Charter Hall

Charter Hall Social Infrastructure REIT

Annual Report
2023

CQE

Charter Hall SOCIAL INFRASTRUCTURE REIT

(CQE or the REIT) is Australia's largest diversified ASX-listed social infrastructure REIT.

Left: Queensland TAFE campus, Robina QLD
Kombumerri land

Acknowledgement of Country

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

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

Contents

Strategy	4
Performance Highlights	6
Chair and Fund Manager Message	8
Portfolio Performance	12
Sustainability	14
Leadership	20
Directors' Report and Financial Report	23
Fund Manager Remuneration	74
Additional Security Exchange Information	76
Investor Information	78
Contact Details	79
Corporate Directory	80

Our annual reporting suite

– Annual Results Presentation >
– Corporate Governance Statement >

Cover: Innovation Quarter
Westmead NSW
Burramattagal land

STRATEGY

CQE's focus remains on providing investors with secure income and capital growth through exposure to social infrastructure property.

Clockwise from left:
Emergency Command Centre
Keswick SA
Kaurna land

Busy Bees
Killarney Heights NSW
Garigal and Gayemagal land

Enhancing income sustainability and resilience

- Improving the quality of tenants and leases within a diversified social infrastructure portfolio.
- Targeting properties providing essential services underpinned by government support.

Targeting ongoing capital growth

Focus on assets with the following attributes:

- Modern assets with limited competition and low substitution risk, driving high tenant retention rates;
- Strategic locations with high underlying land values; and
- Predominantly triple net lease structures with minimal capex leakage.

Portfolio curation

- Active portfolio curation through acquisitions, developments and divestments.
- Increased weighting to larger scale assets with high quality tenant covenants and divesting smaller non-core assets.

Performance HIGHLIGHTS[1]

Financial operations

Distributions per unit (DPU)
17.2c

Acquisitions[2]
$184.2m

Divestments[2]
$84.4m

Balance sheet

Net tangible assets (NTA) per unit
$4.04

Gross assets
$2.3bn

Average debt hedged to June 2025
80%

Property portfolio

Weighted average lease expiry (WALE)
13.2yrs

Occupancy
100%

Weighted average rent review (WARR)[3]
3.7%

Left and below: Genius Childcare
Mont Albert VIC
Wurundjeri land

> *"In FY23, CQE continued diversifying its social infrastructure portfolio into larger assets that provide greater income resilience. We acquired high quality assets that play critical roles in the community, are strategically located and are difficult to replace."*

Travis Butcher
Fund Manager, CQE

1. Figures and statistics throughout this report are for the 12 months to 30 June 2023, unless otherwise stated.
2. Contracted during FY23.
3. Like-for-like WARR for those properties that were operational for FY23.

Chair and Fund Manager MESSAGE

As Australia's largest ASX-listed social infrastructure REIT, CQE continues to deliver on its strategy of providing investors with stable and secure income and capital growth.

Greg Paramor AO
Non-Executive Chair

Travis Butcher
Fund Manager

Dear Unitholder

Welcome to the Charter Hall Social Infrastructure REIT (CQE or the REIT) 2023 Annual Report.

In April of this year, we were saddened by the sudden passing of our Chair, Grant Hodgetts. Grant had been a longstanding Board member since 2012 and made an enormous contribution in growing and guiding CQE to becoming the largest diversified ASX-listed social infrastructure REIT. We will miss him greatly and will continue to build on his legacy and vision for CQE.

Greg Paramor, a current Independent Non-Executive Director of Charter Hall Group accepted an invitation to re-join the Board of Charter Hall Social Infrastructure Limited (CHSIL) as interim Chair whilst a process is undertaken to appoint a new Chair. Greg was an Alternate Director of CHSIL from 2018 to 2019 and has an extensive knowledge of the REIT through his prior role as Managing Director of Folkestone Limited.

Delivering on strategy

In FY23, CQE generated operating earnings of $59.2 million or 16.1 cents per unit (cpu). Distributions paid to unitholders during FY23 amounted to 17.2 cpu. As at 30 June 2023, CQE's net tangible assets per unit was $4.04.

It has been another active year for CQE, with the acquisition of six high quality social infrastructure assets totalling $184.2 million. This included the acquisition of a 25% interest in the Geoscience Australia complex in Canberra and a 49.9% interest in the Innovation Quarter (iQ) in Westmead, NSW. The addition of these assets resulted in CQE's gross assets exceeding $2.3 billion, reinforcing its position as Australia's largest diversified ASX-listed social infrastructure REIT.

Innovation Quarter
Westmead NSW
Burramattagal land

The portfolio consists of social infrastructure properties that are predominantly leased to institutional tenants, and provide essential services underpinned by Government support.

Our continued portfolio curation during FY23 has resulted in efficient recycling of capital through the divestment of 12 childcare assets totalling $40.4 million at a 4% premium to book values and divestment of CQE's holding in Arena REIT, totalling $44.0 million.

As a result, CQE is well positioned to maintain security of earnings through higher quality assets with stronger tenant covenants.

CQE continues to enjoy strong property fundamentals with a portfolio weighted average lease expiry (WALE) of 13.2 years and 100% occupancy.

CQE is also well positioned from a capital management perspective with balance sheet gearing of 32.2%, within the target gearing range of 30–40%. CQE has reduced its exposure to movement in variable interest rates with hedging in place with 80% of drawn debt hedged through to June 2025.

Property portfolio performance

CQE continued to actively manage its portfolio and increase its weighting towards larger-scale social infrastructure assets that has improved tenant quality and diversification, providing improved security of income for unitholders. CQE's tenant customers include government entities (federal, state and local) and industry-leading businesses such as Mater Misericordiae, Healius, Goodstart Early Learning, G8 Education, Only About Children and Busy Bees.

Overall, CQE achieved strong portfolio metrics through FY23, as follows:

- Long WALE of 13.2 years;
- 100% occupancy;
- Robust lease expiry profile with just 3.5% of leases expiring within the next five years;
- 77% of leases on fixed rent reviews (average 3.0%) and the balance CPI-linked; and
- 47% of rental income is subject to market rent reviews within the next five years.

Acquisitions

Consistent with CQE's strategy of investing in social infrastructure assets with long lease terms and strong tenant covenants, our transactional activity continued to enhance portfolio quality and deliver long-term capital growth. CQE unitholders benefited from the Charter Hall Group platform, with significant acquisition activity during the year, securing high quality, accretive social infrastructure assets.

During the year, $184.2 million of acquisitions were made into social infrastructure assets with superior tenants on long leases.

CQE's largest acquisition this year was the $90.9 million acquisition of a 25% interest in the Geoscience Australia headquarters, a life sciences complex comprising office, specialised laboratory, storage and warehousing leased to the Commonwealth Government. It was acquired on a 7.4% initial yield with a 9.6-year WALE, 3% annual rent increases and a net lease structure where the tenant is responsible for all property outgoings.

The REIT also acquired a 49.9% interest in iQ, Westmead NSW for $66.9 million. iQ is a newly constructed healthcare, medical research, education and training facility that has been jointly developed by Charter Hall and Western Sydney University. ▸

iQ was acquired in February 2023 on a 4.7% yield, with Western Sydney University occupying approximately 47% on a 15-year initial lease term and CSIRO occupying approximately 16% on a 10-year lease term. Other tenants include Telstra Health, Psych Central and WentWest. Weighted average annual rent reviews (WARR) for the property are 3.6%.

These acquisitions demonstrate the benefits of a broadened social infrastructure strategy, providing CQE with greater opportunities for investment in premium assets with strong property fundamentals.

CQE also added four additional childcare facilities to its portfolio, acquired for a total of $26.3 million at an average yield of 4.9%, all on new 15-year leases in metropolitan locations.

As part of its active portfolio curation strategy, CQE continued to divest non-core assets in order to recycle capital into higher quality assets with stronger tenant customers. 12 childcare assets were divested during the year, realising $40.4 million, at a 4% premium to book value. The equity investment in Arena REIT (ASX: ARF) units was also divested in January 2023 delivering proceeds of $44.0 million.

Four developments were completed in FY23 valued at $33.8 million. These developments provided a valuation uplift upon completion of $5.5 million and a yield on cost of 5.8%.

Property valuations

As at 30 June 2023, 100% of CQE's portfolio was externally revalued. On a like-for-like basis, the portfolio valuation increase for the year was 0.5% with the passing yield across the property portfolio sitting at 5.0%.

Childcare properties continue to benefit from both ongoing strong demand, due to being in an 'essential' sector and having smaller transaction sizes than other commercial property sectors, which is appealing to a broader pool of investors.

Capital management

In September 2022, CQE further extended and increased its debt facilities by $50 million, to a total of $850 million.

> *CQE has diversified funding sources with a weighted average debt maturity of 2.9 years and no debt maturity until January 2025.*

During the year, additional interest rate hedging of $275 million was implemented resulting in an average 80% of CQE's drawn debt being hedged through to June 2025, reducing CQE's exposure to movement in variable interest rates.

As at 30 June 2023, CQE's balance sheet gearing was 32.2% and look-through gearing was 32.8%, within the target gearing range of 30-40%. CQE is in compliance with all of its balance sheet and joint venture debt facility covenants and has considerable headroom to these covenants moving forward.

Sustainability

CQE continues to evolve and integrate sustainability considerations into its investment and active management processes, where it has operational control. The REIT targets investments in assets with strong ESG credentials. This is demonstrated by the acquisition of the Queensland Tafe property in Robina, which received sustainability recognition from the World Federation of Colleges and Polytechnics for intiatives like energy efficiency, smart sensor lighting, onsite solar and student engagement programs on sustainability.

We continued our partnership with our major tenant Goodstart on its Early Learning Fund which provides vulnerable families with access to fee-free learning. In the year, 28 families and children benefited from this ongoing partnership. We are proud be part of a solution that is creating more inclusive communities, where no child in Australia misses out on vital access to early learning and care before they start school. Further, in conjunction with Goodstart we donated a copy of the children's book 'Finding Our Heart' to 227 centres tenanted by Goodstart as part of NAIDOC week.

The REIT partnered with tenant customers to install onsite energy for childcare centres to provide clean and affordable energy and support a reduction in CQE's Scope 3 emissions. Solar has been installed across 18 childcare centres (0.5MW) to date, with a further 20 centres due for solar installation throughout FY24.

Goodstart Early Learning Centre
East Bentleigh VIC
Bunurong land

We installed water meters to support tenant water efficiency and pilot Green Star Performance for childcare centres, in partnership with the Green Building Council of Australia. A first of its kind in the country, the rating tool aims to establish a benchmark for operational performance and support ongoing improvements enabling tenants to further drive their ESG approach.

CQE continues to make progress in the Global Real Estate Sustainability Benchmark (GRESB). We achieved a score of 28/30 in our first year of reporting in the Management component of GRESB Real Estate Assessment, as well as retaining B GRESB Public Disclosure Level. CQE continued our approach of ensuring that robust governance underpins our operations, aligned with Charter Hall's group-wide Sustainability Policy and Framework.

Childcare market

Childcare continues to be an essential labour supply mechanism to the Australian economy, in addition to providing significant learning benefits to young children. The importance of the childcare sector is further demonstrated by the commencement of the government's Cheaper Child Care plan in July 2023 which is designed to improve childcare affordability. Government funding to the childcare sector is forecast to increase by 41% over the next four years to $15.0 billion per annum in FY27.

The ACCC Interim report into the childcare sector was released in July 2023, focussing on price and availability of childcare services, selection of services and impact of government contributions. A consultation paper will be published in September 2023 to provide a preliminary view on potential draft findings and recommendations. A final report is due to the Treasurer by 31 December 2023.

Demand for childcare services continues to be assisted by increased government funding combined with record female employment participation rates, resulting in a positive outlook for the industry.

Outlook

CQE will continue to execute on its strategy, to pursue high quality social infrastructure opportunities and actively manage the portfolio to maintain income security and capital growth. We expect that there will continue to be significant growth opportunities in Social Infrastructure assets due to both positive industry and demographic trends.

