Charter Hall Retail REIT

ARSN 093 143 965

Interim financial report

For the period ended 31 December 2020

Important Notice

Contents

Directors' report

The Directors of Charter Hall Retail Management Limited (Responsible Entity or CHRML), the responsible entity of Charter Hall Retail REIT, present their report together with the consolidated financial statements of Charter Hall Retail REIT and its controlled entities (together, the REIT, the Fund) for the period ended 31 December 2020.

Principal activities

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

Directors

The following persons have held office as Directors of the Responsible Entity during the period and up to the date of this report, unless otherwise stated:

- Roger Davis – Chair and Non-Executive Director
- Sue Palmer – Non-Executive Director and Chair of Audit, Risk and Compliance Committee
- Michael Gorman – Non-Executive Director
- David Harrison – Executive Director and Managing Director / Group CEO of Charter Hall
- Greg Chubb – Executive Director and Fund Manager / Retail CEO of Charter Hall

Distributions

Distributions paid or declared by the REIT to unitholders:

	31 Dec 2020 $'m	31 Dec 2019 $'m
Interim distribution for the six months ended 31 December 2020 of 10.70 cents per unit payable on 26 February 2021	**61.1**	-
Interim distribution for the six months ended 31 December 2019 of 14.52 cents per unit paid on 28 February 2020	**-**	64.3
	61.1	64.3

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

Distribution Reinvestment Plan

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

The DRP issue price is determined at a discount of 1.0% to the daily average of the volume weighted average market price of units traded on the ASX during the 15 business days commencing on the third business day following the distribution record date. The REIT expects to raise $11.8 million from the DRP for the 31 December 2020 distribution.

Directors' report (continued)

Review and results of operations

The REIT recorded a statutory profit for the period of $82.8 million (31 December 2019: $66.7 million). Operating earnings amounted to $75.2 million (31 December 2019: $70.2 million). Net cash flow from operating activities for the period was $75.7 million (31 December 2019: $69.2 million).

The REIT's operating earnings increased predominantly as a result of the asset recycling strategy, reflecting the ongoing positive impact of the transition of the portfolio. Net income from wholly owned properties decreased resulting from the divestment of wholly owned assets in prior periods. Net income from joint venture entities increased as a result of investment in Long WALE retail properties offset by divestment of convenience retail properties in prior periods. Finance cost savings are a result of the continuation of the lower interest rate environment and reduced leverage during the period due to equity raised in April 2020.

In the period to 31 December 2020, the REIT's sales and foot traffic through our centres were impacted in Victoria by COVID-19 government mandated trading restrictions and closures over July to October. For all other state sales and foot traffic improved through our centres to levels close to those pre COVID-19 as government closures eased. Tenant support continued to be provided to our specialty tenants during the period in line with the State Governments' legislation (Code of Conduct) and equated to $4.7 million in rental relief in the form of rent free incentives and deferrals (look through including the REIT's share of convenience retail joint ventures: $5.8 million). This is less than the tenant support provided to our specialty tenants in the three months to 30 June 2020 of $8.2 million in the form of rent free incentives and deferrals (look through including the REIT's share of convenience retail joint ventures: $10.7 million).

The continued uncertainty of the impact of COVID-19 has been considered in both our independent and director's valuations. Over the six months from 30 June 2020 to 31 December 2020 the REIT's portfolio valuation increased $45 million or 1.3% due to shopping centre valuations increasing by $34 million or 1.2% (including capital investment of $30 million) and long WALE valuations increasing by $11 million or 1.9%. External valuations were conducted at 31 December 2020 for 59% of the REIT's portfolio, including joint ventures.

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

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

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

	Notes	**6 months to 31 Dec 2020 $'m**	6 months to 31 Dec 2019 $'m
Net property income from wholly owned properties		**69.4**	76.0
Net income from joint venture entities		**13.4**	13.5
Total convenience retail segment income		**82.8**	89.5
Long WALE retail segment income		**11.0**	0.4
Interest income		**0.1**	0.1
Management fees		**(6.3)**	(5.2)
Finance costs		**(10.6)**	(13.1)
Other expenses		**(1.8)**	(1.5)
Operating earnings	A	**75.2**	70.2
COVID-19 tenant support*		**(5.8)**	-
Timing of cash receipts and payments		**6.3**	(1.0)
Net cash flows from operating activities		**75.7**	69.2

* Includes $5.8 million of COVID-19 tenant support provided in the form of rent free incentives and deferrals.

Directors' report (continued)

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

	6 months to 31 Dec 2020 $'m	6 months to 31 Dec 2019 $'m
Net cash flows from operating activities	**75.7**	69.2
COVID-19 tenant support[1]	**5.8**	-
Timing of cash receipts and payments	**(6.3)**	1.0
Operating earnings	**75.2**	70.2
Net revaluation gains on investment properties	**15.4**	5.1
Acquisition related and other costs	**(2.6)**	-
Net gains/(loss) on derivative financial instruments	**0.4**	(1.5)
Loss on sale of investment properties	**(0.8)**	(2.5)
Straight lining of rental income and amortisation of incentives	**(7.2)**	(3.5)
Provision for rent relief[2]	**2.4**	-
Other	**-**	(1.1)
Statutory profit for the period	**82.8**	66.7
Basic weighted average number of units (millions)	**570.9**	441.5
Basic earnings per unit (cents)	**14.50**	15.09
Operating earnings per unit (cents)	**13.17**	15.88
Distribution per unit (cents)	**10.70**	14.52

