

Charter Hall Retail REIT

ARSN 093 143 965

Directors' report and interim financial report
For the period ended 31 December 2023



Important Notice

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

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

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

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

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Cover Page: Eastgate Shopping Centre Bondi Junction, 71-91 Spring Street, Bondi Junction, NSW 2022

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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 period ended 31 December 2023.

Principal activities

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

Directors

The following persons have held office as Directors of the Responsible Entity during the half year period 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:

	31 Dec 2023 \$'m	31 Dec 2022 \$'m
Interim distribution for the six months ended 31 December 2023 of 12.30 cents per unit payable on 29 February 2024	71.5	-
Interim distribution for the six months ended 31 December 2022 of 13.00 cents per unit paid on 28 February 2023	-	75.6
	71.5	75.6

A liability has been recognised in the consolidated financial statements as the interim distribution had been declared 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 is suspended for the half year ended 31 December 2023.

Directors' report (continued)

Review and results of operations

The 31 December 2023 financial results are summarised as follows:

	6 months to 31 Dec 2023	6 months to 31 Dec 2022
Revenue from ordinary activities	109.4	107.0
Statutory (loss)/profit (\$ millions)	(42.1)	124.8
Basic earnings per unit (cents)	(7.24)	21.47
Operating earnings (\$ millions)	78.6	83.4
Operating earnings per unit (cents)	13.52	14.35
Distributions (\$ millions)	71.5	75.6
Distributions per unit (cents)	12.30	13.00

	31 Dec 2023	30 Jun 2023
Total assets (\$ millions)	3,977.4	4,099.5
Total liabilities (\$ millions)	1,339.6	1,351.0
Net assets attributable to unitholders (\$ millions)	2,637.8	2,748.5
Units on issue (millions)	581.2	581.2
Net assets per unit (\$)	4.54	4.73
Balance sheet gearing - total debt (net of cash and derivatives) to total assets (net of cash and derivatives)	29.3%	29.0%
Look through gearing - total debt (net of cash and derivatives) to total assets (net of cash and derivatives)	35.3%	34.0%

The REIT recorded a statutory loss for the period of \$42.1 million (31 December 2022 profit of \$124.8 million). Operating earnings for the period were \$78.6 million (31 December 2022: \$83.4 million).

The table below sets out income and expenses that comprise operating earnings on a look through basis (including the REIT's share of joint ventures and associates):

	6 months to 31 Dec 2023 \$'m	6 months to 31 Dec 2022 \$'m
Convenience shopping centre retail net property income	95.7	95.0
Convenience net lease retail net property income	25.8	22.3
Interest income	0.8	0.3
Management fees	(8.9)	(9.3)
Finance costs	(32.7)	(22.7)
Other expenses	(2.1)	(2.2)
Operating earnings	78.6	83.4

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 to declare.

The movement in the REIT's operating earnings was driven by increased finance costs in the period, partially offset by higher net property income as a result of like for like rental growth from the stable portfolio.

Directors' report (continued)

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

	6 months to 31 Dec 2023 \$'m	6 months to 31 Dec 2022 \$'m
Operating earnings	78.6	83.4
Net revaluation (loss)/gain on investment properties	(82.8)	67.1
Straight lining of rental income and amortisation of incentives	(8.8)	(8.4)
Acquisition related and other costs	-	(1.4)
Net loss on disposal of investment properties	(0.2)	(0.5)
Net loss on derivative financial instruments	(28.5)	(15.9)
Foreign exchange gain	-	1.1
Other	(0.4)	(0.6)
Statutory (loss)/profit for the period	(42.1)	124.8

Investment property valuations

As at 31 December 2023, 96% of investment properties, including associates and joint ventures, and excluding assets classified as held for sale, were externally valued. Over the six months from 30 June 2023 to 31 December 2023 the REIT's portfolio valuation (including the REIT's share of joint venture) decreased \$82.8 million due to wholly owned valuations decreasing by \$97.2 million and joint venture valuations increasing by \$14.4 million.

Significant changes in the state of affairs

Acquisitions and disposals

In July 2023, the REIT received a capital distribution from the Charter Hall Retail Partnership No.1 Trust of \$42 million representing its 50% share in the net sales proceeds of Brickworks Marketplace, sold in June 2023.

