

APPENDIX 4D

Half Year Report
for the period ended 31 December 2016**Name of Entity:** Charter Hall Retail REIT

ARSN: 093 143 965

Results for announcement to the market

	6 months to 31 December 2016 \$m	6 months to 31 December 2015 \$m	Variance (%)
Revenue from ordinary activities	108.1	106.4	1.6%
Profit from ordinary activities after tax attributable to members ¹	178.9	104.4	71.4%
Profit for the year attributable to members	178.9	104.4	71.4%
Operating earnings ²	61.7	58.9	4.8%

¹ The composition of revenue from ordinary activities is detailed in the Consolidated statement of comprehensive income of the interim financial report.

² Operating earnings is a financial measure which represents the profit/(loss) under Australian Accounting Standards adjusted for net fair value movements, non-cash accounting adjustments such as straightlining of rental income and amortisations and other unrealised or one-off items. The inclusion of operating earnings as a measure of Charter Hall Retail REIT's (the REIT) 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. A reconciliation of the REIT's statutory profit/(loss) to operating earnings is provided in Note 2 of the financial statements.

	6 months to 31 December 2016 cents per unit	6 months to 31 December 2015 cents per unit	Variance (%)
Basic earnings per unit	44.11	26.90	64.0%
Operating earnings per unit	15.21	15.18	0.2%

Distributions	Amount per unit cents per unit
<i>Current year:</i> Interim distribution	14.10
<i>Previous corresponding year:</i> Interim distribution	14.00
Record date for determining entitlements to the distribution	31 December 2016

Results for announcement to the market (continued)

The REIT recorded a statutory profit for the period of \$178.9 million compared to a statutory profit of \$104.4 million in the 2015 half year period. Operating earnings amounted to \$61.7 million compared to \$58.9 million in 2015 half year period due to increased net property income following acquisitions and developments combined with net property income growth during the period.

The REIT's statutory accounting profit of \$178.9 million includes a number of unrealised, non-cash and other non-core capital items including:

- \$97.1 million – Unrealised net valuation gains on Australian investment properties;
- \$19.5 million – Unrealised gains on derivative financial instruments;
- \$2.9 million – Gains on sale of investment properties.

Refer to the attached consolidated balance sheet, consolidated statement of comprehensive income and consolidated cash flow statement for further detail.

Details of Distributions

Refer attached financial statements (Directors Report and Note 4: Distributions Paid and Payable).

Details of Distribution Reinvestment Plan

The DRP was suspended for the distribution payable on 28 February 2017.

Statement of Undistributed Income

Refer attached interim financial statements (Consolidated statement of changes in equity).

Net Tangible Assets

	31 December 2016	30 June 2016
Net tangible asset backing per unit ¹	4.10	3.79

¹ 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.)

Details of Associates and Joint Venture entities

Refer attached financial report (Note 8: *Investment in joint venture entities*).

Other significant information**Accounting standards used by foreign entities**

International Financial Reporting Standards

Audit

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

<input type="checkbox"/>	The accounts have been audited (refer attached financial statements).	<input checked="" 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.

Charter Hall Retail REIT

ARSN 093 143 965