Distribution payable	A2	74.4	74.4
Derivative financial instruments	C3	0.3	1.0
<b>Total current liabilities</b>		<b>120.3</b>	<b>121.3</b>
<b>Non-current liabilities</b>			
Borrowings	C2	1,199.8	1,044.5
Derivative financial instruments	C3	30.9	24.7
<b>Total non-current liabilities</b>		<b>1,230.7</b>	<b>1,069.2</b>
<b>Total liabilities</b>		<b>1,351.0</b>	<b>1,190.5</b>
<b>Net assets</b>		<b>2,748.5</b>	<b>2,854.5</b>
<b>Equity</b>			
Contributed equity	C4	2,884.7	2,884.7
Reserves	C4	2.9	(3.3)
Accumulated losses		(139.1)	(26.9)
<b>Total equity</b>		<b>2,748.5</b>	<b>2,854.5</b>

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 2021		2,858.0	(4.4)	(548.4)	2,305.2
Profit for the year		-	-	663.6	663.6
Other comprehensive income		-	1.1	-	1.1
<b>Total comprehensive (loss)/ income for the year</b>		-	1.1	663.6	664.7
Transactions with unitholders in their capacity as unitholders					
- Contributions of equity, net of issue costs	C4	26.7	-	-	26.7
- Distributions paid and payable	A2	-	-	(142.1)	(142.1)
<b>Total equity at 30 June 2022</b>		<b>2,884.7</b>	<b>(3.3)</b>	<b>(26.9)</b>	<b>2,854.5</b>
<b>Total equity at 1 July 2022</b>		<b>2,884.7</b>	<b>(3.3)</b>	<b>(26.9)</b>	<b>2,854.5</b>
Profit for the year		-	-	37.8	37.8
Other comprehensive income/(loss)		-	6.2	-	6.2
<b>Total comprehensive income/(loss) for the year</b>		-	6.2	37.8	44.0
Transactions with unitholders in their capacity as unitholders					
- Contributions of equity, net of issue costs	C4	-	-	-	-
- Distributions paid and payable	A2	-	-	(150.0)	(150.0)
<b>Total equity at 30 June 2023</b>		<b>2,884.7</b>	<b>2.9</b>	<b>(139.1)</b>	<b>2,748.5</b>

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

## Consolidated cash flow statement

		2023 \$'m	2022 \$'m
<b>Cash flows from operating activities</b>			
Property income received		250.8	232.9
Property expenses paid		(79.9)	(73.8)
Distributions received from investments in joint venture and associate entities		61.7	55.6
Interest received		0.6	-
Other operating expenses paid		(22.3)	(19.4)
Finance costs paid		(36.3)	(23.7)
GST paid to ATO on operating activities		(13.1)	(13.0)
GST paid to ATO on investing activities		0.7	(0.4)
<b>Net cash flows from operating activities</b>	A3	<b>162.2</b>	<b>158.2</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investment properties and units in a fixed trust		159.7	-
Payments for investment properties		(66.7)	(57.4)
Payments for investments accounted for using the equity method		(183.7)	(100.2)
Payments for capital expenditure on investment properties		(71.0)	(55.2)
<b>Net cash flows used in investing activities</b>		<b>(161.7)</b>	<b>(212.8)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		267.8	235.4
Repayment of borrowings		(113.1)	(64.5)
Payments for interest rate swaps		(4.6)	-
Distributions paid to unitholders, net of DRP		(150.0)	(113.8)
<b>Net cash flows from financing activities</b>		<b>0.1</b>	<b>57.1</b>
Net decrease in cash held		0.6	2.5
Cash and cash equivalents at the beginning of the year		21.8	19.3
<b>Cash and cash equivalents at the end of the year</b>		<b>22.4</b>	<b>21.8</b>

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	2023 \$'m	2022 \$'m
Distributions by the REIT during the year satisfied by the issue of units under the DRP	A2, C4	-	26.7



## 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.

<b>Fund performance</b>	<b>23</b>	<b>Property portfolio assets</b>	<b>27</b>
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### 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 and associate 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

## 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.

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.

In preparing its financial statements the REIT has considered how the future economic outlook may impact upon 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.

Estimation uncertainty is associated with:

- the extent and duration of a high inflation and interest rate environment, including:
  - disruption and volatility in capital markets;
  - deteriorating credit and liquidity concerns, impacting the ability of the REIT's speciality tenants to meet their rental obligations;
  - declines in consumer discretionary spending;
  - the effectiveness of government and central bank measures; and
  - judgements in property valuations such as letting up time, incentives provided and vacancy.

The uncertainty of the current geopolitical events and subsequent increase in consumer price inflation and interest rates in Australia may have an impact on the future performance of the portfolio. The REIT benefits from its inflation linked revenue streams and the interest rate hedging in place.

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 2023 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

This segment comprises long WALE convenience retail investment properties which includes service station and hospitality assets. The assets are held both directly and through investments in joint venture and associate 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 reported to the Board for the operating segments for the years ended 30 June 2023 and 30 June 2022 are as follows:

## A. Fund performance (continued)

	2023 \$'m	2022 \$'m
<i>Convenience retail segment</i>		
Property rental income	162.9	156.9
Other income	46.6	43.9
Add back: non-cash adjustments	13.9	15.5
Property expenses	(69.3)	(67.7)
Net income from joint venture entities	28.6	28.8
<b>Total convenience retail segment income</b>	<b>182.7</b>	<b>177.4</b>
<b>Long WALE retail segment income</b>	<b>40.0</b>	<b>30.8</b>
<b>Total segment income</b>	<b>222.70</b>	<b>208.2</b>
Interest income	0.6	-
Management fees (refer to note D1)	(16.1)	(15.3)
Finance costs	(36.5)	(25.0)
Other expenses	(3.8)	(3.5)
<b>Operating earnings</b>	<b>166.9</b>	<b>164.4</b>
	<b>2023 \$'m</b>	<b>2022 \$'m</b>
<i>Convenience retail segment</i>		
Property rental income	162.9	156.9
Other income	46.6	43.9
<i>Long WALE retail segment</i>		
Property rental income	3.3	-
<b>Total property rental income</b>	<b>212.8</b>	<b>200.8</b>

### Property rental income

Property rental income represents income earned from the long-term rental of the REIT's 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).