In December 2023, the REIT exchanged unconditional contracts to divest in four convenience retail shopping centres across the portfolio, totalling \$290m. These are expected to settle prior to 30 June 2024.

In December 2023, through its 20% interest in the Retail Partnership No.6 Trust, the REIT exchanged contracts to acquire Eastgate Shopping Centre, Bondi Junction, NSW for a total consideration of \$126.9 million.

Debt arrangements and hedging

In July 2023, the REIT extended two of its bilateral facilities. \$230 million was extended to July 2028 along with a \$50m increase in limit. In August 2023, the REIT also entered into a new facility with a limit of \$100.0 million, maturing in August 2028.

During July and December 2023, the REIT entered into a series of new interest rate swaps totalling \$600 million. The swaps were set at a fixed rate of 3.8% for a period of 12-24 months commencing in June 2025.

Events occurring after balance date

The Directors of the Responsible Entity are not aware of any other matter or circumstance not otherwise dealt with in this report that has significantly affected or may significantly affect the operations of the REIT, the results of their operations or the state of affairs of the REIT in future financial years.

Likely developments and expected results of operations

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

Directors' report (continued)

Interests in the REIT

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

	6 months to 31 Dec 2023	Year to 30 Jun 2023
Units on issue at the beginning of the period	581,229,609	581,229,609
Units on issue at the end of the period	581,229,609	581,229,609

Value of assets

	31 Dec 2023 \$'m	30 Jun 2023 \$'m
Value of REIT assets	3,977.4	4,099.5

The value of the REIT's assets is derived using the basis set out in the notes to the consolidated financial statements for the period ended 31 December 2023.

Directors' report (continued)

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 9.

Rounding of amounts to the nearest hundred thousand dollars

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

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

Directors' authorisation

The Directors' report is made in accordance with a resolution of the Directors. The financial statements were authorised for issue by the Directors on 16 February 2023. The Directors have the power to amend and re-issue the financial statements.



Roger Davis
Chair
Sydney
16 February 2024

Auditor's independence declaration



Auditor's Independence Declaration

As lead auditor for the review of Charter Hall Retail REIT for the half-year ended 31 December 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink that reads 'Diane Winnard'.

Diane Winnard
Partner
PricewaterhouseCoopers

Sydney
16 February 2024

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Consolidated statement of comprehensive income

	Notes	6 months to 31 Dec 2023 \$'m	6 months to 31 Dec 2022 \$'m
Revenue			
Property income	A1	108.9	106.8
Interest income		0.5	0.2
Total revenue		109.4	107.0
Other income			
Share of net profit from joint venture and associate entities	B2	40.1	73.4
Net gain on movement in fair value of investment properties	B1	-	22.1
Foreign exchange gains		-	1.1
Total revenue and other income		149.5	203.6
Expenses			
Property expenses	A1	(35.9)	(34.9)
Net loss on movement in fair value of investment properties	B1	(97.2)	-
Net loss on disposal of investment properties		(0.2)	(0.5)
Net loss from derivative financial instruments		(21.4)	(14.2)
Management fees		(7.9)	(8.3)
Finance costs	C1	(27.0)	(17.5)
Acquisition related and other costs		-	(1.4)
Other expenses		(2.0)	(2.0)
Total expenses		(191.6)	(78.8)
(Loss)/profit for the period		(42.1)	124.8
Other comprehensive income*			
Change in the fair value of cash flow hedges		(1.1)	(1.4)
Exchange differences on translation of foreign operations		4.0	12.0
Other comprehensive income		2.9	10.6
Total comprehensive (loss)/income for the period		(39.2)	135.4
Basic and diluted earnings per ordinary unitholder of the REIT			
Earnings per unit (cents)	A2	(7.24)	21.47