1 Includes $5.8 million of COVID-19 tenant support provided in the form of rent free incentives and deferrals.

2 Movement in provision for COVID-19 rent relief.

The 31 December 2020 financial results are summarised as follows:

	6 months to 31 Dec 2020	6 months to 31 Dec 2019
Net property income from wholly owned properties ($ millions)	**69.4**	76.0
Net income from convenience retail segment joint venture entities ($ millions)	**13.4**	13.5
Net income from long WALE segment joint venture entities ($ millions)	**11.0**	0.4
Net profit after tax ($ millions)	**82.8**	66.7
Basic earnings per unit (cents)	**14.50**	15.09
Operating earnings ($ millions)	**75.2**	70.2
Operating earnings per unit (cents)	**13.17**	15.88
Distributions ($ millions)	**61.1**	64.3
Distributions per unit (cents)	**10.70**	14.52

	31 Dec 2020	30 Jun 2020
Total assets ($ millions)	**3,190.4**	3,110.1
Total liabilities ($ millions)	**1,035.6**	968.0
Net assets attributable to unitholders ($ millions)	**2,154.8**	2,142.1
Units on issue (millions)	**570.9**	570.9
Net assets per unit ($)	**3.77**	3.75
Balance sheet gearing - total debt (net of cash and derivatives) to total assets (net of cash and derivatives)	**27.0%**	22.7%
Look through gearing - total debt (net of cash and derivatives) to total assets (net of cash and derivatives)	**34.6%**	30.3%

Significant changes in the state of affairs

Joint Venture Arrangements

In July 2020, the REIT increased its long WALE retail investments by acquiring a 52% interest in the Charter Hall Direct CDC Trust (CDC Trust) from a Charter Hall managed fund, for a gross price of $60.1 million. The CDC Trust owns a $218.0 million distribution facility in Edinburgh Park, SA fully leased to Coles Group Limited.

In July 2020, CHRP1 divested West Ryde Marketplace, NSW for a gross price of $56.5 million. Proceeds from the sale were used to fund a $49 million return of capital paid in August 2020. The REIT's share of capital return proceeds was $24.5 million.

Directors' report (continued)

In December 2020, the REIT paid $122.5 million to acquire 50% of the units in CH Dartmouth NZ Wholesale Fund (CDNZW). CDNZW has a 49% indirect interest in 70 long WALE convenience retail assets leased to **bp** New Zealand.

Financing

In August 2020, the REIT extended two of its bilateral facilities that were due to mature in FY2022 with $120.0 million to mature in August 2024 and $75.0 million to mature in August 2025.

In November 2020, the REIT increased one of its facility limits due to mature in August 2025 from $115.0 million to $130.0 million. The maturity was unchanged.

COVID-19 rent relief

The REIT continues to work with tenants impacted by COVID-19 to provide rental relief in line with State Governments' legislation by providing rent free incentives and deferrals. For the period up to 31 December 2020 the REIT provided $4.7 million in rental relief (look through including the REIT's share of convenience retail joint ventures: $5.8 million). This rent relief was comprised of:

	6 months to 31 Dec 2020		Year to 30 June 2020	
	$'m	**$'m**	$'m	$'m
	CQR	**Look through**	CQR	Look through
Rent free incentives	**3.0**	**3.7**	3.6	4.6
Rent free incentives expected to be agreed*	**0.6**	**0.7**	2.3	3.0
Rent deferrals	**1.1**	**1.4**	2.3	3.1
Total	**4.7**	**5.8**	8.2	10.7

* As at 31 December 2020 and 30 June 2020.

Rent free incentives agreed by 31 December 2020 have been treated as lease modifications and are therefore amortised over the life of the lease. If agreements were not finalised by 31 December 2020 the equivalent of the rent free incentive has been expensed as a provision for rent relief.

Likely developments and expected results of operations

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

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

Interests in the REIT

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

	6 months to 31 Dec 2020	Year to 30 Jun 2020
Units on issue at the beginning of the period	**570,944,990**	440,901,884
Units issued during the period		
- via Distribution Reinvestment Plan	**-**	4,368,544
- via Placement issue	**-**	115,617,608
- via Unit Purchase Plan	**-**	10,056,954
Units on issue at the end of the period	**570,944,990**	570,944,990

Value of assets

	31 Dec 2020 $'m	30 Jun 2020 $'m
Value of REIT assets	**3,190.4**	3,110.1

The value of the REIT's assets is derived using the basis set out in the notes to the consolidated financial statements for the period ended 31 December 2020.

Directors' report (continued)

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 10.

Rounding of amounts to the nearest hundred thousand dollars

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

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

Directors' authorisation

The Directors' report is made in accordance with a resolution of the Directors. The financial statements were authorised for issue by the Directors on 12 February 2021. The Directors have the power to amend and re-issue the financial statements.