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
<b>2023</b>	<b>197.9</b>	<b>183.8</b>	<b>162.9</b>	<b>140.2</b>	<b>110.1</b>	<b>312.8</b>	<b>1,107.7</b>
<b>2022</b>	<b>191.1</b>	<b>176.3</b>	<b>159.2</b>	<b>139.2</b>	<b>117.8</b>	<b>341.4</b>	<b>1,125.0</b>

### 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 with lease agreements and relevant Retail Tenancy Acts.

### 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 on a look through basis (including the REIT's share of joint ventures and associates) is set out below:

## A. Fund performance (continued)

	2023 \$'m	2022 \$'m
<b>Operating earnings</b>	<b>166.9</b>	164.4
Net revaluation (loss)/gain on investment properties	(83.6)	450.7
Straight lining of rental income and amortisation of incentives	(18.0)	(20.6)
Acquisition related and other costs	(5.6)	(5.6)
Loss on sale of investment properties	(2.4)	-
Net (loss)/gain on derivative financial instruments	(19.9)	70.9
Foreign exchange gain	1.0	4.8
Other	(0.6)	(1.0)
<b>Statutory profit for the year</b>	<b>37.8</b>	663.6
Basic weighted average number of units (millions)	<b>581.2</b>	578.7
Basic and diluted earnings per unit (cents)	<b>6.50</b>	114.67
Operating earnings per unit (cents)	<b>28.71</b>	28.40
Distribution per unit (cents)	<b>25.80</b>	24.50

### A2. Distributions and earnings per unit

#### (a) Distributions paid and payable

	Distribution Cents per unit	Total amount \$'m
<i>Ordinary unitholders</i>		
Distributions for the half year ended:		
31 December 2022 (paid 28 February 2023)	13.00	75.6
30 June 2023 (payable 31 August 2023)*	12.80	74.4
<b>Total 2023</b>	<b>25.80</b>	<b>150.0</b>
<i>Ordinary unitholders</i>		
Distributions for the half year ended:		
31 December 2021 (paid 28 February 2022)	11.70	67.7
30 June 2022 (paid 31 August 2022)	12.80	74.4
<b>Total 2022</b>	<b>24.50</b>	<b>142.1</b>

\* The distribution of 12.80 cents per unit for the six month period ended 30 June 2023 was declared prior to 30 June 2023 and will be paid on 31 August 2023.

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

	2023	2022
<b>Basic and diluted earnings per unit</b>		
Net profit for the year (\$'m)	37.8	663.6
Operating earnings for the year (\$'m)	166.9	164.4
Weighted average number of units used in the calculation of basic earnings per unit (millions)*	581.2	578.7
<b>Basic and diluted earnings per ordinary unitholder of the REIT</b>		
Earnings per unit (cents)	6.50	114.67
Operating earnings per unit (cents)	28.71	28.40

\* 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.

## A. Fund performance (continued)

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.

### A3. Reconciliation of net profit to operating cash flow

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

	Notes	2023 \$'m	2022 \$'m
<b>Statutory profit for the year</b>		<b>37.8</b>	663.6
<i>Non-cash items</i>			
Straight lining and amortisation of lease incentives		<b>13.9</b>	15.5
Share of net profit on investment in joint venture and associate entities		<b>24.5</b>	(190.4)
Property valuation (gain)/loss		<b>71.5</b>	(274.0)
Loss on sale of investment properties		<b>2.1</b>	0.1
Net (gain)/loss on derivative financial instruments	B2, C3	<b>18.1</b>	(45.9)
Write off of capitalised borrowing costs related to refinancing		-	0.3
Foreign exchange gains		<b>(1.0)</b>	(4.8)
<i>Change in assets and liabilities</i>			
(Increase)/decrease in assets			
Receivables and other assets		<b>(1.8)</b>	(3.6)
Accrued interest on derivative instruments		-	(0.3)
Net income receivable from investment in joint venture and associate entities		<b>(3.6)</b>	(4.2)
Prepayments		<b>(0.1)</b>	(0.8)
Unamortised borrowing costs		<b>0.4</b>	0.6
Increase/(decrease) in liabilities			
Payables and other liabilities		<b>0.4</b>	2.1
<b>Net cash flows from operating activities</b>		<b>162.2</b>	158.2

## 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 and associates. 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 and associates 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	2023 \$'m	2022 \$'m
<b>Non-current assets</b>			
Investment properties	B1	2,680.5	2,692.2
Joint venture and associate investment property	B2	1,603.2	1,606.7
Joint venture and associate adjustment*	B2	(307.8)	(378.9)
<b>Total non-current assets</b>		<b>3,975.9</b>	<b>3,920.0</b>
<b>Current assets</b>			
Assets held for sale**	B1	2.8	-
<b>Property portfolio assets, including interests in joint venture and associates</b>		<b>3,978.7</b>	<b>3,920.0</b>

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

\*\* Allenstown vacant land held for sale \$2.8 million, refer to Note B1(c).

### 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 period 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.

#### (a) Valuation process

The Responsible Entity conducts an investment property valuation process on a semi-annual basis. This process is overseen by the Executive Property Valuations Committee (EVPC) which is an internal Charter Hall committee comprised of The Group CEO, Chief Investment Officer and Head of Capital Transactions. The role of the EVPC is to oversee the valuation process including:

- approving a panel of independent valuers;
- reviewing key valuation inputs and assumptions;
- reviewing the independent valuations prior to these being presented to the Board; and
- to act as an escalation point between the group and any external valuer.

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 2023, 97% of investment properties, including joint ventures and associates were externally valued (2022: 100%).

## B. Property portfolio assets (continued)

### (b) Valuation techniques and key judgements

In determining the 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 and future macro-economic environment. 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 is determined using Discounted Cash Flow (DCF) and income capitalisation methods.

	Fair value \$'m	Gross market rent (\$ p.a./sqm)	Capitalisation rate (%)	Terminal yield (%)	Discount rate (%)
2023	2,680.5	130 - 686	4.6 - 7.3	5.1 - 7.5	5.0 - 8.0
2022	2,692.2	160 - 684	4.3 - 7.8	4.5 - 8.0	5.0 - 8.3

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.

Movements in capitalisation rate and discount rate are considered by the REIT as the most significant assumptions to impact the fair value of investment properties.

#### Sensitivity analysis

The table below reflects the potential net increase/(decrease) in the REIT's investment properties (on look through basis), resulting from changes in the capitalisation rate.

	- 25 basis points \$'m	+ 25 basis points \$'m
2023	201.0	(184.0)
2022	217.3	(197.3)

Valuation movements in convenience retail assets are exposed to variations in both capitalisation rates and discount rates.