* 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	31 Dec 2023 \$'m	30 Jun 2023 \$'m
Assets			
Current assets			
Cash and cash equivalents		16.3	22.4
Receivables and other assets		9.6	10.6
Distributions receivable		12.2	13.4
Derivative financial instruments	C2	10.1	16.8
Prepayments		4.3	2.0
Assets classified as held for sale	B1	290.0	2.8
Total current assets		342.5	68.0
Non-current assets			
Investment properties	B1	2,319.2	2,680.5
Investments in joint venture and associate entities	B2	1,268.4	1,295.4
Derivative financial instruments	C2	47.3	55.6
Total non-current assets		3,634.9	4,031.5
Total assets		3,977.4	4,099.5
Liabilities			
Current liabilities			
Payables and other liabilities		49.6	45.6
Distribution payable	A2	71.5	74.4
Derivative financial instruments	C2	11.0	0.3
Total current liabilities		132.1	120.3
Non-current liabilities			
Borrowings	C1	1,180.9	1,199.8
Derivative financial instruments	C2	26.6	30.9
Total non-current liabilities		1,207.5	1,230.7
Total liabilities		1,339.6	1,351.0
Net assets		2,637.8	2,748.5
Equity			
Contributed equity	C3	2,884.7	2,884.7
Reserves		5.8	2.9
Accumulated losses		(252.7)	(139.1)
Total equity		2,637.8	2,748.5

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 2022		2,884.7	(3.3)	(26.9)	2,854.5
Profit for the period		-	-	124.8	124.8
Other comprehensive income		-	10.6	-	10.6
Total comprehensive income for the period		-	10.6	124.8	135.4
Transactions with unitholders in their capacity as unitholders					
- Distributions paid and payable	A2	-	-	(75.6)	(75.6)
Total equity at 31 December 2022		2,884.7	7.3	22.3	2,914.3
Total equity at 1 July 2023		2,884.7	2.9	(139.1)	2,748.5
Profit/(loss) for the period		-	-	(42.1)	(42.1)
Other comprehensive income/(loss)		-	2.9	-	2.9
Total comprehensive income/(loss) for the period		-	2.9	(42.1)	(39.2)
Transactions with unitholders in their capacity as unitholders					
- Distributions paid and payable	A2	-	-	(71.5)	(71.5)
Total equity at 31 December 2023		2,884.7	5.8	(252.7)	2,637.8

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

Consolidated cash flow statement

	6 months to 31 Dec 2023 \$'m	6 months to 31 Dec 2022 \$'m
Cash flows from operating activities		
Property income received	127.8	126.3
Property expenses paid	(42.4)	(42.4)
Distributions received from investments in joint venture and associate entities	28.9	30.6
Other operating expenses paid	(10.0)	(11.0)
Finance costs paid	(26.4)	(16.9)
Interest and other income	0.5	0.2
GST paid to ATO on operating activities	(6.4)	(6.3)
GST paid to ATO on investing activities	(0.2)	0.2
Net cash flows from operating activities	71.8	80.7
Cash flows from investing activities		
Proceeds from sale of investment properties and units in a fixed trust	2.8	103.7
Deposit received for investment property	-	2.8
Payments for investment properties	-	(65.3)
Payments for investments accounted for using the equity method	-	(118.1)
Payments for capital expenditure on investment properties	(27.4)	(46.7)
Capital distribution received from joint venture entity	42.0	-
Net cash flows from/(used in) investing activities	17.4	(123.6)
Cash flows from financing activities		
Proceeds from borrowings	250.0	162.0
Repayment of borrowings	(271.0)	(42.1)
Distributions paid to unitholders, net of DRP	(74.3)	(74.3)
Net cash flows (used in)/from financing activities	(95.3)	45.6
Net (decrease)/increase in cash held	(6.1)	2.7
Cash and cash equivalents at the beginning of the period	22.4	21.8
Cash and cash equivalents at the end of the period	16.3	24.5

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

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** – details of the REITs capital structure.
- **Further information** – provides additional disclosures not included in previous sections but relevant in understanding the financial statements.

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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;
- 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 31 December 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 Shopping Centre Retail

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

Convenience Net Lease Retail

This segment comprises convenience net lease 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.

A. Fund performance (continued)

(b) Segment information provided to the Board

The operating earnings reported to the Board for the operating segments for the periods ended 31 December 2023 and 31 December 2022 are as follows:

	6 months to 31 Dec 2023 \$'m	6 months to 31 Dec 2022 \$'m
<i>Convenience shopping centre retail segment</i>		
Property rental income	82.2	81.9
Other income	24.8	23.5
Add back: straight lining of rental income and amortisation of incentives	6.9	6.3
Property expenses	(35.9)	(34.9)
Net income from joint venture entities	13.4	14.4
Total convenience shopping centre retail segment income	91.4	91.2
<i>Convenience net lease retail segment</i>		
Property rental income	1.9	1.4
Net income from joint venture entities	20.2	17.2
Total convenience net lease retail segment income	22.1	18.6
Total segment income	113.5	109.8
Interest income	0.5	0.2
Management fees	(7.9)	(8.3)
Finance costs	(25.7)	(16.3)
Other expenses	(1.8)	(2.0)
Operating earnings	78.6	83.4
Basic weighted average number of units (millions)	581.2	581.2
Operating earnings per unit (cents)	13.5	14.4

Property rental income

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

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).