Roger Davis
Chair
Sydney
12 February 2021

Auditor's Independence Declaration

As lead auditor for the review of Charter Hall Retail REIT for the half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been:

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

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

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

R.W.McMahon

R W McMahon
Partner
PricewaterhouseCoopers

Sydney
12 February 2021

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Consolidated statement of comprehensive income

	Notes	6 months to 31 Dec 2020 $'m	6 months to 31 Dec 2019 $'m
Revenue			
Property income	A1	**96.2**	106.7
Interest income		**0.1**	0.1
Total revenue		**96.3**	106.8
Other income			
Share of net profit from joint venture entities	B2	**33.8**	15.4
Net gain on movement in fair value of investment properties		**6.0**	3.4
Net gain from derivative financial instruments		**1.5**	-
Unrealised foreign exchange gains		**0.3**	-
Total revenue and other income		**137.9**	125.6
Expenses			
Property expenses		**(33.9)**	(34.6)
Net loss from derivative financial instruments		**-**	(0.8)
Net loss on disposal of investment properties		**(0.5)**	(2.5)
Management fees		**(6.3)**	(5.2)
Finance costs		**(11.7)**	(14.3)
Acquisition related and other costs		**(2.6)**	-
Provision for rent relief*		**1.7**	-
Other expenses		**(1.8)**	(1.5)
Total expenses		**(55.1)**	(58.9)
Profit for the period		**82.8**	66.7
Other comprehensive income**			
Change in the fair value of cash flow hedges		**(9.0)**	(0.2)
Other comprehensive income		**(9.0)**	(0.2)
Total comprehensive income for the period		**73.8**	66.5
Basic and diluted earnings per ordinary unitholder of the REIT			
Earnings per unit (cents)	A2	**14.50**	15.09

* Movement in provision for COVID rent relief.

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

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

Consolidated balance sheet

	Notes	31 Dec 2020 $'m	30 Jun 2020 $'m
Assets			
Current assets			
Cash and cash equivalents		**10.6**	80.5
Receivables and other assets		**20.3**	18.0
Derivative financial instruments	C2	**4.6**	5.2
Prepayments		**3.2**	1.0
Total current assets		**38.7**	104.7
Non-current assets			
Investment properties	B1	**2,267.7**	2,240.3
Investments in joint venture entities	B2	**838.4**	665.9
Derivative financial instruments	C2	**45.6**	99.2
Total non-current assets		**3,151.7**	3,005.4
Total assets		**3,190.4**	3,110.1
Liabilities			
Current liabilities			
Payables and other liabilities		**39.1**	29.4
Distribution payable	A2	**61.1**	57.1
Derivative financial instruments	C2	**-**	11.9
Total current liabilities		**100.2**	98.4
Non-current liabilities			
Borrowings	C1	**882.7**	830.4
Derivative financial instruments	C2	**52.7**	39.2
Total non-current liabilities		**935.4**	869.6
Total liabilities		**1,035.6**	968.0
Net assets		**2,154.8**	2,142.1
Equity			
Contributed equity	C3	**2,846.2**	2,846.2
Reserves	C3	**(7.5)**	1.5
Accumulated losses		**(683.9)**	(705.6)
Total equity		**2,154.8**	2,142.1

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

	Notes	Contributed equity $'m	Reserves $'m	Accumulated losses $'m	Total $'m
Total equity at 1 July 2019		2,428.8	0.3	(628.4)	1,800.7
Profit for the period		-	-	66.7	66.7
Other comprehensive income		-	(0.2)	-	(0.2)
Total comprehensive (loss)/ income for the period		-	(0.2)	66.7	66.5
Transactions with unitholders in their capacity as unitholders					
- Contributions of equity, net of issue costs	C3	7.3	-	-	7.3
- Distributions paid and payable	A2	-	-	(64.3)	(64.3)
Total equity at 31 December 2019		2,436.1	0.1	(626.0)	1,810.2
Total equity at 1 July 2020		**2,846.2**	**1.5**	**(705.6)**	**2,142.1**
Profit for the period		**-**	**-**	**82.8**	**82.8**
Other comprehensive loss		**-**	**(9.0)**	**-**	**(9.0)**
Total comprehensive (loss)/income for the period		**-**	**(9.0)**	**82.8**	**73.8**
Transactions with unitholders in their capacity as unitholders					
- Distributions paid and payable	A2	**-**	**-**	**(61.1)**	**(61.1)**
Total equity at 31 December 2020		**2,846.2**	**(7.5)**	**(683.9)**	**2,154.8**

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

Consolidated cash flow statement

	6 months to 31 Dec 2020 $'m	6 months to 31 Dec 2019 $'m
Cash flows from operating activities		
Property income received	**113.2**	127.0
Property expenses paid	**(34.8)**	(40.1)
Distributions received from investment in joint venture entities	**22.3**	8.8
Other operating expenses paid	**(8.0)**	(7.0)
Finance costs paid	**(10.6)**	(12.7)
Interest and other income	**0.1**	0.1
Net GST paid to ATO on operating activities	**(6.6)**	(7.1)
Net GST received from ATO on investing activities	**0.1**	0.2
Net cash flows from operating activities	**75.7**	69.2
Cash flows from investing activities		
Proceeds from sale of investment properties and units in a fixed trust	**-**	104.7
Payments for investment properties, joint ventures and capital expenditure	**(212.7)**	(201.2)
Capital distribution received from joint venture entity	**24.5**	-
Net cash flows from investing activities	**(188.2)**	(96.5)
Cash flows from financing activities		
Proceeds from borrowings	**217.0**	201.0
Repayment of borrowings	**(105.5)**	(111.0)
Settlement of interest rate swaps	**(11.9)**	-
Distributions paid to unitholders, net of DRP	**(57.0)**	(56.5)
Net cash flows from financing activities	**42.6**	33.5
Net (decrease)/increase in cash held	**(69.9)**	6.2
Cash and cash equivalents at the beginning of the period	**80.5**	4.8
Cash and cash equivalents at the end of the period	**10.6**	11.0

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

About this report

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

- **Fund performance** – provides key metrics used to define financial performance.
- **Property portfolio assets** – explains the structure of the investment property portfolio and investments in joint ventures.
- **Capital structure** – details of the REITs capital structure.
- **Further information** – provides additional disclosures not included in previous sections but relevant in understanding the financial statements.

