Charter Hall

CQR

2022 ANNUAL REPORT

Charter Hall
Retail REIT

Charter Hall Retail REIT

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

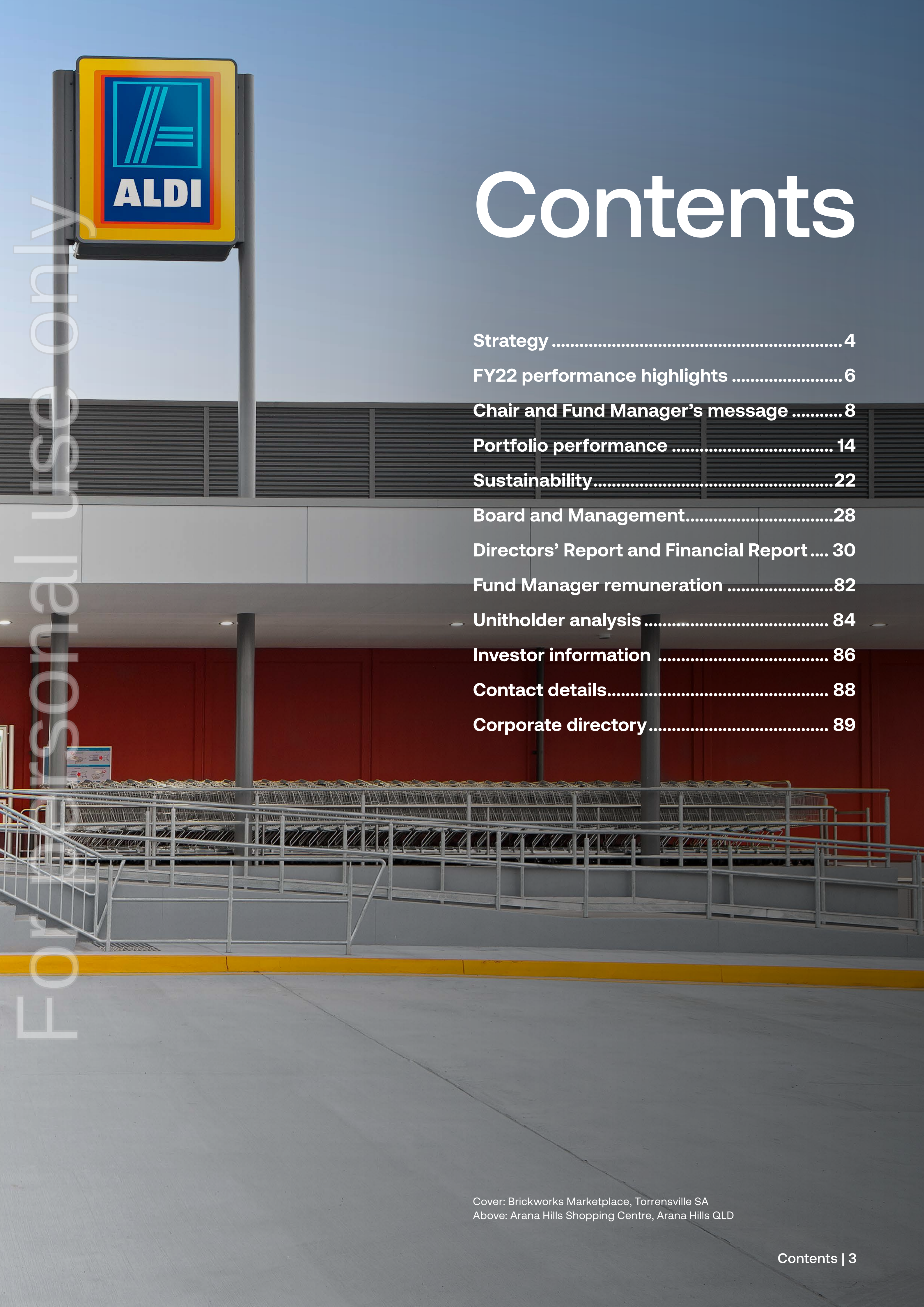
We aim to provide a secure and growing income stream for our investors, while creating an enjoyable and convenient shopping experience and the provision of everyday needs for our customers and communities.

Through our focus on non-discretionary retail, we have maintained our position as the leading owner of convenience retail property throughout market cycles.

We achieve this through our dedicated and highly skilled retail experts who provide end-to-end property services to our portfolio.

Acknowledgement of Country

Charter Hall is proud to work with our customers and communities to invest in and create places on lands across Australia. We pay our respects to the Traditional Owners, their Elders past and present, and value their care and custodianship of these lands.



Contents

Cover: Brickworks Marketplace, Torrensville SA
Above: Arana Hills Shopping Centre, Arana Hills QLD

Strategy

CQR's focus remains on providing investors with a resilient and growing income stream by being the leading owner of convenience retail property. Central to this strategy is partnering with major convenience retailers to meet their property needs.

Enhance portfolio quality
through active portfolio curation and extending WALE with quality major tenants.

Active asset management
by prioritising strong tenant relationships and optimising our tenants mix to service our communities and unlock additional land opportunities.

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

Property portfolio value increase
13.1%

↑from $498m at June 2021

Net tangible assets per unit
$4.91

↑22.4% from $4.01 at June 2021

Supermarket MAT growth[1]
3.2%

↑from 1.5% at December 2021

Tenant retention
89%

↑from 80% at June 2021

Leasing spreads
2.3%

↑from 1.6% at June 2021

Portfolio occupancy[2]
98.5%

↑from 98.3% at June 2021

Left: Pacific Square, Maroubra NSW

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

FY22 performance highlights

We continue to actively manage the portfolio to increase our earnings and extend the portfolio WALE. More than half of our rental income comes from our major and market leading tenants—Coles, Woolworths, bp, Wesfarmers, ALDI and Ampol, which is important to maintaining our resilient and growing income stream.

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

Butler Central, Butler WA

Operating earnings[1]

$164.4m

↑5.2% over FY21

Distributions per unit

24.50c

↑4.7% from FY21

Operating earnings per unit

28.40c

↑4.0% from FY21

Property portfolio value

$4,299m

↑17.9% from FY21

1 FY22 operating earnings includes $8.1m (FY21: $6.7m) of COVID-19 tenant support and FY22 net cashflows from operating activities were $158.2m (FY21: $154.5m)

Chair and Fund Manager's message

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

Dear Unitholder

Welcome to the Charter Hall Retail REIT (the REIT or CQR) 2022 Annual Report.

FY22 has seen an on-going demonstration of the resilience of our portfolio of convenience retail assets, delivering growth in earnings for investors despite the challenging backdrop of the COVID-19 pandemic.

Net operating earnings per unit grew 4% to 28.4 cents per unit, distributions grew 4.7% to 24.5 cents per unit and the resilient and defensive nature of CQR's assets was recognised in Net Tangible Assets (NTA) growing 22.4% over the year from $4.01 to $4.91 per unit, representing an increase in net assets of $549 million.

Our strategy of being the leading owner of convenience retail property gives CQR a highly defensive and resilient income stream, with a significant proportion of our income growth derived from CPI-linked annual rent increases. The portfolio remains in a strong position to continue delivering resilient and sustainable income growth in the future.

COVID-19

The impacts of COVID-19 persisted throughout FY22, with mandated store closures affecting our portfolio of shopping centres especially in the first half of the financial year. Fortunately, trading activity was minimally impacted by most of these closures, and this was reflected in CQR's need to only provide modest tenant support.

For all of FY22, CQR provided $8.1 million of tenant support consisting of $5.4 million in rent-free incentives and $2.7 million in deferred rent with the amount of total tenant support in H2 2022 down 93% on the H1 2022 numbers. This compares favourably to industry averages and speaks to the defensive nature of CQR's assets, with many tenants able to trade through the closure windows. Pleasingly, we are also seeing a strong collection of the deferred rent we offered, with many tenants electing to pay this back early.

Roger Davis, Chair and Ben Ellis, Fund Manager

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 September 2021, CQR successfully settled on the acquisition of Butler Central, WA, which was secured off-market from Woolworths for $51.2 million on a 6.0% cap rate. Butler Central Shopping Centre is a Convenience Centre located 40km north of Perth CBD and was developed and built by Woolworths in 2018. The 9,000sqm GLA centre is anchored by a Woolworths supermarket with BWS, Best & Less, The Reject Shop, 30 specialty shops and 452 on-grade parking spaces. The centre benefits from being located adjacent to Butler train station, at the intersection of Butler Boulevard and Exmouth Drive and is in an established growth corridor.

In March 2022, CQR also successfully expanded the long WALE convenience retail portfolio with the acquisition of a 49% stake in 20 high quality Ampol sites for $50.5 million on an attractive 5.0% cap rate. The portfolio of 20 triple-net (NNN) long WALE convenience retail assets provides CQR with a long-term stable and growing income stream underpinned by the portfolio's 15.6-year WALE and CPI-linked annual rent escalations (2% floor; 5% cap).

This acquisition was also secured off-market as a direct result of the depth of expertise and ability of the Group's platform which strongly benefits the REITs growth strategy. The portfolio is heavily weighted to metropolitan locations (75% metro and commuter metro) with all sites enjoying prominent main road locations underpinning existing land values and providing flexibility for alternate uses in the future.

These acquisitions are consistent with CQR's strategy to be the leading owner of convenience retail property. Both investments have already delivered strong results despite a challenging year for the broader retail market. These acquisitions, combined with strong valuation growth, saw CQR increase its portfolio value by $498 million, or 13.1% for the year.

During FY2022, CQR continued its active portfolio curation through strategic capital investment and asset enhancement projects investing $71 million of capital across the portfolio. We continued these strategic investments and supermarket refurbishments alongside our major tenants with the goal of delivering improved shopper amenity, extended lease terms and improved sales growth.

Following the conversion of the Rosebud Plaza Target store to include a new full-line Woolworths and the introduction of Dan Murphy's, all Target store conversions have now been successfully completed. This delivered a 17% uplift in rent on aggregate.

The total number of supermarkets paying turnover rent was 62%, with a further 18% of supermarkets within 10% of their turnover threshold, indicating good potential for future rental growth

bp, Forestville NSW

During the year we completed nine supermarket new leases and term extensions, including two new leases for store expansions and five new leases to accommodate dedicated back-of-house infrastructure for direct-to-boot fulfilment. CQR also invested in various initiatives to unlock land value through adjacent use pad site developments, with drive through food offerings underway at Lansell Square and Campbellfield Plaza, Victoria and two childcare sites developed with another one underway. Some 20 to 30 additional pad site opportunities exist (subject to approval) within the portfolio, and we continue to target complementary uses to unlock this additional upside.

Partnering with our majors

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 to increase the percentage of CQR's earnings and extend the portfolio WALE to improve the resilience and dependability of income for Unitholders. Representing 56% of rental income, our major tenants include market leading businesses Coles, Woolworths, bp, Wesfarmers, ALDI, Ampol and Gull.

The Ampol acquisitions introduced another major convenience retailers to the CQR portfolio. Ampol is now CQR's sixth largest tenant customer and represents approximately 1.8% of portfolio income. Ampol is a leading operator in the fuel and convenience sector and provides additional diversification to CQR's tenant mix and further improves the resilience of our portfolio income.

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 71, remain the foundation of our shopping centre portfolio.

Our supermarket portfolio continued to demonstrate resilience, with total like-for-like MAT growth remaining strong at 3.2%. The total percentage of supermarkets paying turnover rent was 62%, with a further 18% of supermarkets within 10% of their turnover threshold, indicating good potential for future rental growth. Since the beginning of the COVID-19 period, $2.1 million of turnover rent has been converted to base rent for 23 supermarket leases. This represents a 9.2% increase in these supermarket's base rent and this growth has been captured permanently into CQR's net operating income.

Despite the challenging retail conditions, we also completed 480 specialty tenant leases during the year and saw positive leasing spreads of 2.3%, with new leases increasing by 3.7% and existing leases increasing by 1.8%. Sales productivity of our specialty tenants remained strong at $9,894 per sqm, despite lockdowns preventing tenants from trading at different points in the year. Occupancy costs at 11.5% of sales were also modest, reflecting the strong trading of our shopping centres and attractive proposition for tenants. Occupancy costs reduce to 10.8% when adjusted for tenant support.

Portfolio occupancy has risen slightly from 98.3% to 98.5% this year, with total like-for-like portfolio MAT sales growth of 0.4% and 2-year growth of 9.9%. This reflects the defensive nature of CQR's assets, their dominance within their catchments, a strong customer preference to shop closer to home and the quick recovery in sales and trading activity post COVID-19 mandated closures and trading restrictions.

Financial performance and capital management

Delivering a secure and growing income stream to Unitholders

In FY22, CQR achieved a statutory profit of $663.6 million with rental income being supplemented by positive valuation movements. Our operating earnings of $164.4 million includes $8.1 million of COVID-19 tenant support. Our distribution of 24.50cpu reflects an 86.3% payout ratio and fully accounts for all COVID-19 tenant support provided.

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 FY24 and CQR has $245 million of available liquidity to fund capital investment and enhance portfolio quality. Further, our exposure to continued interest rates rises is protected, with 83% of FY23 debt exposure hedged at attractive rates.

Total look-through portfolio gearing as at 30 June 2022 was 32.1%, remaining at the lower end of the REIT's 30%-40% target range whilst Moody's affirmed CQR's Baa1 issuer rating and senior unsecured rating with a stable outlook.

With over 55% of our portfolio income growth directly or indirectly linked to inflation, high levels of hedging, relatively low exposure to rising interest rates and $245 million of available liquidity, we are well positioned in the current environment to deliver a resilient and growing income stream.

Valuations remain resilient

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

The portfolio valuation increase over FY22 was $498 million, with 100% of our portfolio externally revalued at 30 June 2022.

The shopping centre portfolio valuation increased by $406 million or 13.8%, including capital investment of $69 million during the period while the long WALE convenience retail portfolio valuation increased by $92 million or 10.6%, driven by cap rate compression and income growth.

The portfolio cap rate firmed from 5.81% to 5.20% over the year. The cap rates on our shopping centre portfolio compressed significantly in FY22 by 67bps, from 6.12% to 5.45% and the cap rates compressed on our long WALE convenience portfolio by 36bps from 4.69% to 4.33%. These revaluation outcomes for 30 June 2022 reflect the quality, defensive nature and the income growth attributes of our portfolio and reinforce the active asset management strategy undertaken by management.