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

Greg Paramor AO
Non-Executive Chair

Travis Butcher
Fund Manager

Portfolio PERFORMANCE

Portfolio summary

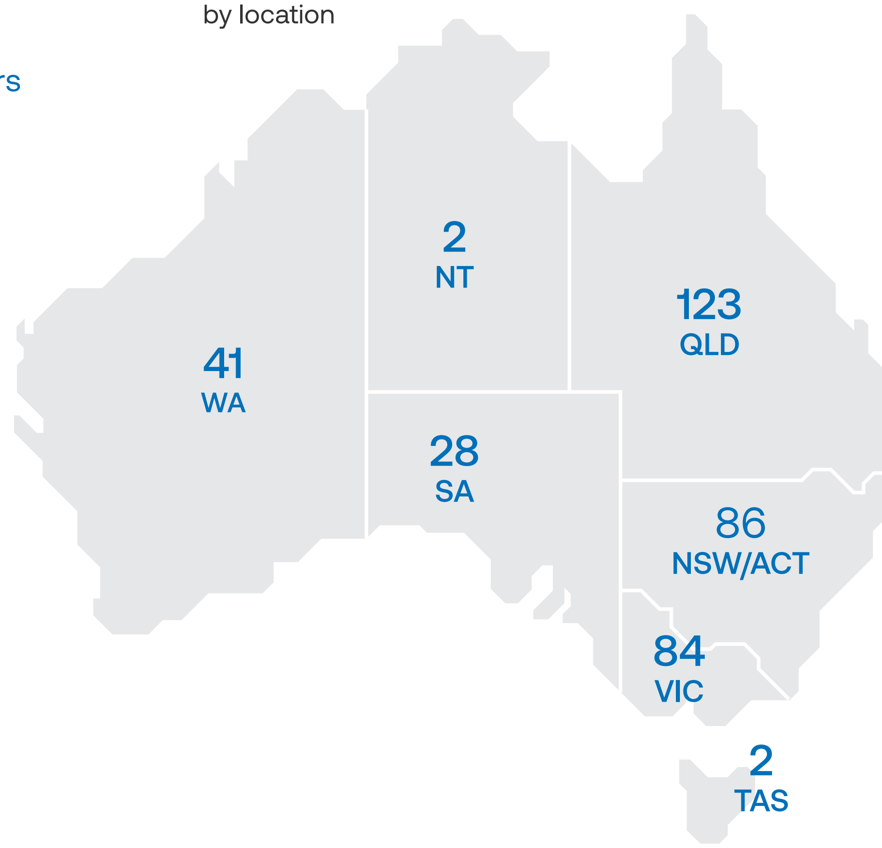
Occupancy
100%

WALE
13.2yrs

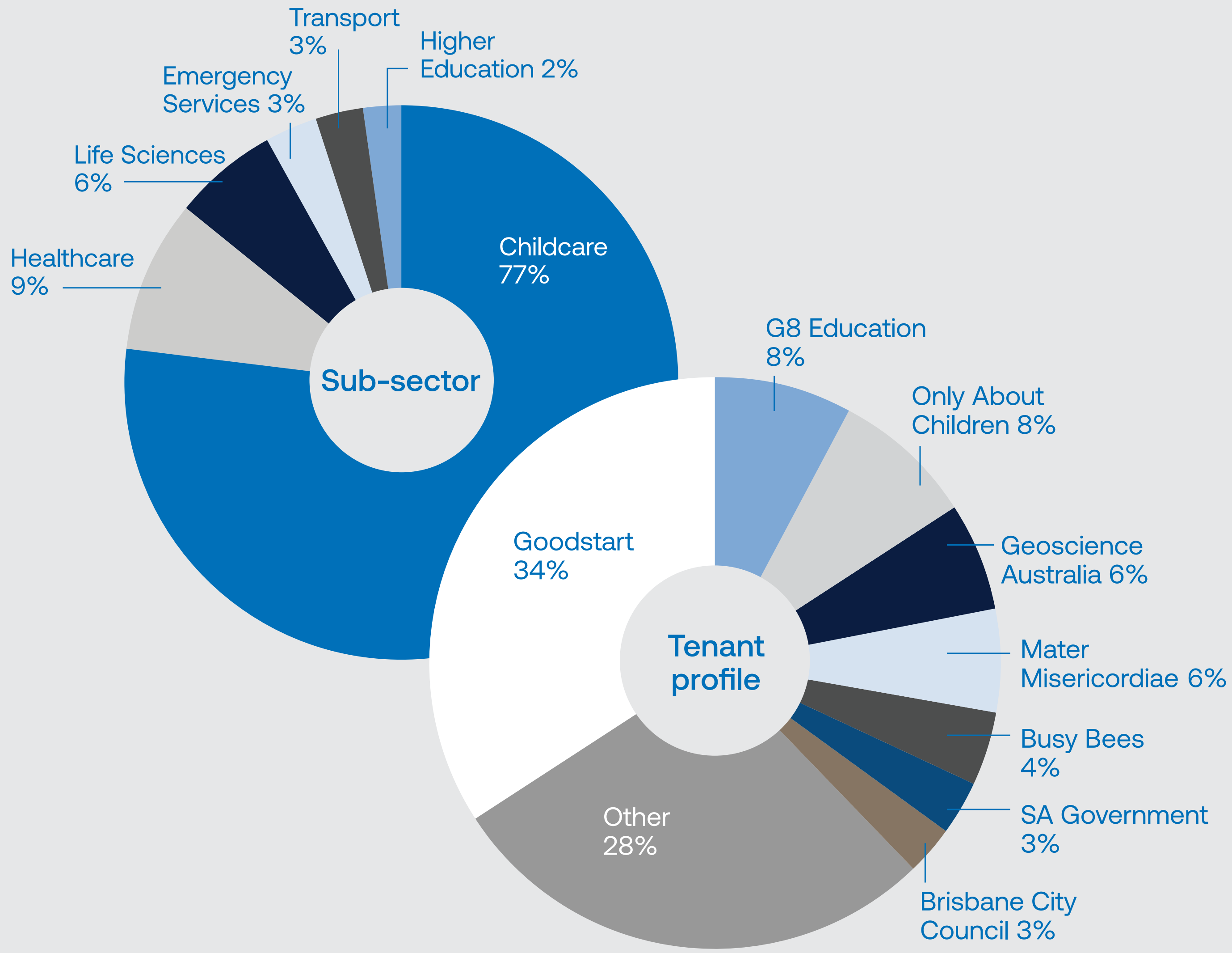
WARR[1]
3.7%

Lease income expiring <5 years
3.5%

Number of operating properties
by location

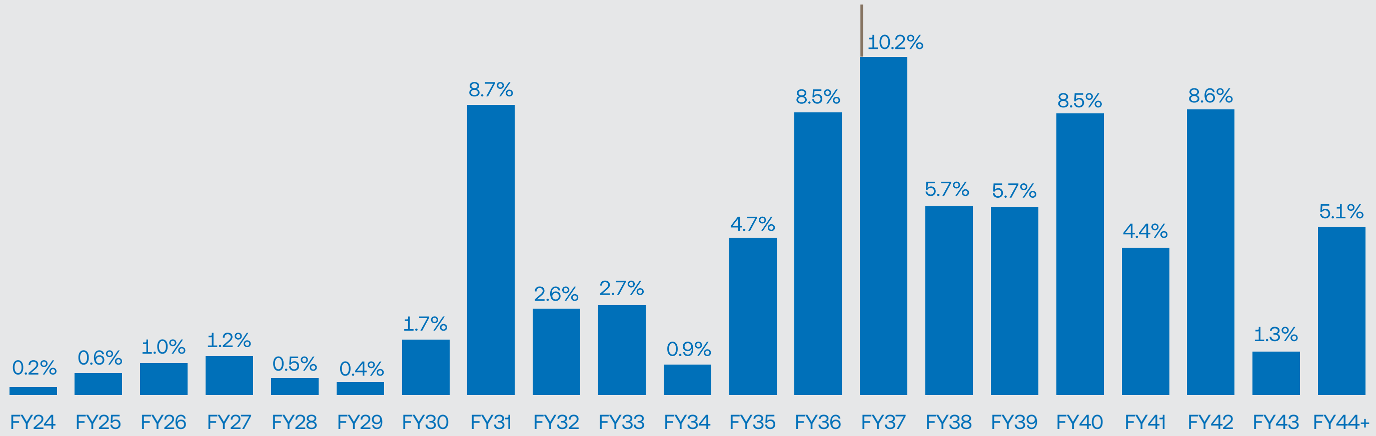


Diversification
by % of income
as at 30 June 2023



Lease expiry profile
by % of annual rent FY24-FY44+

13.2 years WALE[2]



1. Like-for-like WARR for those properties that were operational for FY23.
2. Weighted by net passing annual rent income as at 30 June 2023.

SUSTAINABILITY

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

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

Achievements in FY23

Net Zero Carbon by 2025
Scope 1 and Scope 2 target by 2025, accelerated by 5 years[1]. Installed 0.5MW of solar and 100% grid supplied electricity from renewable sources[2].

First Green Star rating tool
Engaged one of our key tenant customers to pilot Australia's first Green Star rating tool for childcare centres in partnership with the Green Building Council of Australia.

ESG performance
CQE achieved a score of 28/30 in our first year of reporting in the Management component of GRESB Real Estate Assessment, as well as retaining its B GRESB Public Disclosure Level.

Strong credentials
Targeted investment in assets with strong ESG credentials with 50,000sqm of eligible assets independently certified.

Responsible business
Charter Hall Group developed a Modern Slavery Framework to guide our modern slavery approach for the next three years.

Support for disaster and hardship
Charter Hall Group invested $1.4m to support communities with resources to build and rebuild strong foundations.

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

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

Charter Hall Group's focus is to:

Respond to the challenges and consequences of a warming climate, how to protect and restore nature, and rethink how we use resources;

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

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

Above: Kids Club Murrumbeena Melbourne VIC
Wurundjeri and Bunurong land

Right: Hobsons Bay Toy Library, Corporate Volunteering

Progress against our sustainability targets

Strategic focus area	FY23 performance	Looking forward
Climate action		
Scope 1 and 2 carbon emissions	– CQE avoided over 470tCO2-e through procurement of renewable electricity.[1]	– Net Zero emissions by 2025 (Scope 1 and 2)[2].
Clean energy	– CQE installed 0.5MW of solar in partnership with tenant customers, an increase of 0.3MW compared to FY22. – CQE's assets in operational control are powered by 100% electricity supplied from renewable sources.	– Maintain 100% electricity supplied from renewable sources for assets under operational control.
Benchmarking performance	– CQE engaged one of its key tenant customers to pilot Australia's first green star rating tool for childcare centres in partnership with the Green Building Council of Australia.	– Explore information sharing, metering solutions and audit opportunities to improve energy efficiency through partnering with our tenant customers.
Restore nature		
Water performance	– CQE rolled out water sub-meters at 10 high water use childcare centres to identify efficiency measures.	– Explore metering and audit opportunities to improve water efficiency through partnering with our tenant customers across our stabilised portfolio.

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

Strategic focus area	FY23 performance	Looking forward
High performing talent		
Inclusion, diversity and equality	CHC achieved: – Continued improvement in the Australian Workplace Equality Index (AWEI) score. – Employee engagement of 89%, nine points above the high-performing industry norm. – Bronze Employer for LGBTQ+ inclusion. – Employer of Choice for Gender Equality by the Workplace Gender Equality Agency.	– Sustain levels of engagement that align with being a global high performing culture.
Deep customer partnerships		
Customer satisfaction	– CHC's NPS score improved to +52, up from +45 in 2022. – CQE installed 0.5MW of solar in partnership with tenant customers, with a further 20 centres committed for solar installation throughout FY24.	– Create a benchmark to measure the cross-sector customer experience, considering all aspects of how we partner with our customers.
Strong communities		
Community investment	– CHC contributed $1.4m in community donations, up 16%, with over a third donated to disaster relief. – CQE maintained ongoing partnership with Goodstart to provide fee relief for early learning and care for at least 28 families and their children experiencing significant vulnerability. – CQE donated a copy of the children's book Finding Our Heart to each of our Goodstart centres in conjunction with Goodstart as part of NAIDOC week.	– Continue engaging closely with Reconciliation Australia to develop CHC's new Innovate RAP.
Pathways to prosperity		
Create employment opportunities	– CHC generated 210 youth employment outcomes.	– Achieve 400 youth employment outcomes by 2025 and 1,200 by 2030.
Employee volunteering	– CHC provided 3,403 hours of employee volunteering which equates to $316k, up 9% from last year.	– Volunteer 6,000 hours in the community by FY25.
Governance		
Transparency and disclosure	– CQE achieved a score of 28/30 in our first year of reporting in the Management component of GRESB Real Estate Assessment, as well as retaining its B GRESB Public Disclosure Level. – CHC published its third Modern Slavery Statement. – CHC published its third TCFD statement.	– Actively monitor progress of International Sustainability Standards Board and future integration of environmental and financial metrics.

Case study

Investing in assets with strong ESG credentials

CQE leverages Charter Hall Group's sustainability framework and capability to target acquisitions of assets with strong sustainability attributes. In FY23, the REIT settled on interests in both the Tafe Queensland education campus in Robina and the Geoscience Australia complex in Canberra, both with demonstrable ESG value. Notably, where the REIT has operational control, it has committed to Net Zero emissions by 2025 and is powered by 100% renewables.

Queensland Tafe, Robina

The TAFE Robina campus embeds sustainability into its campus design, course curriculum and student life. The facility received sustainability recognition from the World Federation of Colleges and Polytechnics for initiatives like energy efficiency, smart sensor lighting, onsite solar and student engagement programs on sustainability.

Geoscience Australia, Canberra

Many of Geoscience Australia's programs contribute to an improved understanding of the physical nature and health of the natural environment. The building showcases a significant number of Ecologically Sustainable Development design features, such as:

- a north–south orientation to increase access to natural light;
- infrared movement detection for lighting in general office areas;
- a geothermal air-conditioning system that reduces the energy load;
- double-glazed windows and doors; and
- a large building footprint, allowing for a low ratio of external wall to gross floor area, minimising the impact of external thermal conditions on the air-conditioning system.

Left: Queensland TAFE
Robina QLD
Kombumerri land

Below: Geoscience Australia
Narrabundah ACT
Ngunnawal land

LEADERSHIP

Board of Directors

Greg Paramor AO
Non-Executive Chair

Kate Melrose
Non-Executive Director

Michael Johnstone
Non-Executive Director

Sean McMahon
Executive Director

Miriam Patterson
Executive Director

Bevan Towning was appointed as Non-Executive Director on 25 July 2023.

For information on Directors as at 30 June 2023, see pages 32-34.

Management

Travis Butcher
Fund Manager and Joint Company Secretary

Travis was appointed Fund Manager of CQE on 26 November 2019 and was previously the Chief Financial Officer of CQE since 2008.