A. Fund performance

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

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

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

Coronavirus (COVID-19) impact

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

- the extent and duration of the disruption to the REIT's tenant customers arising from the actions by governments, businesses and consumers to contain the spread of the virus;
- the extent and duration of the expected economic downturn, including:
  - the disruption to capital markets;
  - deteriorating credit and liquidity concerns, impacting the ability of the REIT's speciality tenants to meet their rental obligations; and
  - increasing unemployment and declines in consumer discretionary spending;
  - availability and effectiveness of vaccines which are expected to be rolled out in 2021;

  which the REIT will continue to monitor and adapt as new information is available;
- the effectiveness of government and central bank measures that have and will be put in place to support businesses and consumers through this disruption and economic downturn; and
- judgements in property valuations such as letting up time, incentives provided and vacancy.

In the period to 31 December 2020, the REIT's sales and foot traffic through our centres were impacted in Victoria by COVID-19 government mandated trading restrictions and closures over July to October. For all other state sales and foot traffic improved through our centres to levels close to those pre COVID-19 as government closures eased. Tenant support continued to be provided to our specialty tenants during the period in line with the State Governments' legislation (Code of Conduct) and equated to $4.7 million in rental relief in the form of rent free incentives and deferrals (look through including the REIT's share of convenience retail joint ventures: $5.8 million). This is less than the tenant support provided to our specialty tenants in the three months to 30 June 2020 of $8.2 million in the form of rent free incentives and deferrals (look through including the REIT's share of convenience retail joint ventures: $10.7 million).

The continued uncertainty of the impact of COVID-19 has been considered in both our independent and director's valuations. Over the six months from 30 June 2020 to 31 December 2020 the REIT's portfolio valuation increased $45 million or 1.3% due to shopping centre valuations increasing by $34 million or 1.2% (including capital investment of $30 million) and long WALE valuations increasing by $11 million or 1.9%. External valuations were conducted at 31 December 2020 for 59% of the REIT's portfolio, including joint ventures.

In response to the increased estimation uncertainty the REIT has assessed the carrying values of its assets and liabilities in light of COVID-19. Specific areas of assessment include impairment testing, refining methodologies and calculation of expected credit losses, fair value measurement of investment properties and associated disclosures within the financial statements.

The REIT has developed various accounting estimates in this report based on forecasts of economic conditions which reflect expectations and assumptions as at 31 December 2020 about future events that the Directors believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing forecasts. The underlying assumptions are also subject to uncertainties which are often outside the control of the REIT. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in this report.

A. Fund performance (continued)

A1. Segment information

(a) Description of segments

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

Convenience Retail

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

Long WALE Retail Property

This segment comprises long WALE retail investment properties held through investments in joint venture entities.

The value of investments, income and expenses are included based on the REIT's ownership percentage. Investment properties are presented on the basis set out in Note B1. All other assets and liabilities are presented on a consolidated basis, in line with the consolidated balance sheet. This is consistent with the manner in which the information is presented to the Board in its capacity as chief operating decision maker.

(b) Segment information provided to the Board

The operating earnings and net cash flows from operating activities reported to the Board for the operating segments for the periods ended 31 December 2020 and 31 December 2019 are as follows:

	6 months to 31 Dec 2020 $'m	6 months to 31 Dec 2019 $'m
Convenience retail segment		
Property rental income	74.8	84.2
Other income	21.4	22.5
Add back: non-cash adjustments	7.1	3.9
Property expenses	(33.9)	(34.6)
Net income from joint venture entities	13.4	13.5
Total convenience retail segment income	**82.8**	89.5
Long WALE retail segment income	**11.0**	0.4
Total segment income	**93.8**	89.9
Interest income	0.1	0.1
Management fees	(6.3)	(5.2)
Finance costs	(10.6)	(13.1)
Other expenses	(1.8)	(1.5)
Operating earnings	**75.2**	70.2
COVID-19 tenant support*	(5.8)	-
Timing of cash receipts and payments	6.3	(1.0)
Net cash flows from operating activities	**75.7**	69.2

* Includes $5.8 million of COVID-19 tenant support provided in the form of rent free incentives and deferrals.

Property rental income

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

Amounts receivable under non-cancellable operating leases where the REIT's right to consideration for a service directly corresponds with the value of the service provided to the customer have not been included (for example, variable amounts payable by tenants for their share of the operating costs of the asset).

Lease modification

Rent free incentives agreed by 31 December have been treated as lease modifications. The impact of modification accounting is that the reduced rental income will be recognised on a straight-line basis over the remaining lease term. If agreements were not finalised by 31 December the equivalent of the rent free incentive has been expensed as provision for rent relief.