Inflation exposure

The successful management of CQR's exposure to inflation either directly or indirectly is fundamental to the structure of our tenant leasehold structures and the composition of our asset portfolio. We now have 28% of our major tenants' lease income embedded in long WALE, triple-net, CPI plus leases to high quality tenants such as BP and Ampol. The portfolio has 19% of total income growth directly linked to CPI with a further 36% of total income growth indirectly linked to inflation through turnover rent mechanisms in our supermarket leases to Woolworths and Coles. The low level of development risk in the portfolio further adds to our low exposure to inflation volatility.

ESG highlights

Environmental

Sustainability is integrated into how CQR and the Group conduct business, and we continue to partner with our customer and communities to explore opportunities and deliver meaningful change.

This year has seen demonstrable progress on our climate initiatives. The Group secured long-term renewable electricity linked to new renewable development projects through a power purchase agreement (PPA) with Engie. This is particularly important in achieving our goal of 100% renewable electricity supply across the portfolio by 2025, as well as progressing our Net Zero by 2025 Scope 1 and 2 targets.

We now have 21MW of onsite solar installed across 41 assets in our portfolio, including 7MWh of battery storage installed at five shopping centres. Of this, 3MW have been completed by major tenants Coles and Woolworths. Through active engagement with tenant customers, we also achieved 88% data coverage, up from 32% in FY22, to support our scope 3 emissions reduction. To support building a resilient portfolio, 98% of our shopping centres have developed Climate Change and Adaption Plans.

Social

For us, delivering social value is about supporting and making a positive contribution in the communities in which we operate.

Our teams actively partner with social organisations, giving space, time and resources as part of the Group's membership of the Pledge 1% philanthropic commitment. This year, more than ever, community support was particularly important, with our communities hit by devastating floods and economic pressures.

CQR made a $50,000 direct investment as part of the Group's $578,000 investment in disaster recovery with Food Bank, UNICEF and GIVIT. In particular, we focused our community engagement efforts and support in the Northern Rivers areas of NSW where our Murwillumbah shopping centre is located. CQR also continued our relationship with Two Good Co, funding over 5,000 Two Good cookbooks and contributing over 2,000 work hours for women seeking refuge. Once more we partnered with local students and Indigenous artists for our NAIDOC Week initiative where we co-create a children's storybook, this year themed 'Heal Country'. 14 centres participated with over 60 students illustrating pages for the completed book.

Our relationships with our tenant customers are critical to achieving our strategic objectives. We continue to undertake the industry recognised Net Promoter Score (NPS) survey annually with Monash University, this year receiving key insights from over 1,000 customers, and achieving industry leading scores across key areas. Pleasingly, over the past 12 months, all our NPS satisfaction remained positive and high, consistent with the prior year, while our tenant customers rated our response to COVID-19 as highly satisfied and scored us "Likely to recommend" as a preferred partner. This high satisfaction rate results in strong retention of tenant customers and assists with securing new partnerships.

During the period, our team launched Autom8, a proprietary custom-built solution that automates the manual process of collecting monthly sales from our retail tenant customers. Sales collection runs for 10-days of each month, and prior to Autom8, 1,500+ speciality tenant customers across 56 retail centres would spend valuable time via phone, in-person, mail or email communicating their sales figures. This in turn, would take 75+ centre-based employees a combined monthly effort of 300+ hours. With the pandemic driving urgency for contactless experiences, automating this process has been a game-changer to deliver a business-critical function. It has also ensured our customers could focus on running their business through COVID-19, and our teams could focus on supporting them more meaningfully. This initiative saw us being awarded the Frank Lowy Fellowship (an industry innovation award) recognising CQR as being the first and the only Australian retail landlord to automate monthly sales collation.

Finally, in FY22 the Group's Stage one: Reflect Reconciliation Action Plan was endorsed by Reconciliation Australia, and we are actively working on building our relationships and capacity with First Nations businesses.

Governance

We've continued our approach to ensuring robust governance, which underpins our operations and are constantly looking at what more we could be doing to ensure we continue tomeet and exceed best practice.

In December, our second Modern Slavery Statement was completed, outlining efforts to prevent occurrences of modern slavery in our supply chain. Further, a diagnostics assessment of our response to human rights and modern slavery commenced and resulted in a 3–5 year modern slavery framework.

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). We are also working with PwC on assurance for CQR's FY22 environmental performance data.

Finally, we continue to improve our ratings across a number of sustainability benchmark measures. We have a 4.5 star NABERS Energy for Retail Portfolio rating and 4.1 star NABERS Water for Retail Portfolio rating across our shopping centres over 5,000sqm and are committed to expanding our NABERS footprint to over 80% of assets in FY23. 91% of eligible CQR assets are also Green Star rated.

Outlook

FY22 has seen CQR's portfolio deliver positive sales, leasing spreads, occupancy gains and income growth through a blend of assets that deliver earnings and distribution growth for investors in challenging market conditions, while also helping limit our exposure to interest rate volatility and inflation trends. Our balance sheet remains strong, leverage is low and liquidity high and we are well positioned for future growth especially in our long WALE portfolios that have embedded CPI lease structures.

As we commence FY23, 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 customers' preference to continue shopping closer to home and focusing on everyday needs. 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, on behalf of the Board, our thanks to our people who manage our portfolio on a day-to-day basis. We are proud to see how the team has continued to navigate the challenges that the pandemic has presented and the support that they have shown to 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. Our dedicated team, along with the Board, remain committed to protecting and enhancing your investment by delivering long-term sustainable growth in earnings.

Roger Davis
Independent Chair

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

Portfolio performance

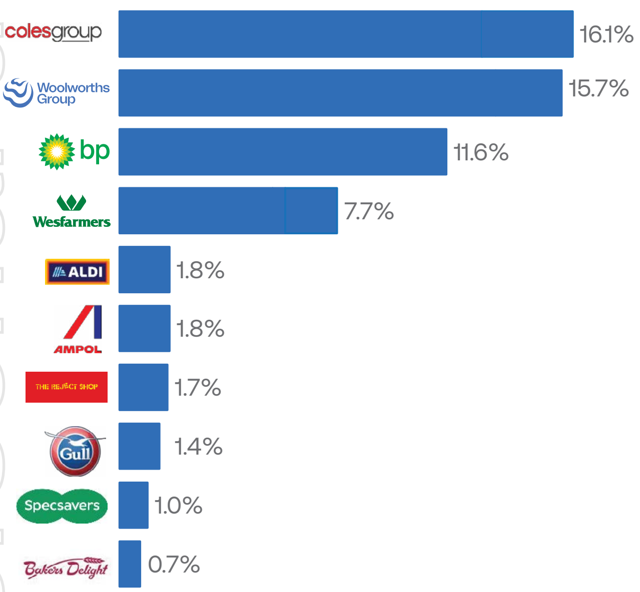
Portfolio summary

Shopping centres	51
Total MAT growth[1,2]	0.4%
Weighted Average Capitalisation Rate (WACR)	5.20%
Long WALE assets	521
GLA (000sqm)[1]	638
WALE (total)	7.4yrs
Value ($m)	4,299
Occupancy[1]	98.5%
WALE (majors)	10.9yrs

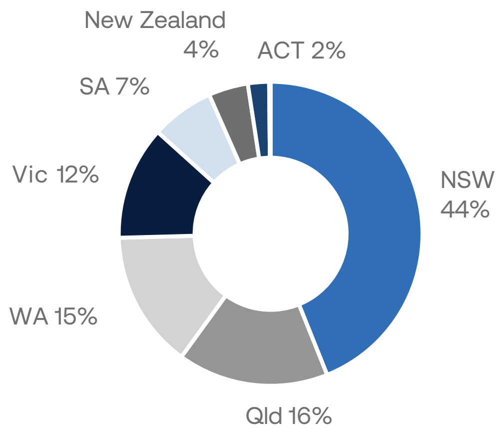
Left: Ampol Alexandria, NSW

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

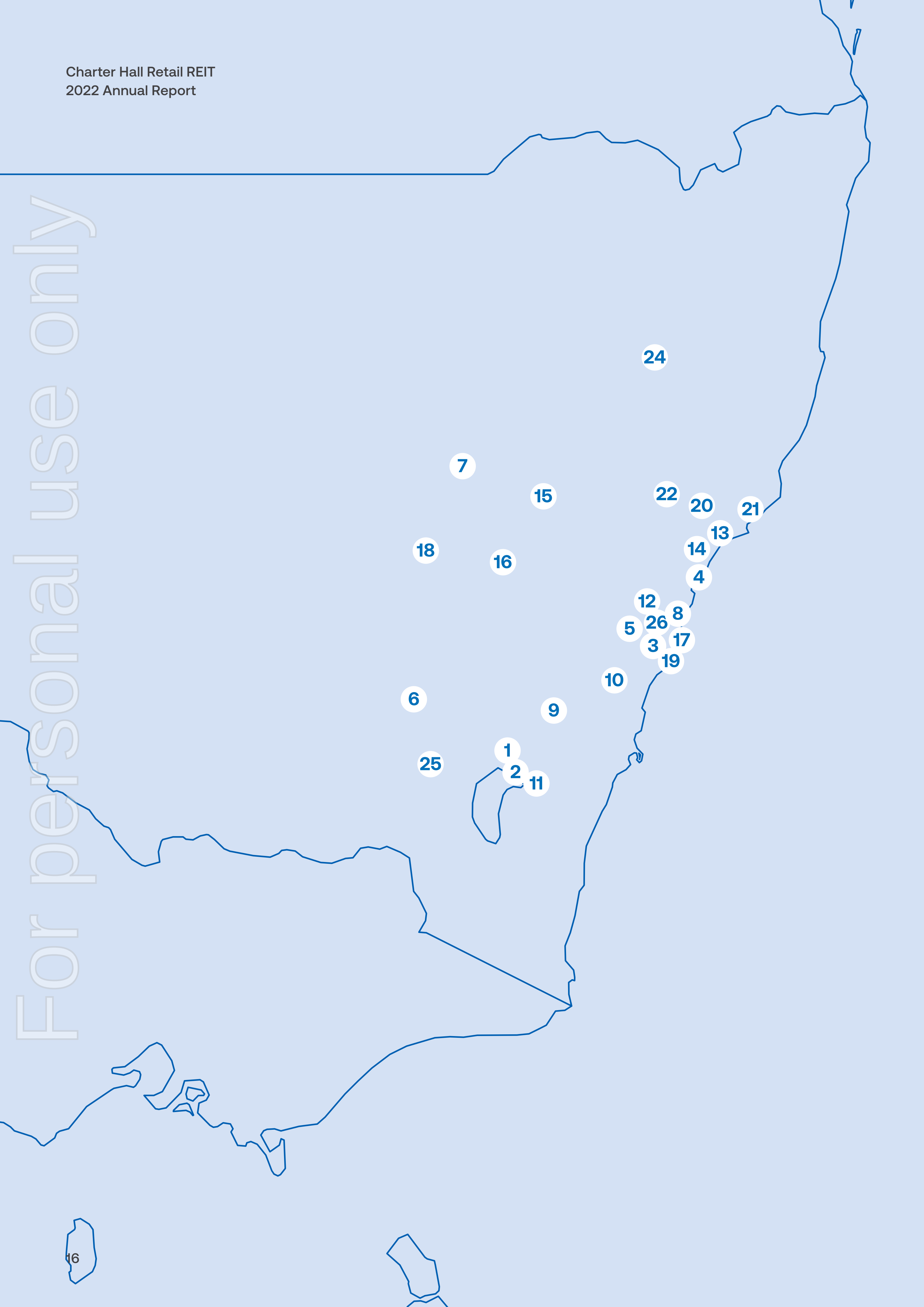
Top 10 tenant customer groups[3]



Portfolio value by region



3 Calculated by rental income as at 30 June 2022, pro-forma for acquisition of Gull portfolio.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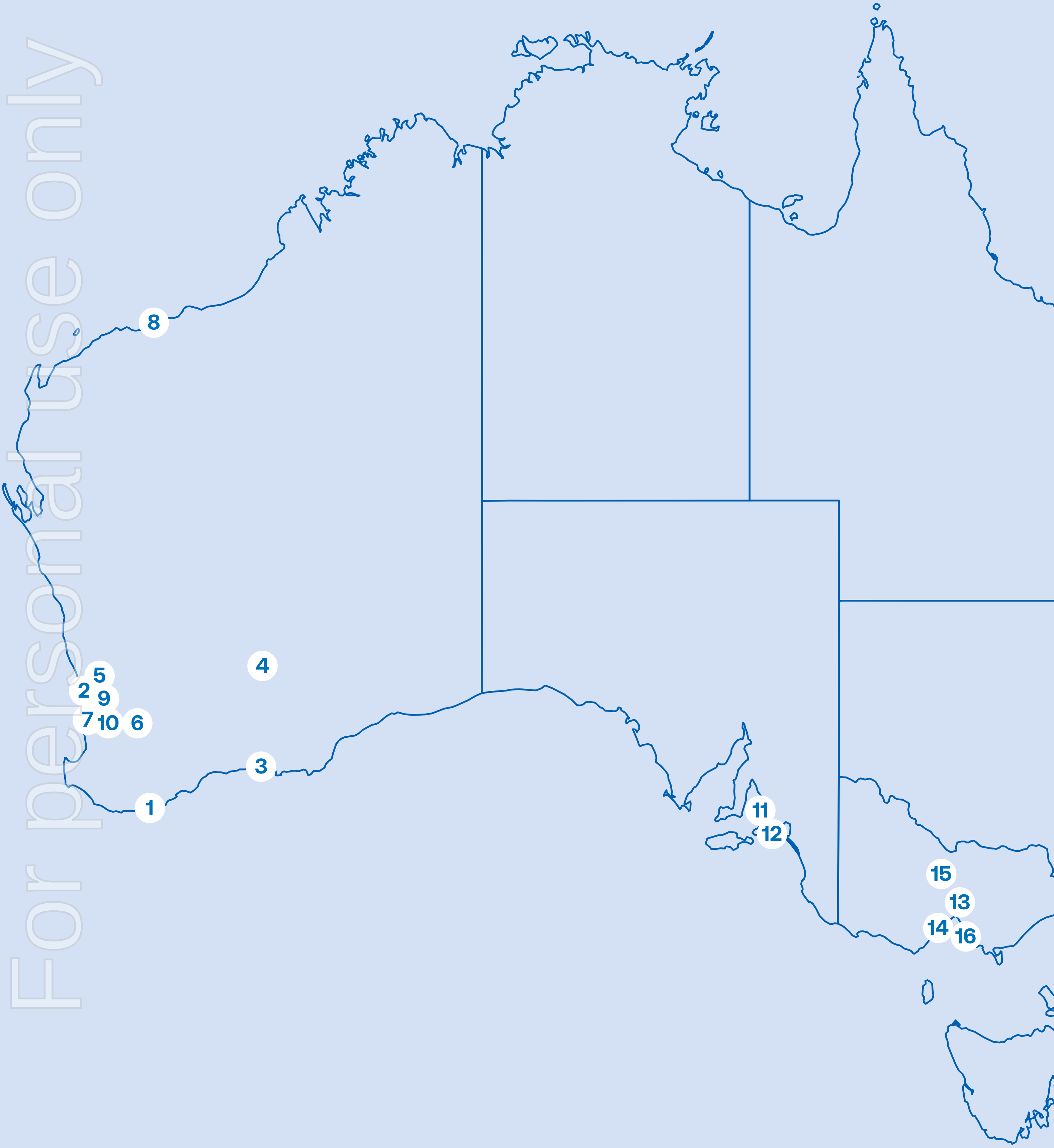
ACT and NSW portfolio