Travis has over 20 years' financial experience. Travis is a Chartered Accountant who began his career at PricewaterhouseCoopers specialising in transaction services and audit.

Travis is a member of the Institute of Chartered Accountants and holds a Bachelor of Accounting from Monash University.

Scott Martin
Head of Diversified Finance

Scott was appointed Head of Finance – Diversified in November 2018 following the acquisition of Folkestone Limited where he held the position of Chief Financial Officer and Company Secretary since December 2005.

Scott has over 20 years' financial experience specialising in the property and construction industries. Scott is a Chartered Accountant who began his career at Deloitte specialising in accounting, taxation and transaction services.

Scott is a member of the Institute of Chartered Accountants and holds a Bachelor of Commerce from the University of Melbourne.

Nathan Chew
Deputy Fund Manager

Nathan joined Charter Hall in May 2020. Nathan has over 20 years' experience in the property investment industry. Prior to Charter Hall, he led a range of portfolio asset management, valuation, reporting and analysis functions across Blackstone's diversified APAC real estate portfolio, as well as Australian Unity's healthcare property portfolio.

Nathan brings extensive funds management and banking expertise, having covered transactions through Asia, Europe and the US in roles with 151 Property, Macquarie Group and Westpac Institutional Bank.

Nathan holds a Bachelor of Finance from the University of Adelaide.

Mark Bryant
Group General Counsel – Charter Hall and Joint Company Secretary

Mark Bryant was appointed as Company Secretary of Charter Hall Social Infrastructure Limited on 6 November 2018.

Mark holds a Bachelor of Business (Accounting), a Bachelor of Laws (First Class Honours), and a Graduate Certificate in Legal Practice, and is admitted as a lawyer of the Supreme Court of NSW. Mark has over 18 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 General Counsel and Company Secretary for the Charter Hall Group.

Directors' Report and Financial REPORT

For the year ended 30 June 2023

Contents

Directors' Report	24
Auditor's Independence Declaration	36
Consolidated Statement of Comprehensive Income	37
Consolidated Balance Sheets	38
Consolidated Statement of Changes in Equity	39
Consolidated Cash Flow Statement	40
About this Report	41
A. REIT Performance	42
B. Property Portfolio Assets	46
C. Capital Structure and Financial Risk Management	52
D. Further Information	60
Directors' Declaration to Unitholders	67
Independent Auditor's Report	68

Left: Only About Children
Brighton East VIC
Bunurong land

Directors' Report

The Directors of Charter Hall Social Infrastructure Limited (Responsible Entity or CHSIL), the Responsible Entity of Charter Hall Social Infrastructure REIT, present their report together with the consolidated financial statements of Charter Hall Social Infrastructure REIT and its controlled entities (the REIT) for the year ended 30 June 2023.

The REIT is a registered scheme, and CHSIL is a company limited by shares. The REIT and CHSIL are incorporated and domiciled in Australia with the registered office and principal place of business located at Level 20, 1 Martin Place, Sydney NSW 2000. CHSIL is a controlled entity of Charter Hall Limited.

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:

- Grant Hodgetts – Chair and Non-Executive Director (ceased 19 April 2023)
- Greg Paramor AO – Interim Chair and Non-Executive Director (appointed 19 April 2023)
- Michael Johnstone – Non-Executive Director
- Kate Melrose – Non-Executive Director
- Sean McMahon – Executive Director and Chief Investment Officer (Charter Hall Group)
- Miriam Patterson – Executive Director

Distributions

Distributions paid or declared by the REIT to unitholders:

			2023			2022
	Number of units on issue	**Cents Per Unit**	**$'m**	Number of units on issue	Cents Per Unit	$'m
30 September	**366,283,114**	**4.30**	**15.7**	363,712,112	4.18	15.2
31 December	**367,112,102**	**4.30**	**15.8**	364,150,027	4.22	15.4
31 March	**367,792,223**	**4.30**	**15.8**	364,786,804	4.40	16.1
30 June	**368,388,113**	**4.30**	**15.8**	365,476,005	4.40	16.1
Total distributions		**17.20**	**63.1**		17.20	62.8

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 1.5% to the daily volume weighted average price of all units traded on the ASX during the 10 business days commencing no later than the second business day following the distribution record date. During the year, 2,912,108 units were issued at an average issue price of $3.23 per unit. An additional $3.2 million was raised from the DRP for the 30 June 2023 distribution allotted on 21 July 2023.

Review and results of operations

The REIT recorded a statutory profit for the year of $58.7 million (30 June 2022: $358.5 million). Operating earnings amounted to $59.2 million (16.1 cents per unit) for the year ended 30 June 2023 (30 June 2022: $62.9 million, 17.3 cents per unit) and distributions of $63.1 million (17.2 cents per unit) were declared for the same period (30 June 2022: $62.8 million, 17.2 cents per unit).

The 30 June 2023 financial results are summarised as follows:

	2023	2022
Total revenue ($ millions)	**117.3**	104.0
Statutory profit ($ millions)	**58.7**	358.5
Basic earnings per unit (cents)	**16.0**	98.4
Operating earnings ($ millions)	**59.2**	62.9
Operating earnings per unit (cents)	**16.1**	17.3
Distributions ($ millions)	**63.1**	62.8
Distributions per unit (cents)	**17.2**	17.2
Total assets ($ millions)	**2,265.7**	2,081.2
Total liabilities ($ millions)	**775.6**	588.4
Net assets ($ millions)	**1,490.1**	1,492.8
Units on issue (millions)	**368.4**	365.5
Net assets per unit ($)	**4.04**	4.08
Balance sheet gearing - total debt (net of cash) to total assets (net of cash)	**32.2%**	26.2%
Look-through gearing - total debt (net of cash) to total assets (net of cash)	**32.8%**	27.1%

The table below sets out income and expenses that comprise operating earnings on a proportionate consolidation basis:

		2023 $'m	2022 $'m
Net property income		**100.5**	84.5
Distribution income		**1.0**	1.9
Interest income		**0.8**	–
Fund management fees		**(11.3)**	(9.6)
Finance costs		**(29.3)**	(11.5)
Administration and other expenses		**(2.5)**	(2.4)
Operating earnings	A1	**59.2**	62.9

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 or one-off items that are not in the ordinary course of business or are capital in nature.

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

The uncertainty of the current geopolitical events and current high levels of 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.

Reconciliation of operating earnings to statutory profit is set out below:

	2023 $'m	2022 $'m
Operating earnings	**59.2**	62.9
Net fair value movements on investment properties*	**(6.4)**	269.9
Net fair value movements on derivative financial instruments*	**1.4**	20.3
Straight lining of rental income, amortisation of lease fees and incentives*	**3.8**	5.5
Ground rent on leasehold properties	**1.4**	1.4
Interest on lease liabilities	**(0.4)**	(0.2)
Unrealised/realised foreign exchange losses	**–**	(0.1)
Other	**(0.3)**	(1.2)
Statutory profit for the year	**58.7**	358.5
Basic weighted average number of units (millions)	**367.2**	364.4
Basic earnings per unit (cents)	**16.0**	98.4
Operating earnings per unit (cents)	**16.1**	17.3
Distribution per unit (cents)	**17.2**	17.2

* Includes the REIT's proportionate share of non-operating items of equity accounted investments on a look-through basis.

Property valuation gains

Net valuation gains on a proportionate consolidation basis totalling $4.8 million were recorded during the year (30 June 2022: $287.4 million). These gains were offset by revaluation decrements attributable to acquisition and disposal costs of $6.3 million (30 June 2022: $12.0 million) and straight lining of rental income, amortisation of lease fees and incentives of $4.9 million (30 June 2022: $5.5 million).

As at 30 June 2023, 100% (2022: 100%) of properties not held for sale or under development, including the properties held by the joint ventures, were externally valued, with the exception of childcare developments completed since December 2022 which have been independently valued at the date at which they were completed.

Significant changes in the state of affairs

Acquisitions

During the year, the REIT acquired the following assets:

	Acquisition date	Acquisition price $'m
27 Livingstone Street, Ivanhoe VIC	August 2022	13.7
35 Brookfield Road, Kenmore QLD	September 2022	8.0
Buildings 2 & 3, 209 Robina Town Centre Drive, Robina QLD (50% interest)	September 2022	40.0
Geoscience Australia, Canberra ACT (25% interest) ^	October 2022	90.9
162 Elevation Blvd, Craigieburn VIC	January 2023	10.0
Innovation Quarter, Westmead NSW (49.9% interest) *	February 2023	66.9
238 Pickering Street, Enoggera QLD	March 2023	6.4
		235.9

^ Acquired by the underlying property trust which owns the asset.
* Total price including working capital of the underlying property is $67.1m.

As at 30 June 2023, the REIT has exchanged contracts for the acquisition of 2 childcare assets located in Western Australia with a total purchase price of $11.9 million with settlement expected by December 2023.

Disposals

During the year, the REIT disposed of the following assets:

	Disposal date	Disposal price $'m
9 Richardson Place, Merrylands NSW	December 2022	2.4
Arena REIT ^	January 2023	44.0
6 Viewbank Court, Epping VIC	February 2023	4.3
39 Osprey Drive, Thornlands QLD	February 2023	2.5
2 Fraser Place, Forest Hill VIC	March 2023	2.8
54B Princes Highway, Eumemmerring VIC	April 2023	4.9
57-59 Bellarine Highway, Newcomb VIC	April 2023	2.9
349 High Street, Prahran VIC	April 2023	3.3
19-21 Seymour Street, Orange NSW	May 2023	4.4
18 Woogaroo Street, Goodna QLD	June 2023	2.7
20-22 Orara Avenue, Banksia Beach QLD	June 2023	3.4
36 Kennedy Street, Keilor VIC	June 2023	3.1
		80.7

^ The REIT sold its entire holding in Arena REIT (ASX: ARF) for $3.65 per ARF security.

As at 30 June 2023, 2 childcare assets located in New South Wales and 1 in Victoria have been contracted for sale for total consideration of $11.6 million with all settlements expected to occur by October 2023.

Debt Arrangements and hedging

In September 2022, the REIT increased its debt facilities from $800 million to $850 million. As at 30 June 2023, the weighted average debt expiry is 2.9 years.

In December 2022, the REIT entered into $150 million interest rate swap which commenced in June 2023 and is for a period of two years at a rate of 3.00% and at a total cost of $2.6 million.

In March 2023, the REIT entered into $125 million of interest rate swaps which commenced in June 2023 and are for a period of one year at a rate of 3.75%.

In June 2023, the REIT entered into $150 million of interest rate swaps with a forward start date of June 2024. The interest rate swaps are for a period of 3.5 years at a rate of 3.63%

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

Business strategies and prospects

The REIT will continue with its strategy to provide predictable and secure long-term cash flows with the opportunity for capital growth from social infrastructure investments. The REIT's stable financial position with minimal vacancy, long-term leases and secured debt financing, positions the REIT to maintain sustainable income for investors. The REIT is focused on proactively managing its portfolio to ensure it is strategically positioned for sustainable growth as part of its broadened social infrastructure investment mandate.

The material business risks faced by the REIT that are likely to have an effect on its financial performance are set out on the following pages. A dedicated risk and compliance team are responsible for the ongoing review and monitoring of compliance and risk management systems. The Board regularly reviews material risks to ensure they remain within the REIT's agreed risk appetite.

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 undertakes a detailed annual strategic review for all assets to inform recycling of capital into higher quality assets. By undertaking ongoing due diligence including demographics, catchments, competitor threats, and by leveraging consultant expertise, we ensure that we remain informed of market changes.
	Tenant Risk	The REIT relies on tenants to generate the majority of its revenue under the lease agreements entered into in respect of its properties. If a tenant is unable to meet its rental or contractual obligations, this may lead to a loss of rental income or losses to the value of the REIT's properties.	With respect to tenant risk, the REIT's leases typically contain security clauses in the form of bank guarantees provided by tenants - typically 6 months' rent. As at 30 June 2023, the REIT holds approximately $43.1 million in bank guarantees.
	Concentration Risk	The REIT's properties are predominantly childcare properties and therefore any adverse events in the childcare sector may impact the tenants' ability to meet their lease obligations and also the future growth prospects of the portfolio. As at 30 June 2023, Goodstart Early Learning Limited (Goodstart) contributes 34% of the REIT's total rental income.	With respect to concentration risk, the REIT's leases with Goodstart contain financial reporting obligations that allow regular monitoring of the financial performance of Goodstart. In addition to this, the REIT has broadened its investment mandate to include other social infrastructure assets. Over time, it is the REIT's intention to diversify its asset base to mitigate the concentration risk it currently has in childcare properties.

Risk		Description	Mitigation
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.	We mitigate these risks by the implementation of our debt diversity strategy combined with regular monitoring and reporting on debt covenants and stress testing of liquidity positions. We have demonstrated strong performance and an equity raising track record. We manage our relationships with our partners through Investment Agreements including investment committee oversight of all key decisions with structured and pre-agreed reporting.
	Interest rates	Rising interest rates 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. As at 30 June 2023, the REIT currently has 81% of its debt hedged at an weighted average hedged rate of 2.23% and a weighted average hedge maturity term of 2.8 years.
Operational Risks	Work, Health & Safety (WHS) obligations, critical safety incident or significant crisis	We have a commitment to promote and protect the health, safety and wellbeing of its people, customers, contractors and all users of the REIT's assets.	Our Group WHS Manager collaborates closely with our property management teams to ensure the implementation of the Group WHS management system (WHSMS) and the WHS Strategy which sets the direction, objectives, targets, and associated activities to support and drive continuous improvement in WHS across the Group.
	Technology and cyber security	There is increasing sophistication of cyber-attacks, particularly denial of service impact on Building Management Security. A reportable data breach may result in adverse impact on reputation and/or financial penalty.	The cyber security strategy and program continues with external validation and yearly review of IT policies against best practice. We undertake annual penetration tests against critical systems and properties and have brought all critical systems under IT General Controls (ITGC) including regular user access reviews. Our internal audit includes risk identification and assessment for new platforms. We also have a formal cyber insurance policy which covers incident remediation costs.