Valuation movements in Long WALE convenience retail assets are exposed to variations in capitalisation rates.

The table below reflects the potential net increase/(decrease) in the REIT's wholly owned convenience retail investment properties, resulting from changes in the discount rate.

	- 25 basis points \$'m	+ 25 basis points \$'m
2023	48.2	(47.5)
2022	49.1	(48.2)



## B. Property portfolio assets (continued)

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

	2023 \$'m	2022 \$'m
Carrying amount at the beginning of the year	2,692.2	2,314.4
Additions and capital improvements	135.5	113.8
Acquisition costs incurred	1.4	3.6
Revaluation decrement attributable to acquisition costs	(1.4)	(3.6)
Net revaluation (decrement)/increment	(65.9)	279.5
Straight lining and amortisation of lease incentives	(13.9)	(15.5)
Disposals	(64.6)	-
Reclassification of investment properties as held for sale	(2.8)	-
<b>Carrying amount at the end of the year</b>	<b>2,680.5</b>	<b>2,692.2</b>

### B2. Investment in joint venture and associate entities

The REIT accounts for investments in joint venture entities and associates using the equity method, with investments initially recognised at cost and adjusted thereafter to recognise the REIT's share of post-acquisition profits or losses of the investee in profit or loss, and the REIT's share of movements in other comprehensive income of the investee in other comprehensive income of the REIT. Distributions received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

When the REIT's share of losses in an equity accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the REIT does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the REIT and its joint venture entities are eliminated to the extent of the REIT's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the REIT.

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. An associate is an entity over which the REIT has significant influence. The principal activity of all joint venture entities and associates during the year was property investment.

Management 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 and associate entities is detailed below. All joint venture and associate entities have a reporting period end date of 30 June.

Joint venture and associate entity	Country of establishment	Principal activity	Ownership interest	
			2023 %	2022 %
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%	50.0%
Ampol Property Trust 2 (APT2)	Australia	Property investment	49.0%	49.0%
CH AP Fund (CHAPF)	Australia	Property investment	5.0%	5.0%
Z Energy Property Limited Partnership**	New Zealand	Property investment	49.0%	-
LWIP2 Trust***	Australia	Property investment	26.0%	-

\* In October 2022, the REIT divested its units in Charter Hall Direct CDC Trust for \$95.1 million.

\*\* In October 2022, the REIT acquired 49.0% of the units of Z Property Limited Partnership for \$118.2 million classified as a Joint Venture.



## B. Property portfolio assets (continued)

\*\*\* In March 2023, the REIT acquired 17.8% of the units of LWIP2 Trust for \$42.0 million classified as a Joint Venture. In April 2023, the REIT acquired an additional 8.2% of the units of LWIP2 Trust for \$19.4 million.

### (a) Equity accounted value of investment in joint venture and associate entities

	2023 \$'m	2022 \$'m
Balance at the beginning of the year	1,227.8	940.2
Acquisition of interest in joint ventures and associates	179.5	94.1
Acquisition costs incurred	4.1	2.0
Revaluation decrement attributable to acquisition costs	(4.1)	(2.0)
Share of profits and net property valuation gains	40.8	250.1
Distributions received and receivable*	(62.1)	(57.1)
Capital distribution	(1.2)	-
Distribution reinvested	-	1.8
Equity calls	-	4.5
Unrealised foreign exchange movements on investments	5.8	(5.5)
Disposal of interest in joint ventures and associates	(95.1)	-
Other	(0.1)	(0.3)
<b>Balance at the end of the year</b>	<b>1,295.4</b>	<b>1,227.8</b>

\* Includes \$13.4 million in distributions receivable by the REIT at 30 June 2023 (2022: \$12.5 million).

### (b) Share of results attributable to joint venture and associate entities

The tables below provide summarised information about the financial performance of the joint venture and associate entities as a whole as at 30 June 2023, 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).

	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
<b>2023</b>						
<b>Income</b>						
Property income	42.2	19.6	56.8	-	8.3	126.9
Share of net profit from associates	-	-	-	49.8	70.3	120.1
Property expenses	(13.1)	(5.2)	(14.8)	-	(1.0)	(34.1)
<b>Net property income</b>	<b>29.1</b>	<b>14.4</b>	<b>42.0</b>	<b>49.8</b>	<b>77.6</b>	<b>212.9</b>
Finance costs	(7.4)	(2.5)	(4.1)	(12.6)	(1.5)	(28.1)
Other expenses	(2.4)	(1.2)	(1.7)	(0.3)	(3.3)	(8.9)
<b>Total expenses</b>	<b>(9.8)</b>	<b>(3.7)</b>	<b>(5.8)</b>	<b>(12.9)</b>	<b>(4.8)</b>	<b>(37.0)</b>
<b>Operating earnings</b>	<b>19.3</b>	<b>10.7</b>	<b>36.2</b>	<b>36.9</b>	<b>72.8</b>	<b>175.9</b>
Net revaluation increment/(decrement) on investment properties	(4.7)	(0.3)	3.4	(9.4)	(38.9)	(49.9)
Gain/(loss) on disposal	(0.7)	-	-	-	-	(0.7)
Net unrealised gain/(loss) on derivative financial instruments	(0.1)	(0.3)	(0.4)	(3.4)	0.3	(3.9)
Other	(2.4)	(2.3)	(4.7)	(1.7)	(0.6)	(11.7)
<b>Statutory profit for the year</b>	<b>11.4</b>	<b>7.8</b>	<b>34.5</b>	<b>22.4</b>	<b>33.6</b>	<b>109.7</b>
<b>Total comprehensive income</b>	<b>11.4</b>	<b>7.8</b>	<b>34.5</b>	<b>22.4</b>	<b>33.6</b>	<b>109.7</b>
<b>REIT's interest in total comprehensive income*</b>	<b>5.7</b>	<b>3.9</b>	<b>11.5</b>	<b>10.6</b>	<b>9.1</b>	<b>40.8</b>

\* In October 2022, the REIT divested 52% of the units in CDC Trust and acquired 49.0% of the units of Z Energy.

In March 2023, the REIT acquired 17.8% of the units of LWIP2 Trust for \$42.0 million classified as a Joint Venture. In April 2023, the REIT acquired an additional 8.2% of the units of LWIP2 Trust for \$19.4 million.

The above table shows the financial performance of CDC from 1 July 2022 to 18 October 2022, Z Energy from 21 October 2022 to 30 June 2023 and LWIP2 from 31 March 2023 to 30 June 2023.