Property	Location	Ownership interest %	Book value ($m)	Cap rate %
ACT portfolio				
1. Dickson Woolworths	Dickson	100.0	26.8	5.25
2. Manuka Terrace	Manuka	100.0	60.0	5.75
ACT Total			**86.8**	
NSW portfolio				
3. Bass Hill Plaza	Bass Hill	20.0	27.8	5.00
4. Bateau Bay Square	Bateau Bay	49.9	130.2	5.25
5. Carnes Hill Marketplace	Horningsea Park	50.0	80.8	4.88
6. Cootamundra Woolworths	Cootamundra	100.0	23.7	4.25
7. Dubbo Square	Dubbo	100.0	69.7	5.50
8. Gordon Village Centre	Gordon	100.0	143.5	5.00
9. Goulburn Square	Goulburn	100.0	96.0	5.63
10. Highlands Marketplace	Mittagong	50.0	50.3	5.25
11. Jerrabomberra Village	Jerrabomberra	100.0	37.5	5.00
12. Kings Langley Shopping Centre	Kings Langley	100.0	58.5	5.00
13. Lake Macquarie Square	Mount Hutton	100.0	136.0	5.75
14. Morisset Shopping Centre	Morisset	100.0	52.0	5.75
15. Mudgee Metroplaza	Mudgee	100.0	36.9	5.25
16. Orange Central Square	Orange	100.0	63.4	5.50
17. Pacific Square	Maroubra	20.0	48.8	4.75
18. Parkes Metroplaza	Parkes	100.0	29.2	5.25
19. Rockdale Plaza	Rockdale	100.0	164.0	5.25
20. Rutherford Marketplace	Rutherford	50.0	25.8	5.00
21. Salamander Bay Square	Salamander Bay	50.5	94.9	5.75
22. Singleton Square	Singleton	100.0	134.5	5.75
23. Sunnyside Mall	Murwillumbah	100.0	60.4	5.50
24. Tamworth Square	Tamworth	100.0	70.0	5.50
25. Tumut Coles	Tumut	100.0	16.8	4.25
NSW Total			**1,650.7**	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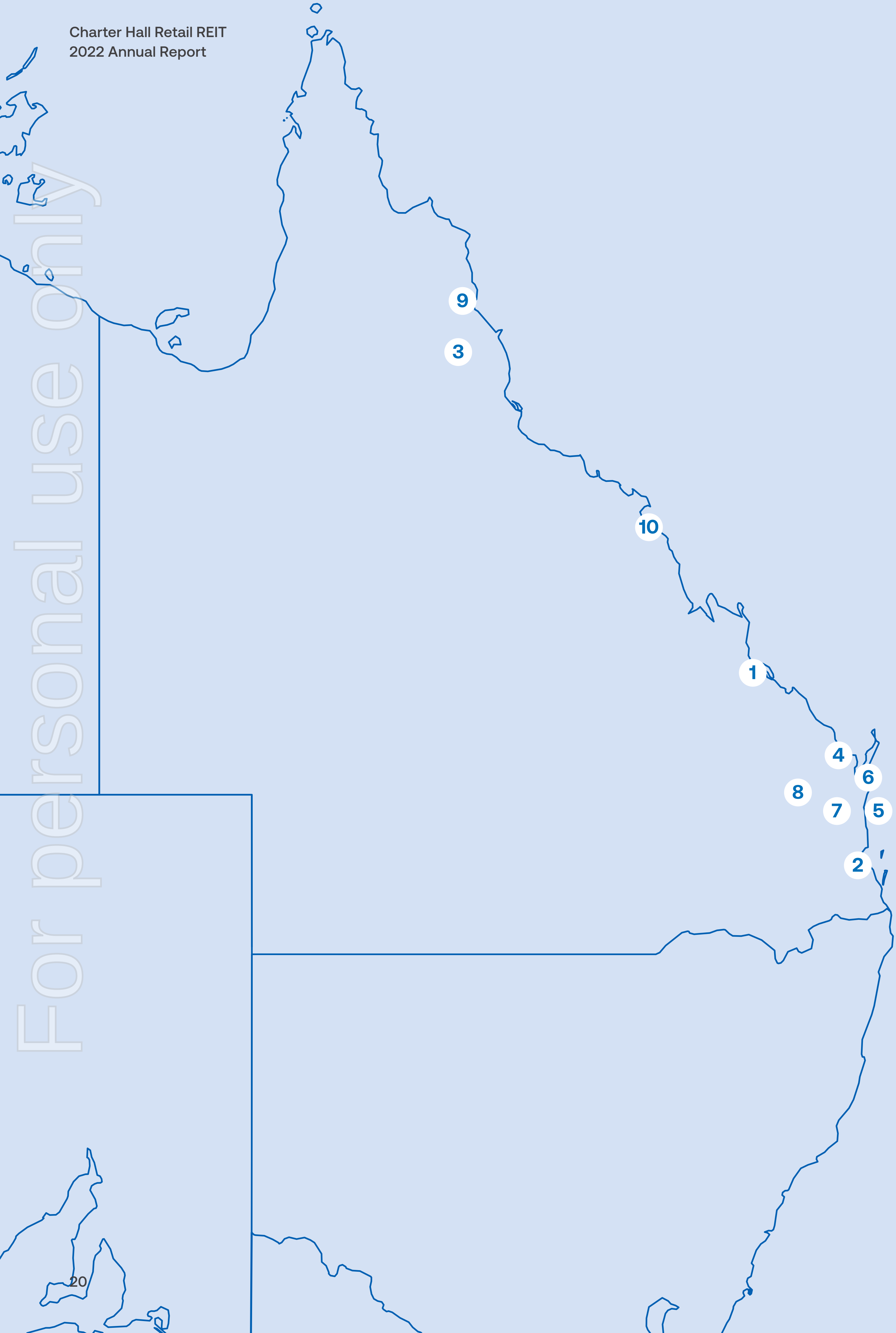
WA, SA and VIC portfolio

Property	Location	Ownership interest %	Book value ($m)	Cap rate %
WA portfolio				
1. Albany Plaza	Albany	100.0	72.0	6.00
2. Butler Central	Butler	100.0	54.3	5.50
3. Esperance Boulevard	Esperance	100.0	38.6	6.00
4. Kalgoorlie Central	Kalgoorlie	100.0	48.0	6.25
5. Maylands Coles	Maylands	100.0	21.2	4.50
6. Narrogin Coles	Narrogin	100.0	19.0	4.75
7. Secret Harbour Square	Secret Harbour	100.0	108.0	6.00
8. South Hedland Square	South Hedland	100.0	83.0	6.50
9. Swan View Shopping Centre	Swan View	100.0	26.3	5.50
10. Wanneroo Central	Wanneroo	50.0	63.8	5.75
WA Total			**534.2**	
SA portfolio				
11. Brickworks Marketplace	Torrensville	50.0	39.7	5.75
12. Southgate Square	Morphett Vale	100.0	88.8	5.75
SA Total			**128.5**	
VIC portfolio				
13. Campbellfield Plaza	Campbellfield	100.0	99.0	5.00
14. Gateway Plaza	Leopold	50.0	85.0	5.25
15. Lansell Square	Bendigo	100.0	111.0	5.75
16. Rosebud Plaza	Rosebud	100.0	122.0	5.14
VIC Total			**417.0**	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QLD and Long WALE portfolio

Property	Location	Ownership interest %	Book value ($m)	Cap rate %
QLD portfolio				
1. Allenstown Square	Rockhampton	100.0	58.8	6.25
2. Arana Hills Shopping Centre	Arana Hills	100.0	83.0	5.25
3. Atherton Square	Atherton	100.0	47.3	5.50
4. Bay Plaza	Hervey Bay	100.0	37.3	5.25
5. Bribie Island Shopping Centre	Bribie Island	100.0	82.4	5.25
6. Currimundi Markets	Currimundi	100.0	61.7	4.75
7. Gatton Square	Gatton	100.0	30.4	5.25
8. Highfields Village	Highfields	100.0	52.4	5.00
9. Mareeba Square	Mareeba	100.0	24.8	5.50
10. Sydney Street Markets	Mackay	100.0	43.9	6.00
QLD Total			**522.0**	
Long WALE portfolio				
bp Australia portfolio	Australia wide	47.5	522.2	4.36
bp New Zealand portfolio	New Zealand wide	50.0	181.5	4.24
Ampol AU portfolio	Australia wide	5.5	106.1	4.41
CDC	Edinburgh, SA	52.0	149.9	4.25
Long WALE Total			**959.7**	

Sustainability

As part of the Charter Hall Group, CQR benefits from more than 30 years' experience in the adoption of environmental, social and governance (ESG) considerations as part of how we approach business.

Each year, we go further in our ESG approach and objectives. CQR leverages Charter Hall's platform-wide scale and integration of ESG as a core driver of value for the Fund.

During FY22, we have continued to engage with our customers and evolved our sustainability framework to respond to material topics and emerging trends that will shape our future. The framework focuses on delivering environmental, social, governance and economic value. Our framework is aligned with the United Nations Sustainable Development Goals (SDG), and CHC's progress against the SDG indicators can be found on our website. This approach reinforces our commitment to delivering environmental and social value at the same time as pursuing long-term, risk adjusted returns that align with changing stakeholder expectations.

Our FY22 highlights

CQR

Climate Change Adaptation Plan
98% of shopping centres have developed Climate Change and Adaptation Plans

Partnering on renewables
21MW of solar and 7MWh of battery storage installed

Active tenant engagement
88% data coverage through active tenant engagement to support Scope 3 emissions reduction

Group-wide

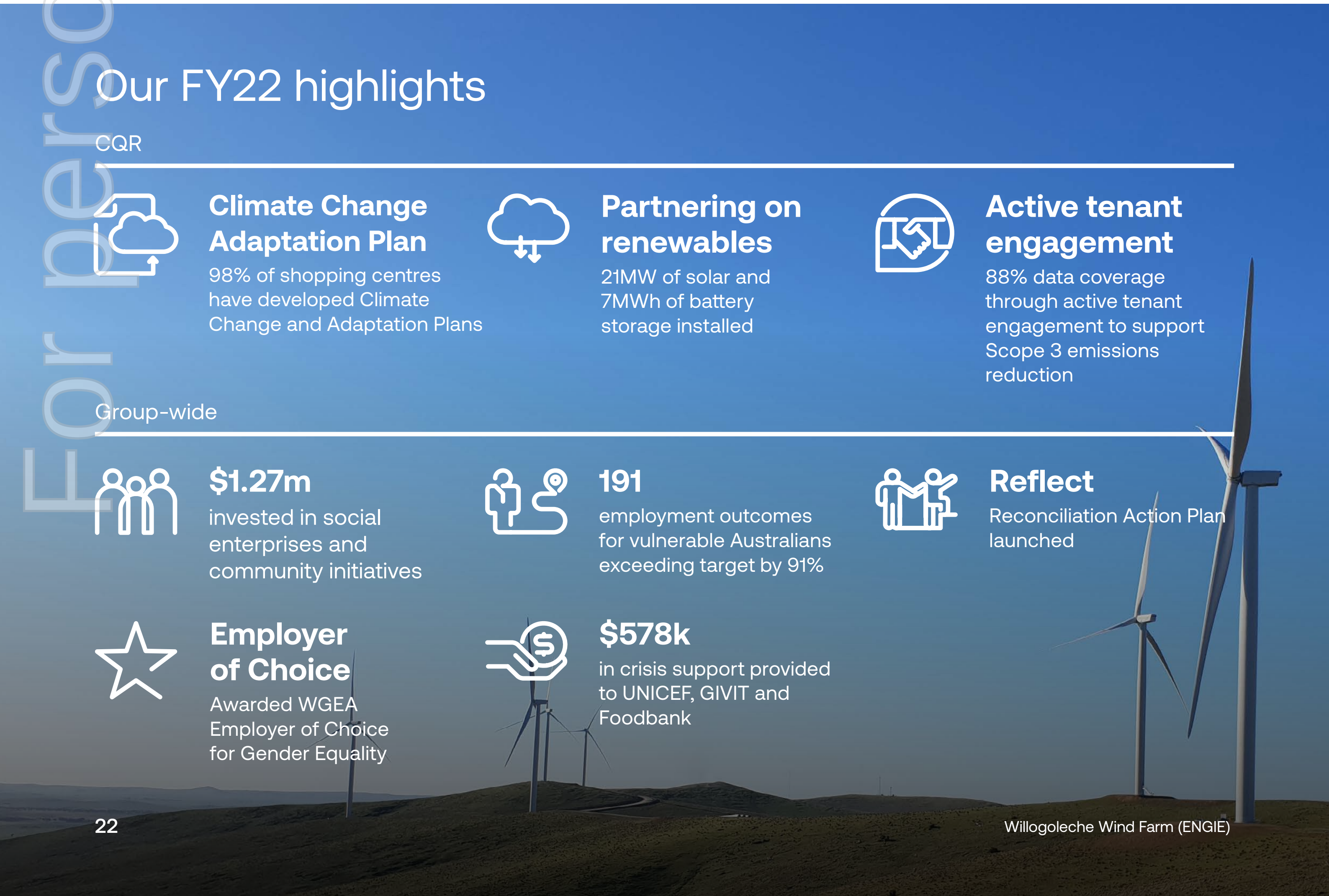
$1.27m
invested in social enterprises and community initiatives

191
employment outcomes for vulnerable Australians exceeding target by 91%

Reflect
Reconciliation Action Plan launched

Employer of Choice
Awarded WGEA Employer of Choice for Gender Equality

$578k
in crisis support provided to UNICEF, GIVIT and Foodbank



Willogoleche Wind Farm (ENGIE)

Progress against our sustainability targets

Environment

Creating resilience through meaningful climate action, rethinking our approach to resources and restoring nature.