A. Fund performance (continued)

Other income

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

Property expenses

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

A reconciliation of net cash flows from operating activities and operating earnings to statutory profit after tax is set out below:

	6 months to 31 Dec 2020 $'m	6 months to 31 Dec 2019 $'m
Net cash flows from operating activities	**75.7**	69.2
COVID-19 tenant support[1]	**5.8**	-
Timing of cash receipts and payments	**(6.3)**	1.0
Operating earnings	**75.2**	70.2
Net revaluation gains on investment properties	**15.4**	5.1
Net gain/(loss) on derivative financial instruments	**0.4**	(1.5)
Loss on sale of investment properties	**(0.8)**	(2.5)
Straight lining of rental income and amortisation of incentives	**(7.2)**	(3.5)
Acquisition related and other costs	**(2.6)**	-
Provision for rent relief[2]	**2.4**	-
Other	**-**	(1.1)
Statutory profit for the period	**82.8**	66.7
Basic weighted average number of units (millions)	**570.9**	441.5
Basic earnings per unit (cents)	**14.50**	15.09
Operating earnings per unit (cents)	**13.17**	15.88
Distribution per unit (cents)	**10.70**	14.52

1 Includes $5.8 million of COVID-19 tenant support provided in the form of rent free incentives and deferrals.

2 Movement in provision for COVID rent relief.

A2. Distributions and earnings per unit

(a) Distributions paid and payable

	Distribution Cents per unit	**Total amount $'m**
Ordinary unitholders		
Distributions for the half year ended:		
31 December 2020 (payable 26 February 2021)*	**10.70**	**61.1**
	10.70	**61.1**
Ordinary unitholders		
Distributions for the half year ended:		
31 December 2019 (paid 28 February 2020)	14.52	64.3
	14.52	64.3

* The distribution of 10.70 cents per unit for the six months period ended 31 December 2020 was declared prior to 31 December 2020 and will be paid on 26 February 2021.

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. Fund performance (continued)

(b) Earnings per unit

	6 months to 31 Dec 2020	6 months to 31 Dec 2019
Basic earnings per ordinary unitholder of the REIT		
Earnings per unit (cents)	**14.50**	15.09
Operating earnings per unit (cents)	**13.17**	15.88
Earnings used in the calculation of basic earnings per unit		
Net profit for the period ($'m)	**82.8**	66.7
Operating earnings for the period ($'m)	**75.2**	70.2
Weighted average number of units used in the calculation of basic earnings per unit (millions)*	**570.9**	441.5

* 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 period.

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

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

B. Property portfolio assets

The REIT's property portfolio assets comprise directly held investment properties and indirectly held interests in investment properties held through joint ventures. 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 comprise indirect interests in investment properties held by a separate legal entity to the REIT.

The following table summarises the property portfolio assets detailed in this section, including those directly owned and the REIT's ownership share of the properties indirectly held:

	Notes	31 Dec 2020 $'m	30 Jun 2020 $'m
Non-current assets			
Investment properties	B1	**2,267.7**	2,240.3
Joint venture investment property	B2	**1,235.7**	983.2
Joint venture adjustment*	B2	**(397.3)**	(317.3)
Total non-current assets		**3,106.1**	2,906.2
Property portfolio assets, including interests in joint venture		**3,106.1**	2,906.2

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

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.

(a) Valuation process

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

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

As at 31 December 2020, 59% of non-development investment properties, including joint ventures, (excluding assets held for sale) were externally valued.

(b) Valuation techniques and key judgements

In determining the fair value of investment properties, management has considered the nature, characteristics and risks of its investment properties. Such risks include but are not limited to the property cycle, structural changes in retail and the current and future macro-economic environment. In particular, the impact of COVID-19 on underlying tenant businesses and markets has led to heightened estimation uncertainty in the key assumptions and inputs applied to the REIT's investment properties. The table below identifies the assumptions and inputs, which are not based on observable market data, used to measure the fair value (level 3) of the investment properties:

	Fair value $'m	Gross market rent ($ p.a./sqm)	Adopted capitalisation rate (%)	Adopted terminal yield (%)	Adopted discount rate (%)
Dec 2020	**2,267.7**	**159 - 677**	**4.9 - 7.3**	**4.9 - 7.5**	**6.0 - 8.0**
Jun 2020	2,240.3	159 - 673	4.8 - 8.3	4.9 - 8.5	6.0 - 9.3

B. Property portfolio assets (continued)

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

The movement in capitalisation rate is considered by the REIT as the most significant assumption to impact the fair value of investment properties. For CQR wholly owned investment properties if the capitalisation rate expanded by 25 basis points, fair value would reduce by $87.4 million from the fair value as at 31 December 2020 (including the REIT's share of joint venture properties $139.7 million). And if the capitalisation rate compressed by 25 basis points, fair value would increase by $94.7 million from the fair value as of 31 December 2020 (including the REIT's share of joint venture properties $151.8 million).

In addition to the above, all valuations have considered the impact of COVID-19 including an estimate of rent relief to be provided to tenants under the Commercial Leases Code of Conduct.

