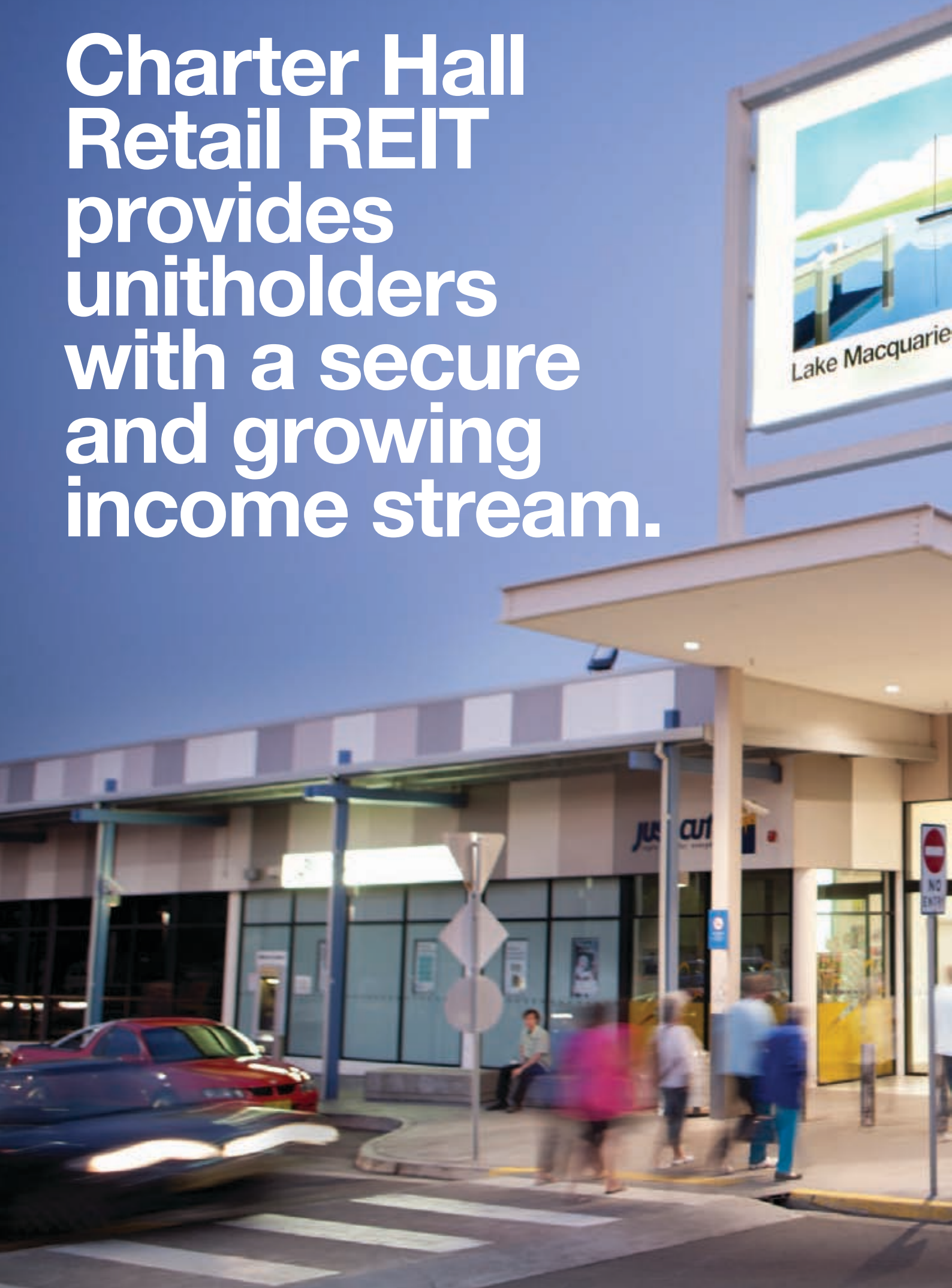


Charter Hall Retail REIT

Annual Report 2013



**Charter Hall
Retail REIT
provides
unitholders
with a secure
and growing
income stream.**



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Meeting of Unitholders

The 2013 Meeting of Unitholders will be held at the Westin Hotel, Ballroom 1, No.1 Martin Place, Sydney on Thursday, 31 October 2013 at 10am.

Lake Macquarie Fair,
Lake Macquarie NSW

Cover: Singleton Square,
Singleton NSW

Key Results

Operating earnings per unit

**29.77
cpu**

up 3.3% on prior
corresponding year

Australian portfolio value

**\$1.7
billion**

Statutory profit

\$52.6 million

Operating earnings

\$96.4 million

Net tangible assets (NTA)

\$1,121 million

\$3.32 per unit

Distributions per unit

26.80 cpu

Total portfolio balance
sheet gearing

33.4%¹

Australian balance
sheet gearing

29.7%¹

Same property NOI growth

2.8%

Occupancy

98.2%

Specialty rental rate growth

3.1%

Number of Australian
grocery anchored properties

74

Number of specialty tenants

1,265

Gross lettable area
(GLA) (sqm)

472,000

Key Achievements

Strategy	Achievements
Growing our Australian business	<ul style="list-style-type: none"> Acquired three properties for \$101 million at an average initial yield of 9.6%. Post balance date, acquired the Secret Harbour shopping centre for \$33.2 million. Official opening of the \$62 million Singleton Square redevelopment, which added an additional 10,076 sqm of retail space. Australian portfolio represents 97%¹ of the REIT's NTA.
Delivering a secure and growing income stream from our Australian portfolio	<ul style="list-style-type: none"> Maintained occupancy at 98.2%. Delivered same property NOI growth of 2.8%. Completed 139 lease renewals and 187 new leases to achieve specialty rent growth of 3.1%.
Proactively managing our capital	<ul style="list-style-type: none"> Sold two non-core household retail assets, the final US joint venture and one US wholly owned property for a combined value of \$118 million. Contracted the sale of the Polish assets for €174.5 million, with this sale forecast to realise net proceeds of A\$60 million. Renegotiated the REIT's debt facility, extending its term to August 2018 and increasing the facility limit to \$425 million at reduced margins.

We have continued to deliver on our strategy.

¹ Restated for post balance date events – sale of Polish portfolio, Australian interest rate swap restructure, Secret Harbour acquisition and sale of Home HQ Nunawading.

About Us

With a focus on supermarket anchored non-discretionary retail, we manage a \$1.7 billion Australian retail portfolio.

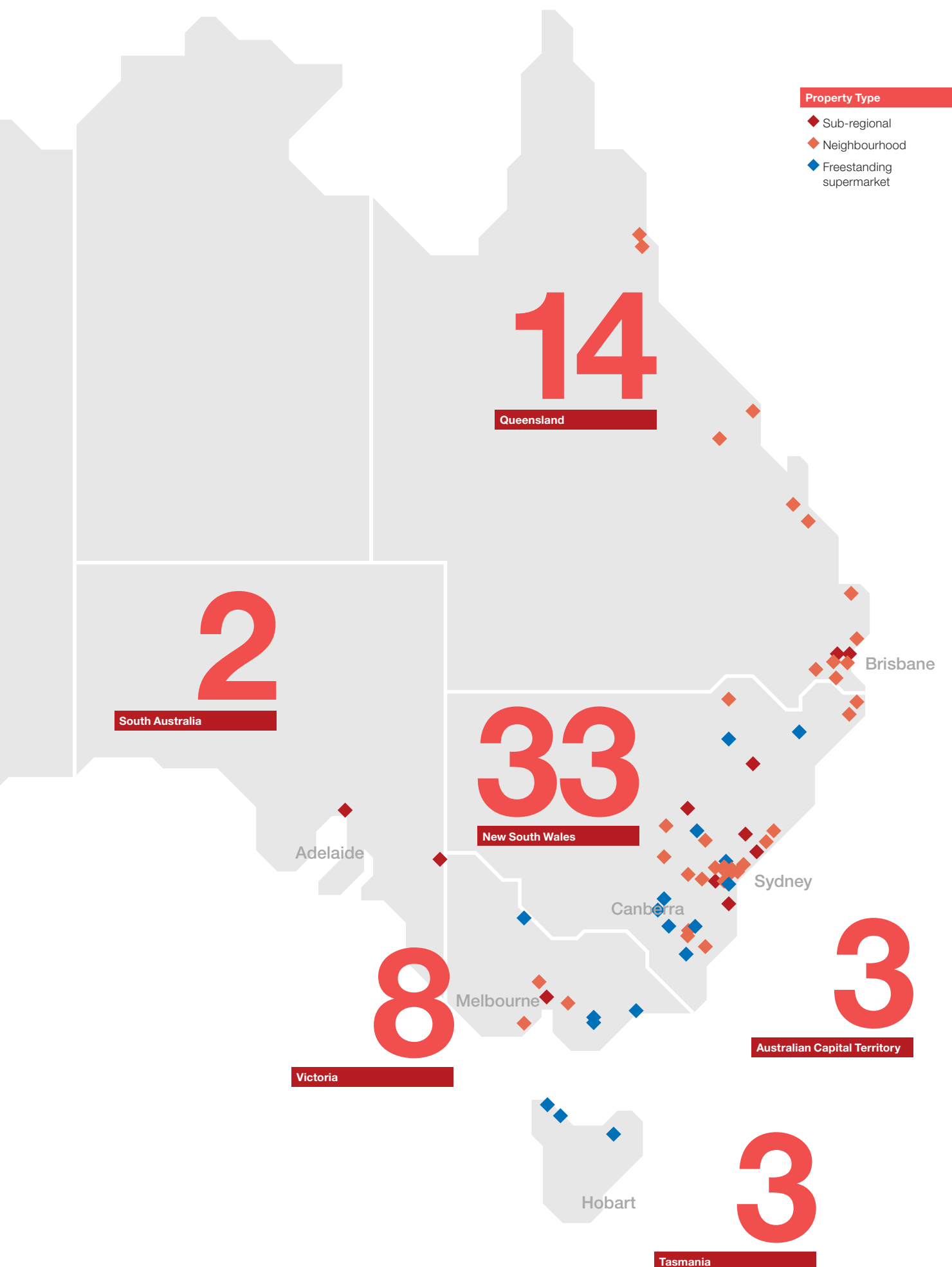
We optimise returns for our investors and create enjoyable environments for the 100 million shoppers who visit our centres each year, by providing end-to-end property services to our entire portfolio.



Charter Hall Retail REIT invests in a portfolio of high quality Australian supermarket anchored neighbourhood and sub-regional shopping centres.

Our Australian portfolio is geographically diverse and benefits from exposure to key markets along the eastern seaboard and across a number of key growth regions in Western Australia and Queensland.

Charter Hall Retail REIT is managed by Charter Hall Group (ASX:CHC), one of Australia's leading property groups that owns and manages office, retail and industrial properties. Charter Hall has over 22 years' experience managing high quality office, retail and industrial property on behalf of institutional, wholesale and retail clients, with funds under management totalling more than \$10 billion.



Letter from the Chairman and the Fund Manager

We are pleased to report that the REIT had another active year and despite the continuing subdued retail conditions delivered a result in line with our guidance and strategy.

We have actively managed our existing portfolio, building on this through both acquisitions and redevelopments, and have continued to sell down our remaining offshore portfolios.

As a result, we were pleased to announce operating earnings of \$96.4 million or 29.77 cpu and distributions of 26.80 cpu for the year.

Australian portfolio represents 97% of net tangible assets

Our strategy has been to reweight to the Australian market, and following completion of the Polish assets sale, the domestic portfolio will represent 97% of the REIT's net tangible assets.

This follows the acquisition of four supermarket anchored shopping centres since July 2012 for a total consideration of \$133.9 million. All properties are anchored by a high turnover Coles or Woolworths supermarket and complemented by predominately non-discretionary specialty tenants in line with our investment strategy. We are continuing to look for further acquisition opportunities and look forward to sharing these details with investors in due course.

We have also continued to reinvest into our existing portfolio, with three Board approved redevelopments that will be either completed or significantly progressed in the 2014 financial year.

Also in line with our Australian focus, we sold the last remaining US joint venture during the year, with our Polish portfolio contracted for sale and due to settle in September 2013 (at the time of print). Following these sales, the REIT's offshore portfolio will comprise two assets in Germany, three small assets in the United States and two small assets in New Zealand, all of which are being marketed for sale or already contracted.

The REIT has also sold its two non-core household retail assets for a combined value of \$67.8 million, one post balance date, further strengthening the quality of its Australian based earnings.

Consistent Australian portfolio performance

Our leasing team had another busy year, completing 139 lease renewals and 187 new lease commitments to deliver specialty rental rate growth of 3.1%.

Our Australian portfolio occupancy remained steady at 98.2% with same property net operating income growth of 2.8%.

These results highlight the strength of this portfolio, with its predominance of non-discretionary specialty tenants and supermarket anchors, in a generally weak retail market.

The REIT's supermarket anchor tenants in turnover rent delivered 3.7% sales growth over the year and the occupancy cost of the specialty tenants was maintained at 8.9%.

Proactive capital management

We successfully raised \$119 million of equity through an institutional placement and unit purchase plan. We were very pleased with the level of support for this raising, which enabled us to undertake the Australian portfolio growth initiatives mentioned above, and again thank all investors who took part.

The REIT also refinanced its multi-currency debt facility with a new syndicated debt facility and extended the term to August 2018, increasing its Australian weighted average debt maturity to 3.9 years. This refinance also increased the facility limit to \$425 million, reduced the margin and introduced Westpac as a new banking partner to facilitate future growth for the REIT.



Left to right:
John Harkness,
Chairman and
Scott Dundas,
Fund Manager

Introducing 'the community square for today'

We are excited to be rolling out a new brand and look for our centres.

We believe our shopping centres serve a vital role in the local communities in which we operate and our new brand – 'the community square for today' – embodies this idea.

As 'the community square for today', we will promote our centres as the heart of the local community; the place where people can meet and shop, and local businesses can thrive.

Over the coming two years, we will be renaming all our larger centres in line with this brand, with each centre name to incorporate the word *Square* to symbolise this commitment, and to incorporate the *Charter Hall* name to show the backing of a national property group.

This new consistent brand will maximise awareness and leverage positive associations for our centres, and engage tenants, shoppers and the local communities where we operate. We have rebranded a number of centres to date, including Allensdown Square in Rockhampton (as shown on pages 12 and 13).

Focused on improving our portfolio's environmental footprint

Reducing our centres' consumption of natural resources has continued to be a key focus for the REIT. We are pleased to confirm that we reduced our energy and water use by 1.2% and 4.8% respectively over the year to 30 June 2013.

This year in particular we also focused on evolving our participation in the National Australian Built Environment Rating System (NABERS) rating tool for shopping centres.

As highlighted in our case study on page 15, key operational staff completed the NABERS training and became accredited assessors, allowing them to conduct NABERS ratings on our portfolio. NABERS Energy and Water ratings were completed on all eligible retail properties.

Final distribution

The Board was pleased to declare a distribution of 13.5 cpu for the half year ended 30 June 2013. This brought the full year distribution to 26.8 cpu, which represents a 2.7% increase over the prior financial year. This result reflects the continuing stable performance of the REIT's Australian portfolio.

On behalf of the Board and Management, we again thank all our unitholders, tenants and the loyal shoppers who visit our centres every year for their continued support and investment in the REIT.

We look forward to continuing to deliver positive results in the years ahead.

John Harkness
Chairman

Scott Dundas
Fund Manager

Our Strategy



Our goal is to be the pre-eminent owner and manager of Australian supermarket anchored neighbourhood and sub-regional shopping centres.

Highlands Marketplace,
Mittagong NSW

Maintain and enhance the REIT's Australian portfolio through a focus on:

- Non-discretionary retail spending
- Enhancing property returns via Charter Hall's vertically integrated management platform
- Proactive equity and debt management

Complete reweighting to Australia:

- Successful divestment of Polish portfolio, with settlement due in September 2013
- Completion of US disposal program expected by end of calendar year 2013
- German assets to be marketed in calendar year 2014

Equity realised from asset sales to be redeployed for:

- Acquisition of high quality Australian retail assets
- Redevelopment of existing portfolio

Our Investment Strategy

We have a strict investment strategy to invest in high quality shopping centres with the following criteria:

1.

Neighbourhood
and sub-regional
supermarket
anchored

2.

\$20 – \$100 million
asset value

3.

5 year
unlevered
internal rate
of return 10%+

4.

Average NOI
growth 3%+

5.

Weighted
average rent
review 3%+

Our major tenants



Our Performance



Reinvesting and growing our Australian portfolio

Demonstrating our investors' support for our strategy and portfolio, the REIT raised \$119 million at a price of \$3.45 per unit in late 2012 from an equity raising across our institutional and eligible Australian and New Zealand retail investors.

This raising enabled us to continue to build on and enhance our Australian portfolio throughout the year. We acquired three supermarket anchored shopping centres – Tamworth City Plaza, Dubbo Square and the remaining 50% interest in Lake Macquarie Fair and Mount Hutton Plaza – for \$101 million, reflecting an average initial yield of 9.6%. In line with our investment strategy (highlighted on page 9 of this report), all properties are anchored by a high turnover Coles or Woolworths supermarket and complemented by predominately non-discretionary specialty tenants.

Post year end, we also acquired the Secret Harbour shopping centre and adjoining development land. The \$33.2 million centre is located in Perth's south, which has forecast

population growth averaging 4.6% per annum between 2013 and 2018. Given this forecast growth and the available adjoining land, we will look to expand this centre over the coming years.

The equity raising also enabled us to commence three Board approved redevelopments with a total value of \$51 million and an average development yield of 10.2% during the year. The \$15 million refurbishment and expansion of South Hedland will complete in October 2013, the \$5 million redevelopment of Orange Central is scheduled for completion in April 2014 and the \$31 million redevelopment of Lansell Plaza in Bendigo is due to commence later this year.

Our flagship \$62 million Singleton Square redevelopment is complete, with the opening officiated by the local Singleton mayor on 21 August 2013. The centre now comprises 21,142 square metres of retail space, including a new full line Coles, and offers a new double storey car park.

Orange Central,
Orange NSW



Consistent performance from our Australian portfolio

From leasing to development, we are actively involved in the day-to-day management of each centre we own.

This approach has continued to reap positive results, with our Australian portfolio delivering stable earnings despite the current retail conditions. Our leasing team executed 139 lease renewals and 187 new lease commitments across the Australian portfolio, to deliver specialty rental rate growth of 3.1%.

Overall, our total Australian portfolio occupancy remained steady at 98.2%, with same property net operating income growth of 2.8% and an anchor tenant weighted average lease expiry of 10.7 years.

We have maintained our supermarket anchored focus, with Woolworths and Wesfarmers (Coles, Kmart and Target) anchor tenant leases providing 54% of the Australian portfolio's annual base rent. 51% of anchor tenants are paying turnover rent, with these stores delivering annual sales growth of 3.7% over the past 12 months.

Our non-discretionary specialty tenancies complement each centre's offering, with these tenants, which predominately offer food catering, services and food retail, achieving sales growth of 1.5%.

Our Performance



Improving the REIT's earnings quality and balance sheet position

We made significant progress on the reweighting of the portfolio to Australia during the year with the sale of our last US joint venture for US\$49 million. Our Polish portfolio is also contracted for sale at €174.5 million and due to complete in September 2013.

We also sold two non-core household retail assets for a combined value of \$67.8 million, one post balance date, strengthening the quality of our Australian portfolio. Following completion of the Polish sale, the Australian portfolio will represent 97% of the REIT's net tangible assets. Our aim is to have sold all offshore properties by the end of 2014.

We have also actively managed the REIT's capital during the year, refinancing the multi-currency debt facility with a new syndicated debt facility extending the term to August 2018 and increasing the Australian weighted average debt maturity to 3.9 years. This refinance also increased the facility limit to \$425 million, reduced the margin and introduced a new banking partner to facilitate future growth for the REIT.

We activated our Distribution Reinvestment Plan (DRP) at December 2012 and it remains active at June 2013. The DRP raised \$29 million of equity over the year, which will be used to fund the REIT's redevelopment pipeline.

These sales and capital management initiatives have improved the REIT's quality of earnings, with the REIT's balance sheet gearing reducing to 33.4%¹ whilst the Australian portfolio has balance sheet gearing of 29.7%¹.

¹ Restated for post balance date events – sale of Polish portfolio, Australian interest rate swap restructure, Secret Harbour acquisition and sale of Home HQ Nunawading.



Allenstown Square,
Rockhampton Qld

Investing in our centres and our local communities

As mentioned in the Chairman and the Fund Manager's letter on page 6, we have developed and are rolling out a new brand and look and feel for our centres.

Our new brand is designed around our centres being **the community square for today** – a place where people can meet and shop, and local businesses can thrive.

We have already commenced the rollout of this brand, with a number of centres being renamed and rebranded in line with centre redevelopment works and acquisitions.

Our new brand is designed around our centres being **the community square for today.**

Sustainability

Sustainability continues to be a core part of how we manage risks and enhance value across our business. We recognise that responding to environmental and social factors builds stakeholder support and contributes to our commercial success.

As owner and manager of retail centres across Australia, we understand that our success is dependent on building strong relationships with our retailers, fostering the trust of our investors and supporting the communities that support our business. Our approach is centred on three key sustainability themes which are managed and monitored through our sustainability strategy.

Sustainable Business

Our Goal

To maximise our customer and investor satisfaction through operational excellence and by delivering long term value.

What we planned to do in FY13

- Continue to monitor our corporate governance policies against industry standards.
- Formalise sustainability governance at the fund management and Board level.
- Establish sustainability accountabilities through the asset management cycle.
- Continue our focus on enhancing capital value by upgrading and repositioning key retail assets.

What we have achieved in FY13

- ✓ Sought investor ratification of independent director reappointment.
- ✓ Improved our sustainability reporting through Charter Hall Group's Corporate Responsibility & Sustainability (CR&S) Report 2012.
- ✓ Linked sustainability accountabilities through the asset management cycle.
- ✓ Upgraded and expanded two major retail assets in Allentown and Singleton.

Our priorities for FY14

- Formalise sustainability governance at the Board level.
- Continue to improve the quality and transparency of our sustainability reporting.
- Evolve our corporate governance practices through Charter Hall implementing an internal audit function.
- Continue our focus on enhancing capital value by upgrading and repositioning key retail assets.

Environment

Our Goal

To actively work to reduce our consumption of natural resources.

What we planned to do in FY13

- Reduce energy usage in our managed properties by 4% in FY13.
- Reduce water usage in our managed properties by 2% in FY13.
- Complete NABERS Energy ratings on all eligible retail properties.
- Improve the coverage and robustness of our waste recycling data.

What we have achieved in FY13

- ✓ Reduced energy use¹ by 1.2% in our managed properties.
- ✓ Reduced water use¹ by 4.8% in our managed properties.
- ✓ Completed NABERS Energy and Water ratings on three retail properties.
- ✓ Established a national waste management contract and implemented processes to record and track waste recycling data.

Our priorities for FY14

- Reduce energy usage in our managed properties by 5% in FY14.
- Reduce water usage in our managed properties by 5% in FY14.
- Continue to obtain NABERS Energy and Water ratings on all eligible retail properties.
- Continue to improve the coverage and accuracy of our waste recycling data.

¹ Energy and water reductions are provided on a like-for-like basis; that is it excludes data from properties sold in prior years or purchased in the current year.

Presentation of the \$55,000 donation to the Singleton Cancer Appeal.

Left to right: Doug Manning, Regional Manager, Charter Hall; Kay Sullivan, President, Singleton Cancer Appeal Committee and Singleton Mayor, Councillor John Martin.



Case Studies

Community

Our Goal

To provide a safe meeting place and make a positive contribution to the communities where we operate.

What we planned to do in FY13

- Continue to evolve our program to support communities neighbouring our retail centres.
- Continue to align safety management system with AS4801 and achieve certification.
- Launch remote contractor management and tracking system.

What we have achieved in FY13

- ✓ Continued our partnership with Variety, raising \$15,000 through our national campaign.
- ✓ Raised over \$55,000 through our development project local charity support program.
- ✓ Aligned our safety management system with AS4801 and applied for third party certification.
- ✓ Completed comprehensive safety inspections at all retail properties.
- ✓ Zero serious incidents and no lost time incidents involving Charter Hall employees or contractors in FY13.
- ✓ Launched remote contractor management and tracking system.

Our priorities for FY14

- Evolve our approach to charity partnerships to better align with our non-discretionary retail focus.
- Develop and implement a community engagement strategy aligned with our shopping centre vision 'to be the community square for today'.
- Conduct monthly safety inspections at all retail properties.
- Roll out the remote contractor management and tracking system at all larger retail centres.
- Continue to evolve our reporting on safety management metrics.

Singleton Square raises \$55,000 for charity

We partnered with Singleton Cancer Appeal Committee, a locally based charity providing much needed facilities and lifestyle benefits to individuals who have been diagnosed with cancer. Through our successful fundraising campaign during the redevelopment of Singleton Square (formerly Gowrie Street Mall), with the help of our contractors, consultants, retailers and the local community, we raised \$55,000 to support families within the local Maitland area.