## B. Property portfolio assets (continued)

	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
<b>2022</b>						
<b>Income</b>						
Property income	41.8	19.2	53.5	-	15.4	129.9
Share of net profit from associates	-	-	-	47.2	16.5	63.7
Property expenses	(13.2)	(5.0)	(14.4)	-	(1.5)	(34.1)
<b>Net property income</b>	<b>28.6</b>	<b>14.2</b>	<b>39.1</b>	<b>47.2</b>	<b>30.4</b>	<b>159.5</b>
Finance costs	(5.5)	(2.3)	(2.8)	(11.9)	(2.1)	(24.6)
Other expenses	(2.3)	(1.1)	(1.6)	(0.3)	-	(5.3)
<b>Total expenses</b>	<b>(7.8)</b>	<b>(3.4)</b>	<b>(4.4)</b>	<b>(12.2)</b>	<b>(2.1)</b>	<b>(29.9)</b>
<b>Operating earnings</b>	<b>20.8</b>	<b>10.8</b>	<b>34.7</b>	<b>35.0</b>	<b>28.3</b>	<b>129.6</b>
Net revaluation increment/(decrement) on investment properties	46.7	36.7	96.7	113.0	94.8	387.9
Net unrealised loss on derivative financial instruments	9.3	4.3	4.1	36.6	-	54.3
Other	(2.5)	(2.6)	(7.1)	(0.7)	(2.4)	(15.3)
<b>Statutory profit for the year</b>	<b>74.3</b>	<b>49.2</b>	<b>128.4</b>	<b>183.9</b>	<b>120.7</b>	<b>556.5</b>
<b>Total comprehensive income</b>	<b>74.3</b>	<b>49.2</b>	<b>128.4</b>	<b>183.9</b>	<b>120.7</b>	<b>556.5</b>
<b>REIT's interest in total comprehensive income</b>	<b>37.2</b>	<b>24.5</b>	<b>45.6</b>	<b>87.4</b>	<b>55.4</b>	<b>250.1</b>

## B. Property portfolio assets (continued)

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

The tables below provide summarised information about the financial position of the joint venture and associate entities as a whole as at 30 June 2023, 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.

	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
<b>2023</b>						
<b>Summarised balance sheet:</b>						
Current assets	86.2	2.8	9.5	14.8	16.6	129.9
Investment properties - non-current assets	439.0	262.5	750.5	-	272.3	1,724.3
Investment in units - non-current assets	-	-	-	1,087.6	1,605.2	2,692.8
Derivative financial instruments - non-current assets	4.2	2.0	-	31.2	1.2	38.6
Current liabilities	12.2	6.4	12.6	14.4	17.1	62.7
Borrowings - non-current liabilities	177.0	66.9	103.2	427.8	55.3	830.2
<b>Net assets</b>	<b>340.2</b>	<b>194.0</b>	<b>644.2</b>	<b>691.4</b>	<b>1,822.9</b>	<b>3,692.7</b>
<b>REIT's interest in %</b>	<b>50.0</b>	<b>49.9</b>	<b>Various</b>	<b>47.5</b>	<b>Various</b>	
<b>REIT's interest in \$'m and carrying value*</b>	<b>170.1</b>	<b>96.8</b>	<b>237.2</b>	<b>328.4</b>	<b>462.9</b>	<b>1,295.4</b>

\* In October 2022, the REIT acquired 49.0% of the units of Z Property Limited Partnership for \$118.2 million classified as a Joint Venture.

In March 2023, the REIT acquired 17.8% of the units of LWIP2 Trust for \$42.0 million classified as a Joint Venture. In April 2023, the REIT acquired an additional 8.2% of the units of LWIP2 Trust for \$19.4 million.

\*\* In June 2023, CHRP1 sold Brickworks Marketplace, SA for a gross price of \$85.0 million.

	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
<b>2022</b>						
<b>Summarised balance sheet:</b>						
Current assets	4.7	3.5	8.4	12.3	17.2	46.1
Investment properties - non-current assets	520.5	261.0	741.0	-	288.2	1,810.7
Investment in units - non-current assets	-	-	-	1,099.5	1,373.5	2,473.0
Derivative financial instruments - non-current assets	4.3	1.9	2.0	33.3	-	41.5
Current liabilities	11.0	6.3	15.0	10.6	17.1	60.0
Borrowings - non-current liabilities	170.3	63.1	96.9	426.0	105.0	861.3
<b>Net assets</b>	<b>348.2</b>	<b>197.0</b>	<b>639.5</b>	<b>708.5</b>	<b>1,556.8</b>	<b>3,450.0</b>
<b>REIT's interest in %</b>	<b>50.0</b>	<b>49.9</b>	<b>Various</b>	<b>47.5</b>	<b>Various</b>	
<b>REIT's interest in \$'m and carrying value</b>	<b>174.1</b>	<b>98.3</b>	<b>236.0</b>	<b>336.5</b>	<b>382.9</b>	<b>1,227.8</b>

### B3. Expenditure commitments

The REIT and its joint venture and associate 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 \$11.7 million (2022: \$2.0 million). The REIT's share in the commitments of the joint venture and associate entities is \$16.8 million (2022: \$15.5 million). These commitments have not been recognised in the consolidated financial statements of the REIT.

As at 30 June 2023 the REIT has no commitments or contingent liabilities other than those described above.

## C. Capital structure and financial risk management

The REIT's activities expose it to numerous external financial risks such as market risk, credit risk, foreign exchange 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 currently 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.

The REIT's approach to capital management 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 uses cross currency swaps, foreign currency denominated debt and Forward Exchange Contracts (FEC) to ensure it is 100% foreign exchange hedged for all foreign denominated debt and interest rate obligations and 90-100% capital hedged on the foreign currency gross asset value, see note C3. The REIT's foreign currency assets or liabilities include the US Private Placement (USPP) notes 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. 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 and associates.

	2023				2022			
	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*	-	445.4	445.4	448.3	-	446.2	446.2	443.5
Bank loan - term debt**	-	754.4	754.4	758.4	-	598.3	598.3	599.1
Total unsecured borrowings	-	1,199.8	1,199.8	1,206.7	-	1,044.5	1,044.5	1,042.6
Undrawn bank facility			67.0				172.7	

\* Includes a fair value hedge adjustment of \$(42.0) million (30 June 2022: \$(24.7) million).

\*\* Includes unamortised transaction costs of \$3.6 million (30 June 2022: \$4.0 million).