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

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

	6 months to 31 Dec 2020 $'m	12 months to 30 Jun 2020 $'m
Carrying amount at the beginning of the period	**2,240.3**	2,388.6
Add back prior period held for sale	**-**	60.7
Additions and capital improvements	**29.0**	44.1
Net revaluation increment/(decrement)	**5.7**	(67.9)
Straight lining and amortisation of lease incentives	**(7.3)**	(7.9)
Disposals	**-**	(177.3)
Carrying amount at the end of the period	**2,267.7**	2,240.3

B2. Investment in joint venture entities

The REIT accounts for investments in joint venture entities using the equity method. The REIT exercises joint control over the joint venture entities, but neither the REIT nor its joint venture partners have control in their own right, irrespective of their ownership interest. The principal activity of all joint venture entities during the period was property investment.

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

B. Property portfolio assets (continued)

Information relating to the joint venture entities is detailed below:

Joint venture entity	Country of establishment	Principal activity	Ownership interest 31 Dec 2020 %	Ownership interest 30 Jun 2020 %
Charter Hall Retail Partnership No.1 Trust (CHRP1)	Australia	Property investment	**50.0%**	50.0%
Charter Hall Retail Partnership No.2 Trust (CHRP2)	Australia	Property investment	**49.9%**	49.9%
Charter Hall Retail Partnership No.6 Trust (CHRP6)	Australia	Property investment	**20.0%**	20.0%
CH Dartmoor Wholesale Fund (CHDWF)	Australia	Property investment	**47.5%**	47.5%
CH Gateway Plaza Trust (CHGWT)	Australia	Property investment	**50.0%**	50.0%
CH Salamander Bay Square Trust (CHSBT)	Australia	Property investment	**50.5%**	50.5%
Charter Hall Direct CDC Trust (CHCDC)*	Australia	Property investment	**52.0%**	-
CH Dartmouth NZ Wholesale Fund (CDNZW)**	Australia	Property investment	**50.0%**	-

* In July 2020, the REIT acquired 52.0% of the units of CHCDC for $60.1 million classified as a Joint Venture.

** In December 2020, the REIT acquired 50.0% of the units of CDNZW for $122.5 million classified as a Joint Venture.

(a) Gross equity accounted value of investment in joint venture entities

	6 months to 31 Dec 2020 $'m	Year to 30 Jun 2020 $'m
Balance at the beginning of the period	**665.9**	382.8
Acquisition of interest in joint ventures	**182.6**	251.7
Share of profits and net property valuation gains	**33.8**	42.0
Impairment of joint venture acquisition costs	**-**	(4.3)
Distributions paid and payable	**(47.6)**	(31.5)
Distribution reinvested	**3.4**	4.7
Equity calls	**1.0**	22.0
Other	**(0.7)**	(1.5)
Balance at the end of the period	**838.4**	**665.9**

(b) Share of results attributable to joint venture entities

The tables below provide summarised information about the financial performance of the joint venture entities as a whole as at 31 December 2020, not the REIT's proportionate share. Those investments that are not individually material to the REIT have been included in aggregate in the column 'Other Shopping Centre Investments' (Other SCI) and 'Long WALE Investments' (Long WALE).

B. Property portfolio assets (continued)

6 months to 31 Dec 2020	CHRP1 100% interest $'m	CHRP2 100% interest $'m	Other SCI 100% interest $'m	Long WALE 100% interest* $'m	Total 100% interest $'m
Income					
Property income	20.3	9.3	25.0	7.2	61.8
Share of net profit from associates	-	-	-	23.6	23.6
Property expenses	(7.2)	(2.5)	(7.1)	(1.0)	(17.8)
Net property income	13.1	6.8	17.9	29.8	67.6
Finance costs	(2.7)	(1.2)	(1.2)	(6.9)	(12.0)
Other expenses	(1.0)	(0.5)	(0.7)	(0.2)	(2.4)
Total expenses	(3.7)	(1.7)	(1.9)	(7.1)	(14.4)
Operating earnings	9.4	5.1	16.0	22.7	53.2
Net revaluation increment/(decrement) on investment properties	(2.5)	(2.6)	3.5	23.1	21.5
Loss on disposal	(0.6)	-	-	-	(0.6)
Net unrealised loss on derivative financial instruments	0.3	0.1	0.1	(0.2)	0.3
Provision for rent relief	0.5	0.3	0.7	-	1.5
Other	1.6	(0.9)	(0.9)	(1.0)	(1.2)
Statutory profit for the period	8.7	2.0	19.4	44.6	74.7
Total comprehensive income	8.7	2.0	19.4	44.6	74.7
REIT's interest in total comprehensive income	4.4	1.0	7.1	21.3	33.8

* In July 2020, the REIT acquired 52.0% of the units of CHCDC. The above table shows the financial performance of CHCDC from 16 July 2020 to 31 December 2020. In December 2020, the REIT acquired 50.0% of the units of CDNZW. The above table shows the financial performance of CDNZW from 22 December 2020 to 31 December 2020.