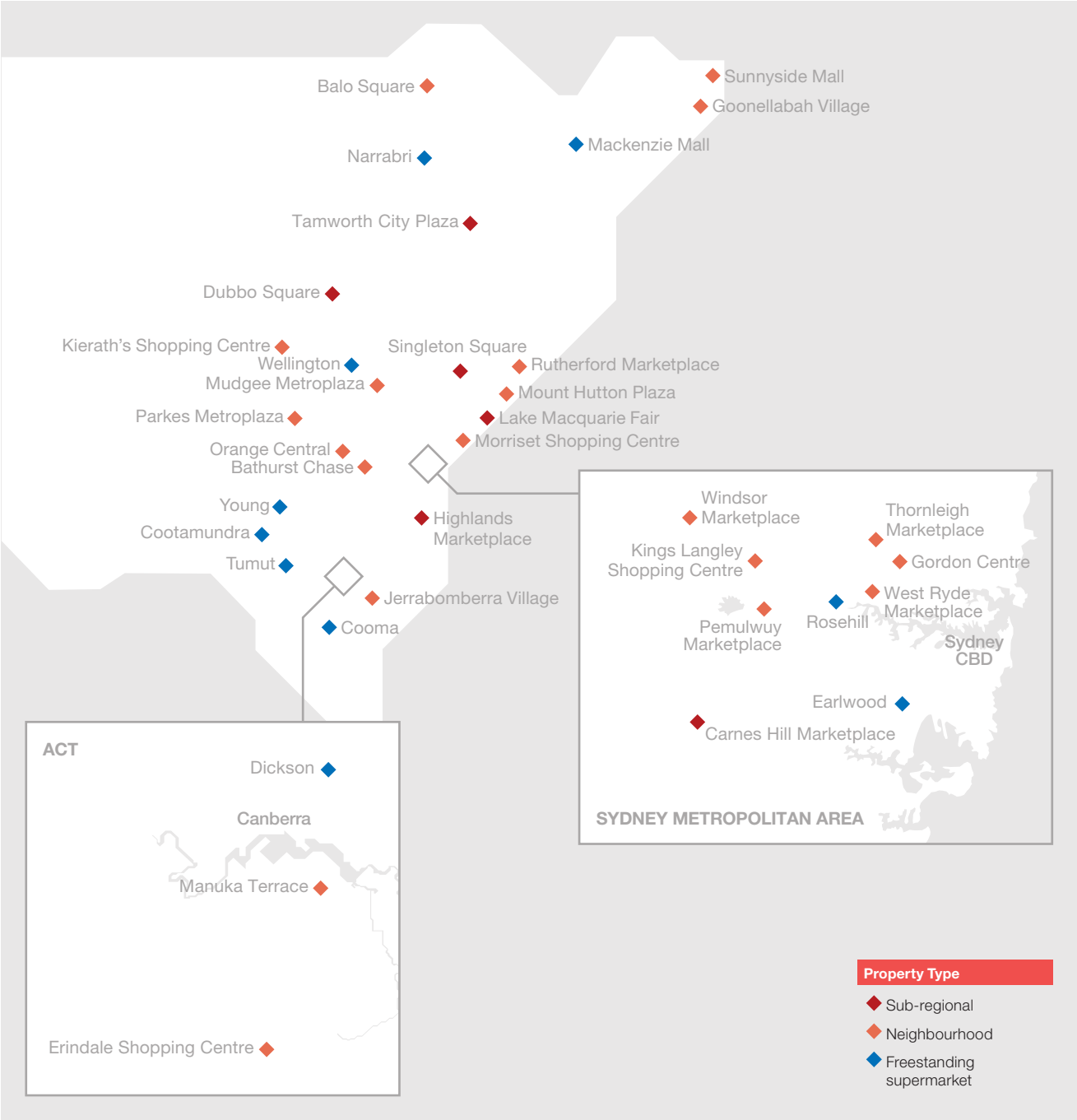
NABERS Ratings

This year we focused on evolving our understanding of and participation in the NABERS rating tool for shopping centres. Key operational employees completed the training and became accredited assessors able to conduct NABERS ratings on our portfolio. We also continued to support the NSW Office of Environment & Heritage in evolving the NABERS Shopping Centre tool through our involvement on its Technical Advisory Group. Within our portfolio, NABERS Energy and Water ratings were completed at Caboolture Park, Lake Macquarie Fair and Wanneroo Central. We are analysing these results and will begin to evolve our approach to improving these ratings as our understanding increases.

Property name	NABERS Energy	NABERS Water
Caboolture Park Shopping Centre	1.5	6
Lake Macquarie Shopping Centre	3.5	4.5
Wanneroo Central	Unable to be rated	3.0

Australian Property Portfolio

New South Wales/Australian Capital Territory



Windsor Marketplace

Asset type	No.	Valuation at	Cap rate
		30 June 2013 (A\$m)	
Freestander	10	98.5	7.6%
Neighbourhood	20	451.6	8.3%
Sub-regional	6	294.6	8.2%
Total	36	844.6	8.2%

Property	Location	Asset type	Metro/ Non-metro	Anchor tenant	Interest %	Anchor tenant lease expiry	Total retail area (CQR share, sqm)	No. of specialty stores
ACT								
Dickson Woolworths	Dickson	Freestander	Metro	Woolworths	100	Aug-13 ¹	3,712	–
Erindale Shopping Centre	Wanniassa	Neighbourhood	Metro	Woolworths	100	Aug-21	6,872	28
Manuka Terrace	Manuka	Neighbourhood	Metro	Coles	100	May-30	6,561	22
ACT total							17,145	50
NSW								
Balo Square	Moree	Neighbourhood	Non-metro	Coles Target Country	100	Nov-27 Feb-17	5,206	9
Bathurst Chase	Bathurst	Neighbourhood	Non-metro	Coles	100	Mar-25	7,278	19
Carnes Hill Marketplace	Horningsea Park	Sub-regional	Metro	Woolworths Big W Dan Murphy's	50	Mar-41 Mar-41 Mar-31	8,604	46
Cooma Woolworths	Cooma	Freestander	Non-metro	Woolworths	100	Aug-19	3,101	–
Cootamundra Woolworths	Cootamundra	Freestander	Non-metro	Woolworths	100	Jun-21	4,114	–
Dubbo Square	Dubbo	Sub-regional	Non-metro	Coles Target	100	Aug-27 Jul-14	12,741	39
Earlwood Coles	Earlwood	Freestander	Metro	Coles	100	Dec-22	2,675	1
Goonellabah Village	Goonellabah	Neighbourhood	Non-metro	Coles Target Country	100	Oct-20 May-17	6,146	8
Gordon Centre	Gordon	Neighbourhood	Metro	Woolworths Harvey Norman	100	Jun-25 Jun-17	13,743	61
Highlands Marketplace	Mittagong	Sub-regional	Non-metro	Woolworths Big W	50	Mar-41 Mar-41	8,244	36
Jerrabomberra Village	Jerrabomberra	Neighbourhood	Non-metro	Woolworths	100	Nov-32	5,466	15
Kierath's Shopping Centre	Narromine	Neighbourhood	Non-metro	Coles	100	Feb-22	2,272	4
Kings Langley Shopping Centre	Kings Langley	Neighbourhood	Metro	Coles	100	Nov-14	5,207	26
Lake Macquarie Fair	Mount Hutton	Sub-regional	Non-metro	Woolworths Big W	100	Nov-28 Jul-22	16,931	51
Mackenzie Mall	Glen Innes	Freestander	Non-metro	Bi-Lo Target Country	100	Nov-14 Nov-14	3,451	1
Morisset Shopping Centre	Morisset	Neighbourhood	Non-metro	Coles Target Country	100	Apr-23 Oct-18	9,111	30
Mount Hutton Plaza	Mount Hutton	Neighbourhood	Non-metro	Coles	100	Dec-14	4,307	10
Mudgee Metroplaza	Mudgee	Neighbourhood	Non-metro	Woolworths	100	Jul-21	3,969	6
Narrabri Coles	Narrabri	Freestander	Non-metro	Coles Target Country	100	Jul-23 Apr-16	3,185	–
Orange Central	Orange	Neighbourhood	Non-metro	Coles	100	Aug-16	6,212	30
Parkes Metroplaza	Parkes	Neighbourhood	Non-metro	Woolworths	100	Nov-31	4,454	9
Pemulwuy Marketplace	Greystanes	Neighbourhood	Metro	Woolworths	50	Mar-36	2,598	16
Rosehill Woolworths	Rosehill	Freestander	Metro	Woolworths	100	Nov-19	2,440	–
Rutherford Marketplace	Rutherford	Neighbourhood	Non-metro	Woolworths	50	Mar-37	3,465	21
Singleton Square	Singleton	Sub-regional	Non-metro	Woolworths Big W	100	Feb-33 Nov-32	16,609	49
Sunnyside Mall	Murwillumbah	Neighbourhood	Non-metro	Coles Target Country	100	Nov-27 Dec-15	7,571	23
Tamworth City Plaza	Tamworth	Sub-regional	Non-metro	Coles Kmart	100	May-17 May-17	13,745	36
Thornleigh Marketplace	Thornleigh	Neighbourhood	Metro	Woolworths	50	Mar-38	3,435	18
Tumut Coles	Tumut	Freestander	Non-metro	Coles	100	Jul-22	2,583	–
Wellington Coles	Wellington	Freestander	Non-metro	Coles	100	Nov-13	2,218	–
West Ryde Marketplace	West Ryde	Neighbourhood	Metro	Woolworths	50	Mar-41	3,035	22
Windsor Marketplace	Windsor	Neighbourhood	Metro	Woolworths	50	Mar-33	2,675	14
Young Woolworths	Young	Freestander	Non-metro	Woolworths	100	Nov-22	3,139	–
NSW total							199,931	600

1 Lease has been extended to August 2023 post balance date.

Australian Property Portfolio

Queensland



Bribie Island Shopping Centre

Asset type	No.	Valuation at 30 June 2013 (A\$m)	Cap rate
Neighbourhood	12	298.4	8.4%
Sub-regional	2	72.8	7.5%
Total	14	371.2	8.2%

Victoria



Pakington Strand

Property Type

- ◆ Sub-regional
- ◆ Neighbourhood
- ◆ Freestanding supermarket

Asset type	No.	Valuation at 30 June 2013 (A\$m)	Cap rate
Freestander	4	43.2	7.6%
Neighbourhood	3	29.2	7.9%
Sub-regional	1	36.6	n/a
Total	8	108.9	7.7%

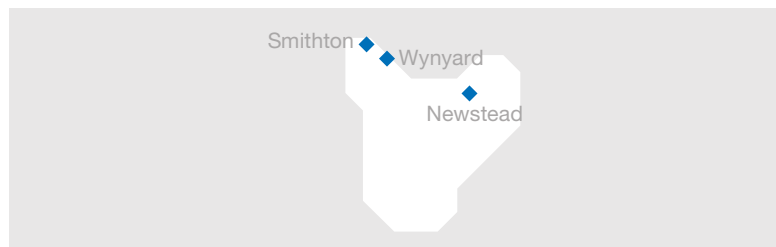
Property	Location	Asset type	Metro/ Non-metro	Anchor tenant	Interest %	Anchor tenant lease expiry	Total retail area (CQR share, sqm)	No. of specialty stores
QLD								
Albany Creek Square	Brisbane	Neighbourhood	Metro	Coles	100	Jun-26	10,077	38
Allenstown Square	Rockhampton	Neighbourhood	Non-metro	Woolworths	100	Mar-33	7,880	31
Bay Plaza	Hervey Bay	Neighbourhood	Non-metro	Woolworths	100	Oct-27	5,533	11
Bribie Island Shopping Centre	Bribie Island	Sub-regional	Non-metro	Woolworths Target Country	100	Dec-27 Sep-20	10,684	33
Caboolture Park Shopping Centre	Caboolture	Sub-regional	Non-metro	Coles Kmart	100	Nov-13 Nov-13	17,511	41
Currimundi Markets	Currimundi	Neighbourhood	Non-metro	Woolworths	100	Jun-21	5,679	20
Gatton Plaza	Gatton	Neighbourhood	Non-metro	Coles	100	Jan-20	4,787	11
Gladstone Square	Gladstone	Neighbourhood	Non-metro	Woolworths	50	Sep-14	3,231	29
Kallangur Fair	Kallangur	Neighbourhood	Non-metro	Woolworths	100	Dec-18	4,706	9
Mareeba Plaza	Mareeba	Neighbourhood	Non-metro	Coles	100	Mar-23	4,270	7
Moranbah Fair	Moranbah	Neighbourhood	Non-metro	Coles Target Country	100	Mar-28 Feb-17	7,085	22
Springfield Fair	Springfield	Neighbourhood	Metro	Coles	100	May-21	5,127	20
Sydney Street Markets	Mackay	Neighbourhood	Non-metro	Coles	100	Jul-21	5,542	19
Tablelands Village	Atherton	Neighbourhood	Non-metro	Woolworths Target Country	100	Feb-14 May-17	4,750	9
QLD total							96,862	300

Property	Location	Asset type	Metro/ Non-metro	Anchor tenant	Interest %	Anchor tenant lease expiry	Total retail area (CQR share, sqm)	No. of specialty stores
VIC								
Bairnsdale Coles	Bairnsdale	Freestander	Non-metro	Coles	100	Dec-19	3,323	–
Kerang Safeway	Kerang	Freestander	Non-metro	Safeway	100	Mar-18	4,247	–
Kyneton Shopping Centre	Kyneton	Neighbourhood	Non-metro	Safeway	100	Sep-21	3,830	4
Lansell Plaza	Kangaroo Flat	Sub-regional	Non-metro	Coles Woolworths Kmart	100	Mar-14 Sep-16 Mar-19	18,262	54
Olive Tree Shopping Centre	Lilydale	Neighbourhood	Metro	IGA	100	Jun-16	3,792	12
Moe Coles	Moe	Freestander	Non-metro	Coles	100	Apr-25	3,038	–
Moe Kmart	Moe	Freestander	Non-metro	Kmart	100	Aug-13 ¹	6,298	–
Pakington Strand	Geelong West	Neighbourhood	Metro	Woolworths	50	Mar-39	2,682	17
VIC total							45,472	87

1 Lease has been extended to August 2028 post balance date.

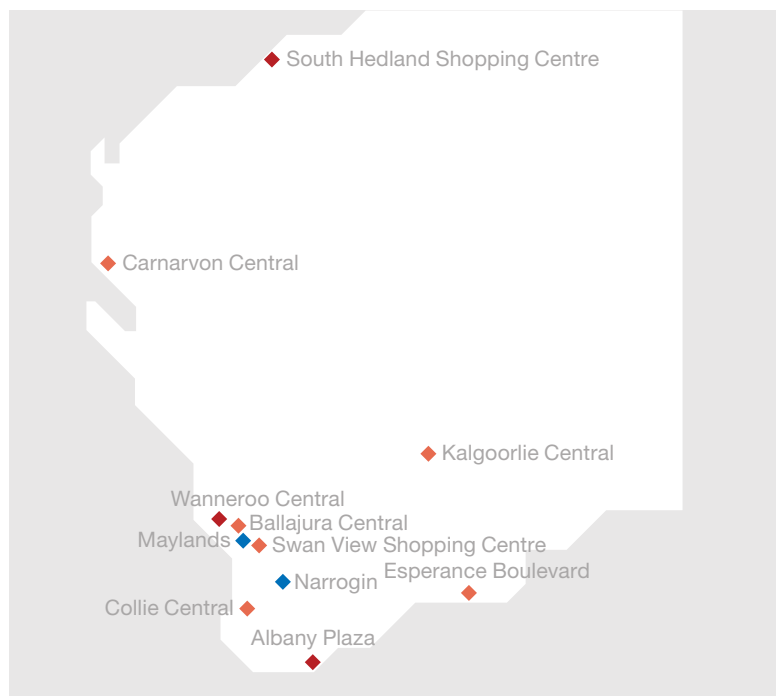
Australian Property Portfolio

Tasmania



Asset type	No.	Valuation at 30 June 2013 (A\$m)	Cap rate
Freestander	3	22.4	7.7%
Total	3	22.4	7.7%

Western Australia



Asset type	No.	Valuation at 30 June 2013 (A\$m)	Cap rate
Freestander	2	20.1	7.2%
Neighbourhood	6	99.7	8.3%
Sub-regional	3	143.5	7.9%
Total	11	263.3	8.0%

South Australia



Asset type	No.	Valuation at 30 June 2013 (A\$m)	Cap rate
Sub-regional	2	47.2	9.0%
Total	2	47.2	9.0%

Property	Location	Asset type	Metro/ Non-metro	Anchor tenant	Interest %	Anchor tenant lease expiry	Total retail area (CQR share, sqm)	No. of specialty stores
TAS								
Newstead Coles	Newstead	Freestander	Metro	Coles	100	Aug-20	1,622	–
Smithton Woolworths	Smithton	Freestander	Non-metro	Woolworths	100	Sep-24	2,336	1
Wynard Woolworths	Wynyard	Freestander	Non-metro	Woolworths	100	Jun-21	2,488	–
TAS total							6,446	1

Property	Location	Asset type	Metro/ Non-metro	Anchor tenant	Interest %	Anchor tenant lease expiry	Total retail area (CQR share, sqm)	No. of specialty stores
WA								
Albany Plaza	Albany	Sub-regional	Non-metro	Coles Kmart Target Country	100	Sep-17 Sep-17 May-21	17,844	40
Ballajura Central	Ballajura	Neighbourhood	Metro	Woolworths	100	Aug-21	4,680	7
Carnarvon Central	Carnarvon	Neighbourhood	Non-metro	Woolworths	100	Jan-32	6,258	16
Collie Central	Collie	Neighbourhood	Non-metro	Woolworths	100	Jun-20	4,510	11
Esperance Boulevard	Esperance	Neighbourhood	Non-metro	Woolworths Target Country	100	Sep-32 Jul-13 ¹	7,607	17
Kalgoorlie Central	Kalgoorlie	Neighbourhood	Non-metro	Woolworths	100	Mar-26	9,014	17
Maylands Coles	Maylands	Freestander	Metro	Coles	100	Dec-21	3,133	1
Narrogin Coles	Narrogin	Freestander	Non-metro	Coles	100	Jul-20	3,148	–
South Hedland Shopping Centre	South Hedland	Sub-regional	Non-metro	Coles Kmart	100	Aug-17 Oct-13 ²	15,379	33
Swan View Shopping Centre	Swan View	Neighbourhood	Metro	Coles	100	Nov-22	3,852	9
Wanneroo Central	Wanneroo	Sub-regional	Metro	Coles Kmart IGA	50	Aug-28 Sep-29 Sep-24	8,615	43
WA total							84,040	194

¹ Lease has been extended to July 2023 post balance date.

² Lease has been extended to October 2023 post balance date.

Property	Location	Asset type	Metro/ Non-metro	Anchor tenant	Interest %	Anchor tenant lease expiry	Total retail area (CQR share, sqm)	No. of specialty stores
SA								
Renmark Plaza	Renmark	Sub-regional	Non-metro	Woolworths Big W	100	Nov-22 Nov-22	11,884	22
Wharflands Plaza	Port Augusta	Sub-regional	Non-metro	Woolworths Big W	100	Jun-22 Jun-20	10,215	11
SA total							22,099	33

The Board



John Harkness
Independent Chairman

John was appointed to the Board of the management company for the Charter Hall Retail REIT on 18 August 2003, and was appointed Chairman on 27 April 2011. John brings extensive financial and business skills to the Board. A partner at KPMG for 25 years and National Executive Chairman for five years, John has held a number of non-executive director roles since leaving KPMG in 2000. He is currently Chairman of Reliance Rail and an independent director of both the Goodman Group and Sinclair Knight Merz. John is also Chairman of the Sydney Foundation for Medical Research and Vice-President of Northern Suburbs Rugby Football Club Limited. John is a Fellow of both The Institute of Chartered Accountants (Australia) and the Australian Institute of Company Directors.



Alan Rattray-Wood
Independent Director

Alan was appointed to the Board of the management company for the Charter Hall Retail REIT on 6 March 1996, and is a member of the Audit, Risk and Compliance Committee. He is an experienced industry participant with more than 30 years' experience involving supermarket management, neighbourhood and regional sized shopping centre management, development and leasing. Alan has held management roles with Woolworths, Westfield Holdings and other private developers. Since 1990, he has operated his own retail development consultancy practice, focusing on all facets of shopping centre development and retail chain insolvency workouts.



Maurice Koop
Independent Director

Maurice was appointed to the Board of the management company for the Charter Hall Retail REIT on 12 August 2002, and is Chairman of the Audit, Risk and Compliance Committee. His experience includes 26 years in consulting, with particular focus on consumer goods, retailing and the financial services industry. Maurice is a senior adviser to The Boston Consulting Group. He has served as a non-executive director on a number of company boards including 13 years as a director of the Just Jeans Retail Group. He has a BCom and a DipEd from Melbourne University and an MBA from the University of Toronto.



David Harrison
Executive Director

As Charter Hall Group's Joint Managing Director, with over 27 years of property industry experience, David is responsible for all aspects of the Charter Hall business, with specific focus on Investment Management, Corporate Transactions and Property Investment activities. David also substantially contributes to investment origination, capital raisings and structuring of transactions. David is directly responsible for overseeing the operations of the Investment Management Divisions, including the listed REIT, Wholesale Unlisted and Retail Unlisted Divisions, together with Investor Relations. The Joint Managing Directors share responsibility for Corporate Finance, Legal/Company Secretariat and People, as well as Group Finance, Treasury and Capital Management via the Chief Financial Officer, Head of People and General Counsel in addition to their responsibilities on the various unlisted Fund Boards and Investment Committees.

David has more than 27 years of experience in the Australian commercial property market and has jointly overseen the growth of the Charter Hall Group from \$500 million to \$10 billion of assets under management in seven years. David has been principally responsible for transactions exceeding \$15 billion of commercial, retail and industrial property assets across all property sectors over the past 20 years.

David holds a Bachelor of Business Degree (Land Economy) from the University of Western Sydney, is a Fellow Member of the Australian Property Institute (FAPI) and holds a Graduate Diploma in Applied Finance from the Securities Institute of Australia.



David Southon
Executive Director

David is a co-founder of the Charter Hall Group and one of its Joint Managing Directors, with over 25 years of property industry experience. Together, and in conjunction with the CHC Executive Committee and the Board, the Joint Managing Directors are responsible for the formulation and implementation of the Group's strategy. David is directly responsible for overseeing the operation of the Property Services Divisions, including Development; Leasing; Asset Management; Property Management; Marketing and Communications, as well as strategic involvement in project origination and direction. Together with the relevant Divisional Heads, the Joint Managing Directors share responsibility for Investor Relations, Corporate Finance, General Counsel and People, as well as working closely with the Chief Financial Officer in relation to Group Finance, Treasury and Capital Management.

In addition, David is an Executive Director on the Board of the Responsible Entity for the Charter Hall Direct Funds, a Non-Executive Director on the Board of Commercial Industrial Property (CIP), member of the Charter Hall Diversity Committee, and a member of the Investment Committees of Charter Hall Opportunity Funds 4 and 5.

David is a member of the Board of Advisers NSW for the Property Industry Foundation (PIF).

David holds a Bachelor of Business Degree (Land Economy) and is a Fellow Member of the Australian Property Institute (FAPI).



**We optimise
returns for
our investors
and create
enjoyable
environments
for shoppers.**

Corporate Governance Statement

Charter Hall Retail REIT (REIT) is a registered managed investment scheme listed on the ASX. The Responsible Entity is Charter Hall Retail Management Limited (CHRML), a member of the Charter Hall Group (Charter Hall). CHRML's role is defined by the REIT's Constitution, the Corporations Act and Regulations and the general law.

The Board of CHRML recognises the importance of corporate governance in achieving the investment objectives of the REIT, and discharging its responsibilities to all stakeholders of the REIT. The governance framework, as summarised in this Statement, has been designed to ensure that the REIT is effectively managed, the statutory obligations are met, and Charter Hall's culture of corporate integrity is reinforced. Due consideration has been given to the Corporate Governance Principles and Recommendations (2nd Edition) published June 2010 by the ASX Corporate Governance Council (ASX Corporate Governance Principles), and any departure from these Principles is noted below.

This Statement provides a summary of the key governance practices for the REIT that were in place and (unless stated otherwise) were followed throughout the financial year ended 30 June 2013.

Reference to the REIT's website is www.charterhall.com.au/cqr.
Reference to Charter Hall's website is www.charterhall.com.au.

Corporate governance foundations

Roles of the Board and Management

ASX Corporate Governance Principle 1 – Lay solid foundations for management and oversight.

ASX Recommendation 1.1 – Companies should establish functions reserved to the board and those delegated to senior executives and disclose those functions.

Responsibility for corporate governance and the internal working of the REIT rests with the Board of CHRML. The Board has adopted a Charter that details the functions and responsibilities of the Board.

The responsibilities of the Board include:

- providing strategic direction and approving the REIT's business strategies and objectives;
- monitoring the operational and financial position and performance of the REIT;
- overseeing risk management for the REIT, including determining the level of risk exposure that is considered acceptable in pursuit of the REIT's objectives, and reviewing and approving risk management policy and systems;
- ensuring that the REIT's financial and other reporting mechanisms result in adequate, accurate and timely information being provided to the Board;
- ensuring that unitholders and the market are fully informed of all material developments; and
- overseeing and evaluating the performance of Management in the context of the REIT's strategies and objectives.

In accordance with the REIT's Constitution and its Responsible Entity duties, the Board has authority to make decisions in respect of investments and divestments, equity or debt funding, related party transactions (in accordance with the related party

protocol described at page 33), approval of financial accounts, auditor appointment, adopting property valuations, distributions, annual reports and any significant changes to policies or debt facilities of the REIT.

Those Charter Hall executives and senior managers who have responsibility for the business activities of the REIT (Management) have delegated authority to make decisions in respect of the day-to-day management of the REIT and its assets, including appointment of advisers, approvals of asset business plans, budgets, approved capital expenditure and hedging (within approved hedging policy).

Each non-executive director of CHRML has received a letter of appointment which details the key terms of their appointment.

Management has formalised job descriptions and letters of appointment.

The Board Charter is available to view under the Corporate Governance section of the REIT's website.

Performance evaluation

– executives and senior managers

ASX Recommendation 1.2 – Companies should disclose the process for evaluating the performance of senior executives.

Executives and senior managers who have responsibility for the business activities of the REIT are employees of Charter Hall and, as part of Charter Hall's framework, undergo a formal assessment on at least an annual basis against performance criteria (Key Performance Indicator based financial and non-financial measures). The Board of CHRML provides informal feedback on the performance of the executives and senior managers, but does not participate in their formal appraisal.

This performance evaluation process was undertaken in the reporting period.

Board structure

ASX Corporate Governance Principle 2 – Structure the Board to add value.

The Board currently comprises three non-executive directors and two executive directors, as listed below. The Board believes that the directors collectively have the skills and experience required to add value to the REIT's activities. Directors' profiles, including details of their skills, experience and expertise can be found in the Directors' Report on page 40 to 42.

