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Charter Hall RETAIL REIT

(CQR or the REIT) is Australia's leading owner of property for convenience retailers.

We are focused on providing a secure and growing income stream for our investors, while creating an enjoyable and convenient shopping experience for more than 150 million shoppers that visit our centres each year.

Through our focus on non-discretionary retail, we have maintained our position as the leading owner of property for convenience retailers throughout market cycles. We achieve this through our dedicated and highly skilled team who provide end-to-end property services to our portfolio.

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Acknowledgement of Country

Charter Hall acknowledges the Traditional Custodians of the lands on which we work and gather.

We pay our respects to Elders past and present and recognise their continued care and contribution to Country.



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Our annual reporting suite

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Left: Rosebud Plaza VIC
Bunurong land

Cover: Bass Hill Plaza NSW
Bidjigal land

STRATEGY

Our strategy of being the leading owner of convenience retail property provides our investors with a highly defensive and resilient income stream. Central to this strategy is partnering with major convenience retailers to meet their property needs. We continue to actively manage the portfolio to increase major tenant income.

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Enhance portfolio quality

through active portfolio curation, increasing exposure to long WALE and NNN retail, and extending WALE with quality major tenants.

Total property portfolio value

\$4,284m

Total MAT growth¹

5.9%



Active asset management

by prioritising strong tenant relationships, optimising our tenancy mix to service our communities and unlocking additional land opportunities.

Convenience shopping centre retail

\$3,217m

Specialty leasing spreads

2.5%



Prudent capital management

through maintaining a strong and flexible balance sheet, sustainable gearing, extending capital partnerships and increasing exposure to capex efficient assets.

Convenience long WALE retail

\$1,067m

Portfolio occupancy²

98.6%

Ampol Dee Why NSW
Cammeraygal land

1. Like-for-like sales.
2. Shopping centre portfolio.

Performance HIGHLIGHTS¹

Operating earnings¹

\$166.9m

↑1.5% from FY22

Operating earnings
per unit

28.71c

↑1.1% from FY22

Distributions per unit

25.8c

↑5.3% from FY22

NTA per unit

4.73c

↓3.7% from FY22

“

We continue to actively manage the portfolio to deliver positive sales, leasing spreads, occupancy gains and income growth throughout FY23. With a strong balance sheet, low leverage and high liquidity, we are well positioned for future growth, especially in our long WALE retail portfolios.

Ben Ellis
Retail CEO, Charter Hall
Executive Director and
Fund Manager, CQR

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1. Figures and statistics throughout this report are for the 12 months to 30 June 2023, unless otherwise stated.

Gateway Plaza Leopold VIC
Wadawurrung land

Chair and Fund Manager MESSAGE

Our focus is on being the leading owner of convenience retail property.



Roger Davis
Independent Chair

Ben Ellis
Retail CEO, Charter Hall
Executive Director and
Fund Manager, CQR

Dear Unitholder

Welcome to the Charter Hall Retail REIT (the REIT or CQR) 2023 Annual Report.

This year, our portfolio of convenience retail assets has continued to demonstrate its resilience, despite the challenging economic environment for the commercial property sector with high inflation rates and record interest rate rises from the Reserve Bank of Australia. Despite these challenges, consumer spending in convenience retail has remained incredibly resilient, buoyed by low unemployment, unlocking strong income growth, occupancy, leasing spreads and footfall across the portfolio.

As a result, net operating earnings per unit has increased 1.1% to 28.7 cents per unit (cpu) and distributions per unit have increased 5.3% to 25.8 cpu. Asset values proved resilient despite the macroeconomic environment, with net tangible assets (NTA) of \$4.73 per unit showing a 3.7% decrease on FY22, following valuation updates for the six months ending 30 June 2023.

Our customer positioning also strengthened over the period, as evident from the REIT's ability to grow its exposure to major tenant customers and increase the supply of everyday goods and services to the Australian and New Zealand public. This includes the REIT furthering its relationship with Ampol by acquiring a 49% interest in 51 retail properties leased to Ampol-owned Z Energy Limited, as well as investing alongside Hostplus in a long WALE retail partnership.

Our strategy of being the leading owner of long WALE convenience retail property provides CQR with a highly defensive and resilient income stream, with 24% of our income growth derived directly from CPI-linked annual rent increases.



Highfields Village
Shopping Centre QLD
Jarowair and Giabal land

In the current high inflation environment, this is invaluable, with the portfolio remaining in a strong position to deliver resilient and sustainable income growth into the future.

Enhancing portfolio quality

Essential to improved shopper amenity, extended lease terms and improved sales growth

Our transactional activity this year continued to enhance the portfolio quality by focusing on the resilience and defensiveness of CQR's income.

In August 2022, CQR entered into an agreement to acquire a 49% interest in a portfolio of 51 long WALE convenience retail properties leased to Z Energy Limited. This marks an extension of CQR's partnership with Ampol, which came about after Ampol acquired the Z Energy business in New Zealand. CQR's interest was acquired for \$120 million on a 5.50% capitalisation rate with annual NZ CPI rent escalations, triple net leases (NNN) and a 15.3-year WALE. 78% of the portfolio is located in metropolitan areas.

This off-market acquisition reaffirms how the Charter Hall Group platform's expertise and active transactions team provides substantial benefits to CQR unitholders.

CQR also continued to grow its exposure to Endeavour Group, (Australia's leading retail liquor and hospitality group), and long WALE convenience retail through its partnership investment in the Long WALE Investment Partnership 2 (LWIP2), which has grown from an initial interest of 18% in April 2023 to 26% as of 30 June 2023. The investment is in partnership with large superannuation fund Hostplus and further diversifies and improves the resilience of CQR's income profile. It continues CQR's upweighting to resilient rental growth from direct CPI annual escalations through long-term, NNN leases to Australia's largest operator in this retail sector.

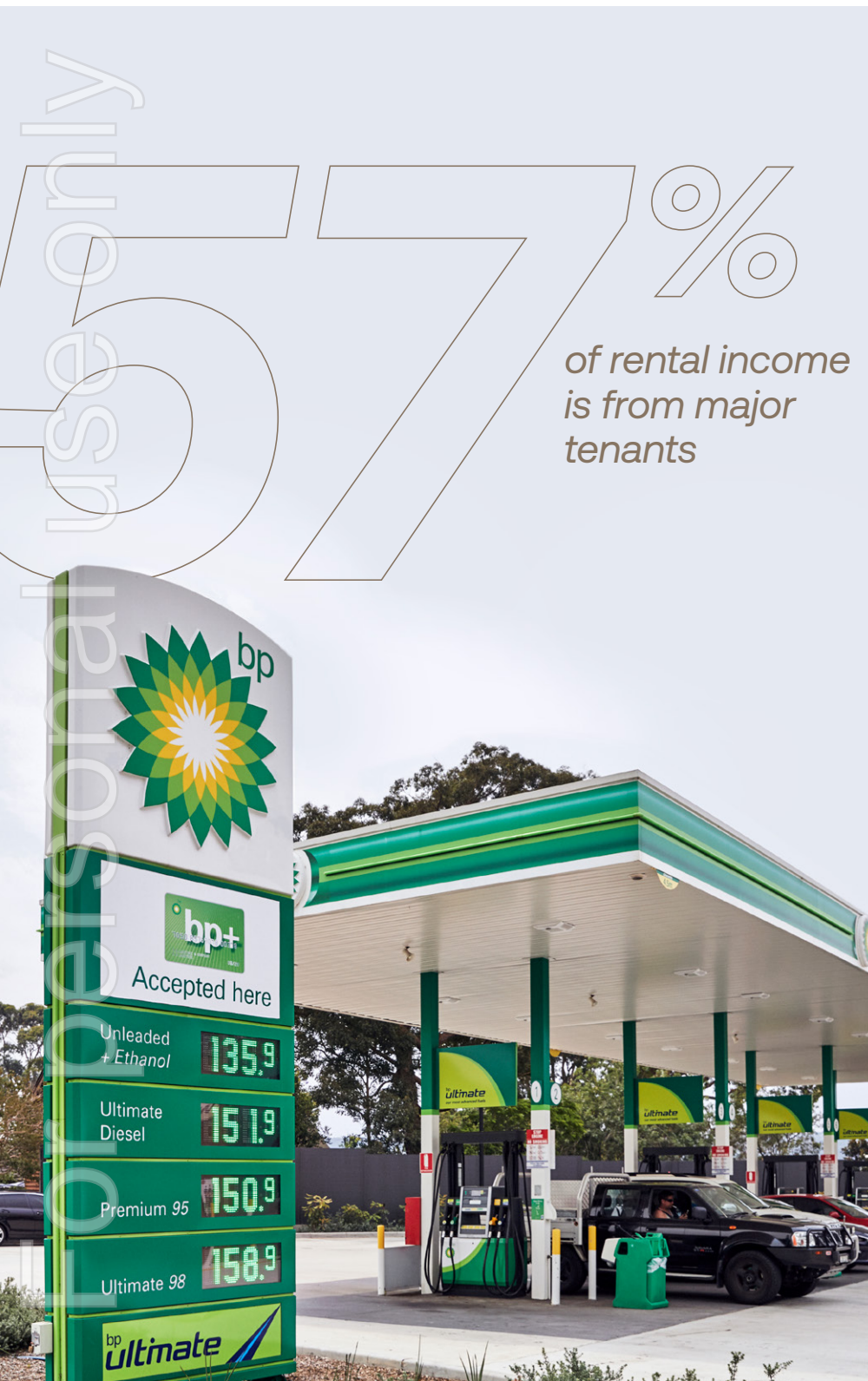
With its focus on portfolio curation, every day needs and value optimisation, CQR continued to invest in portfolio-enhancing assets whilst also divesting and recycling non-core assets.