Focus areas	FY22 progress	Charter Hall looking forward
Climate action Achieve Net Zero emissions and strengthen resilience to climate related impacts	**Carbon and climate action** – Progress on Scope 3 emission target aligned to science-based methodology by defining scope, boundary and expansion of tenant data coverage to 88%, up from 32% in FY21	– Net Zero emissions by FY25 – Commence reporting on Scope 3 emissions aligned to science-based target methodology in FY23 – Continue to expand our tenant data coverage
	Clean energy – CQR has participated in Charter Hall's platform-wide Renewable PPA securing long-term 100% renewable electricity from new offsite renewable development projects to assets from 2024 – Installed 21MW of Solar PV with 3MW installed in partnership with Coles and Woolworths. This has the potential to generate 30GWh of electricity, equivalent to powering 4,275 homes – Installed 7MWh of battery storage at 5 shopping centres, optimising onsite solar generation[1]	– 100% powered by renewables for assets under control by FY25 – Develop an EV Charging Strategy by FY25 and target 50% of assets
	Energy efficiency – Achieved 4.5 star NABERS Energy for Retail Portfolio rating, covering 76% of shopping centre assets – Expanded coverage of rated assets to include centres greater than >5000sqm – Achieved 2 Star Green Star Performance portfolio rating with 91% of eligible assets rated	– Maintain NABERS Energy rating and establish new targets in FY23 – Participate in Green Star Performance revised tool early access program
	Resilience and adaptation – Climate Change Adaption Plans (CCAP) have been completed for 98% of retail shopping centres based on RCP8.5 as a worst-case scenario – Refined consideration to Climate Change Risk Exposure in decision-making process for new acquisitions	– Embed CCAP in decision making and track decarbonisation and adaptation planning in Strategic Asset Plans
Rethink resources Evaluate use of resources as we transition to a circular economy	**Waste** – Achieved 27%[2] diversion from landfill at shopping centres where we manage waste	– Develop a waste diversion target in FY23 – Progress waste strategy aligned to circular economy principles
Restore nature Protect and restore natural environments and biodiversity to transition towards a regenerative future	**Water** – Achieved 4.1 star NABERS Water for Retail Portfolio rating, covering 52% of eligible shopping centres	– Maintain 4 star NABERS Water for Retail Portfolio rating for shopping centres

1 Includes battery installed at Salamander Bay, NSW post 30 June 2022.
2 Final numbers subject to assurance.

Social

Building strong communities through connection, inclusion and delivering healthy people and places.

Focus areas	FY22 progress	Charter Hall looking forward
High performing talent Drive performance and engagement by leveraging difference and enabling potential	**Employee** – CHC improved our score in the Australian Workplace Equality Index (AWEI) by 71% when compared with FY21, granting us the recognition as a Bronze Employer for LGBTQ+ inclusion – Global high performing level of engagement of 88% overall for CHC, with 93% of our people saying that we are a great place to work	– Sustain levels of engagement that align with being a global high performing culture
Deep customer partnerships Long term value creation through cross-sector partnership	**Tenant customer engagement** – CHC recorded high customer satisfaction across all sectors with our Net Promoter Score (NPS) and satisfaction results maintained at a 5-years high in retail – Partnered with tenant customers on the installation of 3MW of onsite solar in addition to 18MW installed across our shopping centres	– Create a benchmark to measure the cross-sector customer experience with Charter Hall, considering all aspects of how we partner with our customers – Continue exploring opportunities with tenant customers to achieve mutual ESG goals
Strong communities Support resilient communities through inclusion and connected places	**Community resilience** As part of CHC, CQR has contributed to: – $578k (of CHC total $1.27m donations to community organisations) supported communities impacted by COVID-19, floods, international access to vaccinations and emergency support for Ukrainian families	– Establish a spend target in FY23 in support of building capacity across our value chain – Refine our national community partnership framework during FY23
	First Nations engagement – CHC launched our Stage One: Reflect Reconciliation Action Plan (RAP) in FY22, formalising our commitment to taking meaningful and lasting steps towards reconciliation – CHC became a member of Supply Nation and created spend dashboard for First Nations owned business and social enterprise – In partnership with author Maree Yoelu (McCarthy) we created a children's storybook to celebrate NAIDOC week	– Measure and report spend with First Nations business and establish a spend target in FY23 in support of building capacity across our value chain
Healthy places Positive human health, safety and wellness outcomes through better workplace design and management	**Health safety and well-being** – Cared for our customers through COVID-19 with rent relief, hygiene initiatives, digital solutions and support with returning to workplace – CHC recorded a Lost Time Injury and Lost Time Injury Frequency Rate (LTIFR) of 0 and a Total Recordable Injury Frequency Rate (TRIFR) of 3 – Implementation of new incident management system in progress	– Continue to support our tenants to transition to the future of work following COVID-19 – Transition the WHS management system from ISO12001 to the new standard ISO45001 by FY23

Economic

Through shared economic prosperity and sustainable growth and mutual success.

Focus areas	FY22 progress	Charter Hall looking forward
Shared success Shared economic success and sustained livelihoods for our communities and supply chain	**Pledge 1%** As part of CHC, CQR has contributed to: – Donated $1.27m to community organisations across Australia and overseas – Spent $1m in social procurement with social enterprises	– As part of our Pledge 1% commitment, contribute 1% of our profits, space and people's time to community partners each year to help them achieve positive social impacts – Implement a social impact measurement tool by FY25
	Employment opportunities – CHC achieved 191 employment outcomes for vulnerable youth through community partnerships, exceeding target by 91%	– Deliver 100 meaningful employment outcomes per year for vulnerable youth and 400 youth employment outcomes by FY25 and 1,200 by FY30
Sustained returns Long-term risk adjusted returns for investors	– CHC delivered $2.5bn in Sustainable Finance transactions to date	– Leverage our approach to ESG to support future sustainable financing opportunities

Governance

Operating a responsible business and ensuring responsible and sustainable supply chain engagement.

Focus areas	FY22 progress	Charter Hall looking forward
Ethics Conduct business activities in line with the highest ethical standards	– All employees undertook training relating to business ethics and management's approach to compliance and ethical business practice and our social license to operate	– Continue to embed values-based decision making into everything we do
Cyber security Harnessing digital technology and actively protecting customers privacy	– CHC reported no major cyber security incidents for the year. Cyber security strategy is modelled on internationally recognised standard ISO27001 and audited annually	– Work across our technology and operational supply chain to increase cyber awareness, maturity and readiness by FY25
Responsible supply chain Procure sustainably and ethically	– CHC engaged our suppliers in the high-risk industries of cleaning and security. The PCA prequalification was sent to 33 of our cleaning and security suppliers	– Deliver a Sustainable Supply Chain Framework that addresses modern slavery, preferred materials, and circular economy principles by FY25
Transparency & disclosure Disclose ESG information in accordance with best practice	– GRESB: Awarded A rating for Public Disclosure measuring portfolio wide approach to ESG – CHC published its second annual Modern Slavery Statement – CHC published its second TCFD statement	– Actively monitor progress of International Sustainability Standards Board and future integration of environmental and financial metrics

Climate related risks and opportunities

In late 2021, the Inter-Governmental Panel on Climate Change (IPCC) released their sixth assessment report (AR6), which included Shared Socioeconomic Pathways' (SSP) and updates to global warming projections and emissions pathways.

Below is a summary of measures Charter Hall Group has undertaken this year to align with the Task Force on Climate-related Financial Disclosure (TCFD):

Governance

- Charter Hall Group Board continued to oversee sustainability strategy and policies (including approach to climate change and integrating ESG) through the Audit Risk and Compliance Committee (ARCC)
- Executive and Non-Executive Directors engaged on Climate Change Scenario planning, specifically adopting Socio-Economic Pathways and adjusting to plausible Emissions Pathways as released by the IPCC with Assessment Report 6 (AR6)
- Executive Committee continued to have strategic oversight of ESG strategy and implementation, led by the ESG Committee to drive platform-wide alignment and implementation
- Cross-business engagement on Climate Change continued including with Chief Financial Officer, Chief Investment Officer, Chief Experience Officer, General Counsel and Company Secretary, and Group Head of Risk and Compliance

Strategy

- Updated Climate Scenarios
- 100% Renewable Electricity by 2025 for all Charter Hall assets under operational control
- Progressed on Scope 3 emission target aligned to science-based methodology by defining scope and boundary

Risk management

- We implemented our Climate and Carbon Transaction Framework for acquisition and investment strategies
- Continued to progress Physical Risk assessments in office, retail and industrial & logistics portfolio
- Climate Change Adaptation Plans have been completed for 98% of retail shopping centres, 85% of office and 67% of industrial & logistics sectors
- Secured long term renewable supply linked to new renewable development projects between 2024 and 2030

Metrics and targets

Target

- Established Net Zero Carbon Scope 1 and 2 by 2025
- 100% renewables by 2025

Achieved

- **54%**[1] reduction in Scope 1 and 2 emissions against FY17, achieved through energy efficiency and procurement of renewable electricity
- Increased our green financing from zero 18 months ago to **$2.5 billion** at the end of this reporting period linked to sustainability benchmarks

New developments

- Focus on exploring methods to reduce upfront (embodied) carbon

1 Emissions reduction has been calculated using a market-based approach. Final assured non-financial data will be published in our FY22 Sustainability Report.

Flood support for local schools

CQR supported the Murwillumbah community following the devastating NSW floods. Watching the impact on local communities, we wanted to lend a helping hand and we partnered with local schools who told us of the need for a primary school lunch program. Over 60% of children in the Murwillumbah community had been displaced from their homes and their families were experiencing significant financial stress. Funding school lunches was a simple way we could support this community.

We donated over $50,000 to provide one weekly lunch for 699 primary school students across six schools in the Sunnyside Mall trade area (over two terms). To provide the meals, we partnered with the schools' tuckshops and Sunnyside Mall tenants Lucid Pure Vegetarian, Take a Break Café, Bakers Delight and Dominos.

The school Principals expressed overwhelming gratitude for the lunch support, which not only provided finance support to local families, but also some emotional reprieve for the parents and kids.

"Building resilience and supporting strong communities is very important to the way we operate at Charter Hall. We realise that our shopping centres play a critical role in both connecting and supplying local communities. In the wake of the impact of the floods, we had a strong belief as a team that supporting children and comfort for local families was a small role we could play in the communities we are a part of."

Ben Ellis
Retail CEO

Our support for the Murwillumbah community during the floods was part of Charter Hall's overall $578,000 donation to support communities through emergencies and crisis in FY22. This included a $100,000 donation to support vulnerable Australian families impacted by the flooding in northern NSW and QLD to access emergency relief including food, shelter and clothing through a donation to GIVIT. GIVIT worked in partnership with State Governments to manage donations for this disaster. Being on the ground, GIVIT allocated the funds directly to people in need, with practical solutions such as furniture, fuel vouchers, washings machines, tents, portable BBQs, clothing and grocery vouchers.

Board and Management

Board of Directors

From Left: **Michael Gorman,** Independent Director;
Roger Davis, Independent Chair;
David Harrison, Managing Director & Group CEO;
Sue Palmer, Independent Director;
Ben Ellis, Retail CEO.

See page 39-41 for information on the Directors.

Management

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

After 23 years in the business, Ben leads our retail sector with strong funds management experience and excellent long-term relationships. Ben's career with Charter Hall underpins his detailed understanding of every aspect of the retail portfolio including strong tenant customer relationships.

Prior to becoming retail CEO, Ben held several roles with Charter Hall including the Head of Capital Transactions for 2.5 years, overseeing more than $25 billion of gross transactions across all sectors. Ben was also Head of Wholesale within the retail division, growing the Wholesale (retail) platform to nearly $8 billion over a 5-year period. Ben brings significant experience to the Charter Hall retail platform, from leasing to asset and development management, domestically and abroad.

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

Christine Kelly
Head of Retail Finance, Charter Hall
Deputy Fund Manager, Charter Hall Retail REIT

Christine is the Deputy Fund Manager and Head of Retail Finance for Charter Hall. She has overall responsibility for the financial operations of the Charter Hall Retail funds including CQR and the Property Management platform. This role assists the respective Fund Managers and Boards and works with the respective Fund Managers to set strategic direction and business planning initiatives for the retail business.

Prior to joining Charter Hall, Christine held the role as Treasurer for Sydney Airport Corporation for nine years, where she has had significant experience in funding, structuring, capital management, capital expenditure management and retail operations. Christine has an Engineering (Elec)/Commerce Degree (Hons) from the University of Sydney and is a graduate of the Australian Institute of Company Directors.

Directors' Report and Financial Report

For the year ended 30 June 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 year ended 30 June 2022.

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 (appointed on 17 January 2022)
- Greg Chubb - Executive Director and Fund Manager / Retail CEO of Charter Hall (resigned on 17 January 2022)

Distributions

Distributions paid or declared by the REIT to unitholders:

	2022 $'m	2021 $'m
Final distribution for the six months ended 30 June 2022 of 12.80 cents per unit payable 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**	-
Final distribution for the six months ended 30 June 2021 of 12.70 cents per unit paid on 31 August 2021	**-**	72.9
Interim distribution for the six months ended 31 December 2020 of 10.70 cents per unit paid on 26 February 2021	**-**	61.1
	142.1	134.0

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

Distribution Reinvestment Plan

The REIT has established a Distribution Reinvestment Plan (DRP) under which unitholders may elect to have all or part of their distribution entitlements satisfied by the issue of new units rather than being paid in cash.

The DRP issue price is determined at a discount of 1.0% to the daily average of the volume weighted average market price of units traded on the ASX during the 15 business days commencing on the third business day following the distribution record date. The REIT raised $11.7 million from the DRP for the 31 December 2021 distribution. The DRP is suspended for the 30 June 2022 distribution.

Review and results of operations

The REIT recorded a statutory profit for the year of $663.6 million (2021: $291.2 million). The increase in statutory profit was predominately driven by positive net revaluation gains on investment properties over the period. Operating earnings for the year were $164.4 million (2021: $156.2 million) with net cash flow from operating activities for the year of $158.2 million (2021: $154.5 million) reflecting management of COVID-19 tenant support over the period combined with strong cash collections.