Name	Position	Independent (Yes/No)	First appointed
John Harkness	Chairman and Non-Executive Director	Yes	18 August 2003
Alan Rattray-Wood	Non-Executive Director	Yes	6 March 1996
David Harrison	Executive Director	No	1 March 2010
David Southon	Executive Director	No	1 March 2010
Maurice Koop	Non-Executive Director	Yes	12 August 2002

ASX Recommendation 2.1 – A majority of the board should be independent directors.

The Board of CHRML has determined that a majority of its membership is independent (according to the criteria summarised below). Due to their employment by Charter Hall in an executive capacity, neither David Harrison nor David Southon is considered to be independent.

The profiles of the Directors of CHRML, including details of their skills, experience and expertise can be found on page 40 to 42 of this Annual Report.

Independence

The Board considers that a director is independent when he/she is independent of Management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with the exercise of unfettered and independent judgement. The Board evaluates the materiality of any interests or relationships that could be perceived to compromise independence on a case by case basis, having regard to the circumstances of each director.

Directors are expected to be meticulous in their disclosure of any material personal or family contract or relationship. Directors must also strictly adhere to constraints on their participation and voting in relation to matters in which they may have an interest, in accordance with the Corporations Act and relevant REIT and Charter Hall policies.

The Board regularly assesses whether directors are independent.

ASX Recommendation 2.2 – The chair should be an independent director.

The Chairman of CHRML is John Harkness. The Board has determined that John Harkness is 'independent' according to the criteria above.

ASX Recommendation 2.3 – The roles of the chair and chief executive officer should not be exercised by the same individual.

The Chairman of CHRML is John Harkness. The role of chief executive officer of CHRML is jointly performed by David Harrison and David Southon, as the executive directors of CHRML and Joint Managing Directors of the Charter Hall Group.

In terms of day-to-day Management of the REIT, Scott Dundas as Fund Manager is responsible for all activities of the REIT. Financial reporting for the REIT is the responsibility of the Deputy Fund Manager.

Nomination committee**ASX Recommendation 2.4 – The board should establish a nomination committee.**

Whilst the ASX Corporate Governance Principles recommend the establishment of a nomination committee, the Board does not consider it is necessary or appropriate to constitute a nomination committee for CHRML, given that CHRML is a subsidiary of Charter Hall.

The Board of Charter Hall (utilising its Nominations Committee) is responsible for overseeing the appointment of Directors to the Responsible Entity of the REIT. However, the Board of CHRML sets the composition and membership criteria as well as the guidelines for director selection and nominates candidates to the Board of Charter Hall for approval.

The Directors of CHRML have agreed that each independent director's appointment will be ratified by unitholder vote on a rolling three year basis, at the REIT's annual unitholder meeting. This occurred for the first time on 22 October 2012.

The following Board composition and membership criteria have been adopted by the Board of CHRML:

- the Board is to comprise at least three directors;
- directors nominated for election require approval by the Board;
- a majority of the directors must be independent (as defined above);
- the Board is to comprise directors with an appropriate range of qualifications and expertise; and
- the Chairman of the Board will be appointed by the Board.

In addition, the following guidelines apply to director selection and nomination by the Board:

- integrity;
- particular expertise (sector and functional) and the degree to which they complement the skill set of the existing Board members;
- reputation and standing in the market; and
- in the case of prospective independent directors, actual (as prescribed by the Charter Hall definition of independence above) and perceived independence from Charter Hall.

Board performance**ASX Recommendation 2.5 – Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.**

The following procedures are in place to support the Directors in performing their duties:

- a formal annual performance self assessment of the Board, the Audit, Risk and Compliance Committee (ARCC) and individual directors;
- a formal induction program for directors; and
- access by directors to continuing education to update and enhance their skills and knowledge.

The procedure for evaluation of the Board's performance is that each independent director completes an annual questionnaire to evaluate the Board and Chairman, and a Director peer evaluation.

Based on feedback from the questionnaire and from the Chairman's separate meetings with executive and non-executive directors, the Board as a whole then discusses and analyses Board and Committee performance during the year, including suggestions for change or improvement.

Six or more full Board meetings are held each year. Other meetings are called as required.

To ensure that Directors are well-placed to discharge their duties effectively, they are provided with Board reports in advance of Board meetings which contain sufficient information to enable informed discussion of all agenda items.

Independent professional advice

Directors are entitled to obtain independent professional advice at the cost of CHRML, and in some instances at the cost of the REIT.

Corporate Governance Statement

continued

Ethical and responsible decision making

ASX Corporate Governance Principle 3 – Promote ethical and responsible decision making.

ASX Recommendation 3.1 – Companies should establish a code of conduct and disclose the code or a summary of the code as to: the practices necessary to maintain confidence in the company's integrity; the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Charter Hall has established a Code of Conduct which applies to the REIT and is periodically reviewed and endorsed by the Board of CHRML. The Code forms the basis for ethical behaviour by staff and is the framework that provides the foundation for maintaining and enhancing Charter Hall's reputation for all its employees. The objective of the Code is to ensure that directors, other stakeholders and the broader community can be confident that Charter Hall and the REIT conduct their affairs honestly and in accordance with ethical values and practices.

The Code sets the standards for dealing ethically with employees, investors, customers, regulatory bodies and the financial and wider community. In addition to this, in order to deal specifically with responsibility and accountability of individuals for reporting and investigating reports of unethical behaviour, the REIT has adopted a Fraud Risk Management Policy.

Charter Hall staff are trained regularly on matters pertaining to ethical behaviour in the workplace. Topics covered during the year ended 30 June 2013 included key aspects of Charter Hall's Code of Conduct, as well as a refresher course on controls against fraud and corruption, insider trading prohibitions and anti-money laundering and counter-terrorism financing legislation. The Fraud Risk Management Policy and a summary of the Charter Hall Code of Conduct are available to view under the Corporate Governance section of the REIT's website.

Managing conflicts

The REIT is part of the Charter Hall managed suite of property funds. Accordingly, in setting the corporate governance framework, CHRML also complies with Charter Hall's Related Party Transactions Policy and Conflicts Protocol.

This Policy safeguards the interests of investors in the investment vehicles, which at times may conflict with those of Charter Hall as sponsor of the vehicles.

The key elements of the Charter Hall Policy relates to management of conflicts of interest arising between Charter Hall managed vehicles and its related parties. It requires that:

- related party transactions are identified clearly and conducted on arm's length terms;
- related party transactions are tested by reference to whether they meet market standards; and
- decisions about transactions between Charter Hall managed vehicles and Charter Hall or its affiliates are made by the independent members of the Board or Committee.

The REIT has also established protocols for the Board in identifying and managing conflicts, including that:

- Board members declare their interests as required under the Corporations Act, ASX Listing Rules and other general law requirements;
- Board members with a material personal interest in a matter are not present at a Board meeting during the consideration of the matter and subsequent vote unless the Board (excluding the relevant Board member) resolves otherwise;
- Board members with a conflict not involving a material personal interest may be required to absent themselves from the relevant deliberations of the Board; and
- Board members who are also Charter Hall executives do not vote on transactions with Charter Hall entities or Charter Hall managed entities.

The REIT also has a policy for dealing with actual, apparent or potential conflicts of interest which arise out of the fact that CHRML (as part of Charter Hall) and the REIT may transact from time to time or share staff or information with other Charter Hall companies or managed vehicles.

Personal conflicts that might arise generally for directors and staff are covered by the Code of Conduct referred to above.

Securities trading

The Board has adopted a Securities Trading Policy, which regulates the manner in which directors and staff involved in the management of the REIT can deal in REIT securities. It requires that they conduct their personal investment activities in a manner that is lawful and avoids conflicts between their own interests and those of the REIT.

The Policy specifies the periods in which trading is not permitted.

The Securities Trading Policy is available to view under the Corporate Governance section of the REIT's website.

Diversity

ASX Recommendation 3.2 – Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.

ASX Recommendation 3.3 – Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

ASX Recommendation 3.4 – Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

Presently, the Board does not have a female member; however, it is the policy of the Board that diversity be considered in the selection and nomination of any replacement director or should an additional appointment be required.

CHRML does not employ staff directly; all employees working within the REIT's business are provided by Charter Hall. For this reason, employees working within the REIT's business are governed by Charter Hall policies.

The Charter Hall Board has adopted a Diversity and Inclusion Policy, which is disclosed on the Charter Hall website. The Policy contains the overriding objectives to increase the percentage of women in leadership and business related roles and to promote a culture that values diversity, inclusion and flexibility. To achieve these objectives, Charter Hall has put in place a number of strategies. Achievements against these strategies, in respect of the financial year ending 30 June 2013, are summarised below.

As at 30 June 2013, the Charter Hall senior management team comprised 17% women, and total staff across the Group comprised 47% women.

FY13 strategy achievements

Recruitment

- Revised our recruitment process to ensure that long and short candidate lists, as well as our selection panels, include women.

Addressing impediments to diversity

- Developed our vision, values and leadership competencies to drive culture and inform our planning for the 'new way of working' cultural transformation.
- Conducted an engagement survey which provided greater clarity around cultural and diversity issues.
- Increased the amount of paid parental leave from 12 to 14 weeks and continued to implement flexible work practices.
- Continued to foster flexibility including introducing a formal 'working from home' policy.
- Conducted appropriate workplace behaviour refresher training.
- Reduced the number of diversity related grievances throughout the year.

Identify, support and develop talented individuals with leadership potential across the spectrum of gender, ethnicity and age.

- Developed Study Assistance, External Training and Professional Membership policies.
- Provided specific development opportunities for senior women.
- Implemented a process for identifying talent and planning for succession.

Our focus for FY14

The intent of Charter Hall is to continue its three year journey by working towards best practice, improving overall capability and integrating diversity into all people initiatives. In the forthcoming financial year, Charter Hall will be focusing on the following diversity and inclusion strategies:

Flexible working: with the objective to mainstream flexibility in a way that directly links business performance, productivity and sustainability with workforce wellbeing.

Inclusive culture: to create an environment where people with diverse backgrounds, skills and perspectives feel trusted, valued and respected and that they are able to contribute to the organisation.

Gender balance: to achieve gender balance in all roles across the business.

External profile: to develop our employment brand so that Charter Hall is perceived as a 'great place to work' by current

employees and key external stakeholders (including active and passive candidates, tenants and investors) with an initial focus on gender.

Sustainability policy

The Board of CHRML has adopted Charter Hall's sustainability policy for the REIT. Charter Hall's approach to sustainability, particularly climate change, is set out on pages 14 to 15 of this Annual Report.

Charter Hall's Sustainability Policy is available to view under the Corporate Governance section of the Charter Hall website.

Financial integrity

ASX Corporate Governance Principle 4 – Safeguard integrity in financial reporting.

The Board has the responsibility for monitoring the integrity of the REIT's financial reporting. To assist the Board in fulfilling this responsibility, the processes discussed below have been adopted.

Audit, Risk and Compliance Committee (ARCC)

ASX Recommendation 4.1 – The board should establish an audit committee.

ASX Recommendation 4.2 – The audit committee should be structured so that it: consists only of non-executive directors; consists of a majority of independent directors; is chaired by an independent chair, who is not chair of the board; and has at least three members.

ASX Recommendation 4.3 – The audit committee should have a formal charter.

The Board has established an ARCC to oversee the quality and integrity of accounting, audit, financial and risk management practices for the REIT. The ARCC is comprised of only independent directors, and is chaired by an independent director who is not the Chairman of the Board.

The Board has developed a charter which sets out the Committee's role, responsibilities, composition, structure and membership requirements.

As stated in its Charter, the responsibilities of the ARCC in relation to financial reporting are to:

- review the internal control and compliance systems of CHRML and the REIT;
- monitor the integrity of the financial statements of CHRML and the REIT;
- consider significant financial reporting issues and judgements made in connection with the REIT's financial statements;
- review and inform the Board on matters relating to the Auditor;
- monitor compliance by CHRML with legal and regulatory requirements;
- regularly monitor risk management reports provided by Management; and
- assess at regular intervals whether the REIT's compliance plan, internal financial control systems, risk management policies and risk management systems are adequate.

The Auditor is invited to ARCC meetings and also meets privately with the ARCC at least twice a year.

Corporate Governance Statement

continued

The ARCC is comprised of independent directors only, all of whom have an appropriate level of financial and property industry expertise. More information on ARCC members, including qualifications and attendance at ARCC meetings, can be found on pages 40 to 43 of the Directors' Report.

Auditor independence

In order to ensure the independence of the Auditor, the Board has adopted a Policy requiring that:

- the Auditor remain independent from Charter Hall and the REIT at all times;
- separate audit partners are engaged to undertake the audits of Charter Hall and the REIT;
- the Auditor monitor its independence and report to the Board every six months on its continuing independence;
- non-audit assignments undertaken by the Auditor are in accordance with the Policy; and
- all non-audit assignments are reported to the ARCC.

The Auditor is available to answer unitholder questions on the conduct of the audit, and the preparation and content of the Auditor's Report. In line with Charter Hall policy, the REIT has appointed PricewaterhouseCoopers PwC as Auditor. PwC is expected to carry out its responsibilities in accordance with Australian law and audit firm policy in respect of partner rotation.

The ARCC Charter and Auditor Independence Policy are available under the Corporate Governance section of the REIT's website.

Disclosure

ASX Corporate Governance Principle 5 – Make timely and balanced disclosure.

ASX Recommendation 5.1 – Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance and disclose those policies or a summary of those policies.

The CHRML Board strives to provide timely, open and accurate information to all stakeholders, including unitholders, regulators and the wider investment community.

The Board has adopted Charter Hall's Continuous Disclosure and Communications policy, which summarises the internal processes to ensure compliance with ASX Listing Rules and Australian law in respect of continuous disclosure.

This Policy includes procedures for dealing with potentially price-sensitive information, including referral to the executive directors and Company Secretary, and the Board where necessary, for a determination as to the appropriate disclosure required. The Company Secretary is the ASX liaison person.

Charter Hall's Continuous Disclosure and Communications Policy is available to view under the Corporate Governance section of the REIT's website.

Unitholder communication

ASX Corporate Governance Principle 6 – Respect the right of shareholders.

ASX Recommendation 6.1 – Companies should design and disclose a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

The Board of CHRML has adopted Charter Hall's Continuous Disclosure and Communications Policy. The Policy contains information on the methods of providing timely and relevant information to unitholders, including the following:

- the right for investors to receive an annual report and updates which keeps them informed of the REIT's performance and operations;
- placement under the News Centre section of the REIT's website of market-sensitive information in the form of ASX announcement or webcasts; investors also have the ability under this section of the website to register to receive email alerts of the REIT's ASX announcements;
- placement under the Investor Centre section of the REIT's website of distribution and tax information, unit price information, financial results information including results webcast, investor presentations, past and current reports to unitholders and past unitholder meeting information; and
- where investor roadshows contain new information, they are uploaded to the REIT's website following release to the ASX.

Trusts such as the REIT are not required by law to hold an annual meeting; however, the REIT does hold an annual unitholders meeting between October and December. This annual meeting is conducted on an informal basis unless there is formal business to be considered. In the event of a formal meeting, a full copy of the notice of meeting, including an explanatory memorandum on the resolutions, is placed on the REIT's website. For unitholders who are unable to attend formal meetings to vote, proxies may be lodged online, by mail or by facsimile. All meetings are also webcast.

Charter Hall's Continuous Disclosure and Communications Policy is available to view under the Corporate Governance section of the REIT's website. Recent annual reports and financial results are available under the Investor Section of the REIT's website. Recent ASX announcements and investor webcasts are available to view under the News Centre section of our website.

Risk management

ASX Corporate Governance Principle 7 – Recognise and manage risk.

ASX Recommendation 7.1 – Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Management has developed a risk management framework for the REIT under the oversight of CHRML's ARCC. As detailed in its Charter, as part of its risk monitoring duties, the ARCC is required to:

- review the internal control and compliance systems of CHRML and the REIT;
- regularly monitor risk management reports provided by Management; and
- assess at regular intervals whether the REIT's compliance plan, internal financial control systems, risk management policies and risk management systems are adequate.

ASX Recommendation 7.2 – The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

Charter Hall executives and senior managers who have responsibility for the business activities of the REIT are required to observe the REIT's Compliance Plan and ensure that there is an underlying compliance framework, including detailed policies and procedures, staff training and supervision and appropriate compliance reporting.

Charter Hall's Risk and Compliance Manager is responsible for reviewing and monitoring the efficiency of compliance systems on an ongoing basis so that appropriate compliance procedures, staff education and reporting arrangements are in place to support the compliance framework.

Each financial year, an Operational Risk Self-Assessment is conducted in which Management considers key risks and controls and assesses their effectiveness. Findings resulting from this assessment are reported to the ARCC and the Board. During the financial year ended 30 June 2013, Management has reported on the effectiveness of the REIT's management of its material risks.

Considerable importance is placed on maintaining a strong control environment through an organisation structure with clearly drawn lines of accountability and authority. To assist with this process, Charter Hall has engaged Ernst & Young to provide an internal audit function, which will also apply to the REIT, and will be implemented within the 2014 financial year. The Board of CHRML has adopted this strategy objective.

The REIT's Compliance Plan is available to review under the Corporate Governance section of the REIT's website.

CEO and CFO assurance

ASX Recommendation 7.3 – The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Board has received assurance from the Fund Manager and Deputy Fund Manager of the REIT that the REIT's financial statements are founded on a sound system of risk management and internal control and that the system is operating in all material respects in relation to financial reporting risks. This assurance is supported by a review and sign-off process from executives and senior managers on the key items that make up the risk management and control systems.

A summary of the Risk Management Framework is available to review under the Corporate Governance section of the REIT's website.

Remuneration

ASX Corporate Governance Principle 8 – Remunerate fairly and responsibly.

ASX Recommendation 8.1 – The board should establish a remuneration committee.

ASX Recommendation 8.2 – The remuneration committee should be structured so that it: consists of a majority of independent directors; is chaired by an independent chair; and has at least three members.

Whilst ASX Corporate Governance Principles recommend the establishment of a remuneration committee, the Board does not consider it necessary or appropriate to constitute a remuneration committee, as the REIT does not employ staff directly.

The Board of Charter Hall (utilising its Remuneration and Human Resources Committee) is responsible for setting and overseeing the remuneration policies and equity based plans for Charter Hall executives and senior managers, including those who have responsibility for the business activities of the REIT. A summary of these policies is available in the Charter Hall Annual Report on the Charter Hall website.

Further information is provided in the Remuneration Report on page 90 of this Annual Report.

ASX Recommendation 8.3 – Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

Executive Directors and senior managers

The Executive Directors of CHRML, and senior managers of Charter Hall who have responsibility for the business activities of the REIT, are not paid by CHRML or the REIT. They are remunerated by Charter Hall.

The REIT pays fees to CHRML for carrying out its Responsible Entity duties for the REIT (which includes 'Manager' fees as defined under the REIT's Constitution). These fees are described further below under the section 'The REIT's management arrangements'.

While the REIT's Management are Charter Hall employees, there is a strong alignment of interest between those employees and the REIT's investors. This is evidenced by Charter Hall's remuneration system which ensures that a significant amount of remuneration is at risk and solely dependent on performance.

Further information is provided in the Remuneration Report on page 90 of this Annual Report.

Non-Executive Directors

Fees of the non-executive directors of CHRML were paid by the REIT from 1 January 2012.

Non-executive directors of CHRML are not entitled to Charter Hall options or securities or to retirement benefits as part of their appointment.

Corporate Governance Statement

continued

The REIT's management arrangements

The following is a high level summary of the REIT's current management arrangements addressing the disclosure recommended in ASX Guidance Note 26. We recommend that you read the REIT's Constitution on the REIT's website.

Investment mandate

The principal investment policy of the REIT is investment in Australian retail properties focusing on food and non-discretionary retail spending, predominantly anchored by market leading supermarket retailers. This policy may be varied from time to time upon giving reasonable notice to unitholders.

Source: ASX Announcements; REIT's Constitution clause 11.

Services

CHRML has all the powers of a natural person including contracting, borrowing and investment and carries out all management functions for the REIT subject to outsourcing registry services to Link Market Services Limited ABN 54 083 214 537 and REIT custodial services to Perpetual Trustee Company Limited ABN 42 000 001 007.

Sources: REIT's Constitution clause 11; Corporations Act s601FB, s601FC.

Term

CHRML has no fixed term of appointment and therefore the appointment continues until it is removed or retires or unitholders vote to wind up the REIT as provided for in the REIT's Constitution or by law.

Source: REIT's Constitution clauses 12 and 20.

Extension or renewal

Not applicable.

Termination

The REIT may terminate the appointment of the Responsible Entity without cause, by unitholder vote. The resolution must be passed by at least 50% of votes cast at a meeting by unitholders entitled to vote. The Responsible Entity and associates may vote their securities on the resolution.

ASIC or a court may replace the Responsible Entity where there are solvency issues or members are likely to suffer a loss because the Responsible Entity has breached the Corporations Act.

Pursuant to the Corporations Act, the Responsible Entity can retire if it first convenes a unitholders meeting to explain its reason for retirement and to enable unitholders to vote on a resolution to choose a new responsible entity.

Base fees and performance fees accrued to the date of termination are payable. There are no other termination fees payable.

Sources: REIT's Constitution clauses 12 and 19; Corporations Act s601FL, s601FM, s601FN, s253E.

Fees

Base fee

The base fee is currently calculated as:

- i) 0.45% per annum of the value of the total assets of the REIT up to \$700 million; plus
- ii) 0.40% per annum of the value of the total assets of the REIT over \$700 million.

The base fee is calculated six monthly and is paid quarterly in arrears.

Performance fee

In addition to the base management fee, CHRML is currently entitled to a performance fee satisfied by the issue of units in the REIT to CHRML, dependent upon the relative performance of the REIT to the Retail REIT Accumulation Index (Index). This index, calculated from a peer group of property securities that have a principal focus on the retail sector, measures the income and capital growth of the unit prices of the representative trusts.

If the REIT's performance during a six month period is higher than the percentage increase in the Index for the relevant period, then CHRML is entitled to new units in the REIT or a payment with a total value equal to:

- i) 5% of the total Increased Unitholder Value from outperformance; plus
- ii) 15% of the Increased Unitholder Value above 2% nominal outperformance per annum (1% per half year).

The Increased Unitholder Value is measured as the market capitalisation of the REIT at the commencement of the relevant year, multiplied by the nominal percentage outperformance of the REIT relative to the Index for that year.

The performance fee is calculated and payable, if entitled, each half year at December and June. The performance fee is payable, if entitled, subject to an annual cap, whereby total management fees paid in any one year must not exceed 80 basis points of the value of the gross assets of the REIT (except where the REIT has outperformed its sector peers continuously over a three year period).

Any unpaid fees will continue to be paid up to 80 basis points of the value of the assets in any future year. There were no performance fees paid or payable for the financial year ending 30 June 2013. In the calculation of the performance fee, outperformance will be assessed on a cumulative basis and, accordingly, any underperformance will need to be recovered before CHRML is entitled to any future performance fees.

Waiver of fees

The Responsible Entity may accept lower fees or defer fees.

Source: REIT's Constitution clause 19.

Expenses

CHRML is entitled to be reimbursed for expenses incurred in relation to the proper performance of its Responsible Entity duties. Expense reimbursement will not include administration costs such as premises, staff and facilities.

Sources: REIT's Constitution clause 19; Corporations Act, s601GA(2).

Exclusivity

The Responsible Entity of the REIT may act for other parties and outsource its general management responsibilities to other Charter Hall or non-Charter Hall managers (but remains liable for their actions). Charter Hall (including CHRML) has no obligation to provide investment opportunities to the REIT, and the REIT has no obligation to accept any investment opportunities and has no priority to investment opportunities.

Sources: REIT's Constitution clauses 11 and 16; Corporations Act s601FB.

Authorities

The Board of CHRML as Responsible Entity of the REIT makes all significant investment/divestment and operational decisions in relation to the REIT unless specifically delegated to Management.

Source: REIT's Constitution clause 11.

Related party protocols

Charter Hall has adopted a detailed related party protocol covering potential conflicts of interest between different Charter Hall Group entities.

The REIT has also adopted a Related Party Policy which covers transactions with and services provided by Charter Hall companies and managed vehicles.

Examples of areas in which Charter Hall may provide resources or services are: property due diligence, property management, property agency services including facilities management, leasing, property sales and acquisitions, project management, debt arrangement, accounting and corporate and development management and property compliance.

All related party transactions or services must be on arm's length terms and are approved by the independent directors of CHRML only. The fees for related party services are disclosed in the financial statements for the REIT.

Mandates for the provision of related party services to the REIT require approval by the independent directors based on appropriate market information or practice and when considered appropriate are subject to third party independent review.

In the case of the provision of services, the reviewers have regard to market evidence gathered from their own enquiries, including information requested from Charter Hall.

For further information on related party fees, please refer to the financial statements.

Sources: Charter Hall Group Related Party Transactions Policy; Corporations Act – Part 5C.7, which governs transactions by REITs.

Change of control

The REIT co-invests from time to time with other companies or managed vehicles, potentially including Charter Hall companies or Charter Hall-managed funds. Co-investment arrangements may include pre-emption and tag along or drag along rights in favour of each other including rights which are triggered on a change of control of, or removal of, the Charter Hall manager typical of those agreed with third party co-investors.

In addition, loan facilities for Charter Hall Retail REIT assets may provide for acceleration of loan payments if the REIT is no longer managed by a Charter Hall company.

CHRML's independent directors obtain separate legal advice on change of control issues as necessary, and the arrangements are approved by the independent directors and disclosed to unitholders.

Source: Charter Hall Group Related Party Transactions Policy.

Variation to management arrangements

Any variations of the REIT's management arrangements will be effected by changing the REIT's Constitution.

Any changes to the Constitution which are adverse to unitholders' rights, including changes to fee structures to increase fees, would require approval by unitholders at a general meeting. The resolution to authorise such a change of the Constitution must be supported by at least 75% (by value) of votes cast.

Sources: REIT's Constitution clause 22; Corporations Act s601GC.

Director appointment rights

In accordance with the Corporations Act and CHRML's Constitution, Charter Hall currently appoints all of the directors of CHRML, given that it is a Charter Hall subsidiary.

The REIT unitholders are asked to ratify the appointment of independent directors on the Board of CHRML by a non-binding vote.