This included divesting a 52% interest in the Coles Distribution Centre, Adelaide, which delivered a 29.4% IRR for CQR unitholders over the two-year holding period. The \$95.3 million sale proceeds were used to fund the acquisition of the Z Energy portfolio as we continue to pivot the portfolio to long WALE, CPI-linked convenience assets.

Over the course of the year, we completed \$79 million of capital investment and asset enhancement projects, including the completion of the Stage 1 redevelopment of Rosebud Plaza, where we replaced a Target discount department store with a full scale Woolworths supermarket. We continued these strategic investments alongside our major tenant store refurbishments with the goal of delivering improved shopper amenity, extended lease terms and improved sales growth.

We also completed three new pad site developments, principally in childcare, demonstrating the low site coverage and desirable locations of our convenience-based shopping centre assets.

Improving the quality of our portfolio and tenant customer relationships continued to be a number one priority in FY23. ▶



bp Forestville NSW
Garigal land

57%
of rental income
is from major
tenants

Customer engagement scores remained at industry high levels in this regard. We saw strong specialty leasing activity with portfolio occupancy sitting at 98.6% and positive leasing spreads of 2.5%. This demonstrates the benefit the REIT receives from Charter Hall's property management expertise and access to their in-house specialty leasing team.

Partnering with our major tenants

Critical to a resilient and growing income stream

CQR's strategy is to provide investors with a resilient and growing income stream by being the leading owner of convenience retail property. Central to this are our partnerships with major convenience retailers to meet their property needs. We continue to actively manage the portfolio with the objective of not only increasing major tenant income as a percentage of CQR's earnings, but also extending the portfolio WALE to improve the resilience and security of income for unitholders.

Reflecting this strategy, 57% of rental income comes from our major tenants including market leading businesses such as Woolworths, Coles, bp, Wesfarmers, Ampol, Endeavour and ALDI. We continue to increase our investment in long WALE retail properties through our growing investment in LWIP2 and other partnerships. This further diversifies our portfolio, increases exposure to leading retailers and improves the resilience of our portfolio income.

Our innovative customer-focused leasing strategy supports our approach to partnering with major retailers, and has delivered measurable results for our business and for our tenant customers.

Last year, we launched Autom8, a proprietary custom-built solution that automates the manual process of collecting monthly sales from our retail tenant customers. This innovation won the Frank Lowy Fellowship and the AFR BOSS Most Innovative Company Award.

This year, we launched another innovation, Lease Easy, which further improves and streamlines the leasing process for both our retail customers and Charter Hall teams. The end-to-end lead to lease process is managed through this new custom-built platform with the objective of providing our customers with transparency and enhanced connectivity through a fully automated process. Since the platform's launch, the time from initial lead to shop opening reduced by 50%, enabling customers to start generating revenue earlier and leading to earlier start of rental income for CQR.

Strong supermarket performance

Fundamental to our growth strategy

Partnering with leading convenience retailers remains critical to delivering on our growth strategy. Supermarkets, of which we have 49, remain the foundation of our shopping centre portfolio and in this respect, all core metrics are positive.

Our supermarket portfolio continues to demonstrate resilience with total like-for-like MAT growth remaining strong at 4.3%.

The total percentage of supermarkets paying turnover rent was 67%, with a further 18% of supermarkets within 10% of their turnover threshold, indicating good potential for future rental growth.

Despite the challenging economic conditions, leasing remains strong. We completed 420 specialty tenant leases during the year and saw positive leasing spreads of 2.5%, with new leases increasing by 1.7% and renewed leases increasing by 2.7%. Sales productivity of our specialty tenants also remained strong at \$10,489 per sqm. Occupancy costs at 11.4% of sales were modest, reflecting the strong trading of our shopping centres and attractive proposition for tenants.

Finally, portfolio occupancy rose slightly from 98.5% to 98.6% this year, with total like-for-like portfolio MAT sales growth of 5.9%. This reflects the defensive nature of CQR's assets, their dominance within their catchments and a strong customer preference to shop close to home.

Financial performance and capital management

Delivering a secure and growing income stream to unitholders

In FY23, CQR achieved a statutory profit of \$37.8 million with growth in net property income offset by valuation changes. Our operating earnings of \$166.9 million are up 1.5%, while distribution of 25.8 cpm is up 5.3% and reflects an 89.9% payout ratio.

Ongoing prudent capital management is a core focus of CQR and ensures we successfully execute our growth strategy and deliver a secure and growing income stream to unitholders.

Due to refinancing activity during the year, there are no debt maturities until FY26 and CQR has \$239 million of available liquidity to fund capital investment and enhance portfolio quality. Further, our exposure to continued interest rates rises is protected, with 70% of FY24 debt exposure hedged at attractive rates.

Total look-through portfolio gearing as at 30 June 2023 was 34.0%, remaining at the lower end of the REIT's 30%-40% target range. Moody's affirmed CQR's Baa1 issuer rating and senior unsecured rating with a stable outlook.

With over 59% of our portfolio income growth directly or indirectly linked to inflation, high levels of hedging, relatively low exposure to rising interest rates and \$239 million of available liquidity, we are well positioned to deliver a resilient and growing income stream.

Portfolio demonstrates resilience in cycle downturn

Reflecting the quality, defensive nature and growth attributes of our portfolio

In FY23, all commercial property sector valuations came under pressure as we entered a challenging phase of the property cycle.

Capitalisation rates expanded 37bps from 5.20% to 5.57%, reducing portfolio capital values by \$223 million. Importantly, this decrease was materially offset by increased portfolio income driven in large part by our strong CPI-plus leasing arrangements and clear convenience focus. As a result, CQR's portfolio valuation decreased by only 0.4%, or \$16 million, to \$4.3 billion.

In this regard, the shopping centre portfolio valuation decreased by \$22 million or -0.7%, including capital investment of \$79 million during the period. The long WALE convenience retail portfolio valuation increased by \$6 million or 0.6%. CQR's strategy to increase portfolio weighting to long WALE NNN leases with income indexed annually to inflation has progressed and now represents 35% of major tenant income. ▶

All our major shopping centre tenants have income growth indirectly linked to inflation through turnover rent mechanisms. With strong FY23 sales growth, total major tenant income increased by 3.7% in the 12-month inflationary environment. In addition, the low level of development risk in the portfolio further adds to our low exposure to inflation volatility.

ESG highlights

Environmental

Sustainability and a proactive response to climate change is firmly integrated into how CQR and the Charter Hall Group conduct business, and we continue to partner with our customer and communities to explore opportunities and deliver meaningful changes in energy efficiency and sustainability, waste management, and carbon emissions.

We accelerated our commitment to Net Zero carbon in operations for Scope 1 and Scope 2 emissions by five years, from 2030 to 2025¹.

This is a result of a concerted effort across Charter Hall Group to deliver on energy efficiency, investment in onsite solar and procuring grid supplied renewables.

CQR now has 20.2MW of onsite solar installed across 38 assets, including 9.0MWh of battery storage installed at five shopping centres and 97% of our shopping centres have developed Climate Change and Adaption Plans.

CQR achieved the second ranking amongst listed Retail entities in Australia and New Zealand, scoring 90 points in the 2022 GRESB assessment.

This marks an 11 point improvement compared to the previous score, and demonstrates the clear progress we continue to make against our sustainability commitments and leadership in this space.

Our ratings across a number of sustainability benchmark measures continued to improve. We achieved a 4.9 star NABERS Energy rating and 4.2 star NABERS Water rating for our retail portfolio across our shopping centres (over 5,000sqm), covering 75% and 67% of eligible retail shopping centres respectively. Our Green Star Performance portfolio rating increased from 2 stars to 3 stars, covering 100% of eligible CQR assets.

Waste diversion improved to 33%, a 7% increase from FY22. This reflects process improvements, streamlining collections and ongoing liaison with tenants to drive correct separation of waste.

Social

For CQR, delivering social value is about supporting relationships with employees and customers, whilst making a positive contribution in the communities in which we operate.

Charter Hall's culture has long been one of its key strengths, which is reflected in its employee engagement results. For FY23, its engagement score was 89% – nine points above the Australian norm – with 93% of its people saying that Charter Hall is a great place to work.

Our teams actively partner with social organisations, giving space, time and resources as part of the Charter Hall Group's Pledge 1% philanthropic commitment. Our shopping centres continued to participate with the 'Draw Us Together' campaign, now in its fourth year. This year, we partnered with 84 local schools and First Nations author Bianca Stawiarski to celebrate Indigenous culture. Collectively, the students have produced over 1,400 pieces of artwork.



Bass Hill Plaza NSW
Bidjigal land

35%

of major tenant income is from long WALE NNN

Establishing and nurturing relationships with our tenant customers is pivotal to achieving our strategic objectives. We continue to undertake the industry recognised Net Promoter Score (NPS) survey annually with Monash University, this year achieving an all-time high completion rate of 97% and our highest ever satisfaction score.

Notably, we scored all-time high scores in customers likelihood to recommend our centres and ease of doing business.

Our high satisfaction rate results in strong retention of tenant customers and assists with securing new partnerships.

As part of our commitment to reconciliation and the implementation of our Reconciliation Action Plan (RAP), we continue to actively work on building our relationships and capacity with First Nations businesses, as well as sharing factual and impartial information to support our people to be better informed on issues impacting First Nations Peoples.

Governance

We have continued to ensure robust governance and the highest levels of integrity and ethical behaviour. This underpin our operations and we are constantly looking at what more we could be doing to ensure we continue to meet and exceed best practice. In December, our annual Modern Slavery Statement was completed and accepted by the Board, outlining efforts to prevent occurrences of modern slavery in our supply chain. Our Human Rights and Modern Slavery Working Group reviews and manages our efforts in relation to this across all our portfolios, and we continue to work within our framework.