Risk		Description	Mitigation
	Organisational culture and conduct	Our ongoing success depends on our ability to attract, engage and retain a motivated and high-performing workforce to deliver our strategic objectives and an inclusive culture that supports our values.	We have a Code of Conduct in place with all employees and undertake consistent messaging and tone at the top regarding behaviour. We have a formal Whistleblower Policy in place and process to obtain regular employee feedback on culture and behaviours which is used to inform management decisions.
Environmental	Climate change	There is an increasing interest and expectation amongst investor groups on reporting against climate change risk. There has been the introduction of Task Force on Climate-related Financial Disclosures (TCFD) as a framework to address climate change through governance, risk management, metrics and targets.	We have aligned with the TCFD framework and developed our Climate Strategy for a Low Carbon Economy and Business as Usual Scenario. We have created a TCFD Working Group to inform climate resilience and reporting approach. We have undertaken physical climate change risk exposure assessments across assets and planning for climate change adaptation. Climate change adaptation due diligence is undertaken during the acquisition process.
Regulatory	AFSL compliance	CHSIL is required to comply with Australian Financial Services Licence requirements through our established policies and frameworks.	Regular compliance reporting is undertaken to the Audit, Risk and Compliance Committee (ARCC), including mandatory annual compliance training requirements for all employees. In addition, we have formalised compliance committees with annual external audit of compliance plans.
	Management of conflicts of interest	Inadequate management of tenant and acquisition conflicts may arise between Charter Hall managed funds or related party transactions may be inappropriately managed. There is also a risk that the REIT fails to pay market rate for related party services.	Conflict of Interest protocols are embedded in the business, including annual declarations from all employees and directors, board reporting/approval for all related party transactions. We have in place a Compliance Plan/function including oversight of Conflict of Interest/Related Party protocols and formalised asset allocation protocols.

Matters subsequent to the end of the financial year

On 25 July 2023, the REIT appointed Mr Bevan Towning as a Non-Executive Director of CHSIL.

On 7 August 2023, the REIT exchanged contracts for the disposal of a childcare asset located in Queensland for $3.4 million with expected settlement in September 2023.

On 8 August 2023, the REIT settled on the disposal of a childcare asset located in New South Wales for $4.4 million.

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

Likely developments and expected results of operations

The consolidated financial statements have been prepared on the basis of current known market conditions. The extent to which a potential deterioration in either the capital or property markets that may have an impact on the results of the REIT are 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; however, these cannot be reliably measured at the date of this report.

Indemnification and insurance of Directors, Officers and Auditor

During the year, the REIT contributed to the premium for a contract to insure all directors, secretaries, executive officers and officers of the REIT and of each related body corporate of the REIT, with the balance of the premium paid by Charter Hall Group and funds managed by members of Charter Hall Group. 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 insurance does not provide cover for the independent auditors of the REIT or of a related body corporate 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 management fees of $11,343,289 (2022: $9,623,524) and other fees of $4,328,533 (2022: $5,659,102) 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 2023 and fees paid to its associates during the year are disclosed in Note D1 to the consolidated financial statements.

Interests in the REIT

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

	2023	2022
Units on issue at the beginning of the year	**365,476,005**	362,627,160
Units issued during the year via distribution reinvestment plan	**2,912,108**	2,848,845
Units on issue at the end of the year	**368,388,113**	365,476,005

Environmental regulations

The REIT is not subject to any significant environmental regulations under Commonwealth, state or territory legislation other than those relevant to the specific assets held by the REIT. However, the Directors believe that the REIT has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the REIT.

Information on current Directors

Director	Experience	Special responsibilities	Interest in units of the REIT
Grant Hodgetts	Grant joined the Board of CQE on 24 October 2012 and served as director until his tragic passing in April 2023.	Chair, Member of Audit, Risk and Compliance Committee	Nil
Greg Paramor AO	Greg joined the Board of CQE on 19 April 2023 and was appointed Interim Chair on that day. Greg has more than 45 years' experience in the real estate and funds management industry. During his executive career, Greg held a number of senior leadership positions, including Managing Director of Folkestone Limited and CEO of Mirvac Group following its acquisition of James Fielding Group, a company that Greg co-founded. He also co-founded Equity Real Estate Partners, Growth Equities Mutual, and Paladin Australia. Greg is a past president of the Property Council of Australia and past president of Investment Funds Association, a Fellow of the Australian Property Institute and The Royal Institute of Chartered Surveyors. Greg is a board member of the Sydney Swans, the Sydney Swans Foundation and Eureka Group Holdings Limited. Greg was awarded an Officer in the General Division (AO) of the Order of Australia in January 2015 for his distinguished service to the community through executive roles in a range of fields, including breast cancer research, the not-for-profit sector and real estate and property investment industries.	Interim Chair, Member of Audit, Risk and Compliance Committee	526,257
Michael Johnstone	Michael joined the Board of CQE on 22 December 2004. Michael has 45 years of global experience in chief executive and general management roles and more recently in company directorships, across the property and funds management industries. He has extensive experience in mergers and acquisitions, capital raising, property investment and funds management. In his executive career, Michael held a variety of leadership positions at Jennings Industries, including General Manager of AVJennings Homes, General Manager Commercial Property, CEO of Jennings Properties Limited (Centro) and President Jennings USA. He also held the role of Global General Manager Real Estate at NAB, responsible for commercial property lending and corporate property investment. He was formerly a Non-Executive Director of Dexus Convenience Retail REIT (DXC) and Dexus Industrial REIT (DXI), and in the private sector a Non-Executive Director of Dennis Family Holdings and Chair of Dennis Family Homes. In the not-for-profit sector he has chaired the Cairnmillar Institute and been a board member of the Salvation Army and Yarra Community Housing.	Chair of Audit, Risk & Compliance Committee	84,728

Director	Experience	Special responsibilities	Interest in units of the REIT
Kate Melrose	Kate was appointed to the Board of CQE on 11 March 2020. Kate has 30 years' experience in ASX listed and private property sectors with a background in valuation, transactions and creating large urban communities and social infrastructure assets. She is an experienced executive and spent 14 years with Lendlease in positions as development director, global strategic marketing manager, business strategy, product innovation and revenue, customer insights and market gap analysis. Her prior experience spans residential and mixed-use development, retirement, aged care and lifestyle communities with Greengate, Mark Moran Vaucluse and Ingenia. Kate is an Executive with Ingenia Communities (ASX:INA), is General Manager-Sales and a Director on the Sungenia Group Board and the tech transformation SteerCo. Kate is a graduate of Australian Institute of Company Directors (GAICD), holds a Bachelor of Business (Land Economics), a Real Estate Licence (NSW), is a member of UDIA and committee member of API and has completed the Melbourne Business School – Leading for Organisational Change; Corporate Real Estate Certificate and Artificial Intelligence and Machine Learning Masterclass from UTS.	Member of Audit, Risk and Compliance Committee	33,797
Sean McMahon	Sean joined the Board of CQE on 17 November 2018 Sean has 30 years of property and investment banking experience in the real estate sector and is active in the listed, wholesale and direct capital markets. As Chief Investment Officer, Sean is responsible for Charter Hall Group's strategy and balance sheet investments, mergers and acquisitions, with oversight for multi sector disciplines including property transactions, together with corporate development. He brings a wealth of experience across investment markets, diversified across office, industrial and retail sectors, and has been responsible for driving the development of corporate strategies, capital allocation and reinvestment programs. Prior to joining Charter Hall, Sean worked at national diversified property group Australand (now Frasers) as Chief Investment Officer and was previously responsible for investment and development for all commercial, industrial and retail property. Prior to Frasers, Sean spent seven years at Macquarie Bank as a senior executive in the Property Investment Banking division undertaking property finance, structured finance, funds management and joint venture transactions.	Nil	58,800

Miriam Patterson	Miriam joined the Board of CQE on 9 September 2020. Miriam has over 20 years' experience in property and infrastructure investing. Miriam is the Fund Manager of CPOF a $9.2 billion institutional grade office fund for wholesale investors. Miriam's prior roles at Charter Hall have included Head of Office Partnerships, responsible for the management of over $10b of wholesale office portfolios on behalf of wholesale investors and Fund Manager for Charter Hall's Direct business, with over $8 billion of funds under management where she was responsible for growing the institutional quality of investments available to retail investors. Prior to Charter Hall, Miriam held the Head of Real Assets at Telstra Super overseeing a $4 billion real estate and infrastructure investment portfolio and worked previously in asset management and transactions at Hastings Funds Management Ltd. Miriam is a member of the Australian Institute of Company Directors and member of the Institute of Chartered Accountants Australia and New Zealand. Miriam holds a Bachelor of Commerce in Accounting and Finance and a Bachelor of Science in Applied Mathematics from the University of Melbourne.	Nil	Nil

Meetings of Directors

	Full meetings of Directors		Meetings of Audit, Risk and Compliance Committee	
Name	**Eligible to attend**	**Attended**	**Eligible to attend**	**Attended**
Grant Hodgetts	6	6	3	3
Greg Paramor	2	2	1	1
Michael Johnstone	8	8	4	4
Kate Melrose	8	8	4	4
Sean McMahon	8	7	-	-
Miriam Patterson	8	8	-	-

Joint Company Secretaries

Travis Butcher was appointed as Company Secretary for the REIT on 6 September 2016.

Travis has over 20 years' financial experience. Travis is a Chartered Accountant who began his career at PricewaterhouseCoopers specialising in transaction services and audit. Travis was previously the Chief Financial Officer of the REIT since 2008, and was appointed Fund Manager on 26 November 2019.

Travis is a member of the Institute of Chartered Accountants and holds a Bachelor of Accounting from Monash University.

Mark Bryant was appointed as Company Secretary for the REIT on 7 November 2018.

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 18 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

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

Details of the amounts paid to the auditor for audit and non-audit services provided during the year are disclosed in Note D6 to the consolidated financial statements.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit, Risk and Compliance Committee, is satisfied that the provision of the non-audit services is compliant with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out in Note D6 to the consolidated financial statements, did not compromise the auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 36.

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 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 consolidated financial statements were authorised for issue by the Directors on 11 August 2023. The Directors have the power to amend and re-issue the consolidated financial statements.

Greg Paramor AO
Chair
Sydney
11 August 2023

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Charter Hall Social Infrastructure REIT for the year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been:

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

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

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

A S Wood
Partner
PricewaterhouseCoopers

Sydney
11 August 2023

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Consolidated Statement of Comprehensive Income

	Notes	2023 $'m	2022 $'m
Revenue			
Property income	A1	**115.5**	102.1
Distribution income		**1.0**	1.9
Interest income		**0.8**	–
Total revenue		**117.3**	104.0
Other income			
Net fair value gain on investment properties	B1	**1.9**	261.5
Net fair value gain from derivative financial instruments	C3	**1.5**	19.2
Share of net profit from joint ventures	B2	**0.4**	12.1
Total revenue and other income		**121.1**	396.8
Expenses			
Property expenses		**(19.6)**	(15.1)
Fund management fees	D1	**(11.3)**	(9.6)
Finance costs	C2	**(28.7)**	(11.1)
Administration and other expenses		**(2.8)**	(2.4)
Foreign exchange losses		**–**	(0.1)
Total expenses		**(62.4)**	(38.3)
Profit for the year		**58.7**	358.5
Other comprehensive income			
(Loss)/gain on revaluation of financial asset	B3	**(7.7)**	8.1
Other comprehensive income		**(7.7)**	8.1
Total comprehensive income for the year		**51.0**	366.6
Basic and diluted earnings per ordinary unitholder of the REIT			
Earnings per unit (cents)	A2	**16.0**	98.4

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

Consolidated Balance Sheets

	Notes	2023 $'m	2022 $'m
Assets			
Current assets			
Cash and cash equivalents		**14.5**	10.5
Receivables	D2	**4.5**	2.0
Other assets	D2	**4.0**	4.0
Derivative financial instruments	C3	**1.0**	–
Investment properties held for sale	B1	**11.6**	7.7
Total current assets		**35.6**	24.2
Non-current assets			
Investment properties	B1	**2,004.3**	1,938.2
Investments in joint ventures	B2	**200.5**	45.3
Investment in financial asset	B3	**–**	51.5
Derivative financial instruments	C3	**25.3**	22.0
Total non-current assets		**2,230.1**	2,057.0
Total assets		**2,265.7**	2,081.2
Liabilities			
Current liabilities			
Payables	D2	**15.4**	17.8
Distribution payable	A2	**15.8**	16.1
Lease liabilities	D3	**1.2**	1.2
Other liabilities	D2	**5.6**	1.5
Total current liabilities		**38.0**	36.6
Non-current liabilities			
Borrowings	C2	**734.9**	548.1
Lease liabilities	D3	**2.7**	3.7
Total non-current liabilities		**737.6**	551.8
Total liabilities		**775.6**	588.4
Net assets		**1,490.1**	1,492.8
Equity			
Contributed equity	C4	**650.0**	640.6
Reserves	C4	**–**	30.0
Undistributed profits		**840.1**	822.2
Total equity		**1,490.1**	1,492.8