#### US Private Placement notes

Information about USPP notes is summarised in the table below:

## C. Capital structure and financial risk management (continued)

	US dollar fixed coupon	Issue date	Maturity date	Australian dollar equivalent at issue date \$'m	Carrying amount 30 Jun 2023 \$'m
USPP	3.55%	July 2015	July 2027	251.6	299.9
USPP	3.76%	May 2016	May 2026	177.4	187.5
<b>Total exposure</b>				429.0	487.4
Fair value hedge adjustment				-	(42.0)
<b>Total</b>				429.0	445.4

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).

### Bank loans – Bilateral revolving facility agreements

	Facility limits \$'m	Drawn amount at 30 Jun 2023 \$'m
<b>Maturity date</b>		
March 2026	100.0	100.0
July 2026	330.0	330.0
November 2026	170.0	170.0
December 2026	100.0	95.0
July 2027	75.0	13.0
July 2028	50.0	50.0
	825.0	758.0

### Net debt reconciliation

	2022 \$'m	Movement in derivatives and foreign exchange \$'m	Movement in transaction costs \$'m	Movement in cash \$'m	2023 \$'m
Bank loans	602.3	-	-	155.7	758.0
Unamortised transaction costs	(4.0)	-	0.4	-	(3.6)
USPP	470.9	16.5	-	-	487.4
Fair value hedge adjustment	(24.7)	(17.3)	-	-	(42.0)
<b>Total unsecured borrowings</b>	<b>1,044.5</b>	<b>(0.8)</b>	<b>0.4</b>	<b>155.7</b>	<b>1,199.8</b>
Cash	(21.8)	-	-	(0.6)	(22.4)
<b>Net Debt</b>	<b>1,022.7</b>	<b>(0.8)</b>	<b>0.4</b>	<b>155.1</b>	<b>1,177.4</b>

	2021 \$'m	Movement in derivatives and foreign exchange \$'m	Movement in transaction costs \$'m	Movement in cash \$'m	2022 \$'m
Bank loans	436.1	-	-	166.2	602.3
Unamortised transaction costs	(4.5)	-	0.5	-	(4.0)
USPP	433.4	37.5	-	-	470.9
Fair value hedge adjustment	18.5	(43.2)	-	-	(24.7)
<b>Total unsecured borrowings</b>	<b>883.5</b>	<b>(5.7)</b>	<b>0.5</b>	<b>166.2</b>	<b>1,044.5</b>
Cash	(19.3)	-	-	(2.5)	(21.8)
<b>Net Debt</b>	<b>864.2</b>	<b>(5.7)</b>	<b>0.5</b>	<b>163.7</b>	<b>1,022.7</b>

### 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%;

## C. Capital structure and financial risk management (continued)

- the REIT's look through share in the priority debt of the joint venture and associate 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%.

The REIT complied with all debt covenants during the financial year.

### 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;
- 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

	2023 \$'m	2022 \$'m
Finance costs paid or payable*	41.5	29.4
Less: Capitalised finance costs	(2.7)	(1.8)
	38.8	27.6

\* Included in finance costs is \$51.5 million of interest on financial liabilities measured at amortised cost (2022: \$29.7 million) offset by \$10.0 million of interest received from interest rate swaps (2022: \$0.3 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:

## C. Capital structure and financial risk management (continued)

### Consolidated balance sheet

	2023		2022	
	Asset \$'m	Liability \$'m	Asset \$'m	Liability \$'m
<b>Current</b>				
Interest rate swaps	12.0	-	9.4	-
Cross currency swaps	4.8	-	5.0	-
Foreign exchange contract	-	0.3	-	1.0
<b>Total current derivative financial instruments</b>	<b>16.8</b>	<b>0.3</b>	<b>14.4</b>	<b>1.0</b>
<b>Non-current</b>				
Interest rate swaps	30.7	-	37.7	-
Cross currency swaps	24.9	5.8	26.5	6.4
Foreign exchange contract	-	25.1	0.3	18.3
<b>Total non-current derivative financial instruments</b>	<b>55.6</b>	<b>30.9</b>	<b>64.5</b>	<b>24.7</b>
<b>Total derivative financial assets/liabilities</b>	<b>72.4</b>	<b>31.2</b>	<b>78.9</b>	<b>25.7</b>

Cross currency interest rate swaps currently in place cover 100% (2022: 100%) of the US dollar denominated debt outstanding.

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

	2023 \$'m	2022 \$'m
<b>Cross currency interest rate swaps</b>		
Carrying amount	23.9	25.1
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	(1.2)	(0.7)
Change in value of hedged item used to determine hedge effectiveness	1.7	2.7

### Summary of cross currency interest rate swap movements

	2022 \$'m	Foreign exchange and fair value movement \$'m	2023 \$'m
USPP	(470.9)	(16.5)	(487.4)
Fair value hedge adjustment	24.7	17.3	42.0
<b>Total USPP exposure</b>	<b>(446.2)</b>	<b>0.8</b>	<b>(445.4)</b>
Cross currency interest rate swaps	25.1	(1.2)	23.9
Accrued interest on swaps	(5.0)	0.2	(4.8)
<b>Total cross currency interest rate swaps</b>	<b>20.1</b>	<b>(1.0)</b>	<b>19.1</b>
<b>Net USPP exposure</b>	<b>(426.1)</b>	<b>(0.2)</b>	<b>(426.3)</b>

	2021 \$'m	Foreign exchange and fair value movement \$'m	2022 \$'m
USPP	(433.4)	(37.5)	(470.9)
Fair value hedge adjustment	(18.5)	43.2	24.7
<b>Total USPP exposure</b>	<b>(451.9)</b>	<b>5.7</b>	<b>(446.2)</b>
Cross currency interest rate swaps	25.8	(0.7)	25.1
Accrued interest on swaps	(4.8)	(0.2)	(5.0)
<b>Total cross currency interest rate swaps</b>	<b>21.0</b>	<b>(0.9)</b>	<b>20.1</b>
<b>Net USPP exposure</b>	<b>(430.9)</b>	<b>4.8</b>	<b>(426.1)</b>

## C. Capital structure and financial risk management (continued)

### (b) Interest rate swaps

At 30 June 2023, the weighted average fixed rate is 1.94% per annum (2022: 1.11% 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
<b>2023</b>	<b>125.0</b>	<b>847.4</b>	-	-	-	<b>972.4</b>
2022	480.0	420.0	177.4	-	-	1,077.4

### (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	2023 \$'m	2022 \$'m
574,297,122	Units on issue	30 June 2021		2,858.0
4,082,361	DRP issue	31 August 2021		15.0
2,850,126	DRP issue	28 February 2022		11.7
581,229,609	Units on issue	30 June 2022	2,884.7	2,884.7
<b>581,229,609</b>	<b>Units on issue</b>	<b>30 June 2023</b>	<b>2,884.7</b>	

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 DRP was suspended for the year ended 30 June 2023.