Similarly, our ESG Committee drives business-wide alignment on our climate governance roadmap in line with the recommendations of the Taskforce for Climate-related Financial Disclosures (TCFD).

Finally, we continue to ensure that our businesses have a strong internal control framework under which to function. This process is independently and regularly assessed by external auditors and specialists to ensure the highest level of compliance and behaviour in our actions.

Outlook

During FY23, CQR's portfolio delivered positive sales, leasing spreads, occupancy gains and income growth, providing CPI-plus earnings and distribution growth for investors in challenging market conditions, while also limiting our exposure to interest rate volatility and inflation trends. With a robust balance sheet, low leverage and ample liquidity, we are well positioned for future growth.

As we commence FY24, our long WALE convenience retail and shopping centre assets will continue to deliver this growth. Our expectation is that supermarket sales will continue to be strong, driven by our customers' preference to continue shopping close to home and focus on everyday needs. Our long WALE, NNN portfolios will benefit from embedded CPI lease structures and strong cash flows. Our strategy remains focused on being the leading owner of convenience retail property to provide income resilience and growth through a continuation of our acquisition and divestment strategy.

We would like to extend our thanks to our people who manage our portfolio on a day-to-day basis. It has been a turbulent few years, FY23 included, and we continue to be proud of how they partner with and support our tenant customers, our communities and each other.

Finally, on behalf of the Board and Management team, we would like to thank our unitholders for their ongoing support of CQR.

Roger Davis
Independent Chair

Ben Ellis
Retail CEO, Charter Hall
Executive Director and
Fund Manager, CQR

1. Our Net Zero target applies to Scope 1 and Scope 2 emissions for existing assets that fall under the operational control of responsible entities for which Charter Hall Limited is the controlling corporation. Where residual Scope 1 emissions are offset, Charter Hall will use high quality nature-based offsets.

Portfolio PERFORMANCE

Portfolio summary

Number of shopping centre assets	49
Total MAT growth ^{1,2}	5.9%
Weighted Average Capitalisation Rate (WACR)	5.57%
Number of long WALE assets	597
GLA (000sqm) ²	600
WALE (total)	7.4yrs
Property value (\$m)	\$4,284
Occupancy ³	98.6%
WALE (majors)	10.5yrs