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	Undistributed profits $'m	Total $'m
Total equity at 1 July 2021		629.9	21.9	526.5	1,178.3
Profit for the year		–	–	358.5	358.5
Other comprehensive income		–	8.1	–	8.1
Total comprehensive income for the year		–	8.1	358.5	366.6
Transactions with unitholders in their capacity as unitholders					
- Contributions of equity, net of issue costs	C4	10.7	–	–	10.7
- Distributions paid and payable	A2	–	–	(62.8)	(62.8)
Total equity at 30 June 2022		640.6	30.0	822.2	1,492.8
Total equity at 1 July 2022		**640.6**	**30.0**	**822.2**	**1,492.8**
Profit for the year		**–**	**–**	**58.7**	**58.7**
Other comprehensive income	B3	**–**	**(7.7)**	**–**	**(7.7)**
Total comprehensive income for the year		**–**	**(7.7)**	**58.7**	**51.0**
Transfer of reserves	C4	**–**	**(22.3)**	**22.3**	**–**
Transactions with unitholders in their capacity as unitholders					
- Contributions of equity, net of issue costs	C4	**9.4**	**–**	**–**	**9.4**
- Distributions paid and payable	A2	**–**	**–**	**(63.1)**	**(63.1)**
Total equity at 30 June 2023		**650.0**	**–**	**840.1**	**1,490.1**

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

Consolidated Cash Flow Statement

	Notes	2023 $'m	2022 $'m
Cash flows from operating activities			
Property income received		**126.4**	106.0
Property expenses paid		**(23.2)**	(16.5)
Fund management fees paid		**(12.2)**	(9.9)
Administration and other expenses paid		**(2.8)**	(2.7)
Net GST paid with respect to operating activities		**(9.8)**	(4.2)
Distributions received from interest in financial asset and joint ventures		**7.9**	4.9
Interest received		**0.8**	–
Finance costs paid		**(28.3)**	(12.8)
Net cash flows from operating activities	A3	**58.8**	64.8
Cash flows from investing activities			
Net proceeds from sale of investment properties		**37.1**	8.2
Payments for investment properties		**(102.2)**	(254.1)
Proceeds from sale of financial asset		**43.8**	–
Payments for investments in joint ventures		**(162.8)**	–
Net cash flows from investing activities		**(184.1)**	(245.9)
Cash flows from financing activities			
Proceeds from borrowings		**232.0**	280.0
Repayment of borrowings		**(46.0)**	(27.0)
Payments for derivative financial instruments		**(2.6)**	(1.4)
Distributions paid (net of DRP)		**(54.1)**	(65.3)
Net cash flows from financing activities		**129.3**	186.3
Net increase/(decrease) in cash held		**4.0**	5.2
Cash and cash equivalents at the beginning of the year		**10.5**	5.3
Cash and cash equivalents at the end of the year		**14.5**	10.5

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

Non-cash financing and investing activities

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

	Notes	2023 $'m	2022 $'m
Distributions by the REIT during the year satisfied by the issue of units under the DRP	C4	**9.4**	10.7

About this Report

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

A. **REIT performance** – provides key metrics used to measure financial performance.

B. **Property portfolio assets** – explains the structure of the investment property portfolio and investments in joint ventures and financial asset.

C. **Capital structure and financial risk management** – details of how the REIT manages its exposure to various financial risks.

D. **Further information –** provides additional disclosures not included in previous sections but relevant in understanding the consolidated financial statements.

A.	**REIT performance**	**42**	**B.**	**Property portfolio assets**	**46**
A1.	Segment information	42	B1.	Investment properties	46
A2.	Distributions and earnings per unit	44	B2.	Investments in joint ventures	49
A3.	Reconciliation of net profit to operating cash flows	45	B3.	Investment in financial assets	51
			B4.	Commitments and contingent liabilities	51
C.	**Capital structure and financial risk management**	**52**	**D.**	**Further information**	**60**
			D1.	Related party information	60
C1.	Capital risk management	52	D2.	Working capital	62
C2.	Borrowings and liquidity	52	D3.	Leasehold properties	63
C3.	Derivative financial instruments	54	D4.	Parent entity information	63
C4.	Contributed equity and reserves	55	D5.	Significant contract terms and conditions	64
C5.	Financial risk management	56	D6.	Remuneration of the auditor	64
			D7.	Interest in other entities	65
			D8.	Events occurring after balance date	65
			D9.	Other significant accounting policies	65

Critical accounting estimates and judgements

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 Investments in joint venture entities

– Fair value estimation – B1 Investment properties

In preparing its financial statements, the REIT has considered the ongoing impact that the future economic outlook has had on its business operations and upon the business operations of its tenant customers. In assessing such impacts management has relied upon certain key estimates to evaluate current and future business conditions. Inherent in any estimate is a level of uncertainty. Estimation uncertainty is associated with the extent and duration of a high inflation and interest rate environment, including:

- the disruption and volatility to capital markets;
- deteriorating credit and liquidity concerns;
- the effectiveness of government and central bank measures; and
- judgements in property valuations.

A. REIT 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 or one-off items that are not in the ordinary course of business or are capital in nature.

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

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 one operating segment being the investment in social infrastructure properties in Australia.

(b) Segment information provided to the Board

The operating earnings reported to the Board for the operating segment for the years ended 30 June 2023 are as follows:

	2023 $'m	2022 $'m
Property lease revenue	**107.1**	96.3
Services income	**8.4**	5.8
Property income	**115.5**	102.1
Non-cash adjustments	**(2.9)**	(5.0)
Ground rent on leasehold properties	**(1.4)**	(1.4)
Share of net property income from joint ventures	**8.9**	2.7
Property expenses	**(19.6)**	(15.1)
Other	**–**	1.2
Net property income	**100.5**	84.5
Distribution income	**1.0**	1.9
Interest income	**0.8**	–
Fund management fees	**(11.3)**	(9.6)
Finance costs	**(29.3)**	(11.5)
Administration and other expenses	**(2.5)**	(2.4)
Operating earnings	**59.2**	62.9

The table below sets out top three tenants' contribution to property income:

Tenant	2023 %	2022 %
Goodstart Early Learning Limited	**34%**	39%
Only About Children	**8%**	9%
G8 Education Limited	**8%**	9%

All of the tenants above are experienced childcare centre operators. The leases contain security clauses in the form of a bank guarantee to be provided by its tenants, typically 6 months rent.

A reconciliation between operating earnings to the statutory profit is set out below:

	2023 $'m	2022 $'m
Operating earnings	**59.2**	62.9
Net fair value movements on investment properties*	**(6.4)**	269.9
Net fair value movements on derivative financial instruments*	**1.4**	20.3
Straight lining of rental income, amortisation of lease fees and incentives*	**3.8**	5.5
Ground rent on leasehold properties	**1.4**	1.4
Interest on lease liabilities	**(0.4)**	(0.2)
Unrealised/realised foreign exchange losses	**–**	(0.1)
Other	**(0.3)**	(1.2)
Statutory profit for the year	**58.7**	358.5
Basic weighted average number of units (millions)	**367.2**	364.4
Basic earnings per unit (cents)	**16.0**	98.4
Operating earnings per unit (cents)	**16.1**	17.3
Distribution per unit (cents)	**17.2**	17.2

* Includes the REIT's proportionate share of non-operating items of equity accounted investments on a look-through basis.

Property lease revenue

Property lease revenue 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.

Minimum lease payments to be received include future amounts to be received on non-cancellable operating leases. 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 consolidated financial statements are receivable as follows:

	2023 $'m	2022 $'m
Less than 1 year	**114.7**	100.1
1 - 2 years	**112.6**	101.2
2 - 3 years	**112.7**	102.7
3 - 4 years	**112.8**	102.1
4 - 5 years	**114.1**	102.1
Over 5 years	**1,173.2**	1,148.8
Total	**1,740.1**	1,657.0

Services income

Services income principally includes non-lease income derived under lease agreements with tenants. Non-lease income relates to the proportion of property operating costs which are recoverable from tenants in accordance with lease agreements and relevant legislative acts.

Property expenses

Property expenses include rates and taxes incurred in relation to investment properties where such expenses are the responsibility of the REIT. These expenses are recognised on an accrual basis.

A. REIT Performance

(continued)

A2. Distributions and earnings per unit

(a) Distributions paid and payable

	2023			2022		
	Number of units on issue	**Cents Per Unit**	**$'m**	Number of units on issue	Cents Per Unit	$'m
30 September	**366,283,114**	**4.30**	**15.7**	363,712,112	4.18	15.2
31 December	**367,112,102**	**4.30**	**15.8**	364,150,027	4.22	15.4
31 March	**367,792,223**	**4.30**	**15.8**	364,786,804	4.40	16.1
30 June	**368,388,113**	**4.30**	**15.8**	365,476,005	4.40	16.1
Total distributions		**17.20**	**63.1**		17.20	62.8

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

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

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

(b) Earnings per unit

	2023	2022
Basic and diluted earnings		
Earnings per unit (cents)	**16.0**	98.4
Operating earnings per unit (cents)	**16.1**	17.3
Earnings used in the calculation of basic and diluted earnings per unit		
Net profit for the year ($'m)	**58.7**	358.5
Operating earnings for the year ($'m)	**59.2**	62.9
Weighted average number of units used in the calculation of basic and diluted earnings per unit (millions)*	**367.2**	364.4

* 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 flows

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

	Notes	2023 $'m	2022 $'m
Net profit		**58.7**	358.5
Non-cash items			
Straight lining and amortisation of leasing fees and lease incentives		**(2.9)**	(5.0)
Share of unrealised net (profit)/loss on investments in joint ventures		**7.6**	(10.0)
Net fair value movement on investment properties		**(1.9)**	(261.5)
Net fair value movement on derivative financial instruments		**(1.5)**	(19.2)
Amortisation of borrowing costs		**1.4**	1.3
Unrealised foreign exchange loss		**–**	0.1
Ground rent on leasehold properties		**(1.0)**	(1.2)
Rent free incentives		**(0.5)**	(3.2)
Interest capitalised on investment properties		**(1.1)**	(1.2)
Change in assets and liabilities			
(Increase)/decrease in trade and other receivables		**(3.4)**	2.0
Increase in trade and other payables		**3.4**	4.2
Net cash flows from operating activities		**58.8**	64.8

B. Property Portfolio Assets

The REIT's property portfolio assets comprise directly held investment properties and indirectly held interests in investment properties held through joint ventures. Investment properties comprise investment interests in land and buildings held for long-term rental yields, including properties that are under development for future use as investment properties. Investments in joint ventures comprised of indirect interest in investment property 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 property indirectly held:

	Notes	2023 $'m	2022 $'m
Current assets			
Assets held for sale	B1	**11.6**	7.7
Total current assets		**11.6**	7.7
Non-current assets			
Investment properties	B1	**2,004.3**	1,938.2
Investments in joint ventures	B2	**200.5**	45.3
Investment in financial assets at fair value	B3	**–**	51.5
Total non-current assets		**2,204.8**	2,035.0
Property portfolio assets, including interests in joint ventures and financial asset		**2,216.4**	2,042.7

B1. Investment properties

Investment properties

Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition, the investment properties are then stated at fair value. Revaluation gains and losses are included in the consolidated statement of comprehensive income in the year in which they arise.

Assets held for sale

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

Development properties

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

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, a write-down is made to reflect fair value.

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

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

	2023 $'m	2022 $'m
Movements during the financial year		
Balance at the beginning of the year	**1,938.2**	1,448.0
Additions*	**95.6**	228.2
Acquisition and disposal costs incurred	**6.3**	12.0
Disposal of properties	**(29.0)**	(8.8)
Reclassification to asset held for sale	**(11.6)**	(7.7)
Revaluation of right-of-use assets	**(1.0)**	(1.0)
Revaluation increment	**12.2**	279.5
Revaluation decrement attributable to acquisition and disposal costs, straight lining of rental income, amortisation of incentives and leasing fees	**(9.3)**	(17.0)
Straight lining of rental income, amortisation of incentives and leasing fees	**2.9**	5.0
Carrying amount at the end of the year	**2,004.3**	1,938.2

* Includes $1.1 million (2022: $1.2 million) of interest capitalised on investment properties. Capitalised interest was calculated using 4.2% (2022: 2.6%), being the weighted average interest rate applicable to the REIT's borrowings during the year.

(b) Valuation process

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

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

Valuations are performed either by independent professionally qualified external valuers or by Charter Hall's internal valuers who hold recognised relevant professional qualifications. Fair value is determined using a combination of one or more of the following methods: discounted cash flow (DCF), income capitalisation and comparable sales.

Each investment property is valued by an independent external valuer at least once every 12 months, or earlier, where the Responsible Entity deems it appropriate or believes there may be a material change in the carrying value of the property. Independent valuers are engaged on a rotational basis. If a property is not externally valued at balance date, an internal valuation is performed.

As at 30 June 2023, 100% (2022: 100%) of properties not held for sale or under development, including the properties held by the joint ventures, were externally valued, with the exception of childcare developments completed since December 2022 which have been independently valued at the date at which they were completed.

(c) 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, transaction evidence and structural changes in the current and future macro-economic environment. In particular, the impact on the underlying tenant businesses was considered.