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 accrual basis.

A. Fund performance (continued)

The operating earnings on a look through basis (which includes the REIT's share joint ventures and associates) are set out below:

	6 months to 31 Dec 2023	6 months to 31 Dec 2022
	\$'m	\$'m
Convenience shopping centre retail net property income	95.7	95.0
Convenience net lease retail net property income	25.8	22.3
Interest income	0.8	0.3
Management fees	(8.9)	(9.3)
Finance costs	(32.7)	(22.7)
Other expenses	(2.1)	(2.2)
Operating earnings	78.6	83.4

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:

	6 months to 31 Dec 2023	6 months to 31 Dec 2022
	\$'m	\$'m
Operating earnings	78.6	83.4
Net revaluation (loss)/gain on investment properties	(82.8)	67.1
Straight lining of rental income and amortisation of incentives	(8.8)	(8.4)
Acquisition related and other costs	-	(1.4)
Net loss on disposal of investment properties	(0.2)	(0.5)
Net (loss)/gain on derivative financial instruments	(28.5)	(15.9)
Foreign exchange gain	-	1.1
Other	(0.4)	(0.6)
Statutory (loss)/profit for the period	(42.1)	124.8

A2. Distributions and earnings per unit

(a) Distributions paid and payable

	31 Dec 2023	31 Dec 2022
	\$'m	\$'m
Interim distribution for the six months ended 31 December 2023 of 12.30 cents per unit payable on 29 February 2024	71.5	-
Interim distribution for the six months ended 31 December 2022 of 13.00 cents per unit paid on 28 February 2023	-	75.6
	71.5	75.6

A liability has been recognised in the consolidated financial statements as the interim distribution had been declared as at the balance date.

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.

(b) Earnings per unit

	6 months to 31 Dec 2023	6 months to 31 Dec 2022
Basic and diluted earnings per unit		
Net profit from continuing operations (\$'m)	(42.1)	124.8
Operating earnings for the period (\$'m)	78.6	83.4
Weighted average number of units used in the calculation of basic earnings per unit (millions)*	581.2	581.2
Basic and diluted earnings per ordinary unitholder of the REIT		
Earnings per unit (cents)	(7.24)	21.47
Operating earnings per unit (cents)	13.52	14.35

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

A. Fund performance (continued)

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

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

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 period. The REIT has no dilutive or convertible units on issue.

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	31 Dec 2023 \$'m	30 Jun 2023 \$'m
Non-current assets			
Investment properties	B1	2,319.2	2,680.5
Joint venture and associate investment property	B2	1,627.9	1,603.2
Joint venture and associate non-investment property assets and liabilities	B2	(359.5)	(307.8)
Total non-current assets		3,587.6	3,975.9
Current assets			
Assets held for sale	B1	290.0	2.8
Property portfolio assets, including interests in joint venture and associates		3,877.6	3,978.7

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 subject to a sale process, 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.

As at 31 December 2023, 96% of investment properties, including associates and joint ventures, and excluding assets classified as held for sale, were externally valued.

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 (%)
Dec 2023	2,319.2	130 - 690	4.9 - 7.6	5.2 - 7.9	5.8 - 8.5
Jun 2023	2,680.5	130 - 686	4.6 - 7.3	5.1 - 7.5	5.0 - 8.0

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.

Sensitivity analysis

The movement in capitalisation rate is considered by the REIT as the most significant assumption to impact the fair value of investment properties.