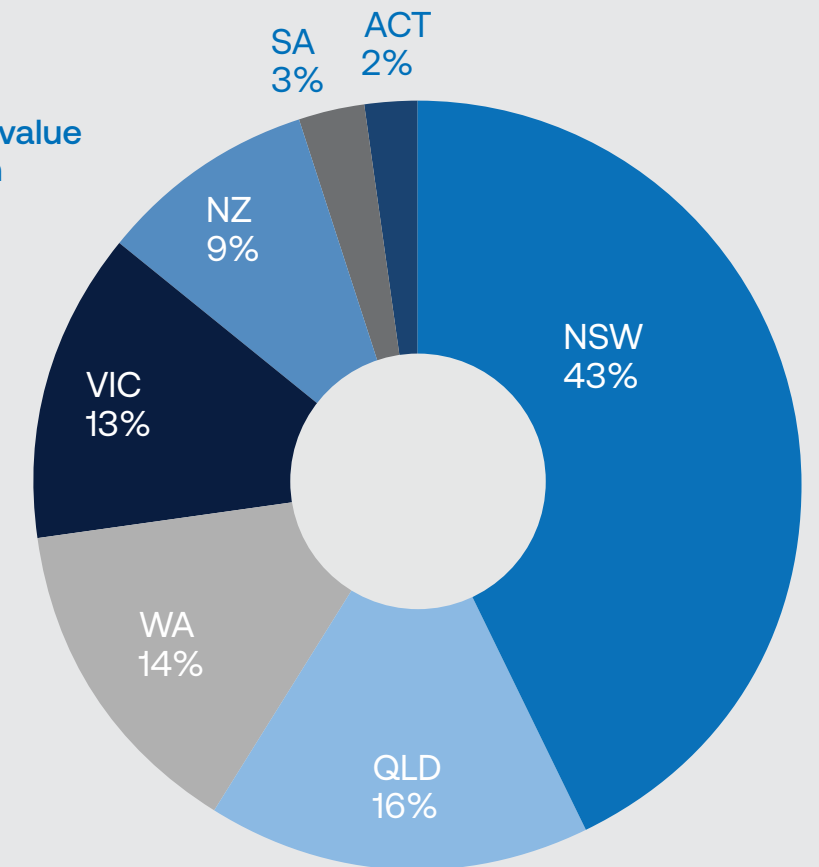
Above: Butler Central WA Whadjuk land

Left: Ampol Alexandria NSW Gadigal land

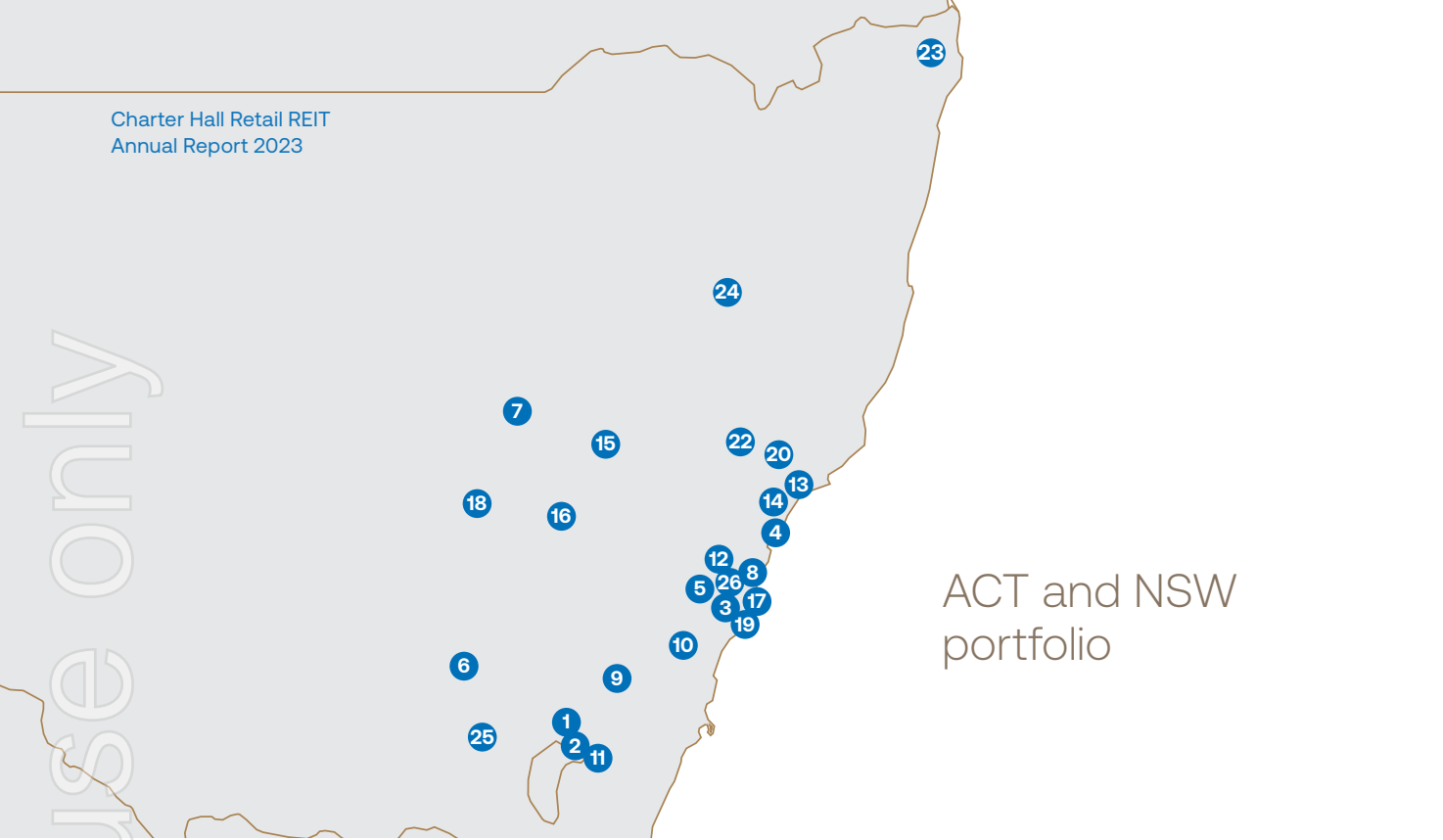
Top 10 tenant customer groups⁴



Portfolio value by region

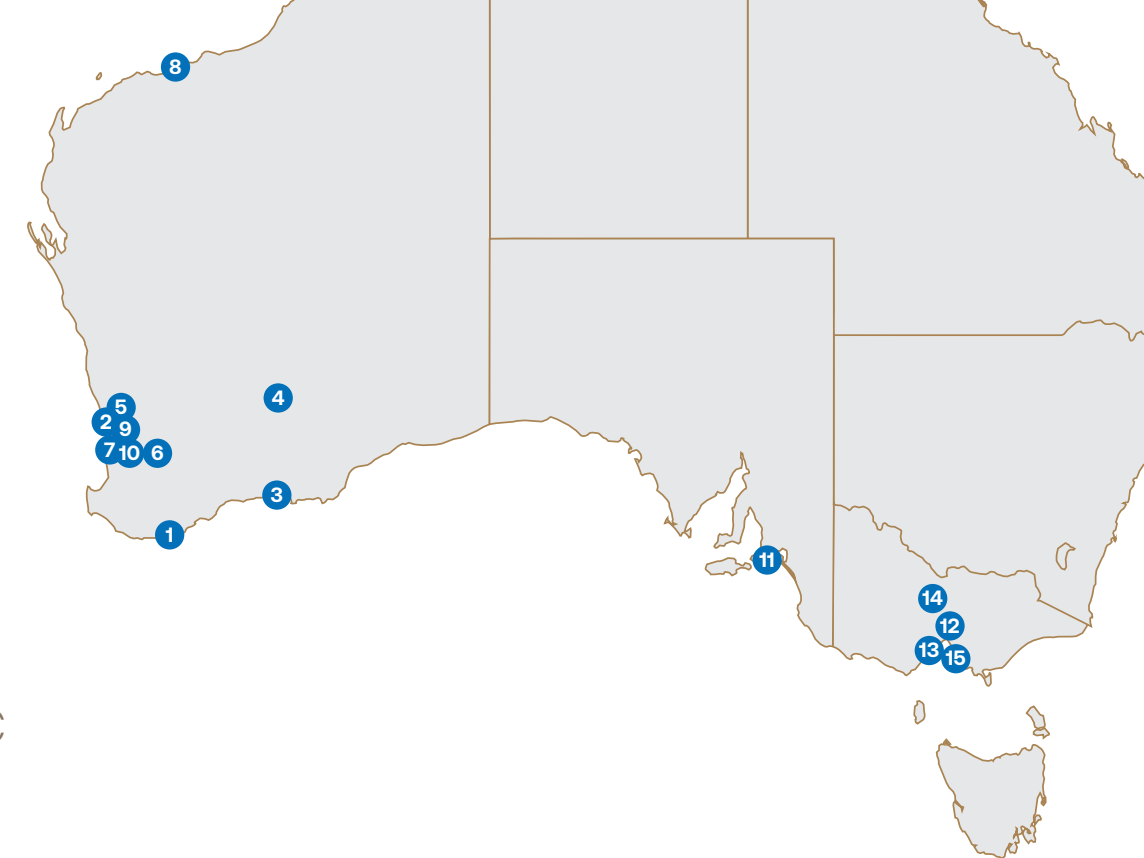


1. Like-for-like sales.
2. Convenience shopping centre retail portfolio.
3. Convenience shopping centre retail portfolio only (convenience long WALE retail portfolio is 100% occupied).
4. Calculated by rental income as at 30 June 2023.
5. Kmart, Target, Bunnings, Officeworks and API.



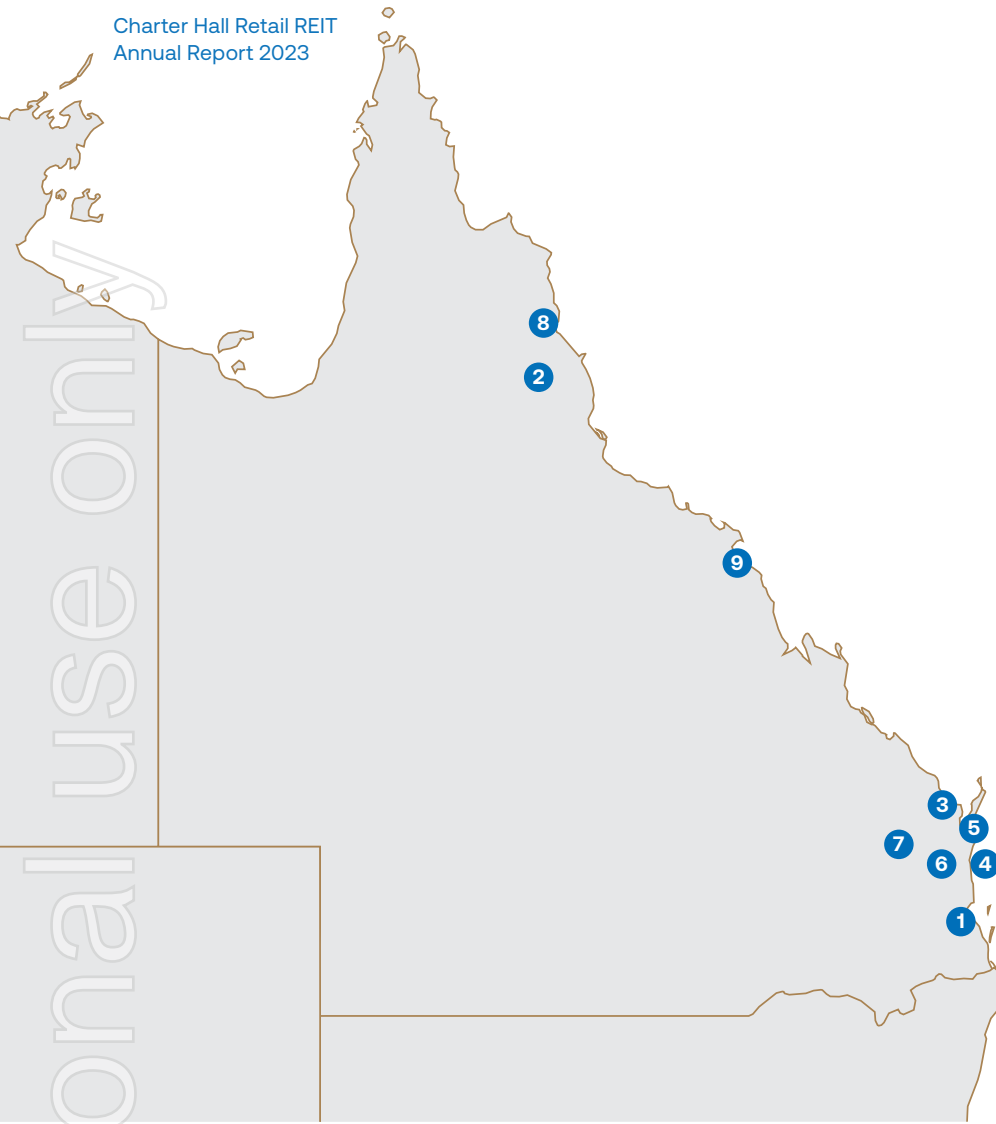
ACT and NSW portfolio

Property	Location	Ownership interest %	Book value (\$m)	Cap rate %
ACT portfolio				
1. Dickson Woolworths	Dickson <i>Ngunnawal</i>	100.0	24.6	4.88
2. Manuka Terrace	Manuka <i>Ngunnawal</i>	100.0	60.3	6.13
ACT total			84.9	
NSW portfolio				
3. Bass Hill Plaza	Bass Hill <i>Bidjigal</i>	20.0	28.4	5.25
4. Bateau Bay Square	Bateau Bay <i>Darling</i>	49.9	131.0	5.50
5. Carnes Hill Marketplace	Horningsea Park <i>Cabrogal</i>	50.0	82.5	5.38
6. Cootamundra Woolworths	Cootamundra <i>Wiradjuri</i>	100.0	20.5	4.88
7. Dubbo Square	Dubbo <i>Wiradjuri</i>	100.0	72.2	5.75
8. Gordon Village Centre	Gordon <i>Bundjalung</i>	100.0	143.5	5.00
9. Goulburn Square	Goulburn <i>Gandangara and Ngunnawal</i>	100.0	95.8	5.88
10. Highlands Marketplace	Mittagong <i>Gundangurra and Dharawal</i>	50.0	50.8	5.50
11. Jerrabomberra Village	Jerrabomberra <i>Ngunnawal</i>	100.0	37.5	5.38
12. Kings Langley Shopping Centre	Kings Langley <i>Dharug</i>	100.0	58.0	5.38
13. Lake Macquarie Square	Mount Hutton <i>Awabakal</i>	100.0	131.0	6.38
14. Morisset Shopping Centre	Morisset <i>Awabakal</i>	100.0	52.5	6.00
15. Mudgee Metroplaza	Mudgee <i>Wiradjuri</i>	100.0	36.6	5.50
16. Orange Central Square	Orange <i>Wiradjuri</i>	100.0	63.3	5.75
17. Pacific Square	Maroubra <i>Gadigal and Bidjigal</i>	20.0	49.8	5.00
18. Parkes Metroplaza	Parkes <i>Wiradjuri</i>	100.0	28.2	5.50
19. Rockdale Plaza	Rockdale <i>Gweagal and Bidjigal</i>	100.0	158.5	5.75
20. Rutherford Marketplace	Rutherford <i>Wonnarua</i>	50.0	25.1	5.50
21. Salamander Bay Square	Salamander Bay <i>Worimi</i>	50.5	96.5	6.00
22. Singleton Square	Singleton <i>Wonnarua</i>	100.0	115.0	6.38
23. Sunnyside Mall	Murwillumbah <i>Bundjalung</i>	100.0	62.0	6.00
24. Tamworth Square	Tamworth <i>Gomeri</i>	100.0	71.3	5.75
25. Tumut Coles	Tumut <i>Wiradjuri, Wolgalu and Ngunnawal</i>	100.0	14.6	4.88
NSW total			1,624.6	