B. Property Portfolio Assets

(continued)

The table below identifies the inputs, which are not based on observable market data, used to measure the fair value (level 3) of the investment properties, excluding development properties:

	Fair value $'m	Net Market Rent ($ sq.m./p.a)*	Adopted capitalisation rate (% p.a)*	Adopted terminal yield (% p.a)**	Adopted discount rate (% p.a)**
2023	**1,979.9**	**166 - 1,738**	**4.00 - 7.50**	**4.63 - 5.75**	**5.25 - 6.50**
2022	1,890.7	162 - 1,688	3.50 - 6.50	4.50 - 4.97	5.75 - 5.75

*Applicable to all non-childcare and freehold childcare social infrastructure assets. Leasehold childcare assets are excluded from this metric. Fair value of leasehold childcare assets is $23.3 million (30 June 2022: $24.9 million) which have an average passing yield of 19.3% (30 June 2022: 17.8%) and an average passing rent ($ per licence place/p.a) of $240 (30 June 2022: $229).
**Applicable to all non-childcare social infrastructure assets. All childcare assets are excluded from this metric.

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.
Net market rent	A net market rent is the estimated amount for which a property or space within a property should lease between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and wherein the parties have each acted knowledgeably, prudently and without compulsion. In a net rent, the owner recovers outgoings from the tenant on a pro-rata basis (where applicable).
Capitalisation rate	The return represented by the income produced by an investment, expressed as a percentage.
Terminal yield	A percentage return applied to the expected net income following a hypothetical sale at the end of the cash flow period.
Discount rate	A rate of return used to convert a future monetary sum or cash flow into present value.

Sensitivity analysis

The REIT considers capitalisation rates the most significant assumption that is subject to estimation uncertainty given the nature of its portfolio. Accordingly, sensitivities to the fair value of investment properties (including those owned by the REIT's joint ventures) have been provided around reasonable possible movements in the capitalisation rate.

If the capitalisation rate expanded by 25 basis points, the fair value of all wholly owned investment properties (excluding leasehold childcare assets and childcare development assets) would decrease by $97.2 million from the fair value as at 30 June 2023 (decrease of $106.7 million including the REIT's share of joint venture properties). And if the capitalisation rate compressed by 25 basis points, the fair value would increase by $107.7 million from the fair value as of 30 June 2023 (increase of $118.1 million including the REIT's share of joint venture properties).

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

B2. Investments in joint ventures

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

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

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

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

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

Information relating to the joint venture entities is detailed below:

Name of entity	Properties	2023 Ownership %	2022 Ownership %	2023 $'m	2022 $'m
CH BBD Holding Trust (CH BBD)	Brisbane Bus Depot, Brisbane QLD	**50.0%**	50.0%	**44.4**	45.3
Charter Hall GSA Trust (GSA)	Geoscience Australia, Canberra ACT	**25.0%**	-	**89.0**	-
PFA Westmead Trust (Westmead)	Innovation Quarter, Westmead, NSW	**49.9%**	-	**67.1**	-
				200.5	**45.3**

GSA and Westmead were acquired in October 2022 and February 2023 respectively.

(a) Gross equity accounted value of investments in joint ventures entities

	2023 $'m	2022 $'m
Balance at the beginning of the year	**45.3**	35.3
Additions (including acquisition costs)	**162.8**	–
Acquisition costs written off	**(0.1)**	–
Share of net profit from joint ventures	**0.4**	12.1
Distributions received and receivable	**(7.9)**	(2.1)
Balance at the end of the year	**200.5**	45.3

B. Property Portfolio Assets

(continued)

(b) Share of results attributable to joint venture entities

The following tables provide summarised information about the financial position and performance of the joint venture entities as a whole as at 30 June 2023:

2023	CH BBD $'m	GSA^ $'m	Westmead^ $'m	Total $'m
Summarised balance sheet:				
Cash and cash equivalents	**2.1**	**5.5**	**1.8**	**9.4**
Other current assets	**0.5**	**0.3**	**1.0**	**1.8**
Non-current assets	**139.7**	**357.0**	**134.0**	**630.7**
Current liabilities	**(1.4)**	**(6.9)**	**(2.3)**	**(10.6)**
Borrowings - non-current liabilities	**(52.1)**	**–**	**–**	**(52.1)**
Net assets	**88.8**	**355.9**	**134.5**	**579.2**
REIT's share in %	**50.0**	**25.0**	**49.9**	
REIT's share in $'m and carrying value	**44.4**	**89.0**	**67.1**	**200.5**
Summarised statement of comprehensive income:				
Revenue	**6.9**	**20.6**	**4.9**	**32.4**
Interest income/(expense)	**(1.8)**	**0.1**	**–**	**(1.7)**
Profit/(loss) for the year	**2.0**	**(7.2)**	**2.5**	**(2.7)**
Total comprehensive income	**2.0**	**(7.2)**	**2.5**	**(2.7)**
REIT's share in $'m	**1.0**	**(1.8)**	**1.2**	**0.4**
REIT's share of distribution received in $'m	**1.8**	**4.8**	**1.3**	**7.9**

^ Statement of comprehensive income is from acquisition date to 30 June 2023.

2022	CH BBD $'m	GSA $'m	Westmead $'m	Total $'m
Summarised balance sheet:				
Cash and cash equivalents	1.4	–	–	1.4
Other current assets	0.4	–	–	0.4
Non-current assets	141.4	–	–	141.4
Current liabilities	(0.6)	–	–	(0.6)
Borrowings - non-current liabilities	(52.0)	–	–	(52.0)
Net assets	90.6	–	–	90.6
REIT's share in %	50.0	–	–	
REIT's share in $'m and carrying value	45.3	–	–	45.3
Summarised statement of comprehensive income:				
Revenue	6.9	–	–	6.9
Interest expense	(1.3)	–	–	(1.3)
Profit for the year	24.2	–	–	24.2
Total comprehensive income	24.2	–	–	24.2
REIT's share in $'m	12.1	–	–	12.1
REIT's share of distribution received in $'m	2.1	–	–	2.1

B3. Investment in financial asset

	2023 $'m	2022 $'m
Units in listed securities (Arena REIT - ASX:ARF) - at fair value	**–**	51.5
Balance at the end of the year	**–**	51.5
Movements:		
Balance at the beginning of the year	**51.5**	43.4
Net fair value movement on investments	**(7.7)**	8.1
Disposals including disposal fees	**(43.8)**	–
Balance at the end of the year	**–**	51.5

On 27 January 2023, the REIT sold its entire holding in Arena REIT for $43.8 million net of transaction costs.

When securities decrease in fair value, the decrements are recognised directly in Other Comprehensive Income. When securities were sold, the accumulated fair value adjustments recognised in Other Comprehensive Income were reclassified into Undistributed profit. Distribution income from the financial asset is recognised in the Consolidated Statement of Comprehensive Income as part of revenue when the REIT's right to receive payments is established.

B4. Commitments and contingent liabilities

The REIT and joint venture entities may enter into contracts for the acquisition, construction and development of properties in Australia. As at 30 June 2023, the REIT had entered into contracts to purchase two childcare properties for a total value of $11.3 million (excluding deposits paid) expected to settle by December 2023. The commitments of the REIT in relation to development contracts are $12.5 million (30 June 2022: $13.2 million). In addition, capital incentive commitments under lease agreements are $12.3 million (30 June 2022: $20.0 million).

As at 30 June 2023, the REIT has no contingent liabilities (30 June 2022: nil). The REIT's share in the commitments and contingent liabilities of joint venture entities, other than those described above, total nil (30 June 2022: nil).

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. The Responsible Entity also protects assets of the REIT by taking out insurance with creditworthy insurers.

C1. Capital risk management

The Responsible Entity's objectives when managing capital are to ensure the REIT continues as a going concern as well as to maintain optimal returns to unitholders and benefits for other stakeholders. The Responsible Entity also aims to maintain a capital structure that ensures the lowest cost of capital available to the REIT.

The REIT sources its capital through:

- debt sourced from a diverse mix of local banks and institutions; and
- the listed Australian equity market.

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

The REIT's 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 long-term gearing range of 30% to 40% of debt to total assets.

C2. Borrowings and liquidity

(a) Borrowings

Borrowings are initially recognised at fair value, estimated by comparing the margin on the facility to the pricing of a similar facility in the current market, and subsequently measured at amortised cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the borrowings are recognised in profit or loss over the expected life of the borrowings.

All borrowings are classified as non-current liabilities as they have maturities greater than 12 months.

	2023		2022	
	Total carrying amount $'m	**Fair value $'m**	Total carrying amount $'m	Fair value $'m
Bilateral term facilities	**739.0**	**739.1**	553.0	550.0
Unamortised borrowing cost	**(4.1)**		(4.9)	
Total	**734.9**		548.1	
Balance available for drawing	**111.0**		247.0	

In September 2022, the REIT increased its debt facilities to $850 million. Key covenants are Loan to Value Ratio of 50% and Interest Cover Ratio being greater than 2.0 times. As at 30 June 2023, the REIT complied with all of its debt covenant ratios and obligations.

Assets pledged as security

A Security Trustee has been appointed to administer the security arrangements of the REIT and to facilitate any future debt issuing on behalf of the REIT. Financers share security in the form of real property mortgages. In addition, the Security Trustee has a registered security interest over the assets of the REIT as further security.

	2023 $'m	2022 $'m
Assets pledged as security:		
Collateral that has been pledged for secured liabilities is as follows:		
i) Financial assets pledged		
Cash and cash equivalents	**14.5**	10.5
Trade and other receivables	**4.5**	2.0
Financial assets	**–**	51.5
ii) Other assets pledged		
Other current assets	**2.6**	4.0
Investment properties*	**2,168.3**	1,941.0
Total assets pledged	**2,189.9**	2,009.0

* Includes the REIT's share of Geosciences Australia and Innovation Quarter, Westmead.

The principal terms and conditions with respect to the assets pledged are:

- to conduct the business of the REIT (including collecting debts owed) in a proper, orderly and efficient manner;
- not, without lenders' consent, to cease conducting the business of the REIT; and
- not, without lenders' consent (such consent not to be unreasonably withheld) raise any Financial Accommodation from any other party other than Permitted Financial Accommodation or give any Encumbrance over REIT Assets as security for Financial Accommodation other than Permitted Financial Accommodation.

Bilateral term facilities

	Maturity date	Facility limit $'m	Utilised amount $'m
June 2023			
Bank Facilities	January 2025	**100.0**	**100.0**
	February 2025	**100.0**	**100.0**
	December 2026	**200.0**	**200.0**
	January 2027	**150.0**	**39.0**
	February 2027	**200.0**	**200.0**
Institutional term loan	August 2025	**100.0**	**100.0**
		850.0	**739.0**

Net debt reconciliation

The table below sets out an analysis of net debt and the movements in net debt during the year.

	2021 $'m	Movement in borrowing costs $'m	Movement in cash $'m	2022 $'m	Movement in borrowing costs $'m	Movement in cash $'m	2023 $'m
Bank debt	300.0	–	253.0	553.0	**–**	**186.0**	**739.0**
Borrowing costs	(2.9)	(2.0)	–	(4.9)	**0.8**	**–**	**(4.1)**
Total borrowings	297.1	(2.0)	253.0	548.1	**0.8**	**186.0**	**734.9**
Cash	(5.3)	–	(5.2)	(10.5)	**–**	**(4.0)**	**(14.5)**
Net debt	291.8	(2.0)	247.8	537.6	**0.8**	**182.0**	**720.4**

C. Capital Structure and Financial Risk Management

(continued)

Borrowings in joint ventures

As at balance date, CH BBD Holding Trust had a $52.3 million debt facility (CQE share: $26.1 million) expiring in August 2027.

(b) Finance costs

	2023 $'m	2022 $'m
Finance costs paid or payable	**29.4**	12.1
Interest on lease liabilities	**0.4**	0.2
Less: Capitalised finance costs	**(1.1)**	(1.2)
	28.7	11.1

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. Derivative financial instruments are measured and recognised at fair value on a recurring basis.

Amounts reflected in the consolidated financial statements are as follows:

Consolidated balance sheet

	2023 Asset $'m	2023 Liability $'m	2022 Asset $'m	2022 Liability $'m
Current				
Interest rate swaps	**1.0**	**–**	–	–
Total current derivative financial instruments	**1.0**	–	–	–
Non-current				
Interest rate swaps	**20.7**	**–**	17.7	–
Interest rate cap	**4.6**	**–**	4.3	–
Total non-current derivative financial instruments	**25.3**	**–**	22.0	–
Total derivative financial assets	**26.3**	**–**	22.0	–

Interest rate swaps

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	1 - 2 years $'m	2 - 3 years $'m	3 - 4 years $'m	4 - 5 years $'m	Total $'m
2023	**125.0**	**215.0**	**160.0**	**–**	**150.0***	**650.0**
2022	–	–	65.0	160.0	–	225.0

*This interest rate swap has a forward start date of June 2024 and an expiry date of December 2027.

In December 2022, the REIT entered into a $150 million interest rate swap which commenced in June 2023 and is for a period of two years at a rate of 3.0% and at a total cost of $2.6 million.

In March 2023, the REIT entered into $125 million of interest rate swaps which commenced in June 2023 and are for a period of one year at a rate of 3.75%.

In June 2023, the REIT entered into $150 million of interest rate swaps with a forward start date of June 2024. The interest rate swaps are for a period of 3.5 years at a rate of 3.63%.