The REIT's operating earnings increased through a combination of strong underlying growth from the stable portfolio and acquisitions over the period, reflecting the ongoing positive impact of the active management of the portfolio. Net income from the convenience retail segment increased predominately through strong same property NPI growth and also includes the impact of the acquisition of Butler Central, WA during the period. Net income from the long WALE retail segment was driven primarily from the acquisition of the BP New Zealand portfolio in December 2020 and the Ampol portfolio in March 2022. Finance cost increases are a result of the debt funding of acquisitions and development capital during the period. Other expenses increased due to the increase in management fees driven by the portfolio growth comprising of acquisitions over the period and valuation increases.

In the period to 30 June 2022, the REIT’s sales and foot traffic through our centres were impacted in NSW and Victoria by COVID-19 government mandated trading restrictions and closures over July to mid-October. These restrictions were progressively eased but were then subsequently impacted by the spread of the Omicron variant in December 2021. For all other states, sales and foot traffic improved through our centres to levels close to those pre COVID-19. Tenant support continued to be provided to our specialty tenants during the period in line with the NSW and Victorian State Governments’ legislation (Code of Conduct) and equated to $6.0 million in rental relief in the form of rent free incentives and deferrals (look through including the REIT’s share of convenience retail joint ventures: $8.1 million). This compared to the tenant support provided to our specialty tenants in the prior period of $5.4 million in the form of rent free incentives and deferrals (look through including the REIT’s share of convenience retail joint ventures: $6.7 million). The NSW and Victorian Government ceased the Code of Conduct in mid-March 2022.

Whilst COVID-19 impacts to trade have lessened, 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.

Over the 12 months from 30 June 2021 to 30 June 2022, the REIT’s portfolio valuation growth was $497.9 million or 13.1% due to shopping centre valuation growth of $405.9 million or 13.8% (including capital investment of $69.0 million) and long WALE valuation uplift of $92.0 million or 10.6% (including capital investment of $2.0 million). Over the 12 month period to 30 June 2022, 100% of the REIT’s portfolio was externally revalued twice, including joint ventures and associates.

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

The inclusion of operating earnings as a measure of the REIT’s profitability provides investors with the same basis that is used internally for evaluating operating segment performance. Operating earnings is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution. The distribution considers operating earnings and net cash flows from operating activities generated during the period.

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

	Notes	**2022 $'m**	2021 $'m
Net property income from wholly owned properties		**148.6**	141.4
Net income from joint venture entities		**28.8**	27.1
Total convenience retail segment income		**177.4**	168.5
Long WALE retail segment income		**30.8**	25.6
Interest income		**-**	0.1
Management fees		**(15.3)**	(13.0)
Finance costs		**(25.0)**	(21.6)
Other expenses		**(3.5)**	(3.4)
Operating earnings	A	**164.4**	156.2
COVID-19 tenant support*		**(7.5)**	(6.7)
Timing of cash receipts and payments		**1.3**	5.0
Net cash flows from operating activities		**158.2**	154.5

* Includes $8.1 million (2021: $6.7 million) of COVID-19 tenant support provided in the form of rent free incentives and deferrals less expected credit loss provisioning.

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:

	2022 $'m	2021 $'m
Net cash flows from operating activities	**158.2**	154.5
COVID-19 tenant support[1]	**7.5**	6.7
Timing of cash receipts and payments	**(1.3)**	(5.0)
Operating earnings	**164.4**	156.2
Net revaluation gains on investment properties	**450.7**	141.4
Straight lining of rental income and amortisation of incentives	**(20.6)**	(20.2)
Acquisition related and other costs	**(5.6)**	(2.6)
Loss on sale of investment properties	**-**	(1.0)
Net gain on derivative financial instruments	**70.9**	13.9
Provision for rent relief[2]	**-**	3.0
Foreign exchange gain[3]	**4.8**	-
Other	**(1.0)**	0.5
Statutory profit for the year	**663.6**	291.2
Basic weighted average number of units (millions)	**578.7**	572.1
Basic earnings per unit (cents)	**114.67**	50.90
Operating earnings per unit (cents)	**28.40**	27.30
Distribution per unit (cents)	**24.50**	23.40

1 Includes $8.1 million (2021: $6.7 million) of COVID-19 tenant support provided in the form of rent free incentives and deferrals less expected credit loss provisioning.

2 Movement in provision for COVID-19 rent relief.

3 Represents unrealised FX movement on NZD borrowings to fund the REIT's investment in CH Dartmouth NZ Wholesale Fund.

The 30 June 2022 financial results are summarised as follows:

	2022	2021
Net property income from wholly owned properties ($ millions)	**148.6**	141.4
Net income from convenience retail segment joint venture entities ($ millions)	**28.8**	27.1
Net income from long WALE segment joint venture and associate entities ($ millions)	**30.8**	25.6
Net profit after tax ($ millions)	**663.6**	291.2
Basic earnings per unit (cents)	**114.67**	50.90
Operating earnings ($ millions)	**164.4**	156.2
Operating earnings per unit (cents)	**28.40**	27.30
Distributions ($ millions)	**142.1**	134.0
Distributions per unit (cents)	**24.50**	23.40
Total assets ($ millions)	**4,045.0**	3,341.0
Total liabilities ($ millions)	**1,190.5**	1,035.8
Net assets attributable to unitholders ($ millions)	**2,854.5**	2,305.2
Units on issue (millions)	**581.2**	574.3
Net assets per unit ($)	**4.91**	4.01
Balance sheet gearing - total debt (net of cash and derivatives) to total assets (net of cash and derivatives)	**25.5%**	25.7%
Look through gearing - total debt (net of cash and derivatives) to total assets (net of cash and derivatives)	**32.1%**	33.1%

Significant changes in the state of affairs

Acquisitions

In August 2021, the REIT paid $51.2 million to acquire Butler Central Shopping Centre WA.

In March 2022, the REIT paid $50.5 million to acquire 49% of the units in Ampol Property Trust 2. Ampol Property Trust 2 owns 20 long WALE convenience retail assets leased to Ampol Australia on triple net lease terms.

In June 2022, the REIT paid $43.6 million to acquire 5% of the units in CH AP Fund (CHAPF). CHAPF owns 204 long WALE convenience retail assets leased to Ampol Australia on triple net lease terms.

Financing

In November 2021, the REIT extended two of its bilateral facilities that were due to mature in November 2023 with $170.0 million to mature in November 2026.

In December 2021, the REIT increased one of its bilateral facilities due to mature in August 2023 from $50.0 million to $100.0 million and extended the maturity to December 2026.

COVID-19 rent relief

The REIT continued to work with tenants impacted by COVID-19 to provide rental relief in line with State Governments' legislation by providing rent free incentives and deferrals. The REIT provided $6.0 million in rental relief (look through including the REIT's share of convenience retail joint ventures: $8.1 million). This rent relief was comprised of:

	2022		2021	
	$'m	**$'m**	$'m	$'m
	CQR	**Look through**	CQR	Look through
Rent free incentives	**4.0**	**5.4**	4.4	5.4
Rent deferrals	**2.0**	**2.7**	1.0	1.3
Total	**6.0**	**8.1**	5.4	6.7

Rent free incentives agreed by 30 June 2022 have been treated as lease modifications and are therefore amortised over the life of the lease. If agreements were not finalised by period end the equivalent of the rent free incentive has been expensed as a provision for rent relief. All rent free incentives were agreed as at 30 June 2022.

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 also 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.	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 detailed annual strategic review for all assets to inform recycling of capital into new areas and formal exit strategies for investments.
	Structural change in Retail	Disruptive competitors and changing retail spend behaviours may have an impact on key tenants and on marginal tenancies. This may impact space requirements from tenants. Changing technology is changing tenant and shoppers' expectations.	By undertaking ongoing due diligence including demographics, catchments, competitor threats and by leveraging consultant expertise, the REIT ensures that it remains informed of market changes.
	Geopolitical risks materially disrupt supply chains	Geopolitical unrest disrupts supply chains causing increased costs and delays in timing to complete capital works and developments.	The REIT ensures it takes into account potential disruptions in supply chain in establishing timetables for delivery and its expected returns and partners with high quality delivery partners.
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.	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. The REIT has demonstrated strong performance, equity raising track record and access to diversified equity partners across sources. The REIT manages its relationships with its partners through investment agreements including investment committee oversight of all key decisions with structured and pre-agreed reporting.
	Interest rates	Rising interest rates driven by inflation may adversely impact the REIT by increasing finance costs and impacting the amount the REIT has available to distribute to investors.	The REIT has a Treasury Risk Management Policy which includes policies and controls to minimise the impact of fluctuating interest rates on the REIT's financial performance. The REIT enters into interest rate swaps in order to provide more certainty for the REIT's finance costs.

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. To focus the RETI's efforts on eradication of modern slavery in its supply chain the REIT has adopted the Modern Slavery Statement (Australian Modern Slavery Act 2018) and published its second statement with supply chain spend by category.
	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. 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.
	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 has a Code of Conduct in place with all employees and undertakes consistent messaging and tone at the top regarding behaviour. The REIT has a formal Whistleblower Policy in place and process to obtain regular employee feedback on culture and behaviours which is used to inform management decisions.
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.

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 / function including oversight of Conflict of Interest / Related Party protocols and formalised asset allocation protocols.

Events occurring after balance date

In July 2022, the REIT exchanged contracts to divest Singleton Plaza, NSW for a total consideration of $8.6 million. Settlement is expected to occur in October 2022.

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, one was due to mature in July 2023 with $75.0 million to mature in July 2027 and one was due to mature in February 2025 with $150.0 million to mature in July 2026 and increased its limit to $200.0 million.

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 August 2022, the REIT exchanged contracts to acquire Bribie Island Retail Centre, Qld, a pad site adjacent to Bribie Island Shopping Centre, for a total consideration of $7.2 million. Settlement is expected to occur in September 2022.

Likely developments and expected results of operations

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

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

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

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

Base fees of $17.8 million (2021: $14.6 million) were paid or are payable to the Responsible Entity, its associates or third party service providers 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 2022 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:

	2022	2021
Units on issue at the beginning of the year	**574,297,122**	570,944,990
Units issued during the year		
- via Distribution Reinvestment Plan	**6,932,487**	3,352,132
Units on issue at the end of the year	**581,229,609**	574,297,122

Value of assets

	2022	2021
	$'m	$'m
Value of REIT assets	**4,045.0**	3,341.0

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 2022.

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

Director	Experience	Special responsibilities	Interest in units of the REIT
Michael Gorman	Appointed 10 November 2016 Michael joined the Board in 2016. He brings more than 30 years' extensive experience in both real estate and the public equity and debt markets. In his 11 years with Novion Property Group, an ASX top 50 entity, and its predecessors, Michael held a number of executive positions including Deputy Chief Executive Officer, Chief Investment Officer and Fund Manager. In these roles, Michael was directly responsible for raising several billion dollars in equity on the Australian Securities Exchange and corporate bonds in the domestic and US markets. Also in 2016, Michael was appointed Non-Executive Director of GPT Funds Management Limited, the Responsible Entity of the GPT wholesale unlisted funds platform. Michael is also a Non-Executive Director of Adelaide Airport Limited and the chair of its Property People & Culture Committee and a member of the Infrastructure Committee. Michael completed the Advanced Management Programme at INSEAD, France, holds an MBA from the Australian Graduate School of Management of UNSW, a Bachelor of Science (Architecture) UNSW and a Bachelor of Architecture (First Class Honours, University Medal) at UNSW. Michael is a Graduate Member of the Australian Institute of Company Directors, a Fellow of the Australian Property Institute and a Fellow of the Royal Society of Arts. Current listed directorships Nil Former listed directorships in last three years Nil	Member of Audit, Risk and Compliance Committee	25,069
David Harrison	Appointed 1 March 2010 With a specific focus on strategy, David is responsible for all aspects of the Charter Hall Group business. Recognised as a multi-core sector market leader, David has over 34 years' global property market experience and has led transactions exceeding $40 billion of commercial, retail and industrial property assets. Under his stewardship, the Charter Hall Group portfolio has grown from $500 million to $79.5 billion of assets under management. David holds a Bachelor of Business Degree (Land Economy) from the University of Western Sydney, is a Fellow of the Australian Property Institute (FAPI) and holds a Graduate Diploma in Applied Finance from the Securities Institute of Australia. David is a Fellow of the Australian Property Institute (FAPI) and Property Male Champions of Change. He is also National President of the Property Council of Australia and a member of the Nominations Committee (Director since 14 April 2016, National Vice-President from 2017-2021, National President since 30 March 2021) and a member of the Board for NSW Rugby Union. Current listed directorships Charter Hall Group (ASX: CHC) Charter Hall Long WALE REIT (ASX: CLW) Former listed directorships in last three years Nil	Nil	124,378

Director	Experience	Special responsibilities	Interest in units of the REIT
Ben Ellis	Appointed 17 January 2022 Ben is the Fund Manager of the Charter Hall Retail REIT and Charter Hall's Retail CEO, with 22 years property market experience. 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 holds a Bachelor of Applied Science, Property Economics from Queensland University of Technology. Current listed directorships Nil Former listed directorships in last three years Nil	Nil	2,250
Greg Chubb	Appointed 5 February 2016 and resigned 17 January 2022 Greg was Fund Manager of the Charter Hall Retail REIT and Charter Hall's Retail CEO, with over 30 years property market experience. Greg was responsible for all management aspects of the Retail Funds Management platform to deliver value creation within the retail portfolio and optimise returns for our investors. Prior to joining Charter Hall in 2014, Greg was the Property Director at Coles Supermarkets Australia and Managing Director and Head of Retail for Sandalwood/Jones Lang LaSalle in Greater China. Greg has also held executive leadership roles at Mirvac and Lend Lease. Greg holds a Bachelor of Business Degree (Land Economy) from the University of Western Sydney, is a Fellow of the Australian Property Institute (FAPI) and is Deputy Chair of the Shopping Centre Council of Australia. Current listed directorships Nil Former listed directorships in last three years Nil	Nil	N/A

Meetings of Directors

	Full meetings of Directors		Meetings of Audit, Risk and Compliance Committee	
Name	Eligible to attend	Attended	Eligible to attend	Attended
Roger Davis	9	8	4	4
Sue Palmer	9	9	4	4
Michael Gorman	9	9	4	4
David Harrison	9	9	-	-
Ben Ellis	4	4	-	-
Greg Chubb	4	4	-	-

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 (Price Waterhouse Cooers) during the year. (2021: 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 22 August 2022. The Directors have the power to amend and re-issue the financial statements.