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

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

	- 25 basis points \$'m	+ 25 basis points \$'m
Dec 2023	91.5	(99.3)
Jun 2023	120.0	(110.0)

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
Dec 2023	175.9	(191.8)
Jun 2023	201.0	(184.0)

B. Property portfolio assets (continued)

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

	- 25 basis points \$'m	+ 25 basis points \$'m
Dec 2023	41.3	(40.1)
Jun 2023	48.2	(47.5)

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

	6 months to 31 Dec 2023 \$'m	12 months to 30 Jun 2023 \$'m
Carrying amount at the beginning of the period	2,680.5	2,692.2
Additions and capital improvements	32.9	135.5
Acquisition costs incurred	-	1.4
Revaluation decrement attributable to acquisition costs	-	(1.4)
Net revaluation decrement	(97.2)	(65.9)
Straight lining and amortisation of lease incentives	(7.0)	(13.9)
Disposals	-	(64.6)
Reclassification of investment properties as held for sale	(290.0)	(2.8)
Carrying amount at the end of the period	2,319.2	2,680.5

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 of the REIT, 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 period 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.

B. Property portfolio assets (continued)

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 unless otherwise stated.

Joint venture and associate entity	Country of establishment	Principal activity	Ownership interest	
			31 Dec 2023	30 Jun 2023
			%	%
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%
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%	49.0%
LWIP2 Trust	Australia	Property investment	26.0%	26.0%

* 31 December period end

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

	6 months to 31 Dec 2023	Year to 30 Jun 2023
	\$'m	\$'m
Balance at the beginning of the period	1,295.4	1,227.8
Acquisition of interest in joint ventures and associates	-	179.5
Acquisition costs incurred	-	4.1
Revaluation decrement attributable to acquisition costs	-	(4.1)
Share of equity accounted profit	40.1	40.8
Distributions received and receivable	(30.5)	(62.1)
Capital distribution	(42.3)	(1.2)
Distribution reinvested	2.6	-
Unrealised foreign exchange movements on investments	3.2	5.8
Disposal of interest in joint ventures and associates	-	(95.1)
Other	(0.1)	(0.1)
Balance at the end of the period	1,268.4	1,295.4

B. Property portfolio assets (continued)

(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 31 December 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 'Convenience Shopping Centre Investments Other' (SCI Other) and 'Convenience Net Lease Investments Other' (Net Lease Other).

	CHRP1 100% interest \$'m	CHRP2 100% interest \$'m	SCI Other 100% interest \$'m	CHART 100% interest \$'m	Net Lease Other 100% interest \$'m	Total 100% interest \$'m
6 months to 31 Dec 2023						
Income						
Property income	18.5	10.1	29.4	-	6.9	64.9
Share of net profit from associates	-	-	-	25.8	38.5	64.3
Property expenses	(5.6)	(2.8)	(8.2)	-	-	(16.6)
Net property income	12.9	7.3	21.2	25.8	45.4	112.6
Finance costs	(4.1)	(1.4)	(2.4)	(6.5)	(1.4)	(15.8)
Other expenses	(1.1)	(0.7)	(0.8)	(0.2)	(1.6)	(4.4)
Total expenses	(5.2)	(2.1)	(3.2)	(6.7)	(3.0)	(20.2)
Operating earnings	7.7	5.2	18.0	19.1	42.4	92.4
Net revaluation increment/(decrement) on investment properties	(6.9)	(3.5)	(15.9)	44.9	38.4	57.0
Net unrealised loss on derivative financial instruments	(1.8)	(0.8)	(0.4)	(9.4)	(0.6)	(13.0)
Other	(1.2)	(1.1)	(2.5)	(0.2)	-	(5.0)
Statutory profit for the period	(2.2)	(0.2)	(0.8)	54.4	80.2	131.4
Total comprehensive income	(2.2)	(0.2)	(0.8)	54.4	80.2	131.4
REIT's interest in total comprehensive income	(1.1)	(0.1)	(1.5)	25.8	17.0	40.1