As the REIT is an externally managed trust, unitholders are not legally able to vote for directors of the Responsible Entity. Instead the non-executive directors must be appointed by Charter Hall which will observe unitholders votes on this matter.

What you can find on our website:

Charter Hall Retail REIT Constitution; and
Charter Hall Retail Management Limited Constitution.

Financial Report

for the year ended 30 June 2013

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Directors' Report to Unitholders

for the year ended 30 June 2013

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) for the year ended 30 June 2013.

1. 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.

2. 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:

- John Harkness, Chairman and Non-Executive Director
- David Harrison, Executive Director and Joint-Managing Director of Charter Hall Group
- Maurice Koop, Non-Executive Director and Chairman of Audit, Risk and Compliance Committee
- Alan Rattray-Wood, Non-Executive Director
- David Southon, Executive Director and Joint-Managing Director of Charter Hall Group
- Scott Dundas, Alternate for David Southon and David Harrison, appointed on 11 September 2012

3. Distributions

Distributions paid or declared by the REIT to unitholders:

	2013 \$'m	2012 \$'m
Final distribution for the six months ended 30 June 2013 of 13.50 cents per unit payable on 21 August 2013	45.6	–
Interim distribution for the six months ended 31 December 2012 of 13.30 cents per unit paid on 15 February 2013	44.4	–
Final distribution for the six months ended 30 June 2012 of 13.10 cents per unit paid on 21 August 2012	–	39.3
Interim distribution for the six months ended 31 December 2011 of 13.00 cents per unit paid on 17 February 2012	–	39.0
	90.0	78.3

A liability has been recognised in the consolidated financial statements as the final 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. Given the redevelopment pipeline of the REIT, along with Australian acquisition opportunities, the DRP was reinstated for the half year ending 31 December 2012 and was in operation for the 30 June 2013 distribution.

The DRP issue price is determined at a discount of 1.0% to the volume weighted average market price of units traded on the ASX during the 10 business days from and including the ex-distribution date. The REIT raised \$13 million from the DRP for the 31 December 2012 distribution and expects to raise \$16 million from the DRP for the 30 June 2013 distribution.

4. Review and results of operations

The REIT recorded a statutory profit for the year of \$52.6 million compared to a statutory profit of \$9.7 million in 2012. Operating earnings amounted to \$96.4 million compared to \$86.3 million in 2012 due to:

- increased net property income from Australian properties following acquisitions and income growth during the year;
- reduced offshore net property income following disposals completed; and
- lower finance costs reflecting lower floating rates combined with full year impact of CMBS refinance.

Operating earnings is a financial measure which represents the profit/(loss) under Australian Accounting Standards adjusted for certain unrealised and non-cash items, reserve transfers, capital transactions and other non-core items.

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:

	2013 \$'m	2012 \$'m
Net property income from wholly owned properties	139.6	135.4
Net income from joint venture entities	11.6	10.0
Realised gains on forward foreign exchange contracts	1.6	1.9
Other income	1.0	0.5
Management fees	(8.5)	(8.3)
Finance costs*	(43.0)	(49.0)
Other expenses	(4.8)	(4.2)
Tax expense	(1.1)	–
Operating earnings**	96.4	86.3

* Finance costs include \$9.1 million (2012: \$2.5 million) of realised net loss on interest rate swaps and debt cross currency swaps.

** Further detail on operating earnings is contained in Note 2.

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

	2013 \$'m	2012 \$'m
Operating earnings	96.4	86.3
Net valuation gains on Australian investment properties	1.6	0.6
Write-off of acquisition costs incurred on Australian investment properties	(6.8)	(8.4)
Net valuation (losses)/gains on Australian investment properties held for sale	(3.6)	0.2
Net valuation losses on offshore investment properties	(34.1)	(13.4)
Revaluation adjustments	(0.7)	(0.2)
Net unrealised and capital transaction related realised gains/(losses) on derivative financial instruments	2.7	(30.9)
Loss on sale of investment properties	(2.7)	(1.0)
Change in fair value of deferred consideration receivable	–	(1.3)
Debt break cost associated with US investment property held for sale	(2.4)	–
Deferred tax benefit/(expense)	8.0	(0.7)
Transfer from reserves of cumulative FX losses on disposal of assets held for sale	(5.4)	(21.3)
Other	(0.4)	(0.2)
Statutory profit from continuing and discontinued operations	52.6	9.7
Basic weighted average number of units (millions)	323.9	299.7
Basic earnings per unit (cents)	16.24	3.24
Operating earnings per unit (cents)	29.77	28.81
Distributions per unit (cents)	26.80	26.10

Directors' Report to Unitholders continued

for the year ended 30 June 2013

4. Review and results of operations continued

The 30 June 2013 financial results are summarised as follows:

	2013	2012
Revenue (\$ millions)	192.7	165.7
Net profit after tax (\$ millions)	52.6	9.7
Basic earnings per unit (cents)	16.24	3.24
Operating earnings (\$ millions)	96.4	86.3
Operating earnings per unit (cents)	29.77	28.81
Distribution (\$ millions)	90.0	78.3
Distribution per unit (cents)	26.80	26.10
Total assets (\$ millions)	2,057.1	1,944.6
Total liabilities (\$ millions)	936.0	931.2
Net assets attributable to unitholders (\$ millions)	1,121.1	1,013.4
Units on issue (millions)	337.6	299.6
Net assets per unit (\$)	3.32	3.38
Balance sheet gearing – total debt (net of cash) to total assets (net of cash)	39.8%	40.4%

5. Significant changes in the state of affairs

During the year, the REIT completed a \$100 million institutional placement of 28,985,600 ordinary units at a price of \$3.45 per unit.

The REIT used the proceeds of the placement to fund the acquisition of three sub-regional shopping centres located in regional New South Wales as follows:

- Tamworth City Plaza, Tamworth, NSW
- Dubbo Shopping Centre, Dubbo, NSW
- Lake Macquarie Fair and Mount Hutton Plaza, Lake Macquarie, NSW (remaining 50% interest)

These properties were acquired for a gross purchase price of \$100.7 million (including \$1.1 million of immediate capital expenditure required at Dubbo Shopping Centre). Following these acquisitions, the REIT expanded its multi-currency facility limit to \$385.0 million.

In addition the REIT raised a further \$18.9 million in equity through a Unit Purchase Plan (UPP). Under the UPP the REIT issued 5,484,400 ordinary units at a price of \$3.45 per unit.

The REIT also sold one wholly owned property in the United States for a gross sale price of US\$3.3 million (A\$3.2 million) and one property in Australia for a gross sale price of \$43.8 million.

The REIT reinstated its DRP for the 31 December 2012 distribution and it remains active at 30 June 2013.

The REIT also sold its interest in its last United States (US) joint venture entity with Regency Centres. As part of this transaction, the joint venture was dissolved and the four properties distributed between the co-owners. The REIT received three properties and simultaneously sold these assets to a US based private investor. The sale was completed for a gross sale price of US\$49.1 million (\$47.1 million), and realised net proceeds of approximately \$11 million.

The REIT has entered into a conditional contract for the sale of its five Polish assets for a gross sale price of €174.5 million (A\$248.4 million). The sale is forecast to realise approximately A\$60 million of net proceeds and is scheduled to close by 30 September 2013.

In June 2013, the REIT executed a contract to acquire an Australian investment property in Secret Harbour, WA for a gross purchase price of \$33.2 million. The transaction subsequently settled in July 2013.

6. Business strategies and prospects

The REIT's strategy is to invest in neighbourhood and sub-regional supermarket anchored centres in Australia. When acquiring these properties the REIT's investment criteria include:

- exposure to predominantly non-discretionary retailing
- investing in regions with sound, long term demographic growth
- consideration of the geographic diversity of the REIT's portfolio
- potential future development opportunity.

These centres typically range in value from \$20 million – \$100 million and have capital and income growth potential. The REIT aims to maintain and enhance the existing portfolio through active asset and property management and to proactively manage its equity and debt.

The strategy with respect to the REIT's offshore portfolio is to complete the disposal of these assets, with net proceeds to be reinvested into acquisition of high quality Australian properties or redevelopments of the REIT's existing portfolio.

The material business risks faced by the REIT that are likely to have an effect on its financial performance include:

Leasing

Lease default, non-renewal and vacancy could result in a reduction in income received by the REIT. This risk is mitigated through active property and asset management of the REIT's portfolio and its exposure to predominantly non-discretionary retailing. Any impact will depend on future economic conditions that are not known at balance date.

Funding

An inability to obtain the necessary funding or refinancing of an existing debt facility, or a material increase in the cost of such funding (including through increases in interest rates that are not hedged), may have an adverse impact on the REIT's performance and financial position. The REIT seeks to minimise this risk through proactive refinancing and maintaining adequate liquidity to fund future forecast expenditure and hedging its interest rate exposure in accordance with the Board approved Financial Risk Management Policy.

Development pipeline

The REIT has an identified development pipeline, with the projects currently under construction at 30 June 2013 having a development cost of approximately \$78 million. For these projects and for all future development activity undertaken by the REIT, achieving target returns will depend on achieving both practical completion on schedule and targets for leasing income. This risk is mitigated through fixed construction contracts and through pre-leasing the redevelopment both prior to and during construction.

7. Events occurring after balance date

In July 2013, the REIT settled on the acquisition of one shopping centre in Secret Harbour, WA for a gross purchase price of \$33.2 million and sold a 50% interest in Home HQ Nunawading for a gross sale price of \$24.0 million.

In August 2013, the REIT refinanced its multi-currency bank loan facility through a new syndicated debt facility and extended the term to August 2018. The facility limit was increased to \$425 million and a new banking partner was introduced.

Since the end of the year, the Directors of the Responsible Entity are not aware of any other matter or circumstance not otherwise dealt with in this report or the consolidated financial statements that has significantly affected or may significantly affect the operations of the REIT, the results of those operations or the state of affairs of the REIT in the financial years subsequent to 30 June 2013.

8. Likely developments and expected results of operations

The consolidated financial statements have been prepared on the basis of current known market conditions. The extent to which a potential deterioration in either the capital or property markets that may have an impact on the results of the REIT is unknown. Such developments could influence property market valuations, the ability of borrowers, including the REIT, 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 deferred tax, movements in the fair value of derivative financial instruments and movements in foreign exchange and 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.

9. Indemnification and Insurance of Directors, Officers and Auditor

During the year, the REIT, pursuant to Article 19 of its Constitution, paid a premium for a contract to insure all directors, secretaries and officers of the REIT and of each related body corporate of the REIT. The insurance does not provide cover for the independent auditor of the REIT or of a related body corporate of the REIT. In accordance with usual commercial practice, the insurance contract prohibits disclosure of details relating to the nature of the liabilities covered by the insurance, the limit of indemnity and the amount of the premium paid under the contract.

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

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

Base fees of \$8,463,000 (2012: \$8,318,000) 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 constitution as disclosed in Note 25(d) to the consolidated financial statements.

In addition, a related party of the Responsible Entity has earned management fees of \$138,415 (2012: \$184,195) relating to the US properties. These are included in the management fees disclosed in Notes 11(h) and 25(d) to the consolidated financial statements.

The interests in the REIT held by the Responsible Entity or its associates as at 30 June 2013 and fees paid to its associates during the year are disclosed in Note 25 to the consolidated financial statements.

Directors' Report to Unitholders continued

for the year ended 30 June 2013

11. Interests in the REIT

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

	2013	2012
Units on issue at the beginning of the year	299,628,571	302,162,079
Units issued during the year	37,954,403	–
Units cancelled during the year	–	(2,533,508)
Units on issue at the end of the year	337,582,974	299,628,571

12. Value of assets

	2013 \$'m	2012 \$'m
Value of REIT assets	2,057.1	1,944.6

The value of the REIT's assets is derived using the basis set out in Note 1 to the consolidated financial statements.

13. Environmental regulations

The operations of the REIT are subject to environmental regulations under Commonwealth, State and Territory legislation in relation to property developments and the ownership of eight petrol stations.

Under the lease agreements for the petrol stations owned by the REIT, any environmental exposures are the responsibility of the tenant, and the REIT is indemnified against any losses resulting from environmental contamination.

In relation to the property developments, the REIT is obliged to ensure all works carried out under any development approval comply with that approval as well as any further relevant statutory requirements. The REIT ensures that contracts it enters into with builders for its developments stipulate that the builder must:

- (a) ensure that in carrying out the contractor's activities:
- (i) it complies with all statutory requirements and other requirements of the contract for the protection of the environment;
 - (ii) it does not pollute, contaminate or otherwise damage the environment; and
 - (iii) its subcontractors comply with the requirements referred to in the contract;

- (b) make good any pollution, contamination or damage to the environment arising out of, or in any way in connection with, the contractor's activities, whether or not it has complied with all statutory requirements or other requirements of the contract for the protection of the environment; and
- (c) indemnify the REIT to the full extent permitted by law against:
 - (i) any liability to or a claim by a third party; and
 - (ii) all fines, penalties, costs, losses or damages suffered or incurred by the REIT, arising out of or in connection with the contractor's breach of the contract.

Approvals for property developments are required under various local, State and Territory environmental laws.

To the best of the Directors' knowledge, the operations of the REIT have been undertaken in compliance with the applicable environmental regulations in each jurisdiction where the REIT operates.

14. Information on current directors

John Harkness

Appointed 18 August 2003

Age: 68

John was appointed to the Board of the management company for the Charter Hall Retail REIT on 18 August 2003, and was appointed Chairman on 27 April 2011. John brings extensive financial and business skills to the Board. A partner at KPMG for 25 years and National Executive Chairman for five years, John has held a number of non-executive director roles since leaving KPMG in 2000.

He is currently Chairman of Reliance Rail and an Independent Director of both the Goodman Group and Sinclair Knight Merz. John is also Chairman of the Sydney Foundation for Medical Research and Vice-President of Northern Suburbs Rugby Football Club Limited.

John is a Fellow of both The Institute of Chartered Accountants (Australia) and the Australian Institute of Company Directors.

Current listed directorships

Goodman Group (Director since 2005) (ASX: GMG)

Former listed directorships in last three years

Crane Group Limited (retired 31 December 2010)

Special responsibilities

Chairman, Member of the Audit, Risk and Compliance Committee

Interest in units of the REIT

Nil

David Harrison

Appointed 1 March 2010

Age: 47

As Charter Hall Group's Joint Managing Director, with over 27 years of property industry experience, David is responsible for all aspects of the Charter Hall business, with specific focus on Investment Management, Corporate Transactions and Property Investment activities. David also substantially contributes to investment origination, capital raisings and structuring of transactions. David is directly responsible for overseeing the operations of the Investment Management Divisions, including the listed REIT, Wholesale Unlisted and Retail Unlisted Divisions, together with Investor Relations. The Joint Managing Directors share responsibility for Corporate Finance, Legal/CoSec and People, as well as Group Finance, Treasury and Capital Management via the CFO, Head of People and General Counsel in addition to their responsibilities on the various unlisted Fund Boards and Investment Committees.

David has more than 27 years of experience in the Australian commercial property market and has jointly overseen the growth of the Charter Hall Group from \$500 million to \$10 billion of assets under management in seven years. David has been principally responsible for transactions exceeding \$15 billion of commercial, retail and industrial property assets across all property sectors over the past 20 years.

David holds a Bachelor of Business Degree (Land Economy) from the University of Western Sydney, is a Fellow Member of the Australian Property Institute (FAPI) and holds a Graduate Diploma in Applied Finance from the Securities Institute of Australia.

Current listed directorships

Charter Hall Group (ASX: CHC)

Former listed directorships in last three years

Charter Hall Office Management Limited for the Charter Hall Office REIT (ASX: CQO) (CQO delisted on 1 May 2012)

Special responsibilities

Nil

Interest in units of the REIT

Nil

Maurice Koop

Appointed 12 August 2002

Age: 69

Maurice was appointed to the Board of the management company for the Charter Hall Retail REIT on 12 August 2002, and is Chairman of the Audit, Risk and Compliance Committee. His experience includes 26 years in consulting with particular focus on consumer goods, retailing and the financial services industry.

Maurice is a senior adviser to The Boston Consulting Group. He has served as a Non-Executive Director on a number of company boards including 13 years as a director of the Just Jeans Retail Group.

He has a BCom and a DipEd from Melbourne University and an MBA from the University of Toronto.

Current listed directorships

Nil

Former listed directorships in last three years

Nil

Special responsibilities

Chairman of the Audit, Risk and Compliance Committee

Interest in units of the REIT

48,404

Directors' Report to Unitholders continued

for the year ended 30 June 2013

14. Information on current directors continued

Alan Rattray-Wood

Appointed 6 March 1996

Age: 61

Alan was appointed to the Board of the management company for the Charter Hall Retail REIT on 6 March 1996, and is a member of the Audit, Risk and Compliance Committee. He is an experienced industry participant with more than 30 years' experience involving supermarket management, neighbourhood and regional sized shopping centre management, development and leasing. Alan has held management roles with Woolworths, Westfield Holdings and other private developers.

Since 1990, he has operated his own retail development consultancy practice, focusing on all facets of shopping centre development and retail chain insolvency workouts.

Current listed directorships

Nil

Former listed directorships in last three years

Nil

Special responsibilities

Member of the Audit, Risk and Compliance Committee

Interest in units of the REIT

10,867

David Southon

Appointed 1 March 2010

Age: 47

David is a co-founder of the Charter Hall Group and one of its Joint Managing Directors, with over 25 years of property industry experience. Together, and in conjunction with the CHC Executive Committee and the Board, the Joint Managing Directors are responsible for the formulation and implementation of the Group's strategy. David is directly responsible for overseeing the operation of the Property Services Divisions, including Development; Leasing; Asset Management; Property Management; Marketing and Communications, as well as strategic involvement in project origination and direction. Together with the relevant Divisional Heads, the Joint Managing Directors share responsibility for Investor Relations, Corporate Finance, General Counsel and People, as well as working closely with the Chief Financial Officer in relation to Group Finance, Treasury and Capital Management.

In addition, David is an Executive Director on the Board of the Responsible Entity for the Charter Hall Direct Funds, a Non-Executive Director on the Board of Commercial Industrial Property (CIP), member of the Charter Hall Diversity Committee, and a member of the Investment Committees of Charter Hall Opportunity Funds 4 and 5.

David is a member of the Board of Advisers NSW for the Property Industry Foundation (PIF).

David holds a Bachelor of Business Degree (Land Economy) and is a Fellow Member of the Australian Property Institute (FAPI).

Current listed directorships

Charter Hall Group (ASX: CHC)

Former listed directorships in last three years

Charter Hall Office Management Limited for the Charter Hall Office REIT (ASX: CQO) (CQO delisted on 1 May 2012)

Special responsibilities

Nil

Interest in units of the REIT

Nil

15. Meetings of Directors

Name	FULL MEETINGS OF DIRECTORS		MEETINGS OF AUDIT, RISK AND COMPLIANCE COMMITTEE	
	Eligible to attend	Attended	Eligible to attend	Attended
John Harkness	10	10	5	5
David Harrison	10	10	N/A	N/A
Maurice Koop	10	10	5	5
Alan Rattray-Wood	10	10	5	5
David Southon	10	10	N/A	N/A
Scott Dundas (Alternate)	–	–	N/A	N/A

16. Company Secretary

Rebecca Pierro was appointed as Company Secretary for the REIT, replacing Carolyne Rodger, on 14 January 2013. Ms Pierro has eight years' experience as Company Secretary for listed and unlisted property REITs and holds a Bachelor of Commerce (Hons) and is undertaking a Graduate Diploma of Applied Corporate Governance and a Masters of Legal Studies.

Carolyne Rodger held the position of Company Secretary from the start of the financial year to 14 January 2013.

17. 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 26 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 26 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*.

18. 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 44.

19. Rounding of amounts to the nearest hundred thousand dollars

The REIT is a registered scheme of a kind referred to in Class Order 98/0100 (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 Directors' report and consolidated financial statements have been rounded to the nearest hundred thousand dollars in accordance with that Class Order, unless otherwise indicated.

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



John Harkness
Chairman

Sydney
20 August 2013

Auditor's Independence Declaration



Auditor's Independence Declaration

As lead auditor for the audit of Charter Hall Retail REIT for the year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink that reads 'J A Dunning'.

J A Dunning
Partner
PricewaterhouseCoopers

Sydney
20 August 2013

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Consolidated Statement of Comprehensive Income

for the year ended 30 June 2013

	Note	2013 \$'m	2012 \$'m
Income			
Property rental income	3(a)	172.5	159.7
Property expenses		(56.3)	(50.5)
Net property income		116.2	109.2
Share of profits and valuation gains of investment in joint venture entities	13(b)	19.9	5.8
Other income	3(d)	0.3	0.2
Total income net of property expenses		136.4	115.2
Expenses			
Valuation losses on investment properties	3(b)	(21.8)	(21.4)
Net losses from derivative financial instruments	3(c)	(4.0)	(20.9)
Loss on sale of investment properties		(0.9)	(0.1)
Management fees	25(d)	(7.6)	(6.9)
Finance costs	3(e)	(28.5)	(38.6)
Other expenses	3(f)	(3.8)	(3.4)
Total expenses		(66.6)	(91.3)
Profit before tax from continuing operations		69.8	23.9
Tax expense	4	(0.2)	(0.5)
Profit after tax from continuing operations		69.6	23.4
Loss from discontinued operations	11(c)	(17.0)	(13.7)
Profit for the year		52.6	9.7
Other comprehensive income*			
Exchange differences on translation of foreign operations	20	9.9	(1.1)
Transfer from reserves of cumulative FX losses on disposal of assets held for sale	20	5.4	21.3
Other comprehensive income, net of tax		15.3	20.2
Total comprehensive income		67.9	29.9
Basic and diluted earnings per ordinary unitholder of the REIT			
Earnings per unit (cents) for profit from continuing operations	6	21.49	7.81
Earnings per unit (cents) for loss from discontinued operations	6	(5.25)	(4.57)
Earnings per unit (cents)	6	16.24	3.24

* All items in other comprehensive income can be reclassified into profit or loss.

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

Consolidated Balance Sheet

as at 30 June 2013

	Note	2013 \$'m	2012 \$'m
Assets			
Current assets			
Cash and cash equivalents	7	17.3	23.8
Trade and other receivables	8	15.5	12.5
Derivative financial instruments	9	1.0	3.7
Other assets	10	4.0	3.2
		37.8	43.2
Assets classified as held for sale	11(b)	310.0	164.6
Total current assets		347.8	207.8
Non-current assets			
Investment properties	12	1,588.5	1,594.7
Investment in joint venture entities	13	114.6	131.6
Derivative financial instruments	9	6.2	4.0
Deferred tax assets	14	–	6.5
Total non-current assets		1,709.3	1,736.8
Total assets		2,057.1	1,944.6
Liabilities			
Current liabilities			
Trade and other payables	15	40.2	27.3
Distribution payable	16	45.6	39.3
Interest bearing liabilities	17	–	3.0
Derivative financial instruments	9	–	0.4
Other liabilities	18	1.0	1.8
		86.8	71.8
Liabilities directly associated with assets classified as held for sale	11(b)	218.8	26.2
Total current liabilities		305.6	98.0
Non-current liabilities			
Interest bearing liabilities	17	630.1	791.6
Deferred tax liabilities	14	–	14.8
Derivative financial instruments	9	0.3	26.8
Total non-current liabilities		630.4	833.2
Total liabilities		936.0	931.2
Net assets		1,121.1	1,013.4
Equity			
Contributed equity	19	2,010.5	1,909.2
Reserves	20	(41.0)	(56.3)
Accumulated losses	21	(848.4)	(839.5)
Total equity		1,121.1	1,013.4

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

Consolidated Statement of Changes in Equity

for the year ended 30 June 2013

	Note	Contributed equity \$'m	Reserves \$'m	Accumulated losses \$'m	Consolidated \$'m
Total equity at 1 July 2011		1,927.5	(76.5)	(781.2)	1,069.8
Profit for the year		–	–	9.7	9.7
Other comprehensive income		–	20.2	–	20.2
Total comprehensive income for the year		–	20.2	9.7	29.9
Transactions with unitholders in their capacity as unitholders					
– Return of capital from US REITs	19,21	(10.3)	–	10.3	–
– Distributions paid and payable	16,21	–	–	(78.3)	(78.3)
– Units cancelled	19	(8.0)	–	–	(8.0)
Total equity at 30 June 2012		1,909.2	(56.3)	(839.5)	1,013.4
Total equity at 1 July 2012		1,909.2	(56.3)	(839.5)	1,013.4
Profit for the year		–	–	52.6	52.6
Other comprehensive income		–	15.3	–	15.3
Total comprehensive income for the year		–	15.3	52.6	67.9
Transactions with unitholders in their capacity as unitholders					
– Contributions of equity, net of issue costs	19	129.8	–	–	129.8
– Return of capital from US REITs	19,21	(28.5)	–	28.5	–
– Distributions paid and payable	16,21	–	–	(90.0)	(90.0)
Total equity at 30 June 2013		2,010.5	(41.0)	(848.4)	1,121.1

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

Consolidated Cash Flow Statement

for the year ended 30 June 2013

	Note	2013 \$'m	2012 \$'m
Cash flows from operating activities			
Property rental income received		187.2	175.4
Property expenses paid		(59.5)	(52.6)
Distributions received from investment in joint venture entities		18.3	7.3
Distributions received from discontinued operations		5.5	10.1
Other operating expenses paid		(18.3)	(19.7)
Finance costs paid		(33.7)	(40.7)
Interest income and net derivative (losses)/gains		(8.6)	3.3
Taxes paid		(0.1)	(0.3)
Net cash flows from operating activities	23	90.8	82.8
Cash flows from investing activities			
Proceeds from sale of investment properties		60.5	60.3
Deferred consideration received		27.3	–
Payments for investment in joint venture entities		(16.9)	(29.0)
Payments for investment properties and capital expenditure		(186.5)	(113.8)
Net cash flows from investing activities		(115.6)	(82.5)
Cash flows from financing activities			
Proceeds from borrowings		205.2	204.7
Repayment of borrowings		(229.8)	(109.0)
Proceeds from issue of units		116.6	–
Payments for unit buyback		–	(8.0)
Distributions paid to unitholders		(70.7)	(77.7)
Net cash flows from financing activities		21.3	10.0
Net (decrease)/increase in cash held		(3.5)	10.3
Cash and cash equivalents at the beginning of the year		23.8	13.1
Reclassification of cash and cash equivalents attributable to discontinued operations		(4.6)	(0.3)
Effect of exchange rate changes on cash and cash equivalents		1.6	0.7
Cash and cash equivalents at the end of the year	7	17.3	23.8

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2013

1. Summary of significant accounting policies

The significant policies which have been adopted in the preparation of these financial statements for the year ended 30 June 2013 are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

(a) Basis of preparation

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*. These financial statements are for the consolidated entity consisting of Charter Hall Retail REIT and its controlled entities (together, the REIT).