## C. Capital structure and financial risk management (continued)

### (b) Reserves

	Foreign currency translation reserve	Cash flow hedge reserve	Foreign currency basis reserve	Total reserves
	\$'m	\$'m	\$'m	\$'m
Opening balance 1 July 2022	(6.2)	1.5	1.4	(3.3)
Changes in reserves	6.4	0.7	(0.9)	6.2
<b>Balance 30 June 2023</b>	<b>0.2</b>	<b>2.2</b>	<b>0.5</b>	<b>2.9</b>
Opening balance 1 July 2021	(0.7)	(2.2)	(1.5)	(4.4)
Changes in reserves	(5.5)	3.7	2.9	1.1
Balance 30 June 2022	(6.2)	1.5	1.4	(3.3)

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 are 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.	<ul style="list-style-type: none"> <li>– Cross currency swaps are used to convert US dollar borrowings into Australian dollar exposures.</li> <li>– NZD denominated borrowings and forward exchange contracts are used to hedge the net investment in foreign operations and distributions received.</li> </ul>
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.	<ul style="list-style-type: none"> <li>– Interest rate swaps are used to hedge movements in interest rates.</li> </ul>
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.	<ul style="list-style-type: none"> <li>– 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.</li> </ul>
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.	<ul style="list-style-type: none"> <li>– Performing credit reviews on prospective tenants, obtaining tenant collateral and detailed review of tenant arrears.</li> <li>– Reviewing the aggregate exposure of receivables and tenancies across the portfolio.</li> <li>– Limiting the credit exposure to any one financial institution and limiting to investment grade counterparties.</li> <li>– Monitoring the public credit rating of counterparties.</li> </ul>

### (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.

The REIT's investments in foreign operations arises from the translation of New Zealand assets and liabilities from New Zealand dollars to Australian dollars. The foreign currency exposure to NZD is hedged by forward exchange contracts.

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

	NZ dollars <sup>1</sup>	
	2023 \$'m	2022 \$'m
<b>Assets</b>		
Cash and cash equivalents	0.6	-
Receivables	2.0	1.8
Equity accounted investments	300.6	181.5
Investment Properties	72.8	-
	<b>376.0</b>	<b>183.3</b>
<b>Liabilities</b>		
Payables	(2.0)	(1.8)
	<b>(2.0)</b>	<b>(1.8)</b>
<b>Net assets/(liabilities)</b>	<b>374.0</b>	<b>181.5</b>

1 Australian dollar equivalents of foreign denominated balances.

## C. Capital structure and financial risk management (continued)

### (ii) Market risk – Interest rate risk

The table below shows the REIT's exposure to interest rate risk. At balance date, the REIT fixed 79.0% (2022: 83.3%) of its direct and joint venture and associate interest rate exposure.

	Australian dollars		US dollars <sup>1</sup>		NZ dollars <sup>1</sup>		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m
<b>Fixed rate</b>								
USPP <sup>2</sup>	-	-	(487.4)	(470.9)	-	-	(487.4)	(470.9)
<b>Net fixed rate exposure</b>	-	-	(487.4)	(470.9)	-	-	(487.4)	(470.9)
<b>Floating rate</b>								
Cash	22.4	21.8	-	-	-	-	22.4	21.8
Cash - joint venture and associate entities <sup>3</sup>	46.0	6.9	-	-	-	-	46.0	6.9
Borrowings <sup>2</sup>	(758.0)	(440.5)	-	-	-	(161.8)	(758.0)	(602.3)
Borrowings - joint venture and associate entities <sup>3</sup>	(360.1)	(393.0)	-	-	-	-	(360.1)	(393.0)
	(1,049.7)	(804.8)	-	-	-	(161.8)	(1,049.7)	(966.6)
<b>Derivative financial instruments</b>								
Cross currency interest rate swaps - fixed to floating <sup>4</sup>	(429.0)	(429.0)	487.4	470.9	-	-	58.4	41.9
Interest rate swaps - floating to fixed <sup>5</sup>	972.4	1,077.4	-	-	-	-	972.4	1,077.4
Interest rate swaps - floating to fixed - joint venture entities <sup>6</sup>	296.0	286.9	-	-	-	-	296.0	286.9
	839.4	935.3	487.4	470.9	-	-	1,326.8	1,406.2
<b>Net floating rate exposure</b>	(210.3)	130.5	-	-	-	(161.8)	(210.3)	(31.3)

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 and associate 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.

### 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 2023, with all other variables remaining constant. The analysis was performed on the same basis for 30 June 2022.

	2023		2022	
	Profit and loss	Reserves	Profit and loss	Reserves
	\$'m	\$'m	\$'m	\$'m
<b>Australian interest rates</b>				
+ 1.00% (2022: + 1.00%)	6.7	-	9.9	-
- 1.00% (2022: - 1.00%)	(7.0)	-	(10.3)	-

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.

### (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 2023. 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

## C. Capital structure and financial risk management (continued)

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
<b>2023</b>					
<b>Financial liabilities</b>					
Payables	(45.6)	(45.6)	-	-	(45.6)
Distribution payable	74.4	74.4	-	-	74.4
Borrowings	(1,245.2)	(62.7)	(1,347.4)	(50.1)	(1,460.2)
Derivative financial instruments	(31.2)	11.8	39.2	-	51.0
<b>Total financial liabilities</b>	<b>(1,247.6)</b>	<b>(22.1)</b>	<b>(1,308.2)</b>	<b>(50.1)</b>	<b>(1,380.4)</b>
<b>2022</b>					
Financial liabilities					
Payables	(45.9)	(45.9)	-	-	(45.9)
Distribution payable	74.4	74.4	-	-	74.4
Borrowings	(1,073.1)	(38.0)	(940.0)	(294.9)	(1,272.9)
Derivative financial instruments	(25.7)	14.5	(16.8)	45.8	43.5
<b>Total financial liabilities</b>	<b>(1,070.3)</b>	<b>5.0</b>	<b>(956.8)</b>	<b>(249.1)</b>	<b>(1,200.9)</b>

The amount of credit facilities unused by the REIT at 30 June 2023 is \$67.0 million (2022: \$172.7 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 2023 the REIT has no significant concentrations of credit risk on its receivables other than exposure to the Coles (13.0%), Woolworths (14.6%), bp (12.3%), Wesfarmers (7.7%) and Ampol (4.5%) businesses which contribute 52.1% (2022: 51.6%) of the total property income. 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
<b>2023</b>					
Rent receivables	1.7	0.2	0.4	0.6	2.9
Provision for expected credit losses					(1.7)
<b>2022</b>					
Rent receivables	2.5	0.7	0.6	0.7	4.5
Provision for expected credit losses					(1.7)

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.