6 months to 31 Dec 2019	CHRP1 100% interest $'m	CHRP2 100% interest $'m	Other SCI 100% interest $'m	Long WALE 100% interest $'m	Total 100% interest $'m
Income					
Property income	23.7	9.8	19.5	-	53.0
Share of net profit from associates	-	-	-	1.6	1.6
Property expenses	(7.8)	(2.5)	(5.3)	-	(15.6)
Net property income	15.9	7.3	14.2	1.6	39.0
Finance costs	(3.5)	(1.8)	(1.1)	(0.4)	(6.8)
Other expenses	(1.2)	(0.5)	(0.4)	-	(2.1)
Total expenses	(4.7)	(2.3)	(1.5)	(0.4)	(8.9)
Operating earnings	11.2	5.0	12.7	1.2	30.1
Net revaluation increment/(decrement) on investment properties	2.5	-	2.0	-	4.5
Net unrealised loss on derivative financial instruments	0.3	0.6	0.6	-	1.5
Other	(0.9)	(0.5)	0.1	-	(1.3)
Statutory profit for the period	13.1	5.1	15.4	1.2	34.8
Total comprehensive income	13.1	5.1	15.4	1.2	34.8
REIT's interest in total comprehensive income	6.5	2.4	6.1	0.4	15.4

B. Property portfolio assets (continued)

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

The tables below provide summarised information about the financial position of the joint venture entities as a whole as at 31 December 2020, not the REIT's proportionate share. Those investments that are not individually material to the REIT have been included in aggregate in the column 'Other SCI'. Materiality is assessed on the investments' contribution to the REIT's income and net assets.

31 Dec 2020	CHRP1 100% interest $'m	CHRP2 100% interest $'m	Other SCI 100% interest $'m	Long WALE 100% interest $'m	Total 100% interest $'m
Summarised balance sheet:					
Current assets*	**5.7**	**2.7**	**8.3**	**14.3**	**31.0**
Investment properties - non-current assets	**455.9**	**217.5**	**615.2**	**218.1**	**1,506.7**
Investment in units - non-current assets	**-**	**-**	**-**	**1,190.1**	**1,190.1**
Current liabilities	**9.5**	**5.3**	**10.9**	**13.3**	**39.0**
Derivative financial instruments - non-current liabilities	**7.2**	**3.5**	**3.0**	**12.1**	**25.8**
Borrowings - non-current liabilities	**159.3**	**62.1**	**93.9**	**524.1**	**839.4**
Net assets	**285.6**	**149.3**	**515.7**	**873.0**	**1,823.6**
REIT's interest in %	**50.0**	**49.9**	**Various**	**Various**	
REIT's interest in $'m and carrying value	**142.8**	**74.5**	**195.0**	**426.1**	**838.4**

* In July 2020, CHRP1 divested West Ryde Marketplace, NSW for a gross price of $56.5 million. The property was held for sale as at 30 June 2020.

30 Jun 2020	CHRP1 100% interest $'m	CHRP2 100% interest $'m	Other SCI 100% interest $'m	Long WALE 100% interest $'m	Total 100% interest $'m
Summarised balance sheet:					
Current assets	105.3	27.8	16.0	12.0	161.1
Investment properties - non-current assets	453.7	216.0	596.0	-	1,265.7
Investment in units - non-current assets	-	-	-	924.1	924.1
Current liabilities	10.2	4.2	6.6	9.6	30.6
Derivative financial instruments - non-current liabilities	7.5	4.0	3.1	11.8	26.4
Borrowings - non-current liabilities	206.1	87.8	97.6	424.9	816.4
Net assets	335.2	147.8	504.7	489.8	1,477.5
REIT's interest in %	50.0	49.9	Various	47.5	
REIT's interest in $'m and carrying value	167.6	73.8	191.8	232.7	665.9

B3. Expenditure commitments

The REIT and joint venture entities may enter into contracts for the acquisition, construction and development of properties in Australia. The commitments of the REIT in relation to such contracts are $13.1 million (2020: $6.2 million). The REIT's share in the commitments of the joint venture entities is $1.9 million (2020: $0.8 million). These commitments have not been reflected in the consolidated financial statements of the REIT.

Unless otherwise disclosed in the consolidated financial statements, there have been no material changes to the REIT's commitments or contingent liabilities since the last consolidated financial statements.

C. Capital structure

C1. Borrowings and liquidity

	31 Dec 2020				30 Jun 2020			
	Current $'m	**Non-current $'m**	**Total carrying amount $'m**	**Fair value $'m**	Current $'m	Non-current $'m	Total carrying amount $'m	Fair value $'m
US Private Placement notes*	**-**	**454.8**	**454.8**	**430.1**	-	513.6	513.6	484.3
Bank loan - term debt**	**-**	**427.9**	**427.9**	**438.2**	-	316.8	316.8	316.9
Total unsecured borrowings	**-**	**882.7**	**882.7**	**868.3**	-	830.4	830.4	801.2
Undrawn bank facility			**293.3**				389.5	

* Includes a fair value hedge adjustment of $32.5 million (30 June 2020: $42.8 million).

** Includes unamortised transaction costs of $ 3.8 million (30 June 2020: $ 3.7 million).

US Private Placement notes

Information about USPP notes is summarised in the table below:

	US dollar fixed coupon	**Issue date**	**Maturity date**	**Australian dollar equivalent at issue date $'m**	**Carrying amount 31 Dec 2020 $'m**
USPP	3.55%	July 2015	July 2027	251.6	**259.9**
USPP	3.76%	May 2016	May 2026	177.4	**162.4**
Total exposure				429.0	**422.3**
Fair value hedge adjustment				-	**32.5**
Total				429.0	**454.8**

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

Bank loans – Bilateral revolving facility agreements

Maturity date	**Facility limits $'m**	**Drawn amount at 31 Dec 2020 $'m**
July 2022	150.0	**-**
July 2023	75.0	**60.0**
November 2023	75.0	**75.0**
November 2023	95.0	**94.5**
August 2023	50.0	**50.0**
August 2024	150.0	**30.0**
August 2025	130.0	**122.2**
	725.0	**431.7**

In August 2020, the REIT extended two of its bilateral facilities that were due to mature in FY2022 with $120.0 million to mature in August 2024 and $75.0 million to mature in August 2025.