Compliance with IFRS

The financial statements of the REIT also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

New and amended standards adopted by the REIT

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, amendments made to AASB 101 *Presentation of Financial Statements* effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, investments held for sale, financial assets and liabilities held at fair value through profit or loss (including derivative financial instruments).

Critical accounting estimates

The preparation of the 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. Other than the estimation of fair values described in Notes 1(j), 1(l), 1(m), 1(o) and 1(v) and assumptions relating to deferred tax assets and liabilities, no key assumptions concerning the future, or other estimation of uncertainty at the balance date, have a significant risk of causing material adjustments to the financial statements in the next year.

(b) Principles of consolidation

(i) Controlled entities

The financial statements of the REIT incorporate the assets and liabilities of the REIT's controlled entities as at 30 June 2013 and their results for the year then ended. The effects of all transactions between entities in the REIT have been eliminated in full.

Controlled entities are those entities over which the REIT has the power to govern the financial and operating policies.

Controlled entities are fully consolidated from the date on which control is transferred. They are deconsolidated from the date that control ceases.

(ii) Joint ventures

Joint venture entities

Investments in joint venture entities over which the REIT exercises joint control, irrespective of ownership interest, are accounted for in the financial statements using the equity method of accounting, after initially being recognised at cost. Under this method, the REIT's share of the profits or losses of each relevant joint venture entity is recognised as income in the consolidated statement of comprehensive income, and its share of movements in reserves is recognised in the consolidated balance sheet. Distributions receivable from such joint venture entities reduce the carrying value of the equity accounted investment.

At each balance date, the recoverable amount of the REIT's investment in joint venture entities is assessed to ensure that it is carried at the lower of the equity accounted amount and recoverable amount. Where the equity accounted value exceeds the recoverable amount, a write-down is recognised to reflect the value of the investment at its recoverable amount.

Joint venture operations

From time to time, the REIT has interests in properties through unincorporated joint ventures where interests are held directly and jointly. The REIT's proportionate share of revenues, expenses, assets and liabilities in property interests held as tenants in common are included in their respective items of the consolidated statement of comprehensive income and consolidated balance sheet.

Changes in ownership interests

The REIT treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to the unitholders of the REIT.

When the REIT ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the REIT had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Notes to the Consolidated Financial Statements

continued

for the year ended 30 June 2013

1. Summary of significant accounting policies continued

(c) Segment reporting

Segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner that is consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of the Responsible Entity.

(d) Foreign currency translation

(i) Functional and presentation currencies

Items included in the financial statements of each of the REIT's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Australian dollars, which is the REIT's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(iii) Foreign operations

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

At the balance date, the spot and average rates used were:

	30 June 2013	30 June 2012
Spot rate		
US Dollar	0.9138	1.0238
NZ Dollar	1.1811	1.2777
Euro	0.7025	0.8084
Average rate		
US Dollar	1.0214	1.0364
NZ Dollar	1.2456	1.2808
Euro	0.7889	0.7743

(e) Revenue recognition

Property rental income represents income earned from the rental of REIT properties (inclusive of outgoings recovered from tenants) 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 accruals basis.

Interest income is recognised using the effective interest rate method.

Distributions received are recognised as revenue when the right to receive payment is established.

Gains or losses on the sale of investment properties and investment in joint venture entities are calculated as the difference between the carrying amount of the asset at the date of disposal and the net proceeds from disposal and are included in the consolidated statement of comprehensive income in the year of disposal. Where revenue is obtained from the sale of properties or assets, it is recognised when the significant risks and rewards have transferred to the buyer. This will normally take place on settlement of the acquisition.

(f) Expenses

Property 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.

(g) Repairs and maintenance

Repairs and maintenance costs and minor renewals are charged as expenses when incurred. These repairs and maintenance costs will consist of those that, under the relevant lease agreements, are non-recoverable from tenants.

(h) Income tax

The income tax expense or benefit for the year is the tax payable on the current year's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Under current Australian income tax legislation, the REIT is not liable to pay income tax provided its income for the year, as determined under the REIT's constitution, is fully distributed to unitholders, by way of cash or reinvestment. The liability for capital gains tax that may arise if the Australian and New Zealand properties were to be sold is not accounted for in these financial statements.

Under New Zealand, German and Polish tax legislation, controlled entities of the REIT are taxed as companies and a current tax liability is recognised for the expected tax payable on taxable income in those jurisdictions, using tax rates enacted or substantively enacted at balance date.

Macquarie CountryWide (US) Corporation and Macquarie CountryWide (US) No. 2 Corporation (US REITs), controlled entities of the REIT, have both previously elected to be taxed as Real Estate Investment Trusts under US federal taxation law and, on this basis, will generally not be subject to US income taxes on that portion of the US REITs' taxable income or capital gains which are distributable to the US REITs' shareholders, provided that the US REITs comply with the requirements of the US Internal Revenue Code of 1986 and maintain their Real Estate Investment Trust status. From 1 January 2013, Macquarie CountryWide (US) No. 2 Corporation no longer meets the classification of a Real Estate Investment Trust under the US federal taxation law.

In respect of its US investments, the REIT may ultimately realise a capital gain or loss on disposal which, if not distributed, may have US income tax implications. If the gain is distributed, a US withholding tax liability at a withholding tax rate of 35% may arise and may give rise to a foreign tax credit which would be available to unitholders. A current tax liability is recognised in the financial statements for realised gains on disposals of US investments, except where the proceeds of such disposals are offset by available losses. A deferred tax asset or liability is recognised based on the temporary difference between the carrying amount of the US assets in the consolidated balance sheet and their associated tax cost bases.

Where applicable, deferred income tax is determined using the balance sheet method, being the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and unused tax losses. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit

or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Measurement of deferred tax assets or liabilities reflects tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is through use or through sale.

The REIT's Polish deferred tax position as at 30 June 2013 reflects the estimated net tax adjustment that will be made to the purchase price in accordance with the sale contract for these properties.

(i) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets that suffered impairment in prior years are reviewed for possible reversal of the impairment at each reporting date.

(j) Cash and cash equivalents

For the purpose of presentation in the cash flow statement, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(k) Trade and other receivables

Receivables are initially recognised at the amounts due to the REIT. Rent and outgoing receivables are usually settled within 30 days of recognition and turnover rent receivables due to the REIT are usually settled within 90 days of the end of the tenants' lease years.

Collectability of trade receivable is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off in the year in which they are identified. A provision for doubtful debts is raised where there is objective evidence that the REIT will not collect all amounts due. The amount of the provision is the difference between the carrying amount and estimated future cash flows. Cash flows relating to current receivables are not discounted.

Notes to the Consolidated Financial Statements

continued

for the year ended 30 June 2013

1. Summary of significant accounting policies continued

(l) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. From time to time, the REIT may designate certain derivatives as either hedges of net investments in foreign operations (net investment hedges) or hedges of exposures to variability in cash flows associated with future interest payments on variable rate debt (cash flow hedges).

To qualify as effective hedging, the REIT documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The REIT also documents its assessment, both at hedge inception and on an ongoing basis, of whether derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

None of the financial derivative contracts held by the REIT qualify for hedge accounting, and accordingly, changes in the fair value of these contracts are recorded in the profit or loss.

(m) Investment properties

Investment properties comprise investment interests in land and buildings (including integral plant and equipment) held for the purpose of letting to produce rental income, including properties that are under construction for future use as 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. Fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. A "willing seller" is neither a forced seller nor one prepared to sell at a price not considered reasonable in the current market. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition. Gains and losses arising from changes in the fair values of investment properties are included in the consolidated statement of comprehensive income in the year in which they arise.

At each balance date, the fair values of the investment properties are assessed by the Responsible Entity with reference to independent valuation reports or through appropriate valuation techniques adopted by the Responsible Entity. Fair value is determined using a long term investment period. Specific circumstances of the owner are not taken into account.

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.

Where an independent valuation is not obtained factors taken into account, where appropriate, by the Directors in determining fair value may include:

- Assuming a willing buyer and a willing seller, without duress and an appropriate time to market the property to maximise price;
- Information obtained from valuers, sales and leasing agents, market research reports, vendors and potential purchasers;
- Capitalisation rates used to value the asset, market rental levels and lease expiries;
- Changes in interest rates;
- Asset replacement values;
- Discounted cash flow models;
- Available sales evidence; and
- Comparisons to valuation professionals performing valuation assignments across the market.

The carrying amount of investment properties recorded in the balance sheet takes into consideration components relating to lease incentives, leasing costs and assets relating to fixed increases in operating lease rentals in future years.

The fair value of investment properties in offshore locations has been adjusted to reflect market conditions at the end of the year. Whilst this represents the best estimates as at the balance date, the current uncertainty in these markets means that if investment property is sold in the future, the price achieved may be higher or lower than the most recent valuation, or higher or lower than the fair value reflected in the financial statements.

As the fair value method has been adopted for investment properties, the buildings and any component thereof (including plant and equipment) are not depreciated. Taxation allowances for the depreciation of buildings and plant and equipment are claimed by the REIT and contribute to the tax deferred component of distributions.

(n) Lease incentives

Prospective lessees may be offered incentives as an inducement to enter into non-cancellable operating leases. These incentives may take various forms including rent-free periods, upfront cash payments, or a contribution to certain lessee costs such as a fitout contribution. Incentives are capitalised in the consolidated balance sheet as a component of investment properties and amortised over the term of the lease as an adjustment to net rental income.

(o) Non-current assets classified as held for sale and discontinued operations

Non-current assets are classified as held for sale and carried as current assets if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets and investment property that are carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets classified as held for sale are presented separately from the other assets in the consolidated balance sheet. The liabilities directly associated with assets classified as held for sale are also presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated statement of comprehensive income.

(p) Trade and other payables

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.

(q) Interest bearing liabilities

Interest bearing liabilities are initially recognised at fair value, net of transaction costs incurred. Interest bearing liabilities are subsequently measured at amortised cost.

Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowing using the effective interest rate method.

(r) Borrowing costs

Borrowing costs associated with the acquisition or construction of a qualifying asset, including interest expense, are capitalised as part of the cost of that asset during the period that is required to complete and prepare the asset for its intended use. Borrowing costs not associated with qualifying assets are expensed.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the REIT's outstanding Australian bank borrowings during the year, in this case 6.92% per annum (2012: 6.53% per annum). The weighted average interest rate takes into consideration payments made in relation to the REIT's interest rate swaps during the year.

(s) Contributed equity

Ordinary units are classified as equity and 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.

(t) Reserves

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

(u) Distributions paid and payable

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. A liability has been recognised in the financial statements at 30 June 2013 as the final distribution had been declared at the balance date.

(v) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is determined using quoted market prices at the balance date. The quoted market price used for financial assets held by the REIT is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The REIT uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps and cross currency swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward foreign exchange market rates at the balance date.

The nominal value less estimated credit adjustments of trade receivables and payables approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the REIT for similar financial instruments.

(w) Earnings per unit

Basic earnings per unit from continuing operations is determined by dividing profit from continuing operations attributable to the unitholders by the weighted average number of ordinary units on issue during the year.

Basic earnings per unit from discontinued operations is determined by dividing profit/(loss) from discontinued operations attributable to the unitholders by the weighted average number of ordinary units on issue during the year.

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

Diluted earnings per unit from continuing operations is determined by dividing profit from continuing operations attributable to the unitholders by the weighted average number of ordinary units and dilutive potential ordinary units on issue during the year.

Diluted earnings per unit from discontinued operations is determined by dividing profit/(loss) from discontinued operations attributable to the unitholders by the weighted average number of ordinary units and dilutive potential 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.

Notes to the Consolidated Financial Statements

continued

for the year ended 30 June 2013

1. Summary of significant accounting policies continued

(x) Goods and Services Tax (GST) and Value Added Tax (VAT)

Income, expenses, assets and liabilities are recognised net of the amount of GST recoverable from the Australian and New Zealand taxation offices and VAT recoverable from German and Polish tax offices. The non-recoverable GST/VAT is recognised as part of the income, expense, asset or liability. Receivables and payables are inclusive of GST/VAT. The net amount of GST/VAT recoverable from or payable to the Australian and overseas tax offices is included in receivables or payables in the consolidated balance sheet. Cash flows relating to GST/VAT are included in the cash flow statement on a gross basis.

(y) Parent entity financial information

The financial information for the parent entity, Charter Hall Retail REIT, disclosed in Note 29 has been prepared on the same basis as the REIT's financial statements except as set out below:

(i) Investments in controlled entities

Investments in controlled entities 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 terms and which have been provided to the controlled entity as an additional source of long term capital.

Dividends and distributions received from controlled entities are recognised in the parent entity's statement of comprehensive income.

(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 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 of these investments exceeds their recoverable amount, the assets are written down to the lower amount. The write-down is expensed in the year in which it occurs.

(z) Impact of new standards and interpretations issued but not yet adopted by the REIT

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2013 reporting period. The impact of these new standards (to the extent relevant to the REIT) and interpretations is set out below:

(i) *AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures (effective from 1 January 2015)*

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in the statement of comprehensive income. The REIT has not yet decided when to adopt AASB 9 and management is currently assessing the impact of the new standard.

(ii) *AASB 10 Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards and AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments (effective 1 January 2013)*

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation – Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account for their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the REIT will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the REIT's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept.

The REIT does not expect that application of the new standards from their respective effective dates will have a significant impact on its financial statements. The REIT will adopt the new standards from their operative date and they will therefore be first applied in the financial statements for the reporting period commencing on 1 July 2013.

(iii) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The REIT's current measurement techniques will have to change as a result of the new guidance, particularly with respect to the measurement of fair value of the REIT's derivative financial instruments. Application of this new standard will also impact the type of information disclosed in the notes to the financial statements. The REIT will adopt this new standard for the reporting periods commencing on 1 July 2013 and the impact of these changes is subject to future events and market conditions that are not known at balance date.

(aa) Comparative information

Where necessary, comparative information has been adjusted to conform with changes in presentation in the current year.

(ab) Rounding of amounts

The REIT is a registered scheme of a kind referred to in Class Order 98/0100 (as amended) issued by the Australian Securities & Investments Commission relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest hundred thousand dollars in accordance with that Class Order, unless otherwise indicated.

2. 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 Board considers the business from the perspective of each regional portfolio and the overall REIT operations, and has identified five operating segments. The segments are:

Investment properties – Australia

This segment comprises interests in wholly owned Australian investment properties and Australian investment properties held in joint ventures.

Investment properties – New Zealand

This segment comprises interests in New Zealand investment properties.

Investment properties – Europe

This segment comprises interests in Polish and German investment properties.

Investment properties – United States

This segment comprises interests in wholly owned United States investment properties and United States investment properties held in joint ventures.

REIT operations

This segment includes all non-property related activities including derivative financial instruments, debt and expenses.

Income is presented on the basis of each segment's operating earnings. 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 12. 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.

Notes to the Consolidated Financial Statements

continued

for the year ended 30 June 2013

2. Segment information continued

(b) Segment information provided to the Board

The operating earnings reported to the Board for the operating segments for the year ended 30 June 2013 is as follows:

	2013		2012	
	Discontinued operations \$'m	Continuing operations \$'m	Total \$'m	Total \$'m
Net property income from wholly owned properties				
Australia	–	108.7	108.7	100.2
New Zealand	0.5	–	0.5	0.6
Europe	19.9	8.2	28.1	29.6
United States	2.3	–	2.3	5.0
Total net property income from wholly owned properties	22.7	116.9	139.6	135.4
Net income from joint venture entities				
Australia	–	10.7	10.7	9.1
United States	0.9	–	0.9	0.9
Realised gains on forward foreign exchange contracts	–	1.6	1.6	1.9
Other income	0.7	0.3	1.0	0.5
Total income net of property expenses	24.3	129.5	153.8	147.8
Management fees	(0.9)	(7.6)	(8.5)	(8.3)
Finance costs*	(8.7)	(34.3)	(43.0)	(49.0)
Other expenses	(1.0)	(3.8)	(4.8)	(4.2)
Tax expense	(0.9)	(0.2)	(1.1)	–
Total expenses	(11.5)	(45.9)	(57.4)	(61.5)
Operating Earnings	12.8	83.6	96.4	86.3
Operating earnings per unit (cents)	3.95	25.82	29.77	28.81

* Finance costs include \$9.1 million (2012: \$2.5 million) of realised net loss on interest rate swaps and debt cross currency swaps.

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

	2013		2012	
	Discontinued operations \$'m	Continuing operations \$'m	Total \$'m	Total \$'m
Operating earnings	12.8	83.6	96.4	86.3
Unrealised net valuation losses on investment properties	(30.5)	(13.1)	(43.6)	(21.2)
Net unrealised and capital transaction related realised gains/(losses) on derivative financial instruments	2.3	0.4	2.7	(30.9)
Loss on sale of investment properties	(1.8)	(0.9)	(2.7)	(1.0)
Change in fair value of deferred consideration receivable	–	–	–	(1.3)
Debt break cost associated with US investment property held for sale	(2.4)	–	(2.4)	–
Deferred tax expense	8.0	–	8.0	(0.7)
Transfer from reserves of cumulative FX losses on disposal of assets held for sale	(5.4)	–	(5.4)	(21.3)
Other	–	(0.4)	(0.4)	(0.2)
Profit from continuing and discontinued operations	(17.0)	69.6	52.6	9.7

A reconciliation between total net property income from wholly owned properties to total revenues per Note 3(a) is set out below:

	Note	2013 \$'m	2012 \$'m
Total net property income from wholly owned properties		139.6	135.4
Property expenses		56.3	50.5
Less: Net property income from wholly owned investment properties in discontinued operations	11(c)	(22.7)	(25.6)
Share of profits and valuation gains of investment in joint venture entities	13(b)	19.9	5.8
Other income	3(d)	0.3	0.2
Other non-core items		(0.7)	(0.6)
Total revenues	3(a)	192.7	165.7

3. Profit for the year from continuing operations

The profit from continuing activities before income tax includes the following items of revenue and expenses:

(a) Revenues

Property rental income		172.5	159.7
Share of profits and valuation gains of investment in joint venture entities	13(b)	19.9	5.8
Other income	3(d)	0.3	0.2
Total revenues		192.7	165.7

(b) Valuation losses on investment properties

Australia

Revaluation decrement on investment properties	12	(7.5)	(2.5)
Revaluation decrement on investment properties attributable to acquisition costs	12	(6.8)	(5.6)
Revaluation (decrement)/increment on investment properties held for sale		(3.6)	0.2
Revaluation adjustments*		0.3	0.8
		(17.6)	(7.1)

Europe

Revaluation decrement on investment properties	12	(4.2)	(14.3)
		(4.2)	(14.3)
		(21.8)	(21.4)

Valuation gains on investment properties in joint venture entities

Australia

Revaluation increment on investment properties	13(b)	9.1	0.3
Revaluation adjustments*	13(b)	(0.4)	(0.5)
		8.7	(0.2)
		(13.1)	(21.6)

* Adjustments relating to straightlining of rental income, amortisation of lease incentives and capitalisation of leasing fees.

(c) Net losses from derivative financial instruments

Loss on derivative financial instruments – realised		(21.3)	(1.2)
Gain/(loss) on derivative financial instruments – unrealised		17.3	(19.7)
		(4.0)	(20.9)

(d) Other income

Interest and other income		0.3	0.2
		0.3	0.2

Notes to the Consolidated Financial Statements

continued

for the year ended 30 June 2013

3. Profit for the year from continuing operations continued

(e) Finance costs

	Note	2013 \$'m	2012 \$'m
Finance costs paid or payable		32.9	39.5
Less: Capitalised finance costs	1(r)	(4.4)	(0.9)
		28.5	38.6

(f) Other expenses

Accounting fees		1.1	1.1
Audit committee and compliance fees – independent directors	25(b)	0.3	0.2
Audit fees		0.3	0.3
Custodian fees		0.2	0.2
Consulting expenses		0.1	0.1
Insurance expenses		0.5	0.2
Legal fees		0.1	0.3
Postage and printing costs		0.2	0.1
Registry fees		0.2	0.1
State and indirect taxes		0.1	0.1
Stock exchange costs		0.1	0.1
Taxation fees		0.1	0.2
Travel expenses		0.2	0.1
Unitholder communications costs		0.1	0.1
Other		0.2	0.2
		3.8	3.4

Other expenses have been paid in accordance with the REIT constitution.

4. Tax expense

Deferred tax expense	1(h)	–	0.2
Withholding tax expense	1(h)	–	0.1
Current income tax expense	1(h)	0.2	0.2
		0.2	0.5

5. Distributions paid and payable

	Distribution cents per unit	Total amount \$'m	Tax deferred %	CGT concession amount %	Taxable %
<i>Ordinary unitholders</i>					
2013 distributions for the half year ended:					
31 December 2012	13.30	44.4			
30 June 2013*	13.50	45.6			
	26.80	90.0	61.07	–	38.93
<i>Ordinary unitholders</i>					
2012 distributions for the half year ended:					
31 December 2011	13.00	39.0			
30 June 2012	13.10	39.3			
	26.10	78.3	48.75	–	51.25

* The distribution of 13.50 cents per unit for the half year ended 30 June 2013 was declared prior to 30 June 2013 and will be paid on 21 August 2013.

Pursuant to the REIT constitution, the amount distributed to unitholders is at the discretion of the Responsible Entity. The Responsible Entity uses operating earnings (refer to Note 2) as a guide to assessing an appropriate distribution to declare.

6. Earnings per unit

	2013	2012
Basic and diluted earnings per ordinary unitholder of the REIT		
Earnings per unit (cents) for profit from continuing operations	21.49	7.81
Earnings per unit (cents) for loss from discontinued operations	(5.25)	(4.57)
Earnings per unit (cents)	16.24	3.24
Earnings used in the calculation of basic and diluted earnings per unit		
Net profit from continuing operations (\$'m)	69.6	23.4
Net loss from discontinued operations (\$'m)	(17.0)	(13.7)
Net profit for the year (\$'m)	52.6	9.7
Weighted average number of units used in the calculation of basic and diluted earnings per unit (millions)*	323.9	299.7

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

7. Cash and cash equivalents

	2013 \$'m	2012 \$'m
Australian operating accounts	10.4	12.0
European operating accounts	6.9	11.8
	17.3	23.8

(a) Operating accounts

The majority of the cash and cash equivalents is held in operating accounts earning market rates of interest.

(b) Restricted cash

European operating accounts included €5.0 million (\$6.9 million) (2012: €5.8 million; \$7.2 million) relating to the REIT's investments in Germany. Cash in these accounts is not available for distribution until certain conditions are met relating to the stabilisation or sale of the Alt-Chemnitz property.

Notes to the Consolidated Financial Statements

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for the year ended 30 June 2013

8. Trade and other receivables

	2013 \$'m	2012 \$'m
Rent receivable	1.7	3.1
Provision for doubtful debts	(0.5)	(1.4)
	1.2	1.7
Outgoings receivable	3.9	4.1
Turnover rent receivable	9.2	6.5
GST receivable	1.1	–
Sundry debtors	0.1	0.2
	15.5	12.5

The REIT's receivables are carried at amounts that approximate their fair value.

9. Derivative financial instruments

Assets

Current

Cross currency swaps	–	2.2
Forward foreign exchange contracts	1.0	1.5
	1.0	3.7

Non-current

Interest rate swaps	6.0	2.2
Forward foreign exchange contracts	0.2	1.8
	6.2	4.0

Liabilities

Current

Interest rate swaps	–	0.4
	–	0.4

Non-current

Interest rate swaps	0.3	26.8
	0.3	26.8

Interest rate swaps

The REIT has entered into interest rate swap agreements totalling \$797.7 million (2012: \$937.6 million) that entitle it to receive interest, at quarterly intervals, at a floating rate on a notional principal amount and oblige it to pay interest at a fixed rate on the same amount.

At 30 June 2013, the fixed rate varies from 0.78% to 3.56% per annum (2012: 0.78% to 4.02% per annum).

The REIT has also entered into interest rate swap agreements totalling \$40.0 million (2012: \$375.0 million) that entitle it to receive interest, at quarterly intervals, at a fixed rate on a notional principal amount and oblige it to pay interest at a fixed rate on the same amount.

At 30 June 2013, the fixed receive rate was 2.46% (2012: nil) and fixed pay rate was nil (2012: varied from 1.37% to 2.21% per annum).

As at balance date the notional principal amounts and periods of expiry of the interest rate swap contracts which are linked to floating rates are as follows:

	2013 \$'m	2012 \$'m
Swaps – REIT pays fixed rate and receives floating rate		
1 year or less	–	99.0
1 – 2 years	147.7	–
2 – 3 years	375.0	288.6
3 – 4 years	–	375.0
4 – 5 years	275.0	–
More than 5 years	–	175.0
Net position – REIT pays fixed rate and receives floating rate	797.7	937.6

Forward foreign exchange contracts

The REIT is a party to forward foreign exchange contracts which entitle it to sell US dollars and receive Australian dollars at an average exchange rate of A\$1.00 = US\$0.7550 (2012: A\$1.00 = US\$0.7550) totalling A\$1.6 million/US\$1.2 million (2012: A\$6.7 million/US\$5.0 million). The last of these forward foreign exchange contracts matures in September 2014.

The REIT is also a party to forward foreign exchange contracts which entitle it to sell Euro and receive Australian dollars at an average exchange rate of A\$1.00 = €0.6773 (2012: A\$1.00 = €0.5482) totalling A\$33.4 million/€22.6 million (2012: A\$5.9 million/€3.2 million). The last of these forward foreign exchange contracts matures in August 2014.