WA, SA and VIC portfolio

Property	Location	Ownership interest %	Book value (\$m)	Cap rate %
WA portfolio				
1. Albany Plaza	Albany <i>Minang</i>	100.0	71.6	6.38
2. Butler Central	Butler <i>Whadjuk Noongar</i>	100.0	51.5	5.75
3. Esperance Boulevard	Esperance <i>Wudjari</i>	100.0	40.4	6.38
4. Kalgoorlie Central	Kalgoorlie <i>Maduwongga and Marlinyu Ghoorlie</i>	100.0	44.5	6.75
5. Maylands Coles	Maylands <i>Whadjuk</i>	100.0	19.5	4.88
6. Narrogin Coles	Narrogin <i>Wilmen</i>	100.0	19.3	5.00
7. Secret Harbour Square	Secret Harbour <i>Whadjuk Noongar</i>	100.0	109.8	6.25
8. South Hedland Square	South Hedland <i>Kariyarra</i>	100.0	74.0	7.25
9. Swan View Shopping Centre	Swan View <i>Whadjuk Noongar</i>	100.0	23.4	5.68
10. Wanneroo Central	Wanneroo <i>Whadjuk Noongar</i>	50.0	61.1	6.25
WA total			515.1	
SA portfolio				
11. Southgate Square	Morphett Vale <i>Kurna</i>	100.0	91.0	5.75
SA total			91.0	
VIC portfolio				
12. Campbellfield Plaza	Campbellfield <i>Wurundjeri</i>	100.0	103.0	5.25
13. Gateway Plaza	Leopold <i>Wadawurrung</i>	50.0	84.3	5.75
14. Lansell Square	Bendigo <i>Dja Dja Wurrung</i>	100.0	106.5	6.50
15. Rosebud Plaza	Rosebud <i>Bunurong</i>	100.0	134.5	6.00
VIC total			428.3	



QLD
portfolio

Property	Location	Ownership interest %	Book value (\$m)	Cap rate %
QLD portfolio				
1. Arana Hills Shopping Centre	Arana Hills <i>Turrbal and Yuggera</i>	100.0	88.0	5.50
2. Atherton Square	Atherton <i>Wadjanbarra Yidi</i>	100.0	45.5	5.75
3. Bay Plaza	Hervey Bay <i>Butchulla</i>	100.0	36.3	5.75
4. Bribie Island Shopping Centre	Bribie Island <i>Gubbi Gubbi</i>	100.0	90.8	5.52
5. Currimundi Markets	Currimundi <i>Gubbi Gubbi</i>	100.0	60.2	5.25
6. Gatton Square	Gatton <i>Yuggera</i>	100.0	29.8	5.75
7. Highfields Village	Highfields <i>Jarowair and Giabal</i>	100.0	50.1	5.75
8. Mareeba Square	Mareeba <i>Muluridji and Wallara</i>	100.0	27.6	5.75
9. Sydney Street Markets	Mackay <i>Yuwibara</i>	100.0	44.9	6.25
QLD total			473.2	

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The quality of our portfolio, along with the strong sales growth of our tenants and the resilient nature of CQR's assets will see the REIT continue to deliver income growth for investors.

Joanne Donovan
Head of Retail Finance

Long WALE
portfolio

Property	Location	Ownership interest %	Book value (\$m)	Cap rate %
Long WALE portfolio				
bp Australia portfolio	Australia wide	23.3	516.6	4.72
bp New Zealand portfolio	New Zealand wide	24.5	169.4	4.80
Ampol 1 portfolio	Australia wide	2.5	43.5	4.70
Ampol 11 portfolio	Australia wide	49.0	62.1	4.63
Z Energy portfolio	New Zealand wide	49.0	131.3	5.08
Gull portfolio	New Zealand wide	100.0	72.8	5.22
LWIP2 portfolio	Australia wide	26.0	70.8	5.10
Long WALE total			1,066.5	

SUSTAINABILITY

Sustainability is integrated into how CQR and the Charter Hall Group (ASX:CHC) conduct business, and we continue to partner with our customers and communities to explore opportunities and deliver meaningful change.

Our approach to sustainability remains practical, authentic and targeted. CQR leverages Charter Hall Group's platform-wide scale and integration of sustainability as a core driver of value for the REIT. Doing so enables us to not only attract and retain capital, but also generates the most value for our customers and employees. Throughout FY23, we continued to partner with our customers to progress our shared sustainability goals and in turn, create long-lasting value for all.

Achievements in FY23



Net Zero Carbon by 2025

Scope 1 and Scope 2 target by 2025, accelerated by 5 years¹. CQR is on track to provide 100% renewable electricity to the common area of all our shopping centres by 2025¹.



Investing in clean energy

More than 20.2MW of installed solar and 9MW of installed battery storage.



4.9 Star NABERS Energy for Retail portfolio rating, an uplift of 0.4 stars from FY22.

4.2 Star NABERS Water for Retail portfolio rating, an uplift of 0.1 stars from FY22.



Draw us together campaign

CQR's shopping centres continue to partner with local schools to celebrate Indigenous culture. Collectively, the students produced over 1,400 pieces of artwork.



ESG performance

CQR ranked second in Australia and New Zealand for listed Retail entities, scoring 90 points in the 2022 GRESB assessment, an improvement of 11 points compared to previous score.



Support for disaster and hardship

Charter Hall Group invested \$1.4m to support communities with resources to build and rebuild strong foundations. CQR provided disaster recovery funding to communities impacted by floods, including donating 3,000 lunchboxes to impacted schools.

1. Our Net Zero target applies to Scope 1 and Scope 2 emissions for existing assets that fall under the operational control of responsible entities for which Charter Hall Limited is the controlling corporation. Where residual Scope 1 emissions are offset, Charter Hall will use high quality nature-based offsets.



We always have a long-term perspective. It's not about temporary solutions but creating an enduring impact.

Charter Hall Group's focus is to: **Respond** to the challenges and consequences of a warming climate, how to protect and restore nature, and rethink how we use resources;

Drive lasting change by partnering where we can make the most difference to individuals and communities by unlocking opportunities to access learning and employment, as well as supporting communities to build and rebuild strong foundations following disaster; and

Lead in our role as stewards of third party capital and create strategies that deliver long-term value for our investors, customers and other stakeholders.

Above: Salamander Bay Square NSW
Worimi land

Right: Highlands Marketplace Mittagong NSW
Gundangurra and Dharawal land



Progress against our sustainability targets

Strategic focus area	FY23 performance	Looking forward
Climate action		
Scope 1 and 2 carbon emissions	– CQR delivered a 7% reduction in electricity intensity against last year, driven by energy efficiency improvements.	– Net Zero emissions by 2025 (Scope 1 and 2) ¹ .
Clean energy	– CQR installed 20.2MW of solar in partnership with tenant customers. – CQR installed 9MWh of battery storage, an increase of 4.5MWh since FY22.	– 100% electricity supplied from renewable sources by 2025 for assets in operational control.
	– CQR partnered with a key tenant customer in the ARENA funding for EV charging infrastructure.	– Develop an EV Charging Strategy by FY25 and target 50% of assets.
Resilience and adaptation	– CQR completed climate change adaptation plans for 97% of its retail shopping centres (by area).	– Climate change adaption plans embedded in strategic asset plans by 2025.
Energy performance	– CQR achieved a 4.9 Star NABERS Energy for Retail Shopping Centre portfolio, covering 75% eligible assets in operational control.	– Maintain NABERS Energy for Retail Shopping Centre portfolio.
Benchmarking performance	– CQR achieved 3.0 star Green Star Performance for Retail portfolio, covering 100% eligible assets in operational control, an uplift of 1 star.	– Maintain Green Star Performance, while transitioning to the updated rating tool.
Rethink resources		
Operational waste	– CQR diverted 33% of its operational waste from landfill, a 7% improvement from last year.	– 75% diversion from landfill by 2030 target at Shopping Centre Retail portfolios.
Align to circular economy	– CQR aligned with CHC's circular economy approach.	– Implement a responsible, resource strategy that addresses circular economy by 2025.
Restore nature		
Potable water consumption	– CQR's portfolio increased its water intensity to 651L/sqm, up 2.7% from last year as a result of higher post COVID dwell times in its centres.	
Water performance	– CQR achieved 4.2 star NABERS Water for Retail portfolio, covering 67% of assets in operational control, an increase of 0.1 star since FY22.	– Maintain NABERS Water performance for retail portfolio rating for shopping centres.

1. Our Net Zero target applies to Scope 1 and Scope 2 emissions for existing assets that fall under the operational control of responsible entities for which Charter Hall Limited is the controlling corporation. Where residual Scope 1 emissions are offset, Charter Hall will use high quality nature-based offsets.

Strategic focus area	FY23 performance	Looking forward
High performing talent		
Inclusion, diversity and equality	CHC achieved: – Continued improvement in the Australian Workplace Equality Index (AWEI) score. – Employee engagement of 89%, nine points above the high-performing industry norm. – Bronze Employer for LGBTQ+ inclusion. – Employer of Choice for Gender Equality by the Workplace Gender Equality Agency (WGEA).	– Sustain levels of engagement that align with being a global high performing culture.
Deep customer partnerships		
Customer satisfaction	– CHC's NPS score improved to +52, up from +45 in 2022. – CQR's NPS and satisfaction results were maintained at 7-year highs in its shopping centre retail portfolio.	– Create a benchmark to measure the cross-sector customer experience, considering all aspects of how we partner with our customers.
Strong communities		
Community investment	– CHC contributed \$1.4m in community donations, up 16%, with over a third donated to disaster relief. – CQR maintained ongoing disaster recovery funding for communities impacted by floods, including 3,000 lunchboxes donated to impacted schools. – CQR shopping centres continue to partner with local schools to celebrate Indigenous culture. Collectively, the students produced over 1,400 pieces of artwork.	– Continue engaging closely with Reconciliation Australia to develop CHC's new Innovate RAP.
Pathways to prosperity		
Create employment opportunities	– CHC generated 210 youth employment outcomes.	– Achieve 400 youth employment outcomes by 2025 and 1,200 by 2030.
Employee volunteering	– CHC provided 3,403 hours of employee volunteering which equates to \$316k, up 9% from last year.	– Volunteer 6,000 hours in the community by FY25.
Governance		
Transparency and disclosure	– CQR ranked second in Australia and New Zealand for listed Retail entities, scoring 90 points in the 2022 GRESB assessment, an improvement of 11 points compared to previous score. – CQR contributed to CHC having Australia's largest Green Star certified portfolio with 100% of eligible assets in operational control rated. – CHC published its third Modern Slavery Statement. – CHC published its third TCFD statement.	– Actively monitor progress of International Sustainability Standards Board and future integration of environmental and financial metrics.

