

# APPENDIX 4E

## Annual Financial Report for the year ended 30 June 2020

**Name of Entity:** Charter Hall Retail REIT  
ARSN: 093 143 965

### Results for announcement to the market

	12 months to 30 June 2020 \$m	12 months to 30 June 2019 \$m	Variance (%)
Revenue from ordinary activities <sup>1</sup>	206.1	202.0	2.0%
Profit from ordinary activities after tax attributable to members	44.2	53.1	(16.8%)
Profit for the year attributable to members	44.2	53.1	(16.8%)
Operating earnings <sup>2</sup>	142.7	128.0	11.5%

<sup>1</sup> The composition of revenue from ordinary activities is detailed in the Consolidated statement of comprehensive income of the annual financial report.

<sup>2</sup> Operating earnings is a financial measure which represents profit under Australian Accounting Standards adjusted for net fair value movements, non cash accounting adjustments such as straight lining of rental income and amortisations and other unrealised one-off items that are not in the ordinary course of business or are capital in nature. Operating earnings includes the rental revenue recognised in respect of tenants who have been (or will be) provided with rent free incentives as a result of COVID-19. This approach is consistent with the REIT's treatment of rent free incentives provided in the ordinary course of its operations which are amortised over the term of the lease. The inclusion of operating earnings as a measure of the REIT's profitability provides investors with the same basis that is used internally for evaluating operating segment performance. Operating earnings is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution. The distribution considers operating earnings and operational cashflow generated during the period.

	12 months to 30 June 2020 cents per unit	12 months to 30 June 2019 cents per unit	Variance (%)
Basic earnings per unit	9.46	12.92	(26.7%)
Operating earnings per unit	30.56	31.12	(1.8%)

Distributions	Amount per unit cents per unit	Tax deferred amount per unit cents per unit
<i>Current year:</i>		
Final distribution	10.00	
Interim distribution	14.52	
Total	24.52	16.06
<i>Previous corresponding year:</i>		
Final distribution	14.48	
Interim distribution	14.28	
Total	28.76	19.97

Record date for determining entitlements to the distribution

30 June 2020

The REIT recorded a statutory profit for the year of \$44.2 million (2019: \$53.1 million). Operating earnings amounted to \$142.7 million (2019: \$128.0 million). Net cash flow from operating activities for the year was \$132.9 million (2019: \$113.8 million).

The REIT's operating earnings increased predominantly as a result of the continued asset recycling strategy. Net income from wholly owned properties was stable despite the divestment of eight wholly owned assets totalling \$178.0 million. Net income from joint venture entities increased as a result of investments into two convenience plus shopping centres and a portfolio of long WALE retail properties leased to BP. Finance costs savings are a result of the low interest rate environment and repayment of debt due to equity raised over the period.

During the period March to June 2020, the COVID-19 pandemic impacted our business with increased sales from our major and essential services tenants offset by reduced sales due to government mandated closure of some of our specialty retailers and voluntary closures of some of our non-discretionary retailers. As government restrictions eased, we saw improved sales and foot traffic through our centres.

The introduction of State Governments' legislation (Code of Conduct) created a framework to administer tenant support to those tenants whose operations were negatively impact by COVID-19. Tenant support for the period was only provided to our specialty tenants and equated to \$8.2 million in rental relief in the form of rent free incentives and deferrals (look-through including the REIT's share of convenience retail joint ventures: \$10.7 million).

In December 2019, and in line with the REIT's asset recycling strategy, proceeds from the sale of shopping centre assets were applied to the purchase of a 30% interest in a portfolio of BP service stations. The REIT raised \$100.0 million of equity in February 2020 to fund its increased interest in the BP portfolio to 47.5%.

Due to the uncertainty as to the impact of COVID-19 on our business, the REIT also raised \$304.2 million equity in April 2020. This has reduced gearing and provides stability to the REIT.

The uncertainty of the impact of COVID-19 has been considered in both our independent and director's valuations. Over the six months from 31 December 2019 to 30 June 2020 the REIT's portfolio valuation declined 1.3% due to shopping centre valuations declining by 2.4%, partially offset by a 6.2% increase in valuation of our BP investment. External valuations were conducted at 30 June 2020 for 67% of the REIT's portfolio, including joint ventures.

## Details of Distributions

Refer attached financial statements (Directors Report and Note A2: *Distributions Paid and Payable*).

## Details of Distribution Reinvestment Plan

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

The REIT raised \$7.3 million from the DRP for the 30 June 2019 distribution and \$12.2 million from the 31 December 2019 distribution. The DRP is suspended for the 30 June 2020 distribution.

## Statement of Undistributed Income

Refer attached consolidated financial statements (Note C4: Accumulated losses).

## Net Tangible Assets

	30 June 2020	30 June 2019
Net tangible asset backing per unit <sup>1</sup>	3.75	4.08

<sup>1</sup> Under the listing rules NTA Backing must be determined by deducting from total tangible assets all claims on those assets ranking ahead of the ordinary securities (i.e., all liabilities, preference shares, outside equity interest, etc.)

## Control gained or lost over entities during the year

N/A

## Details of Associates and Joint Venture entities

Refer attached financial statements (Note B2: Investment in joint venture entities).

## Other significant information

Refer attached financial statements (Directors Report).

## Accounting standards used by foreign entities

International Financial Reporting Standards.

## Significant features of operating performance

Refer attached financial statements (Directors Report).

## Reconciliation of operating profits to statutory profit

Refer attached financial statements (Note A1: Segment information).

## Segment results

Refer attached financial statements (Note A1: Segment information).

**Performance trends**

Refer attached financial statements (Directors Report).

**Other factors**

Refer attached financial statements (Directors Report).

**Audit**

This report is based on accounts to which one of the following applies.

<input checked="" type="checkbox"/>	The accounts have been audited (refer attached financial statements).	<input type="checkbox"/>	The accounts have been subject to review (refer attached financial statements).
<input type="checkbox"/>	The accounts are in the process of being audited or subject to review.	<input type="checkbox"/>	The accounts have not yet been audited or reviewed.