Cross currency swaps

In September 2012, a cross currency swap contract totalling A\$12.4 million/US\$10.4 million (2012: A\$12.4 million/US\$10.4 million) matured and the REIT has not entered into any new cross currency swaps.

10. Other assets

Current

Prepayments	2.3	3.2
Deposit relating to Secret Harbour acquisition	1.7	–
	4.0	3.2

11. Assets and liabilities classified as held for sale and discontinued operations

(a) Details of discontinued operations

New Zealand

In 2011, the REIT completed the sale of its 50% interest in 15 properties in its non-core New Zealand portfolio. The REIT's interest in these properties was acquired by its New Zealand co-owner, which elected to terminate its joint venture relationship with the REIT in early 2010. The sale of the remaining two properties located in Christchurch has been delayed pending finalisation of several licence agreements between the purchaser and the anchor tenant. The New Zealand portfolio continues to be classified as a discontinued operation at 30 June 2013.

United States

The REIT has three wholly owned properties remaining in the United States and is actively marketing these properties. The United States portfolio continued to be classified as a discontinued operation at 30 June 2013.

Poland

The REIT has entered into a conditional contract to sell its Polish portfolio and anticipates the disposal of these properties to be completed within the next 12 months. The Polish portfolio has been classified as a discontinued operation at 30 June 2013.

Restatement of comparative financial information

In accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, the comparative financial information in the consolidated statement of comprehensive income, consolidated cash flow statement and corresponding notes have been restated to reflect the classification of the Polish portfolio as a discontinued operation at 30 June 2013.

Notes to the Consolidated Financial Statements

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for the year ended 30 June 2013

11. Assets and liabilities classified as held for sale and discontinued operations continued

(b) Details of assets and liabilities classified as held for sale and discontinued operations

The table below sets out assets and liabilities that continue to be owned by the REIT as at balance date. These assets and liabilities are presented as aggregate amounts in the balance sheet.

	2013				2012	
	DISCONTINUED OPERATIONS					
	New Zealand \$'m	US \$'m	Poland \$'m	Held for sale Australia \$'m	Total \$'m	Total \$'m
Assets classified as held for sale						
Cash and cash equivalents	–	0.7	4.8	–	5.5	4.6
Trade and other receivables	–	0.2	1.6	–	1.8	1.6
Other assets	–	0.2	1.1	–	1.3	0.3
Deferred consideration receivable	–	–	–	–	–	28.0
Investment properties	6.9	26.3	244.5	23.7	301.4	117.1
Investment in joint venture entities	–	–	–	–	–	13.0
Total assets classified as held for sale	6.9	27.4	252.0	23.7	310.0	164.6
Liabilities classified as held for sale						
Trade and other payables	–	2.8	4.6	–	7.4	0.4
Interest bearing liabilities	–	10.2	179.4	13.7	203.3	25.1
Derivative financial instruments	–	–	4.5	–	4.5	–
Deferred tax liabilities	–	–	1.9	–	1.9	0.7
Other liabilities	–	–	1.7	–	1.7	–
Total liabilities directly associated with assets classified as held for sale	–	13.0	192.1	13.7	218.8	26.2

At 30 June 2013, the REIT was in advanced stages of selling Home HQ Nunawading. The investment property is classified as held for sale given its value will be recovered principally through sale rather than through continuing use.

Investment properties classified as held for sale are carried at their expected sale value. An allowance for expected selling costs has been incorporated into the value of the investment properties that were contracted for sale before 30 June 2013.

Interest bearing liabilities

Interest bearing liabilities in the United States amounting to US\$9.7 million (\$10.6 million) (2012: US\$10.3 million; \$10.1 million) are secured by two US investment properties with a carrying value of US\$21.0 million (\$23.0 million) (2012: US\$20.0 million; \$19.5 million).

Investment properties in Poland are partially funded by term debt amounting to €126.2 million (\$179.6 million) (2012: €128.6 million; \$159.1 million) which is secured by registered mortgages over five investment properties. The carrying value of the properties pledged as security amounts to €171.8 million (\$244.5 million) (2012: €192.0 million; \$237.4 million).

The bank loan funding the REIT's investment in Poland is repayable immediately if the REIT defaults on payments of interest or principal, its total property debt exceeds 80% of the carrying value of its total security pool assets or its projected financial charges ratio falls below 1.1:1. The loan matures in July 2014.

The Australian property level bank loan is secured by a registered mortgage over one property owned in joint venture with Charter Hall Direct Retail Fund. The carrying value of the REIT's share of the property pledged as security is \$23.7 million (2012: three properties valued at \$62.7 million) against the REIT's share of the total facility of \$13.8 million (2012: \$32.0 million). The facility matures in November 2013 but has been repaid post balance sheet date.

(c) Details of financial performance and cash flow information relating to discontinued operations

The table below sets out the financial performance and cash flow information up to 30 June 2013 for the discontinued operations that continued to be owned by the REIT at balance date. For assets that have been divested during the year, the relevant financial performance and cash flow information up to the date of disposal has been included.

	Note	2013 \$'m	2012 \$'m
Net property income		22.7	25.6
Other income		0.7	0.3
Valuation losses on investment properties		(29.2)	(2.1)
Revaluation adjustment*		(0.6)	(0.4)
Net unrealised gains/(losses) from derivative financial instruments		2.3	(5.6)
Net realised losses from derivative financial instruments		(3.4)	(1.5)
Change in fair value of deferred consideration receivable		–	(1.3)
Share of profits and valuation (losses)/gains of investment in joint venture entities	11(h)	0.2	3.8
Management fees		(0.9)	(1.4)
Finance costs		(7.7)	(7.9)
Transfer from reserves of cumulative FX losses on disposal of assets held for sale	20	(5.4)	(21.3)
Expenses		(1.0)	(0.8)
Loss before income tax		(22.3)	(12.6)
Current and withholding tax (expense)/benefit		(0.9)	0.3
Deferred tax benefit/(expense)		8.0	(0.5)
Loss after income tax		(15.2)	(12.8)
Loss on sale of investment properties	11(e)	(1.8)	(0.9)
Loss from discontinued operations		(17.0)	(13.7)
Net cash inflow from operating activities		4.7	5.0
Net cash (outflow)/inflow from investing activities		(5.3)	2.7
Net cash outflow from financing activities		(3.7)	(4.3)
Net (decrease)/increase in cash generated by discontinued operations excluding sale proceeds		(4.3)	3.4

* Adjustments relating to straightlining of rental income, amortisation of lease incentives and capitalisation of leasing fees.

(d) Details of disposals

As part of the REIT's strategy to exit non-core assets, the REIT disposed of the following assets during the year:

	Date of disposal	Principal activity	Ownership interest disposed	Total consideration \$'m
Australian portfolio				
Mile End Homemaker Centre, SA	10 Dec 2012	Investment property	100%	43.8
US portfolio				
Northlake Promenade, GA	5 Sep 2012	Investment property	100%	3.3
Kleinwood Center, TX	21 Mar 2013	Investment property	100%	31.3
Murray Landing, SC	21 Mar 2013	Investment property	100%	9.4
Vineyard Shopping Center, FL	21 Mar 2013	Investment property	100%	6.5
				94.3

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11. Assets and liabilities classified as held for sale and discontinued operations continued

(e) Net loss on disposals in discontinued operations and the general course of business

	Discontinued operations	Assets held for sale	2013 Total \$'m	2012 Total \$'m
Details of disposals during the year				
Sale price	50.5	43.8	94.3	66.4
Selling costs	(1.4)	(0.7)	(2.1)	(2.4)
Carrying amount of net assets sold	(50.9)	(44.0)	(94.9)	(65.0)
Loss on sale before income tax	(1.8)	(0.9)	(2.7)	(1.0)
Income tax expense	–	–	–	–
Loss on sale after income tax	(1.8)	(0.9)	(2.7)	(1.0)

(f) Disposal of investment in joint ventures entities held for sale

During the year the REIT sold its last US joint venture entity, Macquarie CountryWide-Regency III LLC. As part of this transaction, the joint venture was dissolved and four properties were distributed between co-owners. The REIT received three properties and simultaneously sold these assets to a US based private investor.

Information relating to the joint venture entity is detailed below:

OWNERSHIP INTEREST				
Joint venture entity	Country of incorporation/ establishment	Principal activity	2013 %	2012 %
Macquarie CountryWide-Regency III LLC	United States	Property investment	Nil	75.00

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

	Note	2013 \$'m	2012 \$'m
Balance at the beginning of the year		13.0	9.4
Share of profits before property valuation (losses)/gains	11(h)	0.9	1.0
Share of property valuation (losses)/gains	11(h)	(0.7)	2.8
Cash distributions paid and payable		(1.2)	(0.6)
Dissolution of joint venture entity		(12.4)	–
Foreign exchange rate differences on translation		0.4	0.4
Balance at the end of the year		–	13.0

(h) Share of results attributable to joint venture entities sold

	Note	2013 \$'m	2012 \$'m
Income			
Property rental income		3.3	4.4
Property expenses		(1.0)	(1.3)
Net property income		2.3	3.1
Expenses			
Management fees		(0.1)	(0.2)
Finance costs		(1.3)	(1.8)
Other expenses		–	(0.1)
Total expenses		(1.4)	(2.1)
Share of profits before property valuation (losses)/gains		0.9	1.0
Property valuation (losses)/gains			
Revaluation (decrement)/increment on investment properties		(0.7)	2.9
Revaluation adjustments*		–	(0.1)
Share of property valuation (losses)/gains		(0.7)	2.8
Share of profits and valuation (losses)/gains of investment in joint venture entities		0.2	3.8

* Adjustments relating to straightlining of rental income, amortisation of lease incentives and capitalisation of lease fees.

12. Investment properties

Non-current

Australian properties	1,460.9	1,248.3
European properties	127.6	346.4
	1,588.5	1,594.7

Investment properties include a straightlining asset of \$7.6 million (2012: \$6.4 million) and unamortised lease incentives of \$5.3 million (2012: \$5.1 million).

A reconciliation of the carrying amount of investment properties at the beginning and end of the current and previous years is set out below:

Carrying amount at the beginning of the year		1,594.7	1,624.4
Additions		212.0	106.2
Acquisition costs incurred		6.8	5.6
Revaluation decrement attributable to acquisition costs	3(b)	(6.8)	(5.6)
Revaluation decrement	3(b)	(11.7)	(18.2)
Revaluation adjustments		0.6	0.5
Straightlining of rental income		0.6	1.5
Amortisation of lease incentives		(1.7)	(1.6)
Capitalised leasing fees		0.5	(0.4)
Foreign exchange rate differences on translation		16.5	(32.0)
Reclassification of investment property previously classified as held for sale		14.4	–
Reclassification of investment property as held for sale		(237.4)	(85.7)
Carrying amount at the end of the year		1,588.5	1,594.7

As referred to in Note 1(m), independent external valuations of properties are prepared on a progressive basis over a three year period, or earlier, where the Responsible Entity determines it is appropriate. At each balance date, the Directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The REIT determines a property's value within a range of reasonable fair value estimates.

Notes to the Consolidated Financial Statements

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for the year ended 30 June 2013

12. Investment properties continued

The table below illustrates the key valuation assumptions used in the determination of the investment properties' fair value:

	Australia	Europe
2013		
Weighted average capitalisation rate (%)	8.2%	9.0%
Weighted average lease expiry (years)	6.4 years	2.3 years
Weighted average occupancy (%)	98.1%	100.0%
2012		
Weighted average capitalisation rate (%)	8.2%	8.8%
Weighted average lease expiry (years)	6.6 years	2.9 years
Weighted average occupancy (%)	98.3%	97.6%

All values exclude properties under redevelopment.

Leasing arrangements

The investment properties are leased to tenants under long term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are as follows:

	2013 \$'m	2012 \$'m
Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:		
Within 1 year	125.4	129.0
Later than 1 year but not later than 5 years	355.1	347.2
Later than 5 years	303.5	334.8
	784.0	811.0

13. Investment in joint venture entities

During the year, the REIT had an investment in two Australian joint venture entities. 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. During the year, the investments have been accounted for in the consolidated financial statements using the equity method of accounting (refer to Note 1(b)).

Information relating to the joint venture entities is detailed below:

Joint venture entity	Country of incorporation/ establishment	Principal activity	OWNERSHIP INTEREST	
			2013 %	2012 %
Charter Hall Retail Partnership No. 1 Trust	Australia	Property investment	50	50
Charter Hall Retail JV Trust	Australia	Property investment	100	50

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

	Note	2013 \$'m	2012 \$'m
Balance at the beginning of the year		131.6	104.1
Additions		16.9	29.8
Reclassification of net assets to the consolidated balance sheet*		(35.5)	–
Share of profits before property valuation gains	13(b)	11.2	6.0
Share of property valuation gains	13(b)	8.7	(0.2)
Cash distributions paid and payable		(18.3)	(8.1)
Balance at the end of the year		114.6	131.6

* On 31 October 2012 the REIT acquired the remaining 50% interest in Charter Hall Retail JV Trust and consolidated the results of this entity in the consolidated financial statements from this date.

(b) Share of results attributable to joint venture entities

Income			
Property rental income		23.6	21.4
Property expenses		(7.5)	(6.4)
Net property income		16.1	15.0
Expenses			
Finance costs		(5.2)	(5.4)
Capital transaction related realised loss on derivative financial instruments		(0.3)	–
Net unrealised gain/(loss) on derivative financial instruments		0.7	(3.5)
Other expenses		(0.1)	(0.1)
Total expenses		(4.9)	(9.0)
Share of profits before property valuation gains		11.2	6.0
Property valuation gains			
Revaluation increment on investment properties		9.1	3.1
Revaluation decrement on investment properties attributable to acquisition costs		–	(2.8)
Revaluation adjustments*		(0.4)	(0.5)
Share of property valuation gains		8.7	(0.2)
Share of profits and valuation gains of investment in joint venture entities		19.9	5.8

* Adjustments relating to straightlining of rental income, amortisation of lease incentives and capitalisation of lease fees.

Notes to the Consolidated Financial Statements

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for the year ended 30 June 2013

13. Investment in joint venture entities continued

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

	2013 \$'m	2012 \$'m
Current assets		
Cash and cash equivalents	1.4	1.5
Trade and other receivables	1.0	0.7
Other assets	0.4	0.5
	2.8	2.7
Non-current assets		
Investment properties	196.7	220.8
Total assets	199.5	223.5
Current liabilities		
Trade and other payables	2.0	2.6
	2.0	2.6
Non-current liabilities		
Interest bearing liabilities	80.3	85.9
Derivative financial instruments	2.6	3.4
Total liabilities	84.9	91.9
Net assets	114.6	131.6

Interest bearing liabilities reflect a bank loan secured by registered mortgages over 10 Australian properties owned in a joint venture entity. The carrying value of the REIT's share of the properties pledged as security is \$196.7 million (2012: \$185.6 million) against the REIT's share of the total facility of \$80.8 million (2012: \$70.1 million). The facility matures in June 2016.

The bank loan is repayable immediately if the joint venture entity defaults on payments of interest or principal, its total bank secured loan amount exceeds 55% of the carrying value of its total security pool assets or its security pool financial charges ratio falls below 2.00:1.

The joint venture entity did not commit to capital expenditure activities in the current year (2012: nil).

14. Deferred tax assets and liabilities

Non-current assets		
Deferred tax assets	–	6.5
	–	6.5
Non-current liabilities		
Deferred tax liabilities	–	14.8
	–	14.8
Net deferred tax liability	–	(8.3)

Reconciliation of the carrying amount of net deferred tax liability at the beginning and end of the current and previous years is set out below:

Opening balance	(8.3)	(8.6)
Reclassification of deferred tax liabilities directly associated with assets classified as held for sale	8.3	–
Foreign exchange rate differences on translation	–	0.3
Closing balance	–	(8.3)

15. Trade and other payables

	Note	2013 \$'m	2012 \$'m
Current			
Trade and sundry creditors		10.3	9.3
Amounts payable under interest rate swap restructure		19.8	4.2
Management fees		2.0	2.2
Custodian fees		0.1	0.1
Interest payable on interest bearing liabilities		1.4	2.5
GST payable		–	1.0
Accrued expenses		6.6	8.0
		40.2	27.3

16. Distribution payable

Distributions to ordinary unitholders			
Opening balance		39.3	38.7
Distributions declared	21	90.0	78.3
Paid during the year		(70.7)	(77.7)
Distributions reinvested	19	(13.0)	–
Closing balance		45.6	39.3

17. Interest bearing liabilities

Current			
Bank loan – term debt			
European property level debt		–	3.0
		–	3.0
Non-current			
Bank loan – term debt			
Australian multi-currency facility		269.2	288.7
European property level debt		115.1	256.5
Commercial mortgage backed securities (CMBS)		250.0	250.0
Less: Unamortised transaction costs		(4.2)	(3.6)
		630.1	791.6

The REIT's borrowings are carried at amounts that approximate their fair value.

Credit facilities

At 30 June 2013 and 2012, the REIT had access to:

Bank loan facility			
Australian multi-currency facility		385.0	335.0
European property level debt		115.1	259.5
CMBS debt		250.0	250.0
Bank overdraft facility		1.0	1.0
		751.1	845.5
Amount of facilities used:			
Drawdown to date – bank loan		384.3	548.2
Drawdown to date – CMBS debt		250.0	250.0
Drawdown to date – bank overdraft facility		–	–
		634.3	798.2
Amount of facilities unused		116.8	47.3

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17. Interest bearing liabilities continued

Bank loans

The Australian multi-currency bank loan facility is secured by registered mortgages over the REIT's ownership interest in all wholly owned Australian properties, except those specifically pooled as security for the REIT's CMBS debt. The carrying value of the properties pledged as security amounts to \$680.6 million (2012: \$551.1 million). The facility matures in October 2016.

The Australian multi-currency bank loan facility is repayable immediately if the REIT defaults on payments of interest or principal, its total bank secured loan amount exceeds 60% of the carrying value of its total security pool assets or its security pool financial charges ratio falls below 1.85:1.

Investment properties in Germany are partially funded by term debt amounting to €80.8 million (\$115.1 million) (2012: €81.2 million, \$100.4 million) which are secured by registered mortgages over two investment properties. The carrying value of the properties pledged as security amounts to €89.6 million (\$127.6 million) (2012: €88.1 million, \$109.0 million). The loan matures in December 2014.

The bank loan funding the REIT's investment in Germany is repayable immediately if the REIT defaults on payments of interest or principal or its total property debt exceeds 90% of the carrying value of its total security pool assets (only in respect of the period from June 2014 to maturity).

Interest rates on the bank loans are variable and are reset periodically, usually after a period of 90 days. As at 30 June 2013, the interest rates on the bank loans vary from 1.00% to 4.60% per annum (2012: 1.14% to 5.01% per annum).

Commercial mortgage backed securities

The CMBS are secured by registered mortgages over 40 Australian properties. The carrying amount of properties pledged as security as at 30 June 2013 amounts to \$780.3 million (2012: \$755.4 million). The CMBS matures in September 2015. The interest rate under this facility is variable and reset periodically, usually after a period of 90 days.

18. Other liabilities

	2013 \$'m	2012 \$'m
Rental deposits	1.0	1.8

19. Contributed equity

No. of units	Details	Date of income entitlement	Note	2013 \$'m	2012 \$'m
302,162,079	Units on issue	30 June 2011			1,927.5
(2,533,508)	Units bought back and cancelled*	1 July 2011			(8.0)
	Transfer for return of capital from US REITs**		21		(10.3)
299,628,571	Units on issue	30 June 2012		1,909.2	1,909.2
28,985,600	Placement issue	1 July 2012		97.9	
5,484,400	Unit purchase plan	1 July 2012		18.9	
3,484,403	DRP issue	1 January 2013	16	13.0	
	Transfer for return of capital from US REITs**		21	(28.5)	
337,582,974	Units on issue	30 June 2013		2,010.5	1,909.2

* Units bought back and cancelled before 31 December 2011 carry no entitlement to income from 1 July 2011.

** During the current and prior years, the US REITs paid dividends to the parent entity. These dividends are classified as a return of capital to the extent that the dividend amount exceeds the US REIT profits. This return of capital reduces the amount of income in the parent entity and reduces the cost base of the parent entity's investment in the US REITs. A transfer is made to accumulated losses to offset this return of capital from the US REITs.

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 Australian Securities Exchange Listing Rules.

Placement issue

In October 2012, the REIT completed a \$100.0 million institutional placement of 28,985,600 ordinary units at a price of \$3.45 per unit. The proceeds from the issue of units were used to acquire three sub-regional shopping centres.

Unit Purchase Plan (UPP) issue

In November 2012 the REIT raised a further \$18.9 million in equity through a Unit Purchase Plan (UPP). Under the UPP the REIT issued 5,484,400 ordinary units at a price of \$3.45 per unit.

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. This plan was reinstated for the half year ended 31 December 2012 and was in operation for the half year ended 30 June 2013. The DRP issue price was determined at a discount of 1.0% to the volume weighted average market price of units traded on the ASX during the 10 business days from and including the ex-distribution date.

20. Reserves

	Note	2013 \$'m	2012 \$'m
Foreign currency translation reserve			
Opening balance		(56.3)	(76.5)
Translation of foreign operations and foreign denominated borrowings		9.9	(1.1)
Transfer to profit of cumulative FX losses on disposal of assets held for sale	11(c)	5.4	21.3
Closing balance		(41.0)	(56.3)

Nature and purpose of foreign currency translation reserve

Foreign exchange differences arising on translation of the investments in foreign controlled entities and foreign joint venture entities are taken directly to the foreign currency translation reserve, as described in Note 1(d).

On repatriation of capital from the sale of interest in foreign controlled entities, the cumulative foreign exchange losses relating to these investments are transferred to the consolidated statement of comprehensive income in accordance with the requirements of AASB 121 *The Effect of Changes in Foreign Exchange Rates*.

21. Accumulated losses

Opening balance		(839.5)	(781.2)
Profit after tax		52.6	9.7
Transfer from contributed equity:			
– Return of capital from US REITs	19	28.5	10.3
Distributions paid and payable	16	(90.0)	(78.3)
Closing balance		(848.4)	(839.5)

22. Net tangible assets

Total assets		2,057.1	1,944.6
Less: Total liabilities		(936.0)	(931.2)
Net tangible assets attributable to the REIT		1,121.1	1,013.4
Total number of units on issue		337,582,974	299,628,571
Net tangible asset backing per unit		3.32	3.38

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23. Cash flow information

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

	2013 \$'m	2012 \$'m
Profit after tax	52.6	9.7
<i>Non-cash items</i>		
Straightlining of rental income	(1.3)	(1.5)
Amortisation of lease incentives	1.7	1.6
Property valuation (gains)/losses		
Discontinued operations	30.5	(0.3)
Wholly owned entities	21.8	21.4
Joint venture entities from continuing operations	(8.7)	0.2
Loss on sale of investment properties	2.7	1.0
Change in fair value of deferred consideration receivable	–	1.3
Unrealised net losses/(gains) on derivative financial instruments*	(20.3)	28.8
Deferred tax (benefit)/expense	(8.0)	0.7
Transfer from reserves of cumulative FX losses on disposal of assets held for sale	5.4	21.3
<i>Change in assets and liabilities</i>		
(Increase)/decrease in assets		
Receivables	(4.9)	0.1
Prepayments	(2.5)	(0.5)
Net income receivable from investment in joint venture entities	(2.9)	(2.2)
Increase in liabilities		
Payables	24.7	1.2
Net cash flows from operating activities	90.8	82.8

* Includes unrealised net losses on derivative financial instruments in joint venture entities.

(b) Non-cash financing and investing activities

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

Distributions by the REIT during the year satisfied by the issue of units under the DRP	13.0	–
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24. Capital and financial risk management

(a) Capital risk management

The REIT manages capital through the mix of available capital sources whilst complying with statutory and constitutional capital and distribution requirements, maintaining gearing, interest cover ratios and other covenants within approved limits and continuing to operate as a going concern.

The REIT assesses its capital management approach as a key part of its overall strategy and this is regularly reviewed by management and the Board.

The REIT is able to alter its capital mix by issuing new units, activating 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 has a target balance sheet gearing of 30% to 40% of debt to total assets in respect of its core Australian portfolio.

Protection of the REIT's equity in foreign denominated assets is achieved through borrowing in the local currency to provide a natural hedge, which may be supplemented by the use of forward foreign exchange contracts and cross currency swaps to provide additional hedge protection. The REIT has a target equity hedge of 60% to 100% of the gross asset value by foreign currency.

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

(b) Financial risk management

The REIT's principal financial instruments comprise cash and cash equivalents, receivables, payables, interest bearing liabilities and derivative financial instruments.

The REIT's activities expose it to a variety of financial risks: market risk (foreign exchange risk and interest rate risk), liquidity risk and credit risk.

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.

The REIT uses various measures to monitor exposures to these types of risks. The main methods include foreign exchange and interest rate sensitivity analysis, ageing analysis and counterparty credit assessment, and the use of future rolling cash flow forecasts.

The REIT uses derivative financial instruments such as forward foreign exchange contracts, interest rate swaps and cross currency swaps to manage its financial risk as permitted under the FRM policy. Such instruments are used exclusively for hedging purposes and not for trading or speculative purposes.

(i) Market risk

Foreign exchange risk

Foreign exchange risk is the risk that changes in foreign exchange rates will change the Australian dollar value of the REIT's foreign denominated net assets or earnings. Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the REIT's functional currency.

The REIT is exposed to foreign exchange risk through investing in overseas investment properties and deriving income from those properties. The REIT manages this exposure on a 'look through' basis including exposures generated by both controlled properties and those held through the REIT's net investment in joint venture entities.

Foreign income

Through investing in overseas assets, the REIT earns foreign denominated income. Net property income derived is naturally offset by local denominated expenses including interest and tax. This is further reduced by natural and derivative interest expenses incurred on cross currency swaps. In addition, the REIT uses forward foreign exchange contracts to convert this net foreign denominated currency exposure back to Australian dollars at pre-determined exchange rates in the future.