Case study

Continued investment in clean energy

In FY23, CQR continued to deliver clean energy solutions, improving our sustainability credentials and creating budget certainty against a backdrop of energy pricing volatility.

In partnership with CleanPeak Energy, we installed 4.8MWh of batteries at Salamander Bay Square and Wanneroo Central, taking CQR's total installed batteries to 9MWh across five locations. This is in addition to 20.2MW of solar installed across 38 shopping centres.

In FY24, we will continue to deploy on-site batteries, with Southgate Square and Highlands Marketplace, approved and scheduled for installation in Q1 and Q2 respectively.

Our batteries have enabled us to reduce peak demand energy use by over 34%. Continuing to focus on optimising the use of batteries will further reduce peak demand and provide costs savings at our retail centres.



Wanneroo Central
Shopping Centre WA
Whadjuk land



LEADERSHIP

Board of Directors



From Left: **Michael Gorman** Non-Executive Director
Roger Davis Chair and Non-Executive Director
David Harrison Executive Director and Managing Director & Group CEO
Sue Palmer Non-Executive Director
Ben Ellis Executive Director and Fund Manager

See page 38-41 for information on the Directors.

Management



Ben Ellis
Retail CEO, Charter Hall
Executive Director and Fund
Manager, Charter Hall Retail REIT

Ben brings more than 22 years' experience in the property market, and with that, a deep knowledge of Charter Hall's business.

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.

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.

Ben is driven by his passion to foster strong and sustainable relationships that add value for investors, tenant customers, partners and communities.



Joanne Donovan
Head of Retail Finance,
Charter Hall Retail REIT

Joanne has more than 20 years' of finance experience with 15 years' of that being with Charter Hall.

As Head of Retail Finance, Joanne is responsible for all finance aspects of the retail sector including funding and property accounting together with fund financial planning and analysis.

Joanne held several roles with Charter Hall including the Lead Analyst for Office Investment Management and Senior Group Analyst for Charter Hall Group.

Joanne is a Chartered Accountant and has a Bachelor of Commerce from University College Cork, Ireland.

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Above: Southgate Square
Morphet Vale SA
Kaurna land

Right: Z Energy
Wellington, New Zealand



Directors' Report and Financial REPORT

For the year ended 30 June 2023

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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
	150.0	142.1

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.

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:

	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
Total convenience retail segment income	182.7	177.4
<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
Total long WALE retail segment income	40.0	30.8
Interest income	0.6	-
Management fees	(16.1)	(15.3)
Finance costs	(36.5)	(25.0)
Other expenses	(3.8)	(3.5)
Operating earnings	166.9	164.4

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.

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 Allenstown 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
Operating earnings	166.9	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)	-
Statutory profit for the year	37.8	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 Allenstown 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.

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.

Risk	Description	Mitigation
External Risks	Property cycle risk and adverse market or economic conditions	Failure to insulate against property cycle downturns and slowing economic conditions may have an impact on asset values and investor returns.
	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.
	Geopolitical risks materially disrupt supply chains	Geopolitical unrest disrupts supply chains causing increased costs and delays in timing to complete capital works and developments.
Financial Risks	Debt and equity capital management	Effective capital management is required to meet the REIT's ongoing liquidity and funding requirements. The inability to raise new capital to pursue growth opportunities or to raise replacement capital at challenging points in the debt or equity markets cycle is a key risk. A relationship breakdown or termination of a joint venture partnership may result in reputational or financial damage.
	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 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.
		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.
		The REIT ensures it takes into account potential disruptions in supply chains by establishing timetables for delivery and partnering with high quality suppliers.
		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.
		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.

Operational Risks	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.	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.
	Technology and cyber security	There is increasing sophistication of cyber-attacks, particularly denial of service impact on Building Management Security. A reportable data breach may result in adverse impact on reputation and / or financial penalty.	The cyber security strategy and program continues with external validation and yearly review of IT policies against best practice.
	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 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.
Environmental	Climate change	There is an increasing interest and expectation amongst investor groups on reporting against climate change risk. There has been the introduction of the Task Force on Climate-related Financial Disclosures (TCFD) as a framework to address climate change through governance, risk management, metrics and targets.	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.

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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.

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
Units on issue at the end of the year	581,229,609	581,229,609

Value of assets

	2023	2022
	\$'m	\$'m
Value of REIT assets	4,099.5	4,045.0

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.

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>	<p>Chair of Board of Directors, Member of Audit, Risk and Compliance Committee</p>	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>	<p>Chair of Audit, Risk and Compliance Committee</p>	10,000

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 & 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>	<p>Member of Audit, Risk and Compliance Committee</p>	25,069

David Harrison	David joined the Board of CQR on 1 March 2010.	Nil	134,378
	<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 (FAP I) 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>		

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 43.

Rounding of amounts to the nearest hundred thousand dollars

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

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

Directors' authorisation

The Directors' report is made in accordance with a resolution of the Directors. The financial statements were authorised for issue by the Directors on 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.



R W McMahon
Partner
PricewaterhouseCoopers

Sydney
14 August 2023

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Consolidated Statement of Comprehensive Income

	Notes	2023 \$'m	2022 \$'m
Revenue			
Property income	A1	212.8	200.8
Interest income		0.6	-
Total revenue		213.4	200.8
Other income			
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
Total revenue and other income		255.2	783.3
Expenses			
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)	-
Total expenses		(217.4)	(119.7)
Profit for the year		37.8	663.6
Other comprehensive income*			
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)
Other comprehensive income		6.2	1.1
Total comprehensive income for the year		44.0	664.7
Basic and diluted earnings per ordinary unitholder of the REIT			
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
Assets			
Current assets			
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	-
Total current assets		68.0	60.5
Non-current assets			
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
Total non-current assets		4,031.5	3,984.5
Total assets		4,099.5	4,045.0
Liabilities			
Current liabilities			
Payables and other liabilities	D2	45.6	45.9
Distribution payable	A2	74.4	74.4
Derivative financial instruments	C3	0.3	1.0
Total current liabilities		120.3	121.3
Non-current liabilities			
Borrowings	C2	1,199.8	1,044.5
Derivative financial instruments	C3	30.9	24.7
Total non-current liabilities		1,230.7	1,069.2
Total liabilities		1,351.0	1,190.5
Net assets			
Equity			
Contributed equity	C4	2,884.7	2,884.7
Reserves	C4	2.9	(3.3)
Accumulated losses		(139.1)	(26.9)
Total equity		2,748.5	2,854.5

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
Total comprehensive (loss)/ income for the year		-	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)
Total equity at 30 June 2022		2,884.7	(3.3)	(26.9)	2,854.5
Total equity at 1 July 2022		2,884.7	(3.3)	(26.9)	2,854.5
Profit for the year		-	-	37.8	37.8
Other comprehensive income/(loss)		-	6.2	-	6.2
Total comprehensive income/(loss) for the year		-	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)
Total equity at 30 June 2023		2,884.7	2.9	(139.1)	2,748.5

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

Consolidated Cash Flow Statement of Changes in Equity

		2023 \$'m	2022 \$'m
Cash flows from operating activities			
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)
Net cash flows from operating activities	A3	162.2	158.2
Cash flows from investing activities			
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)
Net cash flows used in investing activities		(161.7)	(212.8)
Cash flows from financing activities			
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)
Net cash flows from financing activities		0.1	57.1
Net decrease in cash held		0.6	2.5
Cash and cash equivalents at the beginning of the year		21.8	19.3
Cash and cash equivalents at the end of the year		22.4	21.8

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.

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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	2022
	\$'m	\$'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
Total convenience retail segment income	182.7	177.4
Long WALE retail segment income	40.0	30.8
Total segment income	222.70	208.2
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)
Operating earnings	166.9	164.4

	2023	2022
	\$'m	\$'m
<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	-
Total property rental income	212.8	200.8

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	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m
2023	197.9	183.8	162.9	140.2	110.1	312.8	1,107.7
2022	191.1	176.3	159.2	139.2	117.8	341.4	1,125.0

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:

	2023	2022
	\$'m	\$'m
Operating earnings	166.9	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)
Statutory profit for the year	37.8	663.6
Basic weighted average number of units (millions)	581.2	578.7
Basic and diluted 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

A2. Distributions and earnings per unit

(a) Distributions paid and payable

	Distribution	Total amount
	Cents per unit	\$'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
Total 2023	25.80	150.0
<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
Total 2022	24.50	142.1

* 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
Basic and diluted earnings per unit		
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
Basic and diluted earnings per ordinary unitholder of the REIT		
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
Statutory profit for the year	37.8	663.6
<i>Non-cash items</i>		
Straight lining and amortisation of lease incentives	13.9	15.5
Share of net profit on investment in joint venture and associate entities	24.5	(190.4)
Property valuation (gain)/loss	71.5	(274.0)
Loss on sale of investment properties	2.1	0.1
Net (gain)/loss on derivative financial instruments	18.1	(45.9)
Write off of capitalised borrowing costs related to refinancing	-	0.3
Foreign exchange gains	(1.0)	(4.8)
<i>Change in assets and liabilities</i>		
(Increase)/decrease in assets		
Receivables and other assets	(1.8)	(3.6)
Accrued interest on derivative instruments	-	(0.3)
Net income receivable from investment in joint venture and associate entities	(3.6)	(4.2)
Prepayments	(0.1)	(0.8)
Unamortised borrowing costs	0.4	0.6
Increase/(decrease) in liabilities		
Payables and other liabilities	0.4	2.1
Net cash flows from operating activities	162.2	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
Non-current assets		
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)
Total non-current assets	3,975.9	3,920.0
Current assets		
Assets held for sale**	B1 2.8	-
Property portfolio assets, including interests in joint venture and associates	3,978.7	3,920.0

* 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)

(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)	-
Carrying amount at the end of the year	2,680.5	2,692.2

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)
Balance at the end of the year	1,295.4	1,227.8

* 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
2023						
Income						
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)
Net property income	29.1	14.4	42.0	49.8	77.6	212.9
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)
Total expenses	(9.8)	(3.7)	(5.8)	(12.9)	(4.8)	(37.0)
Operating earnings	19.3	10.7	36.2	36.9	72.8	175.9
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)
Statutory profit for the year	11.4	7.8	34.5	22.4	33.6	109.7
Total comprehensive income	11.4	7.8	34.5	22.4	33.6	109.7
REIT's interest in total comprehensive income*	5.7	3.9	11.5	10.6	9.1	40.8

* 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.

	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
2022						
Income						
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)
Net property income	28.6	14.2	39.1	47.2	30.4	159.5
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)
Total expenses	(7.8)	(3.4)	(4.4)	(12.2)	(2.1)	(29.9)
Operating earnings	20.8	10.8	34.7	35.0	28.3	129.6
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)
Statutory profit for the year	74.3	49.2	128.4	183.9	120.7	556.5
Total comprehensive income	74.3	49.2	128.4	183.9	120.7	556.5
REIT's interest in total comprehensive income	37.2	24.5	45.6	87.4	55.4	250.1

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		CHRP2		Other SCI		Long WALE		Long WALE		Total
	100% interest**	100% interest	100% interest	100% interest	100% interest	100% interest	CHART	Other	100% interest	100% interest	
2023	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m
Summarised balance sheet:											
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					
Net assets	340.2	194.0	644.2	691.4	1,822.9	3,692.7					
REIT's interest in %	50.0	49.9	Various	47.5	Various						
REIT's interest in \$'m and carrying value*	170.1	96.8	237.2	328.4	462.9	1,295.4					

* 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		CHRP2		Other SCI		Long WALE		Long WALE		Total
	100% interest	100% interest	100% interest	100% interest	100% interest	100% interest	CHART	Other	100% interest	100% interest	
2022	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m
Summarised balance sheet:											
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					
Net assets	348.2	197.0	639.5	708.5	1,556.8	3,450.0					
REIT's interest in %	50.0	49.9	Various	47.5	Various						
REIT's interest in \$'m and carrying value	174.1	98.3	236.0	336.5	382.9	1,227.8					

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
Total exposure				429.0	487.4
Fair value hedge adjustment				-	(42.0)
Total				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

Maturity date	Facility limits \$'m	Drawn amount at 30 Jun 2023 \$'m
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)
Total unsecured borrowings	1,044.5	(0.8)	0.4	155.7	1,199.8
Cash	(21.8)	-	-	(0.6)	(22.4)
Net Debt	1,022.7	(0.8)	0.4	155.1	1,177.4

	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)
Total unsecured borrowings	883.5	(5.7)	0.5	166.2	1,044.5
Cash	(19.3)	-	-	(2.5)	(21.8)
Net Debt	864.2	(5.7)	0.5	163.7	1,022.7

Covenants

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

- the REIT defaults on payments of interest or principal;
- interest cover ratio falls below 2.00:1;
- total liabilities to total assets ratio exceeds 50%;
- priority debt of the REIT over the total look through tangible assets exceeds 5%;

- the REIT's look through share in the priority debt of the joint venture 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
Current				
Interest rate swaps	12.0	-	9.4	-
Cross currency swaps	4.8	-	5.0	-
Foreign exchange contract	-	0.3	-	1.0
Total current derivative financial instruments	16.8	0.3	14.4	1.0
Non-current				
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
Total non-current derivative financial instruments	55.6	30.9	64.5	24.7
Total derivative financial assets/liabilities	72.4	31.2	78.9	25.7

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:

Cross currency interest rate swaps	2023 \$'m	2022 \$'m
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
Total USPP exposure	(446.2)	0.8	(445.4)
Cross currency interest rate swaps	25.1	(1.2)	23.9
Accrued interest on swaps	(5.0)	0.2	(4.8)
Total cross currency interest rate swaps	20.1	(1.0)	19.1
Net USPP exposure	(426.1)	(0.2)	(426.3)

	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
Total USPP exposure	(451.9)	5.7	(446.2)
Cross currency interest rate swaps	25.8	(0.7)	25.1
Accrued interest on swaps	(4.8)	(0.2)	(5.0)
Total cross currency interest rate swaps	21.0	(0.9)	20.1
Net USPP exposure	(430.9)	4.8	(426.1)

(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
2023	125.0	847.4	-	-	-	972.4
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
581,229,609	Units on issue	30 June 2023	2,884.7	

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
Balance 30 June 2023	0.2	2.2	0.5	2.9
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.

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"> – Cross currency swaps are used to convert US dollar borrowings into Australian dollar exposures. – NZD denominated borrowings and forward exchange contracts are used to hedge the net investment in foreign operations and distributions received.
Market risk – Interest rate risk	The risk that changes in interest rates will change the fair value or cash flows of the REIT's monetary assets and liabilities.	Cash and borrowings at fixed and floating rates.	<ul style="list-style-type: none"> – Interest rate swaps are used to hedge movements in interest rates.
Liquidity risk	The risk that the REIT has insufficient liquid assets to meet its obligations as they become due and payable.	Payables, borrowings and other liabilities.	<ul style="list-style-type: none"> – 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. – Performing credit reviews on prospective tenants, obtaining tenant collateral and detailed review of tenant arrears. – Reviewing the aggregate exposure of receivables and tenancies across the portfolio. – Limiting the credit exposure to any one financial institution and limiting to investment grade counterparties. – Monitoring the public credit rating of counterparties.
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"> – Performing credit reviews on prospective tenants, obtaining tenant collateral and detailed review of tenant arrears. – Reviewing the aggregate exposure of receivables and tenancies across the portfolio. – Limiting the credit exposure to any one financial institution and limiting to investment grade counterparties. – Monitoring the public credit rating of counterparties.

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

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

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
2023					
Financial liabilities					
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
Total financial liabilities	(1,247.6)	(22.1)	(1,308.2)	(50.1)	(1,380.4)
2022					
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
Total financial liabilities	(1,070.3)	5.0	(956.8)	(249.1)	(1,200.9)

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
2023					
Rent receivables	1.7	0.2	0.4	0.6	2.9
Provision for expected credit losses					(1.7)
2022					
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
2023			
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)
2022			
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	
		2023	2022
		\$'000	\$'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
		50,018	47,142

* 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
	6,765,495	8,751,862

(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:

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

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
Current		
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
	45.6	45.9

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:

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

(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
Amounts paid or payable to PricewaterhouseCoopers Australian firm for:		
Audit services*	346	321
Total amount paid or payable to PricewaterhouseCoopers Australian firm	346	321

* 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).

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 44 to 76 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

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:

- 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
- 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.

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.

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"> 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. We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. We chose operating earnings (which is an adjusted profit metric) as the benchmark because, in our view, it is the benchmark against which the performance of the REIT is most commonly measured. We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds. 	<ul style="list-style-type: none"> Our audit focused on where the REIT made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. The REIT audit team identified separate components of the REIT including its equity accounted investments. We established an audit strategy for each component. The audit work performed at the component level, together with the additional audit procedures performed at the REIT level provided us with sufficient and appropriate evidence for our opinion on the financial report as a whole.

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

How our audit addressed the 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.

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.



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.

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.

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.

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

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', written in a cursive style.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'R.W. McMahon', written in a cursive style.

R W McMahon
Partner

Sydney
14 August 2023

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Fund Manager Remuneration

Ben Ellis, Fund Manager, CQR

Fund Manager's Total Target Remuneration is structured as a mixture of fixed and variable 'at-risk' Short Term Incentive (STI) and Long Term Incentive (LTI) components. While Fixed Annual Remuneration (FAR) is designed to provide a base level of remuneration, the 'at-risk' STI and LTI components align the employee's performance with Fund objectives and long-term unitholder interests.

STI

Individual STI outcomes are determined on the basis of Group and individual performance through a balanced scorecard. The scorecard is split into three elements: Financial; Customer; and Culture/Leadership/ Collaboration with a 50% financial and 50% non-financial split.

Ben Ellis, in addition to his role of Fund Manager CQR, is also the Chief Executive Officer of Charter Hall's Retail division. The table on the following page outlines the split of Ben's current KPIs.

For FY23, two-thirds of the STI award will be delivered in cash and one-third deferred into CQR units as service rights. These service rights are deferred over two years, with 50% vesting at the end of year one (on 31 August 2024) and 50% at the end of year two (31 August 2025).

For the FY23 STI and all other grants from 1 July 2023, the automatic exercise of rights into CQR securities at vesting will be amended to allow the exercise of rights at the election of the participant for a period of up to 10 years from the grant date. The changes apply to all Performance Rights and Options Plan (PROP) participants and are intended to improve shareholder alignment as employees may choose to have additional capital exposure to CQR or other CHC Listed vehicles as a result of the flexibility of the offering.

LTI

The LTI is governed by the PROP, under which rights to stapled securities are granted to participants. Each performance right entitles the participant to one stapled security in the Charter Hall Group for nil consideration at the time of vesting, subject to meeting the performance hurdles as outlined below, measured over the relevant performance period:

- Charter Hall Group's aggregate operating earnings per security (OEPS) growth - 50% of LTI allocation.
- Charter Hall Group's relative total securityholder return (TSR) - 50% of LTI allocation.

More details are provided under section 6.5 of the Remuneration Report within Charter Hall Group's 2023 Annual Report.

Role	Financial	Customer	Culture, Leadership and Collaboration
Overall Weighting	50%	30%	20%
KPIs	<ul style="list-style-type: none"> - Achieve and exceed CQR OEPS growth as approved by the Board. - Ongoing repositioning of CQR portfolio via transactions and asset recycling to deliver superior and more secure income growth and portfolio returns to investors compared to relevant sector total property returns. - Delivery of CQR portfolio budgets and business plans. - Drive a focus on strategic and operational risk management across the Fund to comply with the regulatory environment. 	<ul style="list-style-type: none"> - Maintain or improve listed investor survey result for CQR and wholesale investor survey for CQR partnerships. - Maintain direct dialogue with top listed investor customers in CQR and wholesale investor customers in CQR partnerships. - Drive ESG initiatives, with evidence of progress towards 2025 Net Zero aspirations as per Sustainability report. - Drive improvements in CentreSAT NPS scores across the portfolio. 	<ul style="list-style-type: none"> - Drive employee engagement by nurturing a positive, empowering culture that promotes inclusion, customer excellence and well-being. - Demonstrate industry leadership via active participation in relevant conferences and market forums including SCCA.

Unitholder Analysis

Range of units summary

as at 21 July 2023

Range	Securities	% of issued stapled securities	No. of Holders
10,001 to 50,000	24,479,592	4.21	1,293
5,001 to 10,000	11,551,355	1.99	1,607
1,001 to 5,000	9,442,294	1.62	3,434
1 to 1,000	742,838	0.13	1,902
Total	581,229,609	100.00	8,371
Unmarketable Parcels	14,834	0.00	565

Substantial unitholder notices

as at 21 July 2023

Company	Date of change	Units	Ownership
Blackrock Group	10 July 2023	47,772,533	8.21%
Perpetual Limited	23 June 2023	35,199,607	6.06%
Pendal Group Limited	27 October 2022	42,100,916	7.24%
Charter Hall Limited	25 May 2022	65,897,115	11.34
State Street Corporation	20 January 2022	30,186,872	5.22
Milford Asset Management Limited	1 November 2021	37,516,609	6.49
Vanguard Group	26 November 2020	51,791,223	9.07

Top 20 unitholders

as at 21 July 2023

Rank	Name	A/C designation	Units	%IC
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED		170,075,517	29.26
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED		110,762,394	19.06
3	CITICORP NOMINEES PTY LIMITED		72,337,633	12.45
4	NATIONAL NOMINEES LIMITED		62,529,732	10.76
5	TRUST COMPANY LIMITED		62,101,875	10.68
6	BNP PARIBAS NOMS PTY LTD		14,068,948	2.42
7	CITICORP NOMINEES PTY LIMITED		8,858,153	1.52
8	BNP PARIBAS NOMINEES PTY LTD		3,327,706	0.57
9	CHARTER HALL WHOLESALE MANAGEMENT LTD		2,350,000	0.40
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED		1,658,021	0.29
11	UBS NOMINEES PTY LTD		1,477,943	0.25
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED		1,464,778	0.25
13	SANDHURST TRUSTEES LTD		1,261,917	0.22
14	ONE MANAGED INVESTMENT FUNDS LTD		1,135,000	0.20
15	NEWECONOMY COM AU NOMINEES PTY LIMITED		1,085,720	0.19
16	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD		1,071,025	0.18
17	ARTMAX INVESTMENTS LIMITED		975,593	0.17
18	CHARTER HALL WHOLESALE MANAGEMENT LIMITED		965,000	0.17
19	BNP PARIBAS NOMS(NZ) LTD		907,780	0.16
20	MR JOHN ARMOUR		890,000	0.15
	Total		519,304,735	89.35
	Balance of register		61,924,874	
	Grand total		581,229,609	100.00

On-market buy back

There is no current on-market buy back.

Investor Information

How do I invest in Charter Hall Retail REIT?

Charter Hall Retail REIT units are listed on the Australian Securities Exchange (ASX: CQR). Unitholders will need to use the services of a stockbroker or an online broking facility to invest in Charter Hall Retail REIT.

Where can I find more information about Charter Hall Retail REIT?

Charter Hall Retail REIT's website, www.charterhall.com.au/cqr contains extensive information on our Board, corporate governance, sustainability, property portfolio, unit price and all investor communications including distribution and tax information, reports and presentations, and profit results. The website also provides information on the broader Charter Hall Group including other managed funds available for investment.

Can I receive my Annual Report electronically?

Charter Hall Retail REIT provides its annual report as a PDF, accessible on its website. You can elect to receive notification that this report is available online via your Investor Centre login.

How do I receive my distribution?

Charter Hall Retail REIT pays its distribution via direct credit. This enables you to receive automatic payment of your distributions quickly and securely. You can nominate any Australian or New Zealand bank, building society, credit union or cash management account for direct payment by downloading a direct credit form using the Investor Login facility and sending to Link Market Services. On the day of payment you will be sent a statement via post or email confirming that the payment has been made and setting out details of the payment. The Charter Hall Retail REIT no longer pays distributions by cheque.

Can I reinvest my distribution?

When operating, the Distribution Reinvestment Plan (DRP) allows you to have your distributions reinvested in additional securities in Charter Hall Retail REIT, rather than having your distributions paid to you. If you would like to participate in the DRP, you can do so online using the Investor Login facility available on our website, or you can complete a DRP Application Form available from our registry.

Do I need to supply my Tax File Number?

You are not required by law to supply your Tax File Number (TFN), Australian Business Number (ABN) or exemption. However, if you do not provide these details, withholding tax may be deducted at the highest marginal rate from your distributions. If you wish to provide your TFN, ABN or exemption, please contact Link Market Services on 1300 303 063 or your sponsoring broker. You can also update your details directly online at www.charterhall.com.au using the Investor Login facility.

How do I complete my annual tax return for the distributions I receive from Charter Hall Retail REIT?

At the end of each financial year, we issue unitholders with an Attribution Managed Investment Trust Member (AMMA) Annual Statement. This statement includes information required to complete your tax return. The distributions paid in February and August are required to be included in your tax return for the financial year the income was earned, that is, the distribution income paid in August 2023 should be included in your 2023 financial year tax return.

How do I make a complaint?

Unitholders wishing to lodge a complaint should do so in writing and forward it to the Compliance Manager, Charter Hall Retail REIT at the address shown in the Directory. In the event that a complaint cannot be resolved within a reasonable time frame (usually 45 days) or you are not satisfied with our response, you can seek assistance from the Australian Financial Complaints Authority (AFCA), an external complaints resolution service that has been approved by ASIC. AFCA's contact details are below:

Australian Financial Complaints Authority

GPO Box 3
Melbourne VIC 3001
Phone: 1800 931 678
Email: info@afca.org.au
www.afca.org.au

Contact Details

Registry

To access information on your holding or update/change your details including name, address, tax file number, payment instructions and document requests, contact:

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

Phone 1300 303 063 (within Australia)
+61 2 8280 7134 (outside Australia)

Email charterhall@linkmarketservices.com.au

Web linkmarketservices.com.au

Investor Relations

All other enquiries related to Charter Hall Retail REIT can be directed to Investor Relations:

Charter Hall Retail Management Limited
GPO Box 2704
Sydney NSW 2001

Phone 1300 365 585 (within Australia)
+61 2 8651 9000 (outside Australia)

Email reits@charterhall.com.au

Web charterhall.com.au

Corporate Directory

Responsible Entity and Manager

Charter Hall Retail Management Limited
ABN 46 069 709 468
AFSL 246996

Registered office
Level 20, No.1 Martin Place
Sydney NSW 2000

Directors of the Responsible Entity

Roger Davis (Chair), Ben Ellis, Michael Gorman,
David Harrison and Sue Palmer

Fund Manager

Ben Ellis

Company Secretary

Mark Bryant and Rebekah Hourigan

Responsible Entity's office

Level 20, No.1 Martin Place
Sydney NSW 2000

GPO Box 2704
Sydney NSW 2001

Phone 1300 365 585 (within Australia)
+61 2 8651 9000 (outside Australia)

Email reits@charterhall.com.au

Web charterhall.com.au/cqr

ASX code CQR

Auditor

PricewaterhouseCoopers
One International Towers Sydney
Watermans Quay, Barangaroo
Sydney NSW 2000

Important information

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).

This report is not intended to be and does not constitute an offer or a recommendation to acquire any securities in the REIT. This report does not take into account the personal objectives, financial situation or needs of any investor. Before investing in REIT securities, you should consider your own objectives, financial situation and needs and seek independent financial, legal and/or taxation advice. Historical performance is not a reliable indicator of future performance. Due care and attention has been exercised in the preparation of forward-looking statements. However, any forward-looking statements contained in this report are not guarantees or predictions of future performance and, by their very nature, are subject to uncertainties and contingencies, many of which are outside the control of CHRML and its entities.

Actual results may vary materially from any forward-looking statements contained in this report. Readers are cautioned not to place undue reliance on any forward-looking statements. Except as required by applicable law, CHRML and its related entities do not undertake any obligation to publicly update or review any forward-looking statements, whether as a result of new information or future events.

The receipt of this report by any person and any information contained herein or subsequently communicated to any person in connection with the REIT is not to be taken as constituting the giving of investment, legal or tax advice by the REIT nor any of its related bodies corporate, directors or employees to any such person. Neither the REIT, its related bodies corporate, directors, employees nor any other person who may be taken to have been involved in the preparation of this report represents or warrants that the information contained in this report, provided either orally or in writing to a recipient in the course of its evaluation of the REIT or the matters contained in this report, is accurate or complete.

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