Roger Davis
Chair
Sydney
22 August 2022

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Charter Hall Retail REIT for the year ended 30 June 2022, 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

Ryan McMahon
Partner
PricewaterhouseCoopers

Sydney
22 August 2022

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Consolidated statement of comprehensive income

	Notes	2022 $'m	2021 $'m
Revenue			
Property income	A1	**200.8**	191.5
Interest income		**-**	0.1
Total revenue		**200.8**	191.6
Other income			
Share of net profit from joint venture and associate entities	B2	**250.1**	159.8
Net gain on movement in fair value of investment properties	B1	**279.5**	36.0
Net gain from derivative financial instruments	C3	**48.1**	10.5
Foreign exchange gains		**4.8**	-
Total revenue and other income		**783.3**	397.9
Expenses			
Property expenses		**(67.7)**	(66.2)
Net loss on disposal of investment properties		**-**	(0.4)
Management fees	D1	**(15.3)**	(13.0)
Finance costs	C2	**(27.6)**	(23.9)
Acquisition related and other costs		**(5.6)**	(2.6)
Provision for rent relief*		**-**	2.3
Other expenses		**(3.5)**	(2.9)
Total expenses		**(119.7)**	(106.7)
Profit for the year		**663.6**	291.2
Other comprehensive income**			
Change in the fair value of cash flow hedges	C4	**6.6**	(5.2)
Exchange differences on translation of foreign operations		**(5.5)**	(0.7)
Other comprehensive income		**1.1**	(5.9)
Total comprehensive income for the year		**664.7**	285.3
Basic and diluted earnings per ordinary unitholder of the REIT			
Earnings per unit (cents)	A2	**114.67**	50.90

* Movement in provision for COVID rent relief.

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

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

Consolidated balance sheet

	Notes	2022 $'m	2021 $'m
Assets			
Current assets			
Cash and cash equivalents		**21.8**	19.3
Receivables and other assets	D2	**9.9**	7.8
Distributions receivable		**12.5**	11.0
Derivative financial instruments	C3	**14.4**	4.8
Deposits on investments		**-**	2.6
Prepayments		**1.9**	1.4
Total current assets		**60.5**	46.9
Non-current assets			
Investment properties	B1	**2,692.2**	2,314.4
Investments in joint venture and associate entities	B2	**1,227.8**	940.2
Derivative financial instruments	C3	**64.5**	39.5
Total non-current assets		**3,984.5**	3,294.1
Total assets		**4,045.0**	3,341.0
Liabilities			
Current liabilities			
Payables and other liabilities	D2	**45.9**	40.9
Distribution payable	A2	**74.4**	72.9
Derivative financial instruments	C3	**1.0**	-
Total current liabilities		**121.3**	113.8
Non-current liabilities			
Borrowings	C2	**1,044.5**	883.5
Derivative financial instruments	C3	**24.7**	38.5
Total non-current liabilities		**1,069.2**	922.0
Total liabilities		**1,190.5**	1,035.8
Net assets		**2,854.5**	2,305.2
Equity			
Contributed equity	C4	**2,884.7**	2,858.0
Reserves	C4	**(3.3)**	(4.4)
Accumulated losses		**(26.9)**	(548.4)
Total equity		**2,854.5**	2,305.2

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 2020		2,846.2	1.5	(705.6)	2,142.1
Profit for the year		-	-	291.2	291.2
Other comprehensive income		-	(5.9)	-	(5.9)
Total comprehensive (loss)/ income for the year		-	(5.9)	291.2	285.3
Transactions with unitholders in their capacity as unitholders					
- Contributions of equity, net of issue costs	C4	11.8	-	-	11.8
- Distributions paid and payable	A2	-	-	(134.0)	(134.0)
Total equity at 30 June 2021		2,858.0	(4.4)	(548.4)	2,305.2
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 loss		**-**	**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**

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

Consolidated cash flow statement

	Notes	2022 $'m	2021 $'m
Cash flows from operating activities			
Property income received		**232.9**	227.5
Property expenses paid		**(73.8)**	(69.5)
Distributions received from investment in joint venture and associate entities		**55.6**	49.1
Other operating expenses paid		**(19.4)**	(17.0)
Finance costs paid		**(23.7)**	(22.5)
Interest and other income		**-**	0.1
GST paid to ATO on operating activities		**(13.0)**	(13.0)
GST paid to ATO on investing activities		**(0.4)**	(0.2)
Net cash flows from operating activities	A3	**158.2**	154.5
Cash flows from investing activities			
Payments for investment properties, joint venture and associate entities and capital expenditure		**(212.8)**	(235.6)
Capital distribution received from joint venture entity		**-**	24.5
Deposit paid for investments		**-**	(2.6)
Net cash flows used in investing activities		**(212.8)**	(213.7)
Cash flows from financing activities			
Proceeds from borrowings		**235.4**	410.6
Repayment of borrowings		**(64.5)**	(294.4)
Settlement of interest rate swaps		**-**	(11.9)
Distributions paid to unitholders, net of DRP		**(113.8)**	(106.3)
Net cash flows from financing activities		**57.1**	(2.0)
Net decrease in cash held		**2.5**	(61.2)
Cash and cash equivalents at the beginning of the year		**19.3**	80.5
Cash and cash equivalents at the end of the year		**21.8**	19.3

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	2022 $'m	2021 $'m
Distributions by the REIT during the year satisfied by the issue of units under the DRP	A2, C4	**26.7**	11.8

About this report

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

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

Critical accounting estimates

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

The areas involving significant estimates or judgements are:

- Consolidation decisions and classification of joint arrangements – B2 Investment in joint venture 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

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

A. Fund performance

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

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

The inclusion of operating earnings as a measure of the REIT's profitability provides investors with the same basis that is used internally for evaluating operating segment performance. Operating earnings is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution. The distribution considers operating earnings and net cash flows from operating activities generated during the period.

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

- the extent and duration of the disruption to the REIT's tenant customers arising from the COVID-19 virus;
- the extent and duration of a high inflation and interest rate environment, including:
  - the disruption to capital markets;
  - deteriorating credit and liquidity concerns, impacting the ability of the REIT's speciality tenants to meet their rental obligations;
  - declines in consumer discretionary spending;
  - the effectiveness of government and central bank measures that have and will be put in place to support businesses and consumers; and
  - judgements in property valuations such as letting up time, incentives provided and vacancy.

The REIT's operating earnings increased through a combination of strong underlying growth from the stable portfolio and acquisitions over the period, reflecting the ongoing positive impact of the active management of the portfolio. Net income from the convenience retail segment increased predominately through strong same property NPI growth and also includes the impact of the acquisition of Butler Central, WA during the period. Net income from the long WALE retail segment was driven primarily from the acquisition of the BP New Zealand portfolio in December 2020 and the Ampol portfolio in March 2022. Finance cost increases are a result of the debt funding of acquisitions and development capital during the period. Other expenses increased due to the increase in management fees driven by the portfolio valuation increase comprising of acquisitions over the period and valuation increases.

In the period to 30 June 2022, the REIT's sales and foot traffic through our centres were impacted in NSW and Victoria by COVID-19 government mandated trading restrictions and closures over July to mid-October. These restrictions were progressively eased but were then subsequently impacted by the spread of the Omicron variant in December 2021. For all other states, sales and foot traffic improved through our centres to levels close to those pre COVID-19. Tenant support continued to be provided to our specialty tenants during the period in line with the NSW and Victorian State Governments' legislation (Code of Conduct) and equated to $6.0 million in rental relief in the form of rent free incentives and deferrals (look through including the REIT's share of convenience retail joint ventures: $8.1 million). This compared to the tenant support provided to our specialty tenants in the prior period of $5.4 million in the form of rent free incentives and deferrals (look through including the REIT's share of convenience retail joint ventures: $6.7 million). The NSW and Victorian Government ceased the Code of Conduct in mid-March 2022.

Whilst COVID-19 impacts to trade have lessened, 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.

Over the 12 months from 30 June 2021 to 30 June 2022, the REIT's portfolio valuation growth was $497.9 million or 13.1% due to shopping centre valuation growth of $405.9 million or 13.8% (including capital investment of $69.0 million) and long WALE valuation uplift of $92.0 million or 10.6% (including capital investment of $2.0 million). Over the 12 month period to 30 June 2022, 100% of the REIT's portfolio was externally revalued twice, including joint ventures and associates.

In response to the increased estimation uncertainty the REIT has assessed the carrying values of its assets and liabilities in light of COVID-19. Specific areas of assessment include impairment testing, refining methodologies and calculation of expected

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 2022 about future events that the Directors believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing forecasts. The underlying assumptions are also subject to uncertainties which are often outside the control of the REIT. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in this report.

A1. Segment information

(a) Description of segments

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

Convenience Retail

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

Long WALE Retail Property

This segment comprises long WALE retail investment properties held through investments in joint venture 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 and net cash flows from operating activities reported to the Board for the operating segments for the years ended 30 June 2022 and 30 June 2021 are as follows:

	2022 $'m	2021 $'m
Convenience retail segment		
Property rental income*	156.9	149.0
Other income	43.9	42.5
Add back: non-cash adjustments	15.5	16.1
Property expenses	(67.7)	(66.2)
Net income from joint venture entities	28.8	27.1
Total convenience retail segment income	**177.4**	168.5
Long WALE retail segment income	**30.8**	25.6
Total segment income	**208.2**	194.1
Interest income	-	0.1
Management fees (refer to note D1)	(15.3)	(13.0)
Finance costs	(25.0)	(21.6)
Other expenses	(3.5)	(3.4)
Operating earnings	**164.4**	156.2
COVID-19 tenant support**	(7.5)	(6.7)
Timing of cash receipts and payments	1.3	5.0
Net cash flows from operating activities	**158.2**	154.5

* Revenues from major tenant customers are disclosed in Note C5 (iv).

** Includes $8.1 million (2021: $6.7 million) of COVID-19 tenant support provided in the form of rent free incentives and deferrals less expected credit loss provisioning.

Property rental income

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

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

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

	Within 1 $'m	1 to 2 years $'m	2 to 3 years $'m	3 to 4 years $'m	4 to 5 years $'m	Over 5 years $'m	Total $'m
2022	**191.1**	**176.3**	**159.2**	**139.2**	**117.8**	**341.4**	**1,125.0**
2021	181.7	163.3	146.5	130.7	112.2	387.6	1,122.0

Lease modification

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

Other income

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

Property expenses

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

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

	2022 $'m	2021 $'m
Net cash flows from operating activities	**158.2**	154.5
COVID-19 tenant support[1]	**7.5**	6.7
Timing of cash receipts and payments	**(1.3)**	(5.0)
Operating earnings	**164.4**	156.2
Net revaluation gains on investment properties	**450.7**	141.4
Straight lining of rental income and amortisation of incentives	**(20.6)**	(20.2)
Acquisition related and other costs	**(5.6)**	(2.6)
Loss on sale of investment properties	**-**	(1.0)
Net gain on derivative financial instruments	**70.9**	13.9
Provision for rent relief[2]	**-**	3.0
Foreign exchange gain[3]	**4.8**	-
Other	**(1.0)**	0.5
Statutory profit for the year	**663.6**	291.2
Basic weighted average number of units (millions)	**578.7**	572.1
Basic and diluted earnings per unit (cents)	**114.67**	50.90
Operating earnings per unit (cents)	**28.40**	27.30
Distribution per unit (cents)	**24.50**	23.40

1 Includes $8.1 million (2021: $6.7 million) of COVID-19 tenant support provided in the form of rent free incentives and deferrals less expected credit loss provisioning.
2 Movement in provision for COVID rent relief.
3 Represents unrealised FX movement on NZD borrowings to fund the REIT's investment in CH Dartmouth NZ Wholesale Fund.

A2. Distributions and earnings per unit

(a) Distributions paid and payable

	Distribution Cents per unit	Total amount $'m
Ordinary unitholders		
Distributions for the half year ended:		
31 December 2021 (paid 28 February 2022)	**11.70**	**67.7**
30 June 2022 (payable 31 August 2022)*	**12.80**	**74.4**
	24.50	142.1
Ordinary unitholders		
Distributions for the half year ended:		
31 December 2020 (paid 26 February 2021)	10.70	61.1
30 June 2021 (paid 31 August 2021)	12.70	72.9
	23.40	134.0

* The distribution of 12.80 cents per unit for the six months period ended 30 June 2022 was declared prior to 30 June 2022 and will be paid on 31 August 2022.

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

	2022	2021
Basic and diluted earnings per unit		
Net profit for the year ($'m)	**663.6**	291.2
Operating earnings for the year ($'m)	**164.4**	156.2
Weighted average number of units used in the calculation of basic earnings per unit (millions)*	**578.7**	572.1
Basic earnings per ordinary unitholder of the REIT		
Earnings per unit (cents)	**114.67**	50.90
Operating earnings per unit (cents)	**28.40**	27.30

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

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

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

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

A3. Reconciliation of net profit to operating cash flow

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

	Notes	2022 $'m	2021 $'m
Statutory profit for the year		**663.6**	291.2
Non-cash items			
Straight lining and amortisation of lease incentives		**15.5**	15.9
Share of net profit on investment in joint venture and associate entities		**(190.4)**	(104.8)
Property valuation (gain)/ loss		**(274.0)**	(36.0)
Acquisition related and other costs		**-**	2.6
Loss on sale of investment properties		**0.1**	0.4
Net (gain)/loss on derivative financial instruments	B2, C3	**(45.9)**	(8.1)
Write off of capitalised borrowing costs related to refinancing		**0.3**	-
Provision for rent relief		**-**	(2.3)
Foreign exchange gains		**(4.8)**	(0.6)
Change in assets and liabilities			
(Increase)/decrease in assets			
Receivables and other assets		**(3.6)**	(0.8)
Accrued interest on derivative instruments		**(0.3)**	0.5
Net income receivable from investment in joint venture and associate entities		**(4.2)**	(8.6)
Prepayments		**(0.8)**	(0.4)
Unamortised borrowing costs		**0.6**	(0.9)
Increase/(decrease) in liabilities			
Payables and other liabilities		**2.1**	6.4
Net cash flows from operating activities		**158.2**	154.5

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	2022 $'m	2021 $'m
Non-current assets			
Investment properties	B1	**2,692.2**	2,314.4
Joint venture and associate investment property	B2	**1,606.7**	1,332.9
Joint venture and associate adjustment*	B2	**(378.9)**	(392.7)
Property portfolio assets, including interests in joint venture and associates		**3,920.0**	3,254.6

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

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.

Development properties

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

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

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

(a) Valuation process

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

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

As at 30 June 2022, 100% of investment properties, including joint ventures and associates were externally valued (2021: 64%).