Notes to the Consolidated Financial Statements

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24. Capital and financial risk management continued

(b) Financial risk management continued

(i) Market risk continued

Foreign exchange risk continued

Foreign investments

The REIT aims to minimise the impact of fluctuations in foreign currency exchange rates on its net investments overseas by borrowing in the local overseas currencies to fund such investments and by entering into debt cross currency swaps that exchange Australian dollar denominated debt for the local currency debt. The REIT's policy is to hedge 60% to 100% of its gross overseas investments in this way. Compliance with this policy is reviewed regularly by management and is reported to the Board.

The following table sets out the REIT's overseas investments, by currency exposure (in Australian dollar equivalents) and how, through the use of debt, forward foreign exchange contracts and cross currency swaps, this exposure is reduced.

	AUSTRALIAN DOLLAR EXPOSURE		US DOLLAR EXPOSURE		EURO EXPOSURE		NZ DOLLAR EXPOSURE		TOTAL	
	2013 \$'m	2012 \$'m	2013 \$'m	2012 \$'m	2013 \$'m	2012 \$'m	2013 \$'m	2012 \$'m	2013 \$'m	2012 \$'m
Assets										
Cash and cash equivalents	10.4	12.0	–	–	6.9	11.8	–	–	17.3	23.8
Trade and other receivables	15.0	10.6	–	–	0.5	1.9	–	–	15.5	12.5
Derivative financial instruments	40.8	26.8	(1.4)	(15.1)	(32.2)	(4.0)	–	–	7.2	7.7
Assets classified as held for sale	23.7	85.7	27.4	72.3	252.0	–	6.9	6.6	310.0	164.6
Investment properties*	1,460.9	1,248.3	–	–	127.6	346.4	–	–	1,588.5	1,594.7
Investment in joint venture entities	114.6	131.6	–	–	–	–	–	–	114.6	131.6
Deferred tax assets	–	–	–	–	–	6.5	–	–	–	6.5
Other assets	3.9	2.2	–	–	0.1	1.0	–	–	4.0	3.2
	1,669.3	1,517.2	26.0	57.2	354.9	363.6	6.9	6.6	2,057.1	1,944.6
Liabilities										
Trade and other payables	37.1	21.1	–	–	3.1	6.2	–	–	40.2	27.3
Derivative financial instruments	0.3	27.2	–	–	–	–	–	–	0.3	27.2
Liabilities classified as held for sale	13.7	15.4	13.0	10.8	192.1	–	–	–	218.8	26.2
Distribution payable	45.6	39.3	–	–	–	–	–	–	45.6	39.3
Interest bearing liabilities	490.9	512.2	–	3.5	139.2	278.9	–	–	630.1	794.6
Deferred tax liabilities	–	–	–	–	–	14.8	–	–	–	14.8
Other liabilities	0.3	0.3	–	–	0.7	1.5	–	–	1.0	1.8
	587.9	615.5	13.0	14.3	335.1	301.4	–	–	936.0	931.2
Net assets	1,081.4	901.7	13.0	42.9	19.8	62.2	6.9	6.6	1,121.1	1,013.4
Net exposure percentage	96.5%	89.0%	1.2%	4.2%	1.7%	6.1%	0.6%	0.7%	100.0%	100.0%

* AASB 7 *Financial Instruments: Disclosure* does not require inclusion of non-financial assets such as investment properties in this table. However, these have been included to provide more meaningful representation of the total foreign currency exposure of the REIT.

Sensitivity analysis

An exchange rate movement in the Australian dollar against foreign currencies at 30 June 2013 would have increased/(decreased) profit and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 30 June 2012.

	2013		2012	
	Profit and loss \$'m	Reserves \$'m	Profit and loss \$'m	Reserves \$'m
<i>US dollars</i>				
+ 10.0% (2012: + 10.0%)	0.1	(1.3)	1.4	(5.2)
- 10.0% (2012: - 10.0%)	(0.2)	1.6	(1.7)	6.4
<i>Euros</i>				
+ 10.0% (2012: + 10.0%)	2.9	(4.7)	0.4	(6.0)
- 10.0% (2012: - 10.0%)	(3.6)	5.8	(0.4)	7.4
<i>NZ dollars</i>				
+ 10.0% (2012: + 10.0%)	–	(0.6)	–	(0.6)
- 10.0% (2012: - 10.0%)	–	0.8	–	0.7

A movement in foreign currency exchange rates applied to the net exposures in the table above would result in a change to the net assets of the REIT. In assessing the impact of changes in foreign currency exchange rates a 10% (2012: 10%) movement has been applied. This sensitivity has been used as it reflects management's estimate of the reasonably possible movements in foreign exchange rates, given recent trends, and has resulted in:

- the A\$/US\$ exchange rate increasing/decreasing by 9.1 cents (2012: 10.2 cents);
- the A\$/€ exchange rate increasing/decreasing by 7.0 cents (2012: 8.1 cents); and
- the A\$/NZ\$ exchange rate increasing/decreasing by 11.8 cents (2012: 12.8 cents).

Foreign currency exposure in the REIT arises from the translation of overseas assets and liabilities held by the REIT's foreign entities from the local currency to Australian dollars. Under the REIT's accounting policy (refer to Note 1(d)), exchange differences arising on such translations are recognised as part of equity (foreign currency translation reserve). As a result, the revaluation of these assets and liabilities which would result from a movement in foreign exchange rates would have no impact on the REIT's consolidated statement of comprehensive income.

However, the REIT's consolidated statement of comprehensive income would be affected by changes in the fair value of derivative financial instruments hedging this exposure and the impact of this is presented in the above table.

The impact on equity includes the combined effect of foreign exchange gains/losses on overseas assets and liabilities recognised in the foreign currency translation reserve and changes in the fair value of derivatives hedging this exposure.

Notes to the Consolidated Financial Statements

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for the year ended 30 June 2013

24. Capital and financial risk management continued

(b) Financial risk management continued

(i) Market risk continued

Interest rate risk

Interest rate risk is the risk that changes in market interest rates will impact the earnings of the REIT.

The REIT is exposed to interest rate risk predominantly through floating rate borrowings. The REIT manages this exposure on a 'look through' basis including exposures generated by the borrowings of controlled entities and joint venture entities. The REIT applies benchmark hedging bands across its differing interest rate exposures and utilises interest rate swaps to exchange floating interest rates to fixed interest rates as well as entering into fixed rate debt, to manage its exposure between these bands. Compliance with the FRM policy is reviewed regularly by management and is reported to the Board.

The REIT has exposures to interest rate risk on its monetary assets and liabilities, which are mitigated by the use of interest rate swaps, as shown in the table below.

	AUSTRALIAN DOLLARS		US DOLLARS*		EUROS*		NZ DOLLARS*		TOTAL	
	2013 \$'m	2012 \$'m	2013 \$'m	2012 \$'m	2013 \$'m	2012 \$'m	2013 \$'m	2012 \$'m	2013 \$'m	2012 \$'m
Fixed rate										
Interest bearing liabilities**	-	-	(10.6)	(10.1)	-	-	-	-	(10.6)	(10.1)
Interest bearing liabilities - joint venture entities***	-	-	-	(32.3)	-	-	-	-	-	(32.3)
Net fixed rate exposure	-	-	(10.6)	(42.4)	-	-	-	-	(10.6)	(42.4)
Floating rate										
Cash	10.4	12.0	-	-	6.9	11.8	-	-	17.3	23.8
Cash - discontinued operations	-	-	0.7	4.4	4.8	-	-	0.2	5.5	4.6
Cash - joint venture entities***	1.4	1.5	-	0.3	-	-	-	-	1.4	1.8
Interest bearing liabilities**	(507.7)	(530.9)	-	(3.4)	(319.9)	(279.4)	-	-	(827.6)	(813.7)
Interest bearing liabilities - joint venture entities***	(80.8)	(86.6)	-	-	-	-	-	-	(80.8)	(86.6)
Cross currency swaps - debt (floating)****	-	12.4	-	(10.2)	-	-	-	-	-	2.2
	(576.7)	(591.6)	0.7	(8.9)	(308.2)	(267.6)	-	0.2	(884.2)	(867.9)
Derivative financial instruments										
Interest rate swaps - floating to fixed****	415.0	431.0	-	-	217.1	246.2	-	-	632.1	677.2
	415.0	431.0	-	-	217.1	246.2	-	-	632.1	677.2
Net floating rate exposure	(161.7)	(160.6)	0.7	(8.9)	(91.1)	(21.4)	-	0.2	(252.1)	(190.7)

* Australian dollar equivalents of foreign denominated balances.

** Unamortised borrowing costs are excluded as they are not impacted by interest rate risk.

*** The REIT's share of financial assets and liabilities included within its net investment in joint venture entities.

**** These amounts represent the notional principal payable under the derivative contracts (excluding derivatives where cash flows have not commenced at balance sheet date).

At balance date, the REIT has fixed 71.8% (2012: 79.1%) of its net interest rate exposure.

Sensitivity analysis

The table below reflects the potential net increase/(decrease) in the profit and equity, resulting from changes in interest rates applicable at 30 June 2013, with all other variables remaining constant. The analysis was performed on the same basis for 30 June 2012.

	2013		2012	
	Profit and loss \$'m	Reserves \$'m	Profit and loss \$'m	Reserves \$'m
<i>Australian dollars</i>				
+ 1.00% (2012: + 1.00%)	7.2	–	9.8	–
– 1.00% (2012: – 1.00%)	(7.2)	–	(9.8)	–
<i>US dollars</i>				
+ 1.00% (2012: + 1.00%)	–	–	–	–
– 1.00% (2012: – 1.00%)	–	–	–	–
<i>Euros</i>				
+ 1.00% (2012: + 1.00%)	(0.9)	–	1.1	–
– 1.00% (2012: – 1.00%)	0.9	–	(1.1)	–

A movement in interest rates applied to the net exposures in the table above would result in a change to the net assets of the REIT. This sensitivity has been used as it reflects management's estimate of the reasonably possible movements in interest rates within the next 12 months, given recent trends.

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.

Notes to the Consolidated Financial Statements

continued

for the year ended 30 June 2013

24. Capital and financial risk management continued

(b) Financial risk management continued

(ii) Liquidity risk

Liquidity risk arises if the REIT has insufficient liquid assets to meet its obligations as they become due and payable. It is managed by maintaining sufficient cash balances and adequate committed credit facilities. Prudent liquidity management implies 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. The cash, debt and derivative instruments entered into by the REIT were selected to ensure sufficient funds would be available to meet the ongoing cash requirements of the REIT.

The following table provides the contractual maturity of the REIT's fixed and floating rate financial liabilities and derivatives as at 30 June 2013. The amounts presented represent the future contractual undiscounted principal and interest cash inflows/(outflows) based on interest rates and foreign exchange rates prevailing at balance date and therefore do not equate to the value shown in the consolidated balance sheet. Repayments which are subject to notice are treated as if notice were given immediately.

	Liquidity risk Carrying value \$'m	Less than 1 year \$'m	1 to 2 years \$'m	2 to 3 years \$'m	3 to 4 years \$'m	4 to 5 years \$'m	Over 5 years \$'m	Total \$'m
30 June 2013								
Financial liabilities								
Trade and other payables	(40.2)	(40.2)	–	–	–	–	–	(40.2)
Distribution payable	(45.6)	(45.6)	–	–	–	–	–	(45.6)
Interest bearing liabilities*	(838.2)	(51.3)	(321.8)	(267.4)	(273.5)	(1.0)	(9.3)	(924.3)
Derivative financial instruments								
Contractual amounts payable	(0.3)	(47.8)	(11.6)	(9.4)	(9.6)	(2.2)	–	(80.6)
Contractual amounts receivable	7.2	46.0	12.5	9.3	7.7	1.7	–	77.2
Other liabilities	(1.0)	(1.0)	–	–	–	–	–	(1.0)
Total financial liabilities	(918.1)	(139.9)	(320.9)	(267.5)	(275.4)	(1.5)	(9.3)	(1,014.5)
Joint venture entities								
Interest bearing liabilities	(80.8)	(3.9)	(3.9)	(84.4)	–	–	–	(92.2)
Total financial liabilities including all joint venture entities	(998.9)	(143.8)	(324.8)	(351.9)	(275.4)	(1.5)	(9.3)	(1,106.7)
30 June 2012								
Financial liabilities								
Trade and other payables	(27.3)	(27.3)	–	–	–	–	–	(27.3)
Distribution payable	(39.3)	(39.3)	–	–	–	–	–	(39.3)
Interest bearing liabilities*	(823.8)	(43.2)	(57.5)	(284.1)	(269.7)	(293.5)	(9.3)	(957.3)
Derivative financial instruments								
Contractual amounts payable	(27.2)	(34.7)	(26.2)	(21.5)	(13.4)	(7.0)	(1.7)	(104.5)
Contractual amounts receivable	7.7	29.7	20.2	17.7	10.3	6.1	1.5	85.5
Other liabilities	(1.8)	(1.8)	–	–	–	–	–	(1.8)
Total financial liabilities	(911.7)	(116.6)	(63.5)	(287.9)	(272.8)	(294.4)	(9.5)	(1,044.7)
Joint venture entities and joint venture entity held for sale								
Interest bearing liabilities	(118.9)	(6.8)	(22.8)	(5.9)	(81.1)	(27.6)	–	(144.2)
Total financial liabilities including all joint venture entities	(1,030.6)	(123.4)	(86.3)	(293.8)	(353.9)	(322.0)	(9.5)	(1,188.9)

* Includes interest bearing liabilities classified as liabilities directly associated with assets held for sale.

The amount of credit facilities unused by the REIT at 30 June 2013 is \$116.8 million (2012: \$47.3 million). Refer to Note 17.

(iii) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a contract and will cause the REIT to make a financial loss. The REIT has exposure to credit risk on all of its financial assets included in the REIT's consolidated balance sheet.

The REIT manages its risk on tenant receivables by performing credit reviews of prospective tenants, obtaining tenant collateral where appropriate and performing detailed reviews on any tenant arrears.

In respect of risk on financial instruments and derivatives, there is only a credit risk where the contracting entity is liable to pay the REIT in the event of a close out. The REIT has policies that limit the amount of credit exposure to any financial institution where practical and commercially appropriate. Derivative counterparties and cash transactions are limited to investment grade counterparties in accordance with the REIT's FRM policy. The REIT monitors the public credit rating of its counterparties.

The REIT has policies to review the aggregate exposures of receivables and tenancies across its portfolio. The REIT has no significant concentrations of credit risk on its receivables other than exposure to the Woolworths and Wesfarmers businesses. At 30 June 2013, the largest Australian tenant concentration excluding Woolworths or Wesfarmers represents 1.5% (2012: 0.9%) of the total portfolio income including income generated by Australian joint venture entities. The REIT holds collateral in the form of security deposits or bank guarantees over some receivables where appropriate.

The table below details the concentration of credit exposure of the REIT's financial assets to significant geographical locations:

	2013 \$'m	2012 \$'m
<i>Australia</i>		
Cash and cash equivalents	10.4	12.0
Trade and other receivables	15.0	10.6
Derivative financial instruments	7.2	7.7
	32.6	30.3
<i>Europe</i>		
Cash and cash equivalents	11.7	11.8
Trade and other receivables	2.1	1.9
	13.8	13.7
<i>New Zealand</i>		
Cash and cash equivalents	–	0.2
	–	0.2
<i>United States</i>		
Cash and cash equivalents	0.7	4.4
Trade and other receivables	0.2	1.6
Deferred consideration receivable	–	28.0
	0.9	34.0
Total financial assets	47.3	78.2
Joint venture entities		
<i>Australia</i>		
Cash and cash equivalents	1.4	1.5
Trade and other receivables	1.0	0.7
	2.4	2.2
<i>United States</i>		
Cash and cash equivalents	–	0.3
Trade and other receivables	–	0.7
	–	1.0
Total financial assets including joint venture entities	49.7	81.4

Notes to the Consolidated Financial Statements

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for the year ended 30 June 2013

24. Capital and financial risk management continued

(b) Financial risk management continued

(iii) Credit risk continued

All cash, derivative financial instruments and interest bearing assets are neither past due nor impaired. The table below shows the ageing analysis of those rent receivables of the REIT and its joint venture entities which are past due or impaired:

	PAST DUE BUT NOT IMPAIRED				Impaired \$'m	Total \$'m
	Less than 30 days \$'m	31 to 60 days \$'m	61 to 90 days \$'m	More than 90 days \$'m		
2013						
Rent receivables – Australia	0.5	0.3	0.1	0.3	0.4	1.6
Rent receivables – Europe	1.2	0.1	–	0.3	1.0	2.6
Rent receivables – US	0.1	0.1	–	–	0.1	0.3
	1.8	0.5	0.1	0.6	1.5	4.5
Rent receivables – joint venture entities	0.1	–	–	–	0.1	0.2
	1.9	0.5	0.1	0.6	1.6	4.7
2012						
Rent receivables – Australia	0.5	0.2	–	–	0.4	1.1
Rent receivables – Europe	0.6	0.2	0.2	–	1.0	2.0
Rent receivables – US	0.9	–	–	–	0.3	1.2
	2.0	0.4	0.2	–	1.7	4.3
Rent receivables – joint venture entities	0.2	–	–	–	–	0.2
	2.2	0.4	0.2	–	1.7	4.5

Based on a review of rent receivables by management, a provision of \$1.6 million (2012: \$1.7 million) has been provided against rent receivables with a gross balance of \$4.7 million (2012: \$4.5 million).

The REIT holds collateral against the impaired rent receivables in the form of bank guarantees and security deposits and can also recover GST/VAT from the uncollected rent. There are no significant financial assets that have had renegotiated terms that would otherwise have been past due or impaired.

(c) Fair value

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- (iii) Level 3 – Inputs for the asset and liability that are not based on observable market data (unobservable inputs).

The following table presents the REIT's financial assets and financial liabilities measured and recognised at fair value:

		LEVEL 1		LEVEL 2		LEVEL 3		TOTAL	
	Note	2013 \$'m	2012 \$'m	2013 \$'m	2012 \$'m	2013 \$'m	2012 \$'m	2013 \$'m	2012 \$'m
Assets									
<i>Derivative assets</i>									
Interest rate swaps	9	–	–	6.0	2.2	–	–	6.0	2.2
Cross currency swaps	9	–	–	–	2.2	–	–	–	2.2
Forward foreign exchange contracts	9	–	–	1.2	3.3	–	–	1.2	3.3
Total assets		–	–	7.2	7.7	–	–	7.2	7.7
Liabilities									
<i>Derivative liabilities</i>									
Interest rate swaps	9	–	–	(0.3)	(27.2)	–	–	(0.3)	(27.2)
Total liabilities		–	–	(0.3)	(27.2)	–	–	(0.3)	(27.2)

The fair value of the REIT's interest rate swaps is calculated as the present value of the estimated future cash flows based on the forward price curve of interest rates at balance date; the fair value of the REIT's cross currency swaps is calculated as the present value of the estimated future cash flows based on the forward price curve of interest rates and the forward foreign exchange market rates at balance date; and the fair value of the REIT's forward foreign exchange contracts is determined using forward foreign exchange market rates at balance date.

25. Related party information

(a) Responsible Entity

The Responsible Entity of the REIT is Charter Hall Retail Management Limited, a wholly owned controlled entity of Charter Hall. The registered office of the Responsible Entity is Level 11, 333 George Street, Sydney NSW 2000.

(b) Directors

The following persons were Directors of the Responsible Entity during the year:

- John Harkness (Chairman and Non-executive Director)
- David Harrison (Executive Director and Joint Managing Director of Charter Hall Group)
- Maurice Koop (Non-Executive Director and Chairman of Audit, Risk and Compliance Committee)
- Alan Rattray-Wood (Non-Executive Director)
- David Southon (Executive Director and Joint Managing Director of Charter Hall Group)
- Scott Dundas (alternate for David Southon and David Harrison, appointed on 11 September 2012)

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

Audit, Risk and Compliance Committee fees and Directors' fees totalling \$323,750 (2012: \$237,025) were paid or payable by the REIT to the Independent Directors, being John Harkness, Maurice Koop and Alan Rattray-Wood, for the year, refer to Note 25(h) for detailed breakdown of these payments. These amounts are reviewed from time to time in consultation with external experts to ensure that remuneration reflects the services expected to be performed.

(c) Parent entity

The parent entity of the consolidated entity is Charter Hall Retail REIT. Refer to Note 29 for parent entity financial information.

Notes to the Consolidated Financial Statements

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for the year ended 30 June 2013

25. Related party information continued

(d) Management fees

Under the terms of the REIT constitution, the Responsible Entity is entitled to receive the following remuneration from the REIT, comprising a base fee and a performance fee:

Base fee

The base fee is calculated as:

- (i) 0.45% per annum of the value of the total assets of the REIT up to \$700 million; plus
- (ii) 0.40% per annum of the value of the total assets of the REIT over \$700 million.

Total assets are adjusted in the fee calculation to add back total liabilities held by joint venture entities to the investment in joint venture entities.

The base fee is calculated six monthly and is paid quarterly in arrears with the first quarterly payment being a part payment on account for the half year.

The base fee payable to the Responsible Entity is reduced to the extent that management fees are paid or payable to service providers, including CHREI US Retail LLC, Macquarie-Regency Management LLC, related parties of the Responsible Entity, and Regency Centers during the year.

Performance fee

In addition to the base management fees, the Responsible Entity is entitled to a performance fee satisfied by the issue of units in the REIT to the Responsible Entity, dependent upon the relative performance of the REIT to the Retail Property Trust Accumulation Index (Index). This Index, calculated from a peer group of property securities that have a principal focus on the retail sector, measures the income and capital growth of the unit prices of the representative trusts.

If the REIT's performance during the half year is higher than the percentage increase in the Index, then the Responsible Entity is entitled to new units in the REIT with a total value equal to:

- (i) 5% of the total Increased Unitholder Value from outperformance; plus
- (ii) 15% of the Increased Unitholder Value above 2% nominal outperformance per annum (1% per half year).

The Increased Unitholder Value is measured as the market capitalisation of the REIT at the commencement of the relevant year, multiplied by the nominal percentage outperformance of the REIT relative to the Index for that year.

The performance fee is calculated and payable, if entitled, each half year at December and June. The performance fee is payable, if entitled, subject to an annual cap, whereby total management fees paid in any one year must not exceed 80 basis points of the value of the gross assets of the REIT (except where the REIT has outperformed its sector peers continuously over a three year period). Any unpaid fees will continue to be paid up to 80 basis points of the value of the assets in any future year.

Management fees calculation

The total management fees for the year are detailed as follows:

	2013 \$'000	2012 \$'000
<i>Continuing operations</i>		
Base fees	7,282	6,879
Performance fees	—	—
<i>Discontinued operations</i>		
Base fees	1,181	1,439
	8,463	8,318

In addition a related party of the Responsible Entity has earned management fees of \$138,415 (2012: \$184,195) relating to the US properties. These are included in the management fees disclosed in Note 11(h).

No performance fee was earned by the Responsible Entity during the year. In the calculation of the performance fee, outperformance will be assessed on a cumulative basis and accordingly, underperformance for the period from 1 January 2004 to 30 June 2013 will need to be recovered before the Responsible Entity is entitled to any future performance fees. For the period from 1 January 2004 to 30 June 2013, the Index increased in value by 71.8% compared to the REIT's cumulative performance which increased by 16.8% (difference of 55.0%).

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

The Responsible Entity and its related parties held 31,034,253 units as at 30 June 2013 (2012: 30,828,974).

Following is a summary of related party transactions, excluding base management fees, for the year ended 30 June 2013:

Type of fee	Method of fee calculation	BASIS OF FEE CALCULATION		FEE AMOUNT	
		2013 \$'m	2012 \$'m	2013 \$	2012 \$
Property management	3% of total property income	183.6	166.2	5,508,680	4,985,817
Acquisition	0.75% of sale price less amounts paid to external agents	99.6	116.1	747,000	870,750
Disposal	0.75% of sale price less amounts paid to external agents	–	44.8	–	246,109
Due diligence	0.25% of sale price	190.5	183.7	476,343	459,253
Development management	3% of development cost if > \$1m 5% of development cost if < \$1m	40.6	33.5	1,492,340	1,020,313
Development management cost recovery	Cost recovery			365,000	–
Project management	6% of project cost	6.0	6.4	358,740	382,826
Majors and specialty leasing – new leases*	15% of year one gross rent	20.4	12.0	2,738,570	1,700,283
Specialty leasing – renewals*	7.5% of year one gross rent	10.0	9.6	585,309	597,537
Tenancy co-ordination and lease administration*, (number of tenants)	Range from \$500 – \$4,500 per tenancy	849	451	1,096,700	612,016
Accounting services	Annual fee			1,026,000	998,000
Debt refinance fee	0.25% of debt refinanced less fees paid to third parties		250.0	–	475,000
Other	Various			33,493	37,996
				14,428,174	12,385,899

* From 1 December 2011, Charter Hall Asset Services Europe Sp. z o.o. received 17.5% of leasing fees charged in relation to the REIT's Polish assets, with the remainder of the fees paid to an unrelated entity.

Payments excluding management fees to the related parties for the year are further detailed below:

	2013 \$	2012 \$
Charter Hall Real Estate Management Services Pty Limited	9,121,092	7,260,867
Charter Hall Holdings Pty Limited	5,171,886	4,773,544
Charter Hall Asset Services Europe Sp. z o.o. (Poland)	135,196	351,488
	14,428,174	12,385,899

Charter Hall Real Estate Management Services Pty Limited was also reimbursed \$7,329,796 (2012: \$6,274,731) for centre and property management expenses incurred. These expenses include salaries, finance and IT costs and other overhead charges and are partially recovered in outgoings from tenants.

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

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

	2013 \$	2012 \$
Charter Hall Retail Management Limited	1,974,852	2,111,740
Charter Hall Real Estate Management Services Pty Limited	205,118	121,023
Charter Hall Holdings Pty Limited	2,622,235	70,755
Charter Hall Asset Services Europe Sp. z o.o. (Poland)	44,256	57,324
	4,846,461	2,360,842

Notes to the Consolidated Financial Statements

continued

for the year ended 30 June 2013

25. Related party information continued

(g) 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. Accordingly, the Fund Manager of the REIT is not considered to be KMP of the REIT as he does not have sufficient individual authority and responsibility for planning, directing and controlling the activities of the REIT.

Details of management fees charged to the REIT by the Responsible Entity and its related parties are included in Note 25(d).