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.

## C. Capital structure and financial risk management (continued)

### 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
<b>2023</b>			
Derivative assets	72.4	(31.2)	41.2
Derivative liabilities	(31.2)	31.2	-
Borrowings	(1,199.8)	-	(1,199.8)
	(1,158.6)	-	(1,158.6)
<b>2022</b>			
Derivative assets	78.9	(25.7)	53.2
Derivative liabilities	(25.7)	25.7	-
Borrowings	(1,044.5)	-	(1,044.5)
	(991.3)	-	(991.3)

## 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 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.

Directors' fees totalling \$471,774 (2022: \$456,233) 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 and associate 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 2023, the Index increased in value by 144.6% compared to the REIT's cumulative performance which increased by 114.6% (difference of 30.0%).

## D. Further information (continued)

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

The Responsible Entity and its related parties held 62,101,875 units in the REIT as at 30 June 2023 (2022: 62,101,875).

Following is a summary of related party transactions, including the REIT's share of joint ventures and associates, for the year ended 30 June 2023:

Type of fee	Method of fee calculation	Fee amount	2022
		2023	\$'000
Management fees – look through	As per investment management agreements***	18,192	17,795
Acquisition	0.75% of sale price	3,302	1,122
Development management (including cost recovery)	3% of development cost if > \$1m 5% of development cost if < \$1m	464	732
Project management	6% of project cost	1,024	953
Majors leasing	7.5% - 15.0% of year one gross rent	852	621
Property management and specialty leasing costs	Cost recovery**	11,948	12,479
Other related party costs*	Cost recovery**	14,236	13,440
		<b>50,018</b>	<b>47,142</b>

\* Charter Hall Holdings Pty Limited was also reimbursed \$14.2 million (2022: \$13.4 million) for centre, IT, occupational health & safety, environmental, finance and accounting services expenses incurred. These expenses include salaries and related finance management and IT costs.

\*\* Property management and other related party costs are recovered in part from tenants in line with lease agreements and state government legislation.

\*\*\* Management fees – wholly owned \$16.1 million.

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

	2023	2022
	\$	\$
Charter Hall Holdings Pty Limited	6,765,495	8,751,862
	<b>6,765,495</b>	<b>8,751,862</b>

### (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
2023	146,413	130,144	195,217	471,774
2022	141,683	125,820	188,730	456,233

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 and Non-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 2023 is as follows:

## D. Further information (continued)

	Units held 2023	Units held 2022
Roger Davis	83,895	38,669
Michael Gorman	25,069	25,069
Sue Palmer	10,000	-
David Harrison	134,378	124,378
Ben Ellis	2,250	2,250

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 acquired 2023	Units acquired 2022
David Harrison	10,000	-
Roger Davis	45,226	-
Sue Palmer	10,000	-
Ben Ellis	-	2,250

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 \$52.3 million at 30 June 2023 (30 June 2022: \$60.8 million).

The entity has readily accessible credit facilities with \$67.0 million (2022: \$172.7 million) of undrawn non-current debt facilities at 30 June 2023 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.

#### (a) Receivables and other assets

	2023 \$'m	2022 \$'m
Trade receivables	2.9	4.5
Provision for expected credit losses	(1.7)	(1.7)
<b>Net rent receivable</b>	<b>1.2</b>	<b>2.8</b>
Turnover rent receivable	6.4	4.5
Accrued income	3.0	2.6
	<b>10.6</b>	<b>9.9</b>

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)).



## D. Further information (continued)

### (b) Payables and other liabilities

	2023 \$'m	2022 \$'m
<b>Current</b>		
Accrued capital expenditure	10.2	13.1
Accrued property expenses	13.5	14.1
Income received in advance	9.6	7.4
Interest payable on interest bearing liabilities	6.6	6.5
Other	5.7	4.8
	<b>45.6</b>	<b>45.9</b>

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, joint ventures and associates 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, joint ventures and associates 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, joint ventures and associates 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:

## D. Further information (continued)

	Parent 2023 \$'m	Parent 2022 \$'m
<b>Balance sheet</b>		
Current assets	14.2	52.4
Non-current assets	3,809.4	3,700.6
<b>Total assets</b>	<b>3,823.6</b>	<b>3,753.0</b>
Current liabilities	183.9	127.8
Non-current liabilities	1,232.3	1,069.2
<b>Total liabilities</b>	<b>1,416.2</b>	<b>1,197.0</b>
<b>Equity</b>		
Contributed equity	2,885.9	2,884.7
Reserves	(153.7)	(158.6)
Accumulated losses	(324.8)	(170.1)
<b>Total equity</b>	<b>2,407.4</b>	<b>2,556.0</b>
<b>Statement of comprehensive income</b>		
Statutory profit for the year	(4.7)	529.6
Other comprehensive income	6.2	1.1
<b>Total comprehensive income</b>	<b>1.5</b>	<b>530.7</b>

### (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 2023 (2022: 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 \$11.7 million (2022: \$2.0 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.

### (d) Net current asset deficiency

The parent entity maintains a proactive cash management practice of using excess available cash to reduce drawn revolving debt facilities. This practice, when combined with the distribution liability at the end of the reporting period, results in a net current asset deficiency of \$169.7 million at 30 June 2023 (30 June 2022: \$75.4 million).

The parent entity has readily accessible credit facilities with \$67.0 million (2022: \$172.7 million) of undrawn non-current debt facilities at 30 June 2023 and operating cash flows to meet current liabilities. The parent entity does not foresee any issues in meeting the current liabilities over the course of the next 12 months.

## D4. Significant contract terms and conditions

### Pre-emptive rights

Under the joint ownership arrangements in place with the other unitholders of our joint venture and associate 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, CHCDC, CDNZW and APT2, 90% of fair value in respect of CHAPF, fair value in respect of ZLP Partnership and LWIP2.