(b) Valuation techniques and key judgements

In determining fair value of investment properties, management has considered the nature, characteristics and risks of its investment properties. Such risks include but are not limited to the property cycle, structural changes in retail and the current and future macro-economic environment. In particular, the impact of COVID-19 on underlying tenant businesses and markets has led to heightened estimation uncertainty in the key assumptions and inputs applied to the REIT's investment properties. The table below identifies the assumptions and inputs, which are not based on observable market data, used to measure the fair value (level 3) of the wholly owned investment properties. Fair value 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 (%)
2022	**2,692.2**	**160 - 684**	**4.3 - 7.8**	**4.5 - 8.0**	**5.0 - 8.3**
2021	2,314.4	163 - 677	5.0 - 8.3	5.3 - 8.5	5.8 - 9.3

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

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. For CQR wholly owned investment properties, if the capitalisation rate expanded by 25 basis points, fair value would reduce by $117.4 million from the fair value as at 30 June 2022 (including the REIT's share of joint venture and associate properties $197.3 million). And if the capitalisation rate compressed by 25 basis points, fair value would increase by $128.6 million from the fair value as of 30 June 2022 (including the REIT's share of joint venture and associate properties $217.3 million). If the discount rate increased by 25 basis points, fair value would reduce by $48.2 million from the fair value at 30 June 2022 and if the discount rate decreased by 25 basis points, fair value would increase by $49.1 million from the fair value at 30 June 2022.

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

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

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

	2022 $'m	2021 $'m
Carrying amount at the beginning of the year	**2,314.4**	2,240.3
Additions and capital improvements*	**113.8**	54.0
Acquisition costs incurred	**3.6**	-
Revaluation decrement attributable to acquisition costs	**(3.6)**	-
Net revaluation increment	**279.5**	36.0
Straight lining and amortisation of lease incentives**	**(15.5)**	(15.9)
Carrying amount at the end of the year	**2,692.2**	2,314.4

*Includes rent free incentives provided under the Code of Conduct of $4.0 million (2021: $4.4 million).

**Includes amortisation of rent free incentives provided under the Code of Conduct of $4.4 million (2021: $6.1 million).

B2. Investment in joint venture and associate entities

The REIT accounts for investments in joint venture and associate entities using the equity method. The REIT exercises joint control over the joint venture entities, but neither the REIT nor its joint venture partners have control in their own right, irrespective of their ownership interest. An associate is an entity over which the REIT has significant influence. The principal activity of all joint venture and associate entities during the period was property investment.

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

Information relating to the joint venture and associate entities is detailed below:

Joint venture and associate entity	Country of establishment	Principal activity	Ownership interest 2022 %	2021 %
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%**	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%**	-
CH AP Fund (CHAPF)**	Australia	Property investment	**5.0%**	-

* In March 2022, the REIT acquired 49.0% of the units of APT2 for $50.5 million classified as a Joint Venture.

** In June 2022, the REIT acquired 5.0% of the units of CHAPF for $43.6 million classified as an associate. The units were acquired from a related party. Due to the REIT's voting capabilities, it is able to exercise significant influence and has therefore classified CHAPF as an associate.

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

	2022 $'m	2021 $'m
Balance at the beginning of the year	**940.2**	665.9
Acquisition of interest in joint ventures and associates	**94.1**	182.6
Acquisition costs incurred	**2.0**	-
Revaluation decrement attributable to acquisition costs	**(2.0)**	-
Share of profits and net property valuation gains	**250.1**	159.8
Distributions paid and payable*	**(57.1)**	(51.6)
Capital distribution	**-**	(24.5)
Distribution reinvested	**1.8**	7.5
Equity calls	**4.5**	1.0
Unrealised foreign exchange movements on investments	**(5.5)**	-
Other	**(0.3)**	(0.5)
Balance at the end of the year	**1,227.8**	**940.2**

* Includes $12.5 million in distributions payable to the REIT at 30 June 2022 (2021: $11.0 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 2022, 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).

2022	CHRP1 100% interest $'m	CHRP2 100% interest $'m	Other SCI 100% interest $'m	Long WALE CHART 100% interest $'m	Long WALE Other 100% interest* $'m	Total 100% interest $'m
Income						
Property income	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 on investment properties	46.7	36.7	96.7	113.0	94.8	387.9
Net unrealised gain 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

* In March 2022, the REIT acquired 49.0% of the units of APT2. In June 2022, the REIT acquired 5.0% of the units of CHAPF. The above table shows the financial performance of APT2 from 2 March 2022 to 30 June 2022, and CHAPF from 29 June 2022 to 30 June 2022.

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

(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 2022, 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.

2022	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
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**

* In March 2022, the REIT acquired 49.0% of the units of APT2 for $50.5 million. In June 2022, the REIT acquired 5.0% of the units of CHAPF for $43.6 million.

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

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 $2.0 million (2021: $5.8 million). The REIT's share in the commitments of the joint venture and associate entities is $15.5 million (2021: $0.2 million). These commitments have not been recognised in the consolidated financial statements of the REIT.

As at 30 June 2022 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 and liquidity risk. This section explains how the REIT utilises its risk management framework to reduce volatility from these external factors.

C1. Capital risk management

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

The REIT sources its capital through:

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

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

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

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

The REIT 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 notes (USPPs) on issue and the REIT's investment in foreign operations.

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

C2. Borrowings and liquidity

(a) Borrowings

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

	2022				2021			
	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*	**-**	**446.2**	**446.2**	**443.5**	-	451.9	451.9	458.3
Bank loan - term debt**	**-**	**598.3**	**598.3**	**599.1**	-	431.6	431.6	436.3
Total unsecured borrowings	**-**	**1,044.5**	**1,044.5**	**1,042.6**	-	883.5	883.5	894.6
Undrawn bank facility			**172.7**				288.9	

* Includes a fair value hedge adjustment of $(24.7) million (30 June 2021: $18.5 million).

** Includes unamortised transaction costs of $ 4.0 million (30 June 2021: $ 4.6 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 30 Jun 2022 $'m
USPP	3.55%	July 2015	July 2027	251.6	**289.8**
USPP	3.76%	May 2016	May 2026	177.4	**181.1**
Total exposure				429.0	**470.9**
Fair value hedge adjustment				-	**(24.7)**
Total				429.0	**446.2**

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 2022 $'m
July 2023	75.0	**41.0**
February 2025	150.0	**45.0**
March 2026	100.0	**100.0**
July 2026	180.0	**161.8**
November 2026	170.0	**154.5**
December 2026	100.0	**100.0**
	775.0	**602.3**

Net debt reconciliation

	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**

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

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%.

None of the above occurred during the year ended 30 June 2022.

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

	2022 **$'m**	2021 $'m
Finance costs paid or payable*	**29.4**	25.7
Less: Capitalised finance costs	**(1.8)**	(1.8)
	27.6	23.9

* Included in finance costs is $29.7 million of interest on financial liabilities measured at amortised cost (2021: $25.2 million).

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

C3. Derivative financial instruments

(a) Derivative financial instruments

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

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

Fair value hedges

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

Cash flow hedges

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

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

Amounts reflected in the financial statements are as follows:

Consolidated balance sheet	2022 Asset $'m	2022 Liability $'m	2021 Asset $'m	2021 Liability $'m
Current				
Interest rate swaps	**9.4**	**-**	-	-
Cross currency swaps	**5.0**	**-**	4.8	-
Foreign exchange contract	**-**	**1.0**	-	-
Total current derivative financial instruments	**14.4**	**1.0**	4.8	-
Non-current				
Interest rate swaps	**37.7**	**-**	11.1	10.4
Cross currency swaps	**26.5**	**6.4**	28.4	7.4
Foreign exchange contract	**0.3**	**18.3**	-	20.7
Total non-current derivative financial instruments	**64.5**	**24.7**	39.5	38.5
Total derivative financial assets/liabilities	**78.9**	**25.7**	44.3	38.5

Cross currency interest rate swaps currently in place cover 100% (2021: 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	2022 $'m	2021 $'m
Carrying amount	**25.1**	25.8
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	**(0.7)**	(65.4)
Change in value of hedged item used to determine hedge effectiveness	**2.7**	62.8

Summary of cross currency interest rate swap movements

	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)**

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

(b) Interest rate swaps

At 30 June 2022, the weighted average fixed rate is 1.11% per annum (2021: 1.14% 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
2022	**480.0**	**420.0**	**177.4**	**-**	**-**	**1,077.4**
2021	-	155.0	420.0	177.4	-	752.4

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

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

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

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

C4. Contributed equity and reserves

(a) Contributed equity

No. of units	Details	Date of income entitlement	2022 $'m	2021 $'m
570,944,990	Units on issue	30 June 2020		2,846.2
3,352,132	DRP issue	26 February 2021		11.8
574,297,122	Units on issue	30 June 2021	**2,858.0**	2,858.0
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**	

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

Each unit confers the right to vote at meetings of unitholders, subject to any voting restrictions imposed on a unitholder under the Corporations Act 2001 and the ASX Listing Rules. Units on issue are classified as equity and are recognised at the fair value of the consideration received by the REIT. Transaction costs arising on the issue of equity are recognised directly in equity as a reduction in the proceeds of units to which the costs relate.

Distribution Reinvestment Plan (DRP)

The REIT has established a DRP under which unitholders may elect to have all or part of their distribution entitlements satisfied by the issue of new units rather than being paid in cash. The DRP issue price is determined at a discount of 1.0% to the daily average of the volume weighted average market price of units traded on the ASX during the 15 business days commencing on the third business day following the distribution record date. The REIT raised $11.7 million from the DRP for the 31 December 2021 distribution. The DRP is suspended for the 30 June 2022 distribution.

(b) Reserves

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

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.	– 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.	– 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.	– Maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.
Credit risk	The risk a contracting counterparty will not complete its obligations under a contract and will cause the REIT to make a financial loss.	All financial assets including tenant receivables, financial instruments and derivatives.	– Performing credit reviews on prospective tenants, obtaining tenant collateral and detailed review of tenant arrears. – Reviewing the aggregate exposure of receivables and tenancies across the portfolio. – Limiting the credit exposure to any one financial institution and limiting to investment grade counterparties. – Monitoring the public credit rating of counterparties.

(i) Market risk – Foreign exchange risk

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

The REIT's investment in foreign operations arises from the translation of bp New Zealand assets and liabilities from New Zealand dollars to Australian dollars. This investment, including any investment property revaluation, is 100% economically hedged via the REIT's NZD denominated borrowings at June 2022. 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.

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

	NZ dollars[1] 2022 $'m	NZ dollars[1] 2021 $'m
Assets		
Receivables	**1.8**	1.7
Equity accounted investments	**181.5**	166.1
	183.3	167.8
Liabilities		
Payables	**(1.8)**	(1.7)
	(1.8)	(1.7)
Net assets/(liabilities)	**181.5**	166.1

1 Australian dollar equivalents of foreign denominated balances.

(ii) Market risk – Interest rate risk

The table below shows the REIT's exposure to interest rate risk. At balance date, the REIT fixed 83.3% (2021: 68.9%) of its direct and joint venture and associate interest rate exposure.

	Australian dollars		US dollars[1]		NZ dollars[1]		Total	
	2022 $'m	2021 $'m	2022 $'m	2021 $'m	2022 $'m	2021 $'m	2022 $'m	2021 $'m
Fixed rate								
USPP[2]	**-**	-	**(470.9)**	(433.4)			**(470.9)**	(433.4)
Net fixed rate exposure	**-**	-	**(470.9)**	(433.4)	**-**	-	**(470.9)**	(433.4)
Floating rate								
Cash	**21.8**	19.3	**-**	-	**-**	-	**21.8**	19.3
Cash - joint venture and associate entities[3]	**6.9**	6.4	**-**	-	**-**	-	**6.9**	6.4
Borrowings[2]	**(440.5)**	(270.0)	**-**	-	**(161.8)**	(166.1)	**(602.3)**	(436.1)
Borrowings - joint venture and associate entities[3]	**(393.0)**	(383.7)	**-**	-	**-**	-	**(393.0)**	(383.7)
	(804.8)	(628.0)	**-**	-	**(161.8)**	(166.1)	**(966.6)**	(794.1)
Derivative financial instruments								
Cross currency interest rate swaps - fixed to floating[4]	**(429.0)**	(429.0)	**470.9**	433.4	**-**	-	**41.9**	4.4
Interest rate swaps - floating to fixed[5]	**1,077.4**	752.4	**-**	-	**-**	-	**1,077.4**	752.4
Interest rate swaps - floating to fixed - joint venture entities[6]	**286.9**	286.9	**-**	-	**-**	-	**286.9**	286.9
	935.3	610.3	**470.9**	433.4	**-**	-	**1,406.2**	1,043.7
Net floating rate exposure	**130.5**	(17.7)	**-**	-	**(161.8)**	(166.1)	**(31.3)**	(183.8)

1 Australian dollar equivalents of foreign denominated balances.
2 Represents the notional principal of the borrowings. Unamortised borrowing costs are excluded as they are not impacted by interest rate risk.
3 The REIT's share of financial assets and liabilities included within its net investment in joint venture entities.
4 The amounts represent the notional principal receivable and payable under the derivative contracts.
5 The amounts represent the notional principal payable under the derivative contracts (excluding derivatives where cash flows have not commenced at balance sheet date.)
6 The REIT's share of the notional principal payable under the derivative contracts (excluding derivatives where cash flows have not commenced at balance sheet date) within its net investment in joint venture entities.

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 2022, with all other variables remaining constant. The analysis was performed on the same basis for 30 June 2021.

	2022		2021	
	Profit and loss	**Reserves**	Profit and loss	Reserves
	$'m	**$'m**	$'m	$'m
Australian interest rates				
+ 1.00% (2021: + 1.00%)	**9.9**	**-**	17.8	-
- 1.00% (2021: - 1.00%)	**(10.3)**	**-**	(18.6)	-

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 2022. 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
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)**
2021					
Financial liabilities					
Payables	(40.9)	(40.9)	-	-	(40.9)
Distribution payable	(72.9)	(72.9)	-	-	(72.9)
Borrowings	(869.5)	(24.4)	(535.6)	(447.7)	(1,007.7)
Derivative financial instruments	(38.5)	2.3	(20.4)	28.0	9.9
Total financial liabilities	(1,021.8)	(135.9)	(556.0)	(419.8)	(1,111.6)

The amount of credit facilities unused by the REIT at 30 June 2022 is $172.7 million (2021: $288.9 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 2022 the REIT has no significant concentrations of credit risk on its receivables other than exposure to the Coles (16.6%), Woolworths (15.9%), bp (11.8%) and Wesfarmers (7.6%) businesses which contribute 51.9% (2021: 51.6%) of the total portfolio property income including income generated by joint venture and associate entities. The REIT holds collateral in the form of security deposits or bank guarantees over some receivables where appropriate.