At 30 June 2023, the weighted average fixed rate under interest rate swap is 2.23% per annum (2022: 0.54% per annum).

(b) 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.

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

Details	No. of Units '000	$'m
Units on issue - 1 July 2021	362,627	629.9
Units issued via DRP	2,849	10.7
Units on issue - 30 June 2022	**365,476**	**640.6**
Units issued via DRP	**2,912**	**9.4**
Units on issue - 30 June 2023	**368,388**	**650.0**

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 1.5% to the daily volume weighted average price of all units traded on the ASX during the 10 business days commencing on the first business day following the distribution record date. During the year, 2,912,108 units were issued at an average issue price of $3.23 per unit. An additional $3.2 million was raised from the DRP for the 30 June 2023 distribution allotted on 21 July 2023.

(b) Reserves

	Reserve - Financial assets at FVOCI $'m
Opening balance - 1 July 2021	21.9
Changes in the fair value of reserves	8.1
Balance 30 June 2022	30.0
Opening balance - 1 July 2022	**30.0**
Changes in the fair value of reserves	**(7.7)**
Transfer to undistributed profit	**(22.3)**
Balance 30 June 2023	**–**

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

The REIT transferred the balance of the reserve account to retained earnings when the Arena REIT securities were sold.

C. Capital Structure and Financial Risk Management

(continued)

C5. Financial risk management

The REIT's principal financial instruments comprise cash and cash equivalents, receivables, investments accounted for using the equity method, 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 – 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 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 entity will not complete its obligations under a contract and will cause the REIT to make a financial loss.	All financial assets including tenant receivables.	– 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 financial institution and limiting to investment grade counterparties. – Monitoring the public credit rating of counterparties.

(i) Market risk – interest rate risk

The REIT's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the REIT to cash flow interest rate risk. During 2023 the REIT's borrowings at variable rate were denominated in Australian dollars.

The REIT has the following classes of financial assets and financial liabilities that are exposed to interest rate risk:

	2023 $'m	2022 $'m
Floating rate		
Cash	**(14.5)**	(10.5)
Cash - joint ventures entities[1]	**(3.3)**	(0.7)
Borrowings	**739.0**	553.0
Borrowings - joint ventures entities[1]	**26.1**	26.1
	747.3	567.9
Derivative financial instruments		
Interest rate swaps - floating to fixed[2]	**(500.0)**	(225.0)
Interest rate swaps - floating to fixed - joint ventures	**(15.0)**	(15.0)
Interest rate cap	**(100.0)**	–
Net floating rate exposure	**132.3**	327.9

[1] The REIT's share of financial assets and liabilities included within its net investment in joint venture entities.
[2] The amounts represent the notional principal payable under the derivative contracts. Excludes the $150 million interest rate swap with a forward start date of June 2024.

Sensitivity analysis

The table below reflects the potential net increase/(decrease) in the REIT's profit and equity, resulting from changes in Australian interest rates applicable at 30 June 2023, with all other variables remaining constant.

	2023				2022	
	Interest expense $'m	**Net gain/(loss) from derivative financial instruments $'m**	**Profit and loss $'m**	**Other comprehensive income $'m**	Profit and loss $'m	Other comprehensive income $'m
Australian interest rates						
+ 1.00%	**(1.3)**	**13.1**	**11.8**	**–**	4.9	–
- 1.00%	**1.3**	**(13.2)**	**(11.9)**	**–**	(4.4)	–

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

C. Capital Structure and Financial Risk Management

(continued)

(ii) Liquidity risk

The following table provides the contractual maturity of the REIT's fixed and floating rate financial liabilities and derivatives as at 30 June 2023. The amounts represent the future contractual undiscounted principal and interest cash inflows/(outflows) based on interest rates and foreign exchange rates prevailing at balance date and therefore do not equate to the value shown in the consolidated balance sheet. Repayments which are subject to notice are treated as if notice were given immediately.

	Carrying value $'m	Less than 1 year $'m	1 to 5 years $'m	Over 5 years $'m	Total $'m
2023					
Financial liabilities					
Payables	**(15.4)**	**(15.4)**	**–**	**–**	**(15.4)**
Distribution payable	**(15.8)**	**(15.8)**	**–**	**–**	**(15.8)**
Borrowings	**(734.9)**	**(45.3)**	**(821.1)**	**–**	**(866.4)**
Other liabilities	**(5.6)**	**(5.6)**	**–**	**–**	**(5.6)**
Lease liabilities	**(3.9)**	**(1.3)**	**(2.4)**	**(0.4)**	**(4.1)**
Total financial liabilities	**(775.6)**	**(83.4)**	**(823.5)**	**(0.4)**	**(907.3)**
2022					
Financial liabilities					
Payables	(17.8)	(17.8)	–	–	(17.8)
Distribution payable	(16.1)	(16.1)	–	–	(16.1)
Borrowings	(548.1)	(20.8)	(636.4)	–	(657.2)
Other liabilities	(1.5)	(1.5)	–	–	(1.5)
Lease liabilities	(4.9)	(1.3)	(3.4)	(0.6)	(5.3)
Total financial liabilities	(588.4)	(57.5)	(639.8)	(0.6)	(697.9)

The amount of credit facilities unused by the REIT at 30 June 2023 is $111.0 million (2022: $247.0 million).

(iii) Credit risk

Credit risk arises from the financial assets of the REIT, which comprise cash and cash equivalents, trade and other receivables and derivative instruments. The REIT's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable Note.

Receivables are received within the terms of the individual property lease. The REIT does not hold any credit derivatives to offset its credit exposure.

The REIT trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the REIT's policy to secure its trade and other receivables.

The REIT's credit exposure is concentrated with one debtor, Goodstart Early Learning Limited, who contributed 34% of rental income. The total credit risk for financial instruments is limited to the carrying amount disclosed in the consolidated balance sheet, net of any provisions for expected credit losses.

In addition, receivable balances are monitored on an ongoing basis (refer to Note D2).

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

	Less than 30 days $'m	31 to 60 days $'m	61 to 90 days $'m	More than 90 days $'m	Total $'m
2023					
Rent receivables	**0.2**	**0.2**	**0.1**	**–**	**0.5**
2022					
Rent receivables	0.2	0.1	–	–	0.3

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

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

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

The 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 expected credit losses estimates are inherently uncertain and, as a result, actual results may differ from these estimates.

D. Further Information

D1. Related Party Information

(a) Responsible Entity

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

(b) Directors

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:

- Grant Hodgetts – Chair and Non-Executive Director (ceased 19 April 2023)
- Greg Paramor – Interim Chair and Non-Executive Director (appointed 19 April 2023)
- Michael Johnstone – Non-Executive Director
- Kate Melrose – Non-Executive Director
- Sean McMahon – Executive Director and Chief Investment Officer (Charter Hall Group)
- Miriam Patterson – Executive Director

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

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

The Responsible Entity and its related parties held 31,957,136 units as at 30 June 2023 (2022: 31,957,136).

Following is a summary of related party transactions for the year ended 30 June 2023:

		Fee amount	
		2023	2022
Type of fee	Basis of fee calculation	**$'000**	$'000
Base management	0.50% of quarterly gross assets	**11,343**	9,624
Acquisition	$9,043 per property	**63**	194
Disposal fees	Board approved where third party sales agent is not engaged	**158**	–
Property management	Up to 2% gross rent	**1,804**	1,470
Accounting services	Cost recovery	**753**	717
Leasing fees	% year one gross rent based on a sliding fee scale	**358**	1,493
Development management fees	1.5% - 4.5% of costs	**136**	425
Debt arranger fee	0.50% of all debt funding	**250**	1,000
Other cost recoveries	Cost recovery	**483**	360
		15,348	15,283

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

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

	2023	2022
	$'000	$'000
Charter Hall Social Infrastructure Limited	**2,863**	2,628
	2,863	2,628

(e) Key management personnel

Key management personnel (KMP) are defined in *AASB 124 Related Party Disclosures* as those having authority and responsibility for planning, directing and controlling the activities of the entity. The Responsible Entity meets the definition of KMP as it has this authority in relation to the activities of the REIT. These 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).

(f) Directors' fees and Fund Manager remuneration

Independent Directors' fees are as follows:

	2023	2022
	$	$
Grant Hodgetts	**120,381**	127,500
Greg Paramor	**10,944**	–
Michael Johnstone	**97,850**	95,000
Kate Melrose	**87,550**	85,000
	316,725	307,500

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.

(g) Directors' interests in REIT units

The number of units held directly, indirectly or beneficially by the Directors of the Responsible Entity or the Directors' related parties at 30 June 2023 is as follows:

	Units held	Units held
	2023	2022
Grant Hodgetts[1]	**–**	50,951
Greg Paramor[1]	**526,257**	–
Michael Johnstone	**84,728**	84,728
Kate Melrose	**33,797**	32,031
Sean McMahon	**58,800**	58,800
Miriam Patterson	**–**	–
Total	**703,582**	226,510

[1] Grant Hodgetts ceased to be a Director and Greg Paramor was appointed 19 April 2023. Greg Paramor held 526,257 units at the date of his appointment as a Director.

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	Units
	2023	2022
Grant Hodgetts	**–**	9,969
Kate Melrose	**1,766**	11,296
Sean McMahon	**–**	58,800
Total	**1,766**	80,065

D. Further Information

(continued)

D2. Working capital

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

(a) Receivables and other assets

	2023 $'m	2022 $'m
Receivables		
Trade receivables	**0.5**	0.3
Accrued income	**1.3**	0.7
Distributions receivable	**1.8**	0.7
GST receivable	**0.7**	0.3
Other	**0.2**	–
	4.5	2.0
Other assets		
Other receivable	**2.1**	3.4
Prepayments	**1.9**	0.6
	4.0	4.0

Trade receivables include 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 Financial Instruments* 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 (iii).

(b) Payables

	2023 $'m	2022 $'m
Payables		
Trade creditors	**0.6**	0.3
Accrued capital expenditure	**5.9**	8.8
Accrued expenses	**3.9**	4.3
Accrued base management fees	**2.9**	2.6
Interest payable on interest bearing liabilities	**2.1**	1.6
Other	**–**	0.2
	15.4	17.8
Other liabilities		
Prepaid rent	**5.5**	1.5
Other	**0.1**	–
	5.6	1.5

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.

(c) Net current asset deficiency

At 30 June 2023, the REIT has a net deficiency of current assets over current liabilities of $2.4 million (30 June 2022: $12.4 million). The REIT will be able to meet their day-to-day working capital requirements from readily accessible credit facilities of $111 million and operating cash flow. The REIT does not foresee any issues in meeting the current liabilities over the course of the next 12 months, and therefore these consolidated financial statements have been prepared on a going concern basis.

D3. Leasehold properties

The REIT owns 30 leasehold properties which are subject to a head lease with a freehold owner of the property. The REIT has then leased these properties to childcare operators for terms consistent with the head lease. Rental contracts over the leasehold properties with the freehold property owner are typically made for periods of 15 to 20 years, with 5 year rolling options. Lease terms are negotiated on an individual basis and contain different terms and conditions.

Leases over leasehold properties owned by the REIT are recognised as a right-of-use asset and a corresponding liability lease at this date. Each lease payment is allocated between liability and finance cost. The finance costs are charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the lease term on a straight line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable; and
- variable lease payments that are based on a fixed rate.

The lease payments paid on leasehold properties are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar economic environment with similar terms and conditions.

The REIT's lease liabilities are measured at the present value of the remaining lease payments calculated using an incremental borrowing rate as of 1 July 2019, date of initial recognition of the lease liabilities following the REIT's adoption of AASB 16 *Leases*. The weighted average incremental borrowing rate applied to lease liabilities on 1 July 2019 was 3.70%.

Lease Liabilities	2023 $'m	2022 $'m
Current lease liabilities	**1.2**	1.2
Non-current lease liabilities	**2.7**	3.7
	3.9	4.9

D4. Parent entity information

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

(i) Investments in controlled entities

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

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

(ii) Receivables and payables

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

(iii) Recoverable amount of assets

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

D. Further Information

(continued)

(a) Summary financial information

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

	Parent 2023 $'m	Parent 2022 $'m
Assets		
Current assets	**31.4**	22.7
Non-current assets	**2,093.5**	1,907.4
Total assets	**2,124.9**	1,930.1
Current liabilities	**90.1**	60.6
Non-current liabilities	**801.3**	610.2
Total liabilities	**891.4**	670.8
Equity		
Contributed equity	**575.2**	565.8
Reserves	**–**	30.1
Retained Profits	**658.3**	663.4
Total equity	**1,233.5**	1,259.3
Statement of comprehensive income		
Profit for the year	**13.3**	289.3
Other comprehensive income	**(7.7)**	8.2
Total comprehensive income	**5.6**	297.5

(b) Guarantees and contingent liabilities

The parent entity did not have any other contingent liabilities, either individually or as a class, at 30 June 2023 (2022: nil).

(c) Commitments

The parent entity may enter into contracts for the acquisition, construction and development of properties in Australia. The commitments of the parent entity in relation to such contracts are $12.5 million (2022: $13.2 million). Additionally, capital incentive commitments under lease agreements are $12.3 million (2022: $20.0 million). These commitments have not been reflected in the financial information of the parent entity.

(d) Net current asset deficiency

At 30 June 2023, the parent entity has a net deficiency of current assets over current liabilities of $58.7 million (2022: $37.9 million). The parent entity will be able to meet their day-to-day working capital requirements from readily accessible credit facilities of $111 million and operating cash flow. Unitholders will only receive their distributions to the extent that the parent entity has a sufficient working capital.