	CHRP1 100% interest \$'m	CHRP2 100% interest \$'m	SCI Other 100% interest \$'m	CHART 100% interest \$'m	Net Lease Other 100% interest \$'m	Total 100% interest \$'m
6 months to 31 Dec 2022						
Income						
Property income	21.0	9.9	28.6	-	5.1	64.6
Share of net profit from associates	-	-	-	24.2	32.3	56.5
Property expenses	(6.6)	(2.7)	(7.4)	-	(0.9)	(17.6)
Net property income	14.4	7.2	21.2	24.2	36.5	103.5
Finance costs	(3.5)	(1.2)	(1.9)	(6.3)	(1.0)	(13.9)
Other expenses	(1.2)	(0.6)	(0.9)	(0.1)	(1.5)	(4.3)
Total expenses	(4.7)	(1.8)	(2.8)	(6.4)	(2.5)	(18.2)
Operating earnings	9.7	5.4	18.4	17.8	34.0	85.3
Net revaluation increment/(decrement) on investment properties	1.7	1.8	6.1	51.4	70.4	131.4
Net unrealised loss on derivative financial instruments	-	(0.1)	(0.1)	(1.0)	-	(1.2)
Other	(1.0)	(1.1)	(2.2)	(1.4)	(0.6)	(6.3)
Statutory profit for the period	10.4	6.0	22.2	66.8	103.8	209.2
Total comprehensive income	10.4	6.0	22.2	66.8	103.8	209.2
REIT's interest in total comprehensive income	5.2	3.0	7.9	31.6	25.7	73.4

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 31 December 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 'Convenience Shopping Centre Investments Other' (SCI Other) and 'Convenience Net Lease Investments Other' (Net Lease Other). Materiality is assessed on the investments' contribution to the REIT's income and net assets.

	CHRP1 100% interest \$'m	CHRP2 100% interest \$'m	SCI Other 100% interest \$'m	CHART 100% interest \$'m	Net Lease Other 100% interest \$'m	Total 100% interest \$'m
31 Dec 2023						
Summarised balance sheet:						
Current assets	4.9	3.3	14.8	13.9	17.4	54.3
Derivative financial instruments - current assets	2.4	1.2	0.8	6.5	0.6	11.5
Investment properties - non-current assets	441.5	260.0	741.1	-	281.0	1,723.6
Investment in units - non-current assets	-	-	-	1,131.9	1,641.5	2,773.4
Derivative financial instruments - non-current assets	-	-	0.6	15.6	-	16.2
Current liabilities	11.1	7.0	12.6	13.6	17.8	62.1
Borrowings - non-current liabilities	187.8	68.9	111.6	428.1	55.6	852.0
Net assets	249.9	188.6	633.1	726.2	1,867.1	3,664.9
REIT's interest in %	50.0	49.9	Various	47.5	Various	
REIT's interest in \$'m and carrying value	125.0	94.1	232.5	344.9	471.9	1,268.4
	CHRP1 100% interest \$'m	CHRP2 100% interest \$'m	SCI Other 100% interest \$'m	CHART 100% interest \$'m	Net Lease Other 100% interest \$'m	Total 100% interest \$'m
30 Jun 2023						
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

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 \$34.4 million (2022: \$11.7 million). The commitments of the REIT, including share in the commitments of the joint venture and associate entities is \$40.2 million (2022: \$16.8 million). These commitments have not been recognised in the consolidated financial statements of the REIT.

As at 31 December 2023 the REIT has no commitments or contingent liabilities other than those described above.

C. Capital structure

C1. Borrowings and liquidity

(a) Borrowings

	31 Dec 2023				30 Jun 2023			
	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*	-	447.8	447.8	455.6	-	445.4	445.4	448.3
Bank loan - term debt**	-	733.1	733.1	738.5	-	754.4	754.4	758.4
Total unsecured borrowings	-	1,180.9	1,180.9	1,194.1	-	1,199.8	1,199.8	1,206.7
Undrawn bank facility			238.0				67.0	

* Includes a fair value hedge adjustment of \$(29.4) million (30 June 2023: \$(42.0) million).

** Includes unamortised transaction costs of \$3.9 million (30 June 2023: \$3.6 million).

US Private Placement notes

Information about USPP notes is summarised in the table below:

	US dollar fixed coupon	Issue date	Maturity date	Australian dollar equivalent at issue date \$'m	Carrying amount 31 Dec 2023 \$'m
USPP	3.55%	July 2015	July 2027	251.6	293.7
USPP	3.76%	May 2016	May 2026	177.4	183.5
Total exposure				429.0	477.2
Fair value hedge adjustment				-	(29.4)
Total				429.0	447.8

The REIT's interest rate and foreign exchange exposure under these notes is 100% hedged with cross currency interest rate swaps (Refer to Note C2).