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

	Less than 30 days $'m	31 to 60 days $'m	61 to 90 days $'m	More than 90 days $'m	Total $'m
2022					
Rent receivables*	**2.5**	**0.7**	**0.6**	**0.7**	**4.5**
Provision for expected credit losses					**(1.7)**
2021					
Rent receivables	1.8	0.2	0.2	0.4	2.6
Provision for expected credit losses					(1.1)

* Includes $1.8 million (2021: $1.4 million) of rent deferrals provided as COVID-19 tenant support.

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

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

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

- the extent and duration of the pandemic and its impact on the ability of tenants to pay deferred rent;
- the impacts of actions by governments and other authorities, including trading restrictions on the REIT's tenants;
- tenant credit quality, assessed based on shared credit risk characteristics; and
- the effect of rental deferral options as at the reporting date.

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

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

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

C6. Offsetting financial assets and liabilities

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

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

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

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.

Audit, Risk and Compliance Committee fees and Directors' fees totalling $456,233 (2021: $369,860) 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 2022, the Index increased in value by 137.3% compared to the REIT's cumulative performance which increased by 115.0% (difference of

(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 2022 (2021: 60,601,875).

Following is a summary of related party transactions, including the REIT's share of joint ventures and associates, for the year ended 30 June 2022:

		Fee amount	
		2022	2021
Type of fee	**Method of fee calculation**	**$'000**	$'000
Management fees – look through	As per investment management agreements	**17,795**	14,613
Acquisition	0.75% of sale price	**1,122**	2,356
Development management (including cost recovery)	3% of development cost if > $1m 5% of development cost if < $1m	**732**	606
Project management	6% of project cost	**953**	647
Majors leasing	7.5% - 15.0% of year one gross rent	**621**	1,221
Property management and specialty leasing costs	Cost recovery**	**12,479**	11,709
Other related party costs*	Cost recovery**	**13,440**	13,247
		47,142	44,399

* Charter Hall Holdings Pty Limited was also reimbursed $13.4 million (2021: $13.2 million) for centre, IT, occupation health & safety, environmental, finance and accounting services expenses incurred. These expenses include salaries and related finance management and IT costs.

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

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

	2022	2021
	$	$
Charter Hall Holdings Pty Limited	**8,751,862**	9,543,202
	8,751,862	9,543,202

(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**
2022	**141,683**	**125,820**	**188,730**	**456,233**
2021	110,255	104,945	154,660	369,860

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

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

(h) Directors' interests in REIT units

The number of units held directly, indirectly or beneficially by the Directors of the Responsible Entity or the Directors' related parties at 30 June 2022 is as follows:

	Units held 2022	Units held 2021
Roger Davis	**38,669**	38,669
Michael Gorman	**25,069**	25,069
David Harrison	**124,378**	124,378
Ben Ellis*	**2,250**	-
Greg Chubb**	**-**	45,319

* Ben Ellis was appointed on 17 January 2022.
** Greg Chubb resigned on 17 January 2022. The REIT is not required to disclose holdings of previous directors.

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 2022	Units 2021
Ben Ellis	**2,250**	-
Greg Chubb*	**-**	45,319

* Greg Chubb resigned on 17 January 2022. The REIT is not required to disclose holdings of previous directors.

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

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

D2. Working capital

The REIT maintains a proactive cash management practice of using excess available cash to reduce drawn revolving debt facilities. This practice, when combined with the REIT's distribution liability at the end of the reporting period, results in a net current asset deficiency of $60.8 million at 30 June 2022 (30 June 2021: $66.9 million).

The entity has readily accessible credit facilities with $172.7 million (2021: $288.9 million) of undrawn non-current debt facilities at 30 June 2022 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

	2022 $'m	2021 $'m
Trade receivables*	**4.5**	2.6
Provision for expected credit losses	**(1.7)**	(1.1)
Net rent receivable	**2.8**	1.5
Turnover rent receivable	**4.5**	4.3
Accrued income	**2.6**	2.0
	9.9	7.8

* Includes $1.8 million (2021: $1.4 million) of rent deferrals provided as COVID-19 tenant support.

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

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

(b) Payables and other liabilities

	2022 $'m	2021 $'m
Current		
Accrued capital expenditure	**13.1**	10.2
Accrued property expenses	**14.1**	13.3
Income received in advance	**7.4**	7.1
Interest payable on interest bearing liabilities	**6.5**	5.1
Other	**4.8**	5.2
	45.9	40.9

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 2022 $'m	Parent 2021 $'m
Balance sheet		
Current assets	**52.4**	8.7
Non-current assets	**3,700.6**	3,157.0
Total assets	**3,753.0**	3,165.7
Current liabilities	**127.8**	103.9
Non-current liabilities	**1,069.2**	921.8
Total liabilities	**1,197.0**	1,025.7
Equity		
Contributed equity	**2,884.7**	2,858.0
Reserves	**(158.6)**	(159.7)
Accumulated losses	**(170.1)**	(558.3)
Total equity	**2,556.0**	2,140.0
Statement of comprehensive income		
Statutory profit for the year	**529.6**	193.3
Other comprehensive income	**1.1**	(5.9)
Total comprehensive income	**530.7**	187.4

(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 2022 (2021: 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 $2.0 million (2021: $5.8 million). These commitments have not been reflected in the financial information of the parent entity.

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

D4. Significant contract terms and conditions

Pre-emptive rights

Under the joint ownership arrangements in place with the other unitholders of our joint venture 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.

D5. Remuneration of the auditor

	2022 $'000	2021 $'000
Amounts paid or payable to PricewaterhouseCoopers Australian firm for:		
Audit services*	**321**	297
Total amount paid or payable to PricewaterhouseCoopers Australian firm	**321**	297

* There were no non audit services provided during the year (2021 nil).

D6. Interest in other entities

Material subsidiaries

The REIT's principal subsidiaries at 30 June 2022 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 2022	Ownership interest held by the REIT 2021	Principal activities
Charter Hall Retail JV Trust	Australia	Australia	100%	100%	Property investment
CH SC Trust	Australia	Australia	100%	100%	Property investment
CH Campbellfield Trust	Australia	Australia	100%	100%	Property investment
CH Rockdale Plaza Trust	Australia	Australia	100%	100%	Property investment
CQR Australian Convenience Retail Trust	Australia	Australia	100%	100%	Property investment
CQR CDC Trust	Australia	Australia	100%	100%	Property investment
CH Butler Central Trust	Australia	Australia	100%	100%	Property investment
CH AP Investment Trust 2	Australia	Australia	100%	-	Property investment
CQR Finance Pty Ltd	Australia	Australia	100%	-	Property investment
CQR AP Trust	Australia	Australia	100%	-	Property investment

D7. Events occurring after balance date

In July 2022, the REIT exchanged contracts to divest Singleton Plaza, NSW for a total consideration of $8.6 million. Settlement is expected to occur in October 2022.

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, one was due to mature in July 2023 with $75.0 million to mature in July 2027 and one was due to mature in February 2025 with $150.0 million to mature in July 2026 and increased its limit to $200.0 million.

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 August 2022, the REIT exchanged contracts to acquire Bribie Island Retail Centre, Qld, a pad site adjacent to Bribie Island Shopping Centre, for a total consideration of $7.2 million. Settlement is expected to occur in September 2022.

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 2022 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 44 to 75 are in accordance with the *Corporations Act 2001*, including:

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

   ii giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 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

22 August 2022

Independent auditor's report

To the unitholders of Charter Hall Retail REIT

Report on the audit of the financial report

Our opinion

In our opinion:

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

(a) giving a true and fair view of the REIT's financial position as at 30 June 2022 and of its financial performance for the year then ended

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

What we have audited

The REIT's financial report comprises:

- the consolidated balance sheet as at 30 June 2022
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated cash flow statement for the year then ended
- the notes to the consolidated financial statements, as contained in the "About this report" section, which include significant accounting policies and other explanatory information
- the directors' declaration to unitholders.

Basis for opinion

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

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

Independence

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

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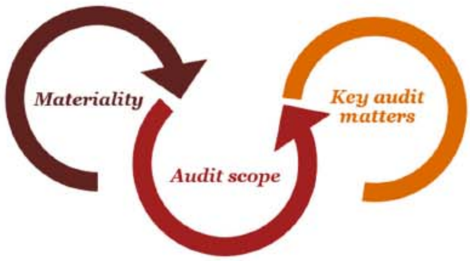
Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999

Our audit approach

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

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



Materiality	Audit scope
• 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.	• Our audit focused on where the REIT made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
• 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.	• The REIT audit team identified separate components of the REIT being its equity accounted investments and the parent entity, Charter Hall Retail REIT. We established an audit strategy for each component.
• 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.	• 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.
• We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	

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 and Risk Committee.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties, including investment properties held in joint ventures accounted for under the equity method *(Refer to About this report Note A and Note B)* The REIT's investment property portfolio is comprised of retail shopping centres generally anchored with non-discretionary major supermarket tenants, as well as long WALE convenience retail properties. At 30 June 2022 the carrying value of the REIT's investment property portfolio (excluding investment properties held in equity accounted investments) was $2,692.2 million (2021: $2,314.4 million). The carrying value of the REIT's joint venture vehicles that also hold investment properties was $1,227.8 million (2021: $940.2 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 revaluation gains that directly impact the consolidated statement of comprehensive income through the net gain on investment properties. • Inherently subjective nature of investment property valuations such as prevailing market conditions, the individual nature and location and comparable sales evidence for each property. • Estimation uncertainty exists with respect to the key inputs and 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 and also internal valuers where relevant. 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 lease agreements. 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 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 are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2022, 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 Directors' 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.

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

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

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

Responsibilities of the directors for the financial report

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

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

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.

pwc

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.

Responsibilities

The directors of the REIT are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

R.W.McMahon

Ryan McMahon
Partner

Sydney
22 August 2022

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.

Role	Financial	Customer	Culture, leadership and collaboration
Overall Weighting	40%	40%	20%
KPIs	– Achieve and exceed CQR OEPS growth as approved by the Board – Ongoing repositioning of CQR portfolio via transactions (including adjacent uses) and WALE enhancing activities to ensure resilience against competition and structural change – Delivery of CQR portfolio budgets and business plans	– 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 regular communication with top tenant customers with focus on cross sector opportunities including ESG related strategies to facilitate retention and growth	– Succession planning for Fund Manager, CQR and facilitating leadership development – Actively foster an effective risk culture across the portfolio – Drive employee engagement by nurturing a positive, empowering culture that promotes inclusion, customer excellence and well-being

For FY22, 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 2023) and 50% at the end of year two (31 August 2024).

Effective FY22, following a CHC Board review, the methodology for determining the number of mandatorily deferred STI service rights will be on a face value basis, calculated on the Volume Weighted Average Price (VWAP) for the month of June 2022. A cash payment, equivalent to cash distributions declared to the Unitholders during the vesting period, will be paid to the Fund Manager. This will only be payable on the rights that vest at the end of the relevant vesting period.

LTI

The LTI is governed by the Performance Rights and Options Plan (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 Charter Hall Group’s Remuneration Report within the 2022 Annual Report.

Unitholder analysis

Range of units summary

as at 25 July 2022

Range	Stapled securities held	% of issued stapled securities	No. of holders
100,001 and Over	530,647,236	91.30	68
50,001 to 100,000	4,148,215	0.71	64
10,001 to 50,000	24,173,284	4.16	1,293
5,001 to 10,000	11,558,138	1.99	1,615
1,001 to 5,000	9,922,300	1.71	3,643
1 to 1,000	780,436	0.13	1,954
Total	**581,229,609**	**100.00**	**8,637**
Unmarketable parcels	9,659	0.00	524

Substantial Unitholder notices

as at 26 July 2022

Company	Date of change	Units	Ownership
Charter Hall Limited	25 May 2022	65,897,115	11.34
State Street Corporation	20 January 2022	30,186,872	5.22
Pendal Group Limited	7 December 2021	47,869,261	8.28
Milford Asset Management Limited	1 November 2021	37,516,609	6.49
Blackrock Group	9 September 2020	34,742,469	6.08

Top 20 registered Unitholders

as at 25 July 2022

Rank	Name	A/C designation	Units	%IC
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED		171,642,755	29.53
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED		115,924,272	19.94
3	NATIONAL NOMINEES LIMITED		62,237,972	10.71
4	TRUST COMPANY LIMITED	<CHARTER HALL CO-INVEST A/C>	62,101,875	10.68
5	CITICORP NOMINEES PTY LIMITED		60,878,784	10.47
6	BNP PARIBAS NOMS PTY LTD	<DRP>	18,260,062	3.14
7	CITICORP NOMINEES PTY LIMITED	<COLONIAL FIRST STATE INV A/C>	7,251,681	1.25
8	BNP PARIBAS NOMINEES PTY LTD	<AGENCY LENDING DRP A/C>	3,491,518	0.60
9	PERPETUAL CORPORATE TRUST LTD	<TTCAL>	3,469,900	0.60
10	SHOPPING CENTRES AUSTRALASIA PROPERTY GROUP RE LIMITED	<SCA PROPERTY RETAIL A/C>	3,308,759	0.57
11	UBS NOMINEES PTY LTD		1,822,934	0.31
12	ONE MANAGED INVESTMENT FUNDS LTD	<CHARTER HALL MAXIM PROPERTY SEC>	1,700,000	0.29
13	CHARTER HALL WSALE MNGT LTD		1,500,000	0.26
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	<NT-COMNWLTH SUPER CORP A/C>	1,353,119	0.23
15	ARTMAX INVESTMENTS LIMITED		975,593	0.17
16	AKAT INVESTMENTS PTY LIMITED	<TAG FAMILY - CORE A/C>	850,000	0.15
17	NEWECONOMY COM AU NOMINEES PTY LIMITED	<900 ACCOUNT>	770,360	0.13
18	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA		748,036	0.13
19	AIRFARES FLIGHTS PTY LTD		691,710	0.12
20	WARBONT NOMINEES PTY LTD	<ACCUMULATION ENTREPOT A/C>	662,144	0.11
Total			**519,641,474**	**89.40**
Balance of register			**61,588,135**	**10.60**
Grand total			**581,229,609**	**100.00**

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 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 and click on 'investor centre' to use 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 2021 should be included in your 2021 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

Web 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 | 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

charterhall.com.au/cqr