D5. Significant contract terms and conditions

Pre-emptive rights

The joint-ownership agreement to which the REIT is a party contains a pre-emptive right which restricts the REIT's dealings in respect of its interest in the respective co-owned Trust (BBD Holding Trust). In particular, where the REIT wishes to deal with its interests in the co-owned Trust, the other co-owner will have a pre-emptive right over the REIT's interests, other than in limited circumstances (for example, by way of a permitted transfer to a member of the REIT's unitholder or owner group).

D6. Remuneration of the auditor

	2023 $	2022 $
Amounts paid or payable to PricewaterhouseCoopers Australian firm for:		
Audit services	**157,813**	149,318
Taxation compliance services	**442**	–
Total amount paid or payable to PricewaterhouseCoopers Australian firm	**158,255**	149,318

D7. Interest in other entities

Subsidiaries

The REIT's subsidiaries at 30 June 2023 are set out below. Unless otherwise stated, it has contributed equity consisting solely of ordinary units that are held directly by the REIT, and the proportion of ownership interests held equals the voting rights held by the REIT.

Name of entity	Country of incorporation	Place of business	Ownership interest held by the REIT 2023	Ownership interest held by the REIT 2022	Principal activities
FET Sub-Trust No.1	Australia	Australia	**100%**	100%	Property investment
FET Sub-Trust No.2	Australia	Australia	**100%**	100%	Property investment
FET NZ Sub-Trust	Australia	Australia	**100%**	100%	Property investment
CQE BBDT	Australia	Australia	**100%**	100%	Property investment
CQE Newstead Trust	Australia	Australia	**100%**	100%	Property investment
CQE Keswick Trust	Australia	Australia	**100%**	100%	Property investment
CQE Heidelberg Trust	Australia	Australia	**100%**	100%	Property investment
CQE Childcare Trust No.1	Australia	Australia	**100%**	100%	Property investment
CQE Childcare Trust No.2	Australia	Australia	**100%**	100%	Property investment
CQE Childcare Trust No.3	Australia	Australia	**100%**	100%	Property investment
CQE Childcare Trust No.4	Australia	Australia	**100%**	100%	Property investment
CQE Childcare Trust No.5	Australia	Australia	**100%**	100%	Property investment
CQE Childcare Trust No.6	Australia	Australia	**100%**	100%	Property investment
CQE B2 ABP Robina Trust	Australia	Australia	**100%**	100%	Property investment
CQE B3 ABP Robina Trust	Australia	Australia	**100%**	100%	Property investment
CQE Beckenham Trust	Australia	Australia	**100%**	-	Property investment
CQE Cloverdale Trust	Australia	Australia	**100%**	-	Property investment
CQE GSA Trust	Australia	Australia	**100%**	-	Property investment

D8. Events occurring after balance date

On 25 July 2023, the REIT appointed Mr Bevan Towning as a Non-Executive director of CHSIL.

On 7 August 2023, the REIT exchanged contracts for the disposal of 1 childcare asset located in Queensland for $3.4 million with expected settlement September 2023.

On 8 August 2023, the REIT settled on the disposal of a childcare asset located in New South Wales for $4.4 million.

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

D9. Other significant accounting policies

(a) Basis of preparation

The annual financial report of the Charter Hall Social Infrastructure REIT comprises the Charter Hall Social Infrastructure 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. The consolidated financial statements are presented in Australian dollars, which is the REIT's functional and presentation currency.

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, and investment properties, which have been measured at fair value.

D. Further Information

(continued)

New and amended standards adopted

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

(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) 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.

(d) Rounding of amounts

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

(e) Changes in accounting standards

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

Directors' Declaration to Unitholders

In the opinion of the Directors of Charter Hall Social Infrastructure Limited, the Responsible Entity of Charter Hall Social Infrastructure REIT:

a the consolidated financial statements and notes set out on pages 37 to 66 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 2023 and of its performance for the year ended on that date; and

b there are reasonable grounds to believe that the REIT will be able to pay their debts as and when they become due and payable.

Note D9 (a) confirms that the consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given declarations by the Fund Manager, who performs the Chief Executive Officer function, and the Head of Diversified 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.

Greg Paramor AO
Chair
Sydney
11 August 2023

Independent auditor's report

To the unitholders of Charter Hall Social Infrastructure REIT

Report on the audit of the financial report

Our opinion

In our opinion:

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

(a) giving a true and fair view of the REIT's financial position as at 30 June 2023 and of its financial performance for the year then ended

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

What we have audited

The REIT's financial report comprises:

- the consolidated balance sheet as at 30 June 2023
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated cash flow statement for the year then ended
- the notes to the consolidated financial statements, as contained in the "About this report" section, which include significant accounting policies and other explanatory information
- the directors' declaration to unitholders.

Basis for opinion

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

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

Independence

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

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if

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One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999
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

individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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

Materiality	Audit scope
• For the purpose of our audit we used overall REIT materiality of $2.95 million, which represents approximately 5% of the REIT's operating earnings. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose operating earnings (which is an adjusted profit metric) as the benchmark because, in our view, it is the benchmark against which the performance of the REIT is most commonly measured and is a generally accepted benchmark within the industry. • We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	• Our audit focused on where the REIT made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • We identified separate components of the REIT including its investments in joint ventures. We established an audit strategy for each component. • The audit work performed at the component level, together with additional audit procedures performed at the REIT level provided us with sufficient evidence for our opinion on the financial report as a whole. • In all of our audits, we also address the risk of management override of internal controls, including whether there was evidence of bias by the directors that may represent a risk of material misstatement due to fraud.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties, including those investment properties held in joint ventures accounted for under the equity method *(Refer to About this report section and Note B)* At 30 June 2023, the carrying value of the REIT's investment property portfolio (excluding the investment properties held in joint ventures and the investment properties classified as assets held for sale) was $2,004.3 million (2022: $1,938.2 million), refer to note B1. 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 B1 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 movements that directly impact the consolidated statement of comprehensive income • 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 recent 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 in addition to internal valuers where relevant. Where external valuations were obtained by the REIT, we: • read a selection of the relevant valuation reports prepared by a member of the Australian Property Institute of Valuers 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 used in the investment property valuations to tenancy schedules. For a sample of properties which were assessed at greater risk of material misstatement, we performed the following procedures to assess the appropriateness of certain 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 assumptions, including comparing the capitalisation rates and discount rates (where applicable) 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. In addition to the above, for selected properties under

Key audit matter	How our audit addressed the key audit matter
	development, we: • substantively tested a sample of capital expenditure on development properties during the year; and • performed an assessment of whether their carrying values were representative of their fair values. We assessed the reasonableness of the REIT's disclosures in the financial report against the requirements of Australian Accounting Standards.

Other information

The directors of Charter Hall Social Infrastructure Limited (the Responsible Entity), the Responsible Entity of Charter Hall Social Infrastructure REIT are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Director's Report. We expect the remaining other information to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

pwc

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

Auditor's responsibilities for the audit of the financial report

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

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Ashley Wood

A S Wood
Partner

Sydney
11 August 2023

Fund Manager Remuneration

Travis Butcher, Fund Manager, CQE

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 Fund and individual performance through a balanced scorecard. The scorecard is split into three elements: Financial; Customer; and Culture, Leadership and Collaboration with a 50% financial and 50% non-financial split.

The table on the following page outlines the split of Travis Butcher's current KPIs and the percentage attributed to each element of performance.

For FY23, 75% of the STI award will be delivered in cash and 25% deferred into CQE units as service rights. These service rights are deferred over two years, with 50% vesting at the end of year one (on 31 August 2024) and 50% at the end of year two (31 August 2025).

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

LTI

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

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

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

Role	Financial	Customer	Culture, Leadership and Collaboration
Overall Weighting	50%	30%	20%
KPIs	– Drive fund and portfolio performance to achieve budgeted FY23 financial metrics. – Identify and implement opportunities across the existing portfolio to improve income growth and enhance portfolio WALE to maximise asset values. – Continue to deliver on the broadened fund mandate and improving quality of CQE's income.	– Drive specific customer strategies through key account plan management to foster a well-rounded customer relationship and deliver mutually beneficial outcomes. – Consistent and meaningful engagement with key investors and participation in successful investor roadshows. – Drive progress of sustainability initiatives within the CQE portfolio resulting in improvement in the Fund's ESG performance.	– Ongoing improvement in strategic and operational risk management across the business to ensure compliance with regulatory frameworks. – Drive employee engagement and well-being strategies to create an inclusive team culture, promoting customer excellence and well-being.

Additional Security Exchange Information

As at 21 July 2023

There were 369,520,138 fully paid ordinary units on issue, held by 9,192 unitholders. The voting rights attaching to the ordinary units, set out in section 253C of the *Corporations Act 2001*, are:

a. on a show of hands every person present who is a unitholder has one vote; and

b. on a poll each unitholder present in person or by proxy or attorney has one vote for each dollar of value of the total interests they have in the Trust.

Distribution of unitholders

Holding Ranges	Number of unitholders
1 to 1,000	1,938
1,001 to 5,000	3,058
5,001 to 10,000	1,790
10,001 to 100,000	2,259
100,001 to 9,999,999,999	147
Totals	**9,192**

Substantial unitholders

as at 21 July 2023

Ordinary units	Date of change	Stapled units held	% units held
Charter Hall Limited	12 May 2020	32,957,136	9.45
The Vanguard Group Inc.	24 September 2020	30,353,322	8.42
BlackRock Group	5 November 2021	18,511,089	5.08
State Street Corporation	20 June 2023	18,498,960	5.02

Top 20 unitholders

as at 21 July 2023

Name	Ordinary units held	% units held
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	90,128,008	24.39
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	63,499,389	17.18
THE TRUST COMPANY (AUSTRALIA) LIMITED	31,554,980	8.54
CITICORP NOMINEES PTY LIMITED	24,863,700	6.73
NATIONAL NOMINEES LIMITED	13,473,026	3.65
BNP PARIBAS NOMS PTY LTD	8,550,109	2.31
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD	6,075,082	1.64
NETWEALTH INVESTMENTS LIMITED	3,896,143	1.05
CITICORP NOMINEES PTY LIMITED	3,145,949	0.85
BNP PARIBAS NOMINEES PTY LTD	2,913,973	0.79
ACRES HOLDINGS PTY LTD	2,186,061	0.59
CHARTER HALL WHOLESALE MANAGEMENT LTD	2,000,000	0.54
REDBROOK NOMINEES PTY LTD	1,920,077	0.52
BNP PARIBAS NOMS(NZ) LTD	1,612,657	0.44
REDBROOK NOMINEES PTY LTD	1,266,333	0.34
NEWECONOMY COM AU NOMINEES PTY LIMITED	1,217,107	0.33
NETWEALTH INVESTMENTS LIMITED	1,111,254	0.3
MR ALFRED ZUEGN & MRS ELISABETH ZUEGN	1,000,000	0.27
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	874,431	0.24
MR DAVID STEWART FIELD	800,000	0.22
Total Top 20 Unitholders	**262,088,279**	**70.93**

On-market buy back

There is no current on-market buy back.

Investor Information

How do I invest in Charter Hall Social Infrastructure REIT?

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

Where can I find more information about Charter Hall Social Infrastructure REIT?

Charter Hall Social Infrastructure REIT's website, www.charterhall.com.au/cqe contains extensive information on our Board and Management team, corporate governance, sustainability, property portfolio and all investor communications including distribution and tax information, reports and presentations. 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 Social Infrastructure 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 Social Infrastructure 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 it to Link Market Services Limited. 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. Charter Hall Social Infrastructure REIT no longer pays distributions by cheque.

Can I reinvest my distribution?

The Distribution Reinvestment Plan (DRP) allows you to have your distributions reinvested in additional units in Charter Hall Social Infrastructure REIT, rather than having your distributions paid to you. If you would like to participate in the DRP, you can do so by completing 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 Limited or your sponsoring broker. You can also update your details directly using the facility on the Registry's website www.linkmarketservices.com.au.

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

At the end of each financial year, we issue unitholders with an AMMA Statement. This statement includes information required to complete your 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 Group at the address shown in the Directory. In the event that a complaint cannot be resolved within a reasonable timeframe (usually 45 days), or you are not satisfied with our response, you can seek assistance from the Australian Financial Complaints Authority (AFCA), an external complaints resolution service that has been approved by ASIC. AFCA's contact details are below:

Australian Financial Complaints Authority

GPO Box 3
Melbourne VIC 3001

Phone: 1800 931 678
Email: info@afca.org.au

www.afca.org.au

Contact Details

Registry

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

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

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

Email charterhall.reits@linkmarketservices.com.au

Web www.linkmarketservices.com.au

Investor Relations

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

Charter Hall Social Infrastructure Limited
GPO Box 2704
Sydney NSW 2001

Phone +61 3 9903 6157

Email lula.liossi@charterhall.com.au

Email reits@charterhall.com.au

Web charterhall.com.au

Corporate Directory

Responsible Entity and Manager
Charter Hall Social Infrastructure Limited
ABN 46 111 338 937
AFSL 281544

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

Directors of the Responsible Entity
Greg Paramor AO (Chair), Michael Johnstone, Kate Melrose, Bevan Towning, Sean McMahon and Miriam Patterson

Fund Manager
Travis Butcher

Joint Company Secretaries
Mark Bryant and Travis Butcher

Responsible Entity's office
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Charter Hall

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