C. Capital structure (continued)

C2. Derivative financial instruments

Amounts reflected in the financial statements are as follows:

Consolidated balance sheet	31 Dec 2020		30 Jun 2020	
	Asset $'m	**Liability $'m**	Asset $'m	Liability $'m
Current				
Interest rate swaps	**-**	**-**	-	11.9
Cross currency swaps	**4.6**	**-**	5.2	-
Total current derivative financial instruments	**4.6**	**-**	5.2	11.9
Non-current				
Interest rate swaps	**12.3**	**19.6**	13.3	19.5
Cross currency swaps	**33.3**	**12.3**	85.9	-
Foreign exchange contract	**-**	**20.8**	-	19.7
Total non-current derivative financial instruments	**45.6**	**52.7**	99.2	39.2
Total derivative financial assets/liabilities	**50.2**	**52.7**	104.4	51.1

Valuation techniques used to derive level 2 fair values

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

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

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

C3. Contributed equity and reserves

(a) Contributed equity

No. of units	Details	Date of income entitlement	6 months to 31 Dec 2020 $'m	Year to 30 Jun 2020 $'m
440,901,884	Units on issue	30 June 2019		2,428.8
1,639,572	DRP issue	30 August 2019		7.3
20,790,021	Placement issue*	25 February 2020		98.3
2,728,972	DRP issue	28 February 2020		12.2
94,827,587	Placement issue*	30 April 2020		270.5
10,056,954	Unit purchase plan*	28 May 2020		29.1
570,944,990	**Units on issue**	**31 December 2020**	**2,846.2**	2,846.2

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

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

Distribution Reinvestment Plan (DRP)

The REIT has established a DRP under which unitholders may elect to have all or part of their distribution entitlements satisfied by the issue of new units rather than being paid in cash. The DRP issue price is determined at a discount of 1.0% to the daily average of the volume weighted average market price of units traded on the ASX during the 15 business days commencing on the third business day following the distribution record date. The REIT expects to raise $11.8 million from the DRP for the 31 December 2020 distribution.

D. Further information (continued)

D. Further information

This section provides additional disclosures which are not covered in the previous sections.

D1. Working capital

The REIT maintains a proactive cash management practice of using excess available cash to reduce drawn revolving debt facilities. This practice, when combined with the REIT's distribution liability at the end of the reporting period, results in the excess of current liabilities over current assets of $61.5 million.

The entity has readily accessible credit facilities with $293.3 million of undrawn non-current debt facilities at 31 December 2020 and operating cash flows to meet current liabilities. The REIT does not foresee any issues in meeting the current liabilities over the course of the next 12 months, and therefore, these financial statements have been prepared on a going concern basis.

D2. Events occurring after balance date

No events occurred after the balance date.

D3. Other significant accounting policies

(a) Basis of preparation

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

This general purpose interim financial report for the period ended 31 December 2020 has been prepared in accordance with the REIT's constitution, Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The interim financial report does not include all notes normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the Charter Hall Retail REIT during the period ended 31 December 2020 in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

(d) Comparative information

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

(e) Rounding of amounts

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

(f) Changes in accounting standards

The REIT has applied the following standards and amendments for the first time in this financial report. The REIT did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards:

- AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material [AASB 101 and AASB 108]*
- AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform [AASB 9, AASB 139 and AASB 7]*
- AASB 2019-5 *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet issued in Australia [AASB 1054]*

Directors' declaration to unitholders

In the opinion of the Directors of Charter Hall Retail Management Limited, the Responsible Entity of Charter Hall Retail REIT:

a the consolidated financial statements and notes set out on pages 10 to 26 are in accordance with the *Corporations Act 2001*, including:

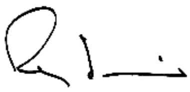
   i complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   ii giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the period ended on that date; and

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

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

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



Roger Davis
Chair
Sydney

12 February 2021

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

Report on the interim financial report

Conclusion

We have reviewed the interim financial report of Charter Hall Retail REIT (the REIT) and the entities it controlled during the half-year (together the consolidated entity), which comprises:

- the consolidated balance sheet as at 31 December 2020
- the consolidated statement of comprehensive income for the period then ended
- the consolidated statement of changes in equity for the period then ended
- the consolidated cash flow statement for the period then ended
- the notes to the consolidated financial statements, as contained in the "About this report" section, which include a summary of significant accounting policies and the information in the "About this report" section
- the directors' declaration to unitholders.

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

1. giving a true and fair view of the REIT's financial position as at 31 December 2020 and of its performance for the half-year ended on that date

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

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

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

Responsibility of the directors for the interim financial report

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

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

Our responsibility is to express a conclusion on the interim financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the REIT's financial position as at 31 December 2020 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

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R.W. McMahon

R W McMahon
Partner

Sydney
12 February 2021