(h) Directors' fees and Fund Manager remuneration

Independent Directors' fees are as follows:

	John Harkness	Maurice Koop	Alan Rattray-Wood
2013			
Director fee (paid by the REIT)	74,250	49,500	49,500
Compliance fee (paid by the REIT)	52,500	35,000	35,000
Audit committee fee (paid by the REIT)	8,000	12,000	8,000
Total director fees	134,750	96,500	92,500
2012			
Director fee			
– paid by the Responsible Entity	37,175	24,775	24,775
– paid by the REIT*	37,075	24,725	24,725
Compliance fee (paid by the REIT)	52,500	35,000	35,000
Audit committee fee (paid by the REIT)	8,000	12,000	8,000
Total director fees	134,750	96,500	92,500

* Independent Directors' fees were paid by the REIT from 1 January 2012 to maximise independence and alignment.

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.

Scott Dundas, Fund Manager of the REIT, received, on a cash basis, remuneration of \$505,200 from 1 July 2012 to 30 June 2013 (\$72,231 from 14 May 2012 to 30 June 2012). Steven Sewell, previously Chief Executive Officer of the REIT, received, on a cash basis, \$617,041 remuneration from 1 July 2011 to 17 February 2012.

(i) 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 is as follows:

	Units held 2013	Units held 2012
John Harkness	–	–
David Harrison	–	–
Maurice Koop	48,404	44,104
Alan Rattray-Wood	10,867	10,867
David Southon	–	–
Scott Dundas (Alternate)	22,102	n/a

The aggregate number of units of the REIT acquired or disposed of by the Directors of the Responsible Entity or their Director related parties during the year was as follows:

	Units 2013	Units 2012
Maurice Koop	4,300	–
Scott Dundas	6,762	n/a

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

26. Remuneration of the auditor

	2013 \$'000	2012 \$'000
Amounts paid or payable to PricewaterhouseCoopers Australian firm for:		
Audit services	326	300
Taxation compliance services	–	5
	326	305
Amounts paid or payable to related practices of PricewaterhouseCoopers Australian firm for:		
Audit services*	84	76
Taxation compliance services*	292	170
	376	246
	702	551

* Includes fees relating to the REIT's New Zealand, US and European entities.

In addition to the above fees, PricewaterhouseCoopers was remunerated with \$8,000 (2012: \$12,293) in connection with the audit of the REIT's joint venture entities. This amount represents the REIT's share of the fees and is recorded within share of profits from investment in joint venture entities.

27. Commitments and contingent liabilities

The REIT has entered into contracts for the acquisition, construction and development of properties in Australia. The commitments of the REIT total \$48.2 million (2012: \$54.1 million) within the next 12 months and \$nil (2012: \$0.3 million) thereafter. These commitments have not been reflected in the consolidated financial statements of the REIT.

The REIT has issued a guarantee to MCW Alt-Chemnitz Grundbesitz GmbH & Co KG, a German subsidiary of the REIT, to ensure that there is sufficient cash to fund planned development expenditure at its Alt Chemnitz property. This guarantee was initially capped at €4.0 million (\$5.1 million) and will reduce progressively as the German structure retains sufficient cash to fund the redevelopment. At 30 June 2013 the guarantee has reduced to €1.0 million (\$1.4 million) (2012: €4.0 million, \$5.1 million). At 30 June 2013 the REIT has not created a provision (2012: nil) for any potential payment under this guarantee in the consolidated financial statements.

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.

28. Significant contract terms and conditions

Pre-emptive rights

Under the joint ownership arrangements in place with Telstra Superannuation Scheme (TS), should CHRML cease to be the responsible entity of the REIT, the joint venture partner will have the right to acquire the REIT's proportion of the respective portfolio at market value.

Financing documents

Under loan documents in place with independent third party lenders, should CHRML cease to be the responsible entity of the REIT, the lender may be entitled to call for early repayment of the facility or may place additional conditions upon the borrower.

Notes to the Consolidated Financial Statements

continued

for the year ended 30 June 2013

29. Parent entity financial information

(a) Summary financial information

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

	Parent 2013 \$'m	Parent 2012 \$'m
Balance sheet		
Current assets	171.3	127.8
Assets held for sale	–	85.7
Non-current assets	1,582.3	1,413.9
Total assets	1,753.6	1,627.4
Current liabilities	343.2	81.1
Non-current liabilities	266.2	535.6
Total liabilities	609.4	616.7
Equity		
Contributed equity	2,010.5	1,909.2
Reserves	(200.6)	(200.3)
Accumulated losses	(665.7)	(698.2)
Total equity	1,144.2	1,010.7
Statement of comprehensive income		
Profit after tax	96.1	30.4
Total comprehensive income	96.1	30.4

(b) Guarantees and contingent liabilities

The parent entity has issued a guarantee to MCW Alt-Chernitz Grundbesitz GmbH & Co KG, a German subsidiary of the REIT, to ensure that there is sufficient cash to fund planned development expenditure at its Alt Chernitz property. This guarantee was initially capped at €4.0 million (\$5.1 million) and will reduce progressively as the German structure retains sufficient cash to fund the redevelopment. At 30 June 2013 the guarantee has reduced to €1.0 million (\$1.4 million) (2012: €4.0 million, \$5.1 million). At 30 June 2013 the REIT has not created a provision (2012: nil) for any potential payment under this guarantee in the financial statements.

The parent entity did not have any other contingent liabilities which are material, either individually or as a class, at 30 June 2013 (2012: nil).

(c) Commitments

The parent entity has entered into contracts for the construction and development of properties in Australia. The commitments of the parent entity total \$48.2 million (2012: \$54.1 million) within the next 12 months and \$nil (2012: \$0.3 million) thereafter. These commitments have not been reflected in the financial information of the parent entity.

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

30. Events occurring after balance date

In July 2013, the REIT settled on the acquisition of one shopping centre in Secret Harbour, WA for a gross purchase price of \$33.2 million and sold a 50% interest in Home HQ Nunawading for a gross sale price of \$24.0 million.

In August 2013 the REIT refinanced its multi-currency bank loan facility through a new syndicated debt facility and extended the term to August 2018. Facility limit was increased to \$425 million and a new banking partner was introduced.

Since the end of the year, the Directors of the Responsible Entity are not aware of any other matter or circumstance not otherwise dealt with in this report or the consolidated financial statements that has significantly affected or may significantly affect the operations of the REIT, the results of those operations or the state of affairs of the REIT in the financial years subsequent to 30 June 2013.

Directors' Declaration to Unitholders

for the year ended 30 June 2013

In the opinion of the Directors of Charter Hall Retail Management Limited:

(a) the consolidated financial statements and notes set out on pages 45 to 86 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 2013 and of its performance for the year ended on that date; and

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

Note 1(a) confirms that the consolidated financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



John Harkness

Chairman

Sydney

20 August 2013

Independent Auditor's Report



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

Report on the financial report

We have audited the accompanying financial report of Charter Hall Retail REIT (the "REIT"), which comprises the consolidated balance sheet as at 30 June 2013, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Charter Hall Retail REIT (the consolidated entity). The consolidated entity comprises the REIT and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of Charter Hall Retail Management Limited (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 determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards* as issued by the International Accounting Standards Board.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757
 Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
 T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.



Auditor's opinion

In our opinion:

- (a) the financial report of Charter Hall Retail REIT is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

PricewaterhouseCoopers

J A Dunning
Partner

Sydney
20 August 2013

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Remuneration Report

Charter Hall Retail REIT (REIT) is a Charter Hall Group (Charter Hall) managed Australian Real Estate Investment Trust. Charter Hall Retail Management Limited (CHRML) is the responsible entity (and manager) of the REIT.

The REIT is externally managed and accordingly has no employees. Instead, Charter Hall makes available employees, including senior executives, to discharge their obligations to the REIT. These employees are employed by entities in Charter Hall and are made available through formalised resourcing arrangements with CHRML. Their remuneration is not a REIT expense. It is paid by Charter Hall. Instead, the REIT pays management fees set out in the REIT's Constitution to CHRML in return for providing management services. Under the Corporations Act, it is only Australian listed companies that are required to prepare a remuneration report. However, in order to provide appropriate remuneration disclosure for the REIT, details of the management fees and non-executive directors' fees paid by CHRML, together with qualitative disclosure detailing how Charter Hall employees working on the REIT are incentivised and their interests aligned with the REIT, are set out here.

Management fees

The manager of the REIT is CHRML, a subsidiary of Charter Hall. Under the terms of the REIT's Constitution, CHRML is entitled to receive the following remuneration from the REIT, comprising a base fee and a performance fee.

Base fees

The base fee is currently calculated as:

- i) 0.45% per annum of the value of the total assets of the REIT up to \$700 million; plus
- ii) 0.40% per annum of the value of the total assets of the REIT over \$700 million.

The total asset value is calculated in accordance with the REIT's Constitution. The valuations are audited for the 30 June half year but not for the 31 December half year, although the latter have been subject to a review by the Auditor.

The base fee is calculated six monthly and paid quarterly in arrears. The March and September payments are interim payments based on valuations as at the end of the previous half year. The June and December payments are based on valuations at that time. They are in effect adjusting payments in that the entire half year period fee is calculated and the March or September amount that has been paid on account is deducted to arrive at the balance of the fee payable for the current June or December half year period. The base fee payable to CHRML is reduced to the extent that management fees are paid or payable to joint venture partners such as Regency Centers or other Charter Hall companies offshore for carrying out management activities.

CHRML has agreed to waive the 0.40% base fee on any derivative mark-to-market asset value included in total assets of the REIT. The base fees paid or payable by the REIT to CHRML for the financial year ending 30 June 2013 were \$8.5 million. Fees paid or payable to joint venture partners for carrying out management activities for the financial year ending 30 June.

Performance fees

In addition to the base management fee, CHRML is currently entitled to a performance fee dependent upon the relative performance of the REIT to the Retail Property REIT Accumulation Index (Index). This Index, calculated from a peer group of property securities that have a principal focus on the retail sector, measures the income and capital growth of the unit prices of the representative REITs.

If the REIT's performance during a six month period is higher than the percentage increase in the Index for the relevant period, then CHRML is entitled to new units in the REIT or a payment with a total value equal to:

- i) 5% of the total Increased Unitholder Value from outperformance; plus
- ii) 15% of the Increased Unitholder Value above 2% nominal outperformance per annum (1% per half year).

The Increased Unitholder Value is measured as the market capitalisation of the REIT at the commencement of the relevant year, multiplied by the nominal percentage outperformance of the REIT relative to the Index for that year.

The performance fee is calculated and payable, if entitled, each half year at December and June. The performance fee is payable, if entitled, subject to an annual cap, whereby total management fees paid in any one year must not exceed 80 basis points of the value of the gross assets of the REIT (except where the REIT has outperformed its sector peers continuously over a three year period).

Any unpaid fees will continue to be paid up to 80 basis points of the value of the assets in any future year. There were no performance fees paid or payable for the financial year ending 30 June 2013. In the calculation of the performance fee, outperformance will be assessed on a cumulative basis and, accordingly, any underperformance will need to be recovered before CHRML is entitled to any future performance fees.

Oversight of fee payments

There is independent oversight in respect of the calculation and payment of management fees as follows:

- i) the calculation and payment of management fees (both base and performance fees) are audited as part of the Annual Financial Statement audit and through audit of the REIT's compliance plan;
- ii) the calculation of every performance fee to be paid is checked by an independent firm; and
- iii) the REIT's independent directors review the external certifications and authorise payment of the performance fee.

Changes to management fees

The fee arrangements were fully disclosed to investors on Fund inception (and have been amended from time to time with Unitholder approval) and continue to be disclosed on the REIT website and in Annual Reports. Investors originally invested and continue to invest with this knowledge. Any changes to the structure of the fee provisions that would have the effect of increasing the fees would need to be approved by unitholders. CHRML may accept lower fees or defer fees.

Expense reimbursement

CHRML is also entitled to be reimbursed for expenses incurred by it in relation to the proper performance of its duties, out of the assets of the REIT. This includes routine ongoing expenses such as the third party costs of acquiring assets and the use of specialist technical advice from time to time, as well as capital raising costs, registry, audit, accounting, marketing, tax, insurance, compliance costs and other expenses as set out in the REIT's Constitution.

Directors

Non-executive directors' fees for the financial year ended 30 June 2013 are as follows:

Paid by the REIT	John Harkness	Maurice Koop	Alan Rattray-Wood
Director fees	74,250	49,500	49,500
Compliance fee	52,500	35,000	35,000
Audit committee	8,000	12,000	8,000
Total director fees	134,750	96,500	92,500

The level of fees is not related to the performance of the REIT. The Board of CHRML will consider remuneration payable to its non-executive directors from time to time. Remuneration for non-executive directors is approved by the Board and any increases are benchmarked to market rates. None of the non-executive directors are entitled to options or securities issued by the REIT or to retirement benefits as part of their remuneration package.

Executive directors of CHRML are employees of Charter Hall and are remunerated by Charter Hall.

Executives

Executives and senior managers who have responsibility for the business activities of the REIT are employees of Charter Hall. Their remuneration is paid by Charter Hall and is not recharged to the REIT. Scott Dundas, Fund Manager of the REIT, received, on a cash basis, \$505,200 remuneration for the year ended 30 June 2013.

While the REIT's management are Charter Hall employees, there is a strong alignment of interest between those employees and the REIT's unitholders. Charter Hall's remuneration framework ensures that a meaningful amount of remuneration is 'at risk' and solely dependent on performance. The total remuneration package of all Charter Hall senior executives consists of Fixed Remuneration, a Short Term Incentive (STI) (consisting of cash and deferred equity delivered equally over two years) and a Long Term Incentive (LTI). Fixed remuneration is reviewed annually taking into account individual performance, skills and experience and market remuneration for the role. STI is an 'at risk' incentive awarded annually designed to reward executives subject to performance against agreed financial and non-financial Key Performance Indicators (KPIs). Any STI awarded to executives provides substantial incentives for superior performance but low or no participation for less satisfactory outcomes.

The REIT's management may also receive Long-Term Incentives (LTI) through participation in the Charter Hall Performance Rights and Options Plan, as part of their remuneration package. The LTI is in the form of Performance Rights which vest fully at three years subject to Total Return hurdles. STI and LTI allocations are therefore highly variable and can comprise a high proportion of total remuneration in the case of superior performance. For executives involved in the management of the REIT, a substantial component of the STI and LTI allocation is directly dependent on the performance of the REIT.

Alignment of interests

Alignment between Charter Hall and the REIT's unitholders is also demonstrated through the interest Charter Hall holds in the REIT. At 30 June 2013, Charter Hall held a relevant interest of approximately 9.4% of REIT units.

Unitholder Analysis

Top 20 registered unitholders as at 31 August 2013

	Units	%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	70,783,387	20.71
J P MORGAN NOMINEES AUSTRALIA LIMITED	49,663,104	14.53
NATIONAL NOMINEES LIMITED	43,322,050	12.67
TRUST COMPANY LIMITED	32,160,042	9.41
CITICORP NOMINEES PTY LIMITED	14,750,933	4.32
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	13,354,057	3.91
BNP PARIBAS NOMS PTY LTD	9,459,044	2.77
GALAXY NOMINEES NO 3 PTY LTD	5,363,545	1.57
GALAXY NOMINEES NO 2 PTY LTD	5,363,544	1.57
GALAXY NOMINEES NO 1 PTY LTD	5,363,544	1.57
GALAXY NOMINEES NO 4 PTY LTD	5,363,544	1.57
AMP LIFE LIMITED	4,383,306	1.28
JP MORGAN NOMINEES AUSTRALIA LIMITED	4,063,434	1.19
CITICORP NOMINEES PTY LIMITED	3,816,081	1.12
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	3,245,793	0.95
UBS NOMINEES PTY LTD	3,036,341	0.89
EQUITY TRUSTEES LIMITED	2,818,649	0.82
AUST EXECUTOR TRUSTEES SA LTD	2,661,304	0.78
NEWECONOMY COM AU NOMINEES PTY LIMITED	2,549,576	0.75
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,093,956	0.32
SCJ PTY LTD	1,000,000	0.29
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	888,252	0.26
Total units held by top 20	284,503,486	83.23
Total units on issue	341,843,880	100.00

Range of units summary as at 31 August 2013

Range	No. of holders	Securities	%
1 to 1,000	1,705	864,542	17.90
1,001 to 5,000	5,025	13,413,881	52.76
5,001 to 10,000	1,736	12,261,556	18.23
10,001 to 50,000	958	17,330,020	10.06
50,001 to 100,000	39	2,694,328	0.41
100,001 and over	62	295,279,553	0.65
Total	9,525	341,843,880	100.00

The total number of unitholders with less than a marketable parcel of 135 units is 302 and they hold 5,424 units.

Voting rights

On a poll, each unitholder has one vote for each dollar of the value of their total interest in the REIT. On a show of hands, each unitholder has one vote.

Substantial unitholder notices as at 31 August 2013*

Company	Date of change	Units	%
Charter Hall Group	21/10/11	31,044,973	10.36
Commonwealth Bank of Australia	1/08/13	24,073,034	7.13
Gandel Group	25/10/12	21,454,177	6.55
National Australia Bank	28/08/13	17,203,124	5.03
The Vanguard Group	22/04/13	16,891,272	5.00

* Information in this table has been collated from the most recent relevant substantial holder notices lodged with ASX, as at 31 August 2013.

Distribution History

PERIOD END	CASH DISTRIBUTIONS	TAXABLE AMOUNT ¹	TAX DEFERRED AMOUNT		CAPITAL GAIN CONCESSION ²		TAX-FREE AMOUNT		FOREIGN TAX CREDIT	DRP ISSUE PRICE	PERIOD END PRICE	
	Cents/ unit	Cents/ unit	%	Cents/ unit	%	Cents/ unit	%	Cents/ unit	%			
30-Jun-96	5.610	2.273	40.510	3.167	56.450	–	–	0.171	3.040	–	0.763	0.760
30-Jun-97	10.300	6.776	65.783	3.233	31.389	–	–	0.291	2.828	–	1.218	1.280
30-Jun-98	12.006	8.864	73.830	2.592	21.590	–	–	0.550	4.580	–	1.420	1.410
30-Jun-99	12.655	8.273	65.374	3.728	29.459	–	–	0.654	5.167	–	1.463	1.460
30-Jun-00	13.050	10.853	83.163	1.463	11.207	–	–	0.735	5.630	–	1.405	1.470
30-Jun-01	13.100	9.684	73.920	2.972	22.690	–	–	0.444	3.390	–	1.365	1.380
30-Jun-02	13.400	8.995	67.130	4.047	30.200	0.358	2.670	–	–	0.0390	1.581	1.610
30-Jun-03	13.650	10.79	79.047	2.544	18.639	0.316	2.314	–	–	0.1220	1.677	1.710
30-Jun-04	14.300	8.757	61.239	5.233	36.591	0.310	2.170	–	–	0.0850	1.687	1.720
30-Jun-05	14.800	7.863	53.127	6.555	44.287	0.383	2.586	–	–	0.1200	1.871	1.915
30-Jun-06	15.400	7.159	46.490	8.241	53.510	–	–	–	–	0.5120	1.772	1.820
30-Jun-07	15.600	8.622	55.271	5.119	32.814	1.859	11.915	–	–	0.1250	1.986	2.020
30-Jun-08	15.000	8.458	56.384	6.378	42.520	0.164	1.096	–	–	0.6020	0.922	0.900
30-Jun-09	7.000	4.757	67.958	1.031	14.732	1.212	17.310	–	–	0.1900	0.507	0.545
30-Jun-10	5.300	2.739	51.685	2.561	48.315	–	–	–	–	–	0.544	0.550
30-Jun-11	24.800	12.000	48.385	7.221	29.120	5.579	22.500	–	–	–	–	3.200
30-Jun-12	26.100	13.376	51.248	12.724	48.752	–	–	–	–	0.221	–	3.310
30-Jun-13	26.800	10.433	38.928	16.367	61.072	–	–	–	–	0.024	3.721	3.810

¹ The taxable amount includes capital gains but does not include the foreign tax credit that appears in this table

² Capital gain is included in the cash distribution

Note: One for five consolidation, effective 15 September 2010

From 1 July 2004, tax components are advised annually in the annual tax statement. For purposes of section 12-415 of Schedule 1 of the *Taxation Administration Act 1953* (Cth), estimated tax components and a 'fund payment' amount for each distribution are advised to investors and announced to the ASX when distribution payments are made. However, Australian resident unitholders should only use final tax components shown on the annual tax statement (usually issued in August each year) when completing their tax returns.

Investor Information

How do I invest in Charter Hall Retail REIT?

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

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

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

You can also register your details on our website to receive ASX announcements by an email alert as they are being released. To register your details, please visit our website www.charterhall.com.au.

Can I receive my Annual Report electronically?

Charter Hall Retail REIT provides its annual suite of reports in both PDF and online formats (HTML). You can elect via your Investor login to receive notification that these reports are available online. Alternatively, you can elect to receive any or all of these reports in hard copy by contacting the registry.

Can I receive my distribution via direct credit rather than cheque?

You can receive your distribution payment efficiently and safely by having it direct credited to your bank account. If you wish to receive your distribution by direct credit, please complete the appropriate form, which can be obtained from and returned to the registry, or alternatively update your details directly online at www.charterhall.com.au/cqr and go to Investor Services with the Charter Hall Retail REIT Investor Centre.

Can I reinvest my distribution?

The Distribution Reinvestment Plan (DRP) allows you to have your distributions reinvested in additional securities in Charter Hall Retail REIT, rather than having your distributions paid to you. The DRP was reinstated from the distribution paid in February 2013 and if you were previously registered to participate your participation was reinstated. You can also update your preference directly online at www.charterhall.com.au/cqr and go to Investor Services with the Charter Hall Retail REIT Investor Centre.

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

At the end of each financial year we issue unitholders with an Annual Taxation Statement. This statement includes information required to complete your tax return. The distributions paid in February and August are required to be included in your tax return for the financial year the income was earned; that is, the distribution paid in August 2013 should be included in your 2013 financial year tax return.

How do I make a complaint?

Unitholders wishing to lodge a complaint should do so in writing and forward it to the Compliance Manager, Charter Hall Retail REIT at the address shown in the Directory.

In the event that a complaint cannot be resolved within a reasonable timeframe (usually 45 days) or you are not satisfied with our response, you can seek assistance from the Financial Ombudsman Service (FOS), an independent dispute resolution scheme available to those investors who have first raised their complaint with us and who remain dissatisfied. FOS's contact details are below:

Financial Ombudsman Service

GPO Box 3
Melbourne VIC 3001

Tel: 1300 780 808

Fax: +61 3 9613 6399

Email: info@fos.org.au

Web: www.fos.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
Locked Bag A14
Sydney South NSW 1235

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

Fax: +61 2 9287 0303

Email: charterhall.reits@linkmarketservices.com.au

Web: www.linkmarketservices.com.au

Investor relations

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

Charter Hall Retail Management Limited
GPO Box 2704
Sydney NSW 2001

Tel: 1300 365 585 (local call cost)
+ 61 2 8908 4000 (outside Australia)

Fax: +61 2 8908 4040

Email: reits@charterhall.com.au

Corporate Directory

Responsible Entity (and Manager)

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

Registered Office

Level 11, 333 George Street
Sydney NSW 2000

Directors of the Responsible Entity

John Harkness (Chairman)
David Harrison
Maurice Koop
David Southon
Alan Rattray-Wood

Fund Manager

Scott Dundas

Company Secretary

Rebecca Pierro

Responsible Entity's office

Level 11, 333 George Street
Sydney NSW 2000

Tel: 1300 365 585 (local call cost)
+61 2 8908 4000 (outside Australia)

Fax: (02) 8908 4040 (within Australia)
+61 2 8908 4040 (outside Australia)

Email: reits@charterhall.com.au
Web: www.charterhall.com.au/cqr

ASX code: CQR

Custodian

Perpetual Limited
Level 12, Angel Place
123 Pitt Street
Sydney NSW 2000

Auditor

PricewaterhouseCoopers
Darling Park Tower 2
201 Sussex Street
Sydney NSW 1171

Unit 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

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

Email: charterhall.reits@linkmarketservices.com.au
Web: www.linkmarketservices.com.au

Important Notice

Charter Hall Retail REIT

This is the Annual Report for Charter Hall Retail REIT (ARSN 093 143 965) (CQR or the REIT). This report has been prepared and issued by Charter Hall Retail Management Limited (ABN 46 069 709 468 AFSL 246996) (CHRML) as the Responsible Entity of the REIT. CHRML is a member of the Charter Hall Group.

This report has been compiled to comply with legal and regulatory requirements and to assist the recipient in assessing the performance of the REIT independently and does not relate to, and is not relevant for, any other purpose. This report is not intended to be and does not constitute an offer or a recommendation to acquire CQR securities. This report does not take into account the personal objectives, financial situation or needs of any investor. Before investing in CQR units, you should consider your own objectives, financial situation and needs and seek independent financial, legal and/or taxation advice. The receipt of this report by any person and any information contained herein or subsequently communicated to any person in connection with CQR is not to be taken as constituting the giving of investment, legal, or tax advice by CHRML, CQR or any of their related bodies corporate, directors or employees to any such person.

Historical performance is not a reliable indicator of future performance. Any forward looking statements contained herein are not guarantees or predictions of future performance and by their very nature, are subject to uncertainties and contingencies, many of which are outside the control of CHRML. Actual results may vary materially from any forward looking statements contained in this report. Readers are cautioned not to place undue reliance on any forward looking statements. Except as required by applicable law, CHRML does not undertake any obligation to publicly update or review any forward looking statements, whether as a result of new information or future events.

CHRML does not receive fees in respect of the general financial product advice it may provide; however, CHRML receives fees for operating the REIT in accordance with its Constitution. Entities within the Charter Hall Group may also receive fees for managing the assets of, and providing resources to the REIT. For more detail on fees, see this Annual Report.

Charter Hall's ongoing commitment to your privacy

We understand the importance you place on your privacy and are committed to protecting and maintaining the confidentiality of the personal information you provide to us. CHRML has adopted a privacy policy. For further information, visit CQR's website at www.charterhall.com.au/cqr

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