## D5. Remuneration of the auditor

	2023 \$'000	2022 \$'000
<b>Amounts paid or payable to PricewaterhouseCoopers Australian firm for:</b>		
Audit services*	346	321
<b>Total amount paid or payable to PricewaterhouseCoopers Australian firm</b>	<b>346</b>	<b>321</b>

\* There were no non audit services provided during the year (2022 nil).

## D. Further information (continued)

### D6. Interest in other entities

#### Material subsidiaries

The REIT's principal subsidiaries at 30 June 2023 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.

Name of entity	Country of incorporation	Place of business	Ownership interest held by the REIT		Principal activities
			2023	2022	
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
CQR Australian Convenience Retail Trust	Australia	Australia	100%	100%	Property investment
CQR CDC Trust	Australia	New Zealand	100%	100%	Property investment
CH Butler Central Trust	Australia	Australia	100%	100%	Property investment
CH AP Investment Trust 2	Australia	Australia	100%	100%	Property investment
CQR Finance Pty Ltd	Australia	Australia	100%	100%	Property investment
CQR AP Trust	Australia	Australia	100%	100%	Property investment
CH Bribie Goodwin Trust	Australia	Australia	100%	-	Property investment
CQR NZ Trust	Australia	New Zealand	100%	-	Property investment
CQR Z Holding Trust	Australia	Australia	100%	-	Property investment
CQR LWIP2 Trust	Australia	Australia	100%	-	Property investment

### D7. Events occurring after balance date

In July 2023, the REIT received a capital distribution from CHRP1 of \$42 million representing its 50% share in the net sales proceeds of Brickworks Marketplace.

In July 2023, the REIT entered into a series of new interest rates swaps totalling \$400 million.

### 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).

## D. Further information (continued)

### 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

No new accounting standards or amendments have come into effect for the year ended 30 June 2023 that affect the REIT's operations or reporting requirements.

## D. Further information (continued)

### (g) IBOR reform: Transition from inter-bank offered rates (IBOR) to alternative references (ARRs)

IBOR interest rate benchmarks, specifically the London Inter-Bank Offered Rate (LIBOR), were historically utilised in determining the fair value of the REIT's cross currency interest rate swaps. During the year ended 30 June 2023 the REIT transitioned from LIBOR to the Secured Overnight Financing Rate (SOFR). The REIT did not apply the practical expedients in AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform Phase – 2.

There was no discontinuance of the REIT's hedge accounting treatment for its USPP notes or the cross currency interest rate swaps as the hedging instrument.

## 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 18 to 50 are in accordance with the *Corporations Act 2001*, including:
  - i complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
  - ii giving a true and fair view of the consolidated entity's financial position as at 30 June 2023 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

14 August 2023



## Independent auditor's report

To the unitholders of Charter Hall Retail REIT

### Report on the audit of the financial report

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#### 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 2023 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's financial report comprises:

- the consolidated balance sheet as at 30 June 2023
- 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.

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#### 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

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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 geographic and management structure of the REIT, its accounting processes and controls and the industry in which it operates.



Materiality	Audit scope
<ul style="list-style-type: none"> <li>For the purpose of our audit we used overall REIT materiality of \$8.2 million, which represents approximately 5% of the REIT's operating earnings.</li> <li>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.</li> <li>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.</li> <li>We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.</li> </ul>	<ul style="list-style-type: none"> <li>Our audit focused on where the REIT made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.</li> <li>The REIT audit team identified separate components of the REIT including its equity accounted investments. We established an audit strategy for each component.</li> <li>The audit work performed at the component level, together with the additional audit procedures performed at the REIT level provided us with sufficient and appropriate evidence for our opinion on the financial report as a whole.</li> </ul>

### 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 matters were 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 these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit Risk and Compliance Committee.



#### Key audit matter

##### **Valuation of investment properties, including indirectly held investment properties** (Refer to About this report section and Note B)

The REIT's investment property portfolio is comprised of retail convenience shopping centres generally anchored with non-discretionary major supermarket tenants, as well as long WALE retail properties. At 30 June 2023 the carrying value of the REIT's investment property portfolio (excluding investment properties held in equity accounted investments) was \$2,680.5 million (2022: \$2,692.2 million). The carrying value of the REIT's joint venture and associate vehicles that also hold investment properties was \$1,295.4 million (2022: \$1,227.8 million).

In measuring the fair 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.

We considered this a key audit matter because of the:

- Financial significance of the investment property balances in the consolidated balance sheet
- Financial significance of revaluations that directly impact the consolidated statement of comprehensive income through the net loss on movement in fair value of investment properties
- Inherently subjective nature of investment property valuations such as prevailing market conditions, the individual nature and location and comparable sales evidence for each property.

Estimation uncertainty exists with respect to certain assumptions used by the REIT in developing fair value estimates including capitalisation rates and discount rates.

#### How our audit addressed the key audit matter

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 leasing activity, capital expenditure and vacancies impacting the portfolio.

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.

We assessed the scope, competence, capability and objectivity of external valuation experts engaged by the REIT. Where external valuations were obtained by the REIT, we:

- read a selection of the relevant valuation reports and agreed a sample of the fair values to the REIT's accounting records.
- selected a sample of key data inputs to the valuations and agreed to supporting documentation. For example, we agreed a sample of rental income in valuations to tenancy schedules.

For a sample of properties which were assessed at greater risk of material misstatement, we performed the following procedures to assess the appropriateness of significant assumptions used in the REIT's assessment of fair value, we:

- assessed the appropriateness of the methodology adopted against Australian Accounting Standards and tested 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, judgements and observations.

We assessed the reasonableness of the REIT's disclosures in the financial report against the requirements of Australian Accounting Standards.

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### Other information

The directors of Charter Hall Retail Management Limited (the Responsible Entity), the Responsible Entity of Charter Hall Retail REIT are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2023, 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 we do not and will not express an opinion or any form of assurance conclusion thereon through our opinion on the financial report.

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 of the Responsible Entity and use our professional judgement to determine the appropriate action to take.

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### Responsibilities of the directors of the Responsible Entity for the financial report

The directors of the Responsible Entity 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 of the Responsible Entity determines 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 of the Responsible Entity 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 of the Responsible Entity either intends 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](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf). This description forms part of our auditor's report.

A handwritten signature in black ink, appearing to read "PricewaterhouseCoopers".

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read "R. W. McMahon".

R W McMahon  
Partner

Sydney  
14 August 2023