Bank loans – Bilateral revolving facility agreements

	Facility limits \$'m	Drawn amount at 31 Dec 2023 \$'m
Maturity date		
March 2026	100.0	100.0
July 2026	200.0	200.0
November 2026	170.0	57.0
July 2027	75.0	-
July 2028	330.0	280.0
August 2028	100.0	100.0
	975.0	737.0

(b) Finance Costs

	6 months to 31 Dec 2023 \$'m	6 months to 31 Dec 2022 \$'m
Finance costs incurred on financial instruments:		
Debt - at amortised cost	28.2	18.9
Interest rate swaps - fair value through profit and loss	(1.2)	(1.4)
Total finance costs	27.0	17.5

C. Capital structure (continued)

C2. Derivative financial instruments

Consolidated balance sheet	31 Dec 2023		30 Jun 2023	
	Asset \$'m	Liability \$'m	Asset \$'m	Liability \$'m
Current				
Interest rate swaps	5.5	-	12.0	-
Cross currency swaps	4.6	-	4.8	-
Foreign exchange contract	-	11.0	-	0.3
Total current derivative financial instruments	10.1	11.0	16.8	0.3
Non-current				
Interest rate swaps	22.0	1.6	30.7	-
Cross currency swaps	25.3	4.8	24.9	5.8
Foreign exchange contract	-	20.2	-	25.1
Total non-current derivative financial instruments	47.3	26.6	55.6	30.9
Total derivative financial instruments	57.4	37.6	72.4	31.2

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.

C3. Contributed equity

Details	No. of units	Date of income entitlement	6 months to 31 Dec 2023	Year to 30 Jun 2023
			\$'m	\$'m
Units on issue	581,229,609	30 June 2022		2,884.7
Units on issue	581,229,609	30 June 2023	2,884.7	2,884.7
Units on issue	581,229,609	31 December 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 period ended 31 December 2023.

D. Further information

D1. Working capital

The REIT maintains a proactive cash management practice of using excess available cash to reduce drawn revolving debt facilities. The REIT is in a net current asset position of \$210.4 million at 31 December 2023 as a result of assets classified as held for sale (30 June 2023 net current liability position of \$52.3 million).

The entity has readily accessible credit facilities with \$238.0 million (30 June 2023: \$67.0 million) of undrawn non-current debt facilities at 31 December 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.

D2. Events occurring after balance date

The Directors of the Responsible Entity are not aware of any other matter or circumstance not otherwise dealt with in this report that has significantly affected or may significantly affect the operations of the REIT, the results of their operations or the state of affairs of the REIT in future financial years.

D3. Other significant accounting policies

(a) Basis of preparation

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

This general purpose interim financial report for the period ended 31 December 2023 has been prepared in accordance with the REIT's constitution, Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The REIT is a for-profit entity for the purpose of preparing the consolidated financial statements. The consolidated financial statements are presented in Australian dollars, which is the REIT's functional and presentation currency.

The interim financial report does not include all notes normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made by the Charter Hall Retail REIT during the period ended 31 December 2023 in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Unless otherwise stated, the accounting policies adopted in the preparation of the interim financial report are consistent with those of the previous financial year.

(b) Comparative information

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

(c) 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.

(d) Changes in accounting standards

No new accounting standards or amendments have come into effect for the period ended 31 December 2023 that affect the REIT's operations or reporting requirements.


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 10 to 27 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 31 December 2023 and of its performance for the period ended on that date; and
- b there are reasonable grounds to believe that the REIT will be able to pay its debts as and when they become due and payable.

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

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



Roger Davis
Chair
Sydney

16 February 2024

Independent auditor's report



pwc

Independent auditor's review report to the unitholders of Charter Hall Retail REIT

Report on the interim financial report

Conclusion

We have reviewed the interim financial report of Charter Hall Retail REIT and the entities it controlled during the half-year (together the REIT), which comprises the consolidated balance sheet as at 31 December 2023, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, material accounting policy information and explanatory notes and the directors' declaration to unitholders.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying interim financial report of Charter Hall Retail REIT does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the REIT's financial position as at 31 December 2023 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the interim financial report* section of our report.

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 the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

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Auditor's responsibilities for the review of the interim financial report

Our responsibility is to express a conclusion on the interim financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the REIT's financial position as at 31 December 2023 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PricewaterhouseCoopers

PricewaterhouseCoopers

Diane Winnard

Diane Winnard
Partner

Sydney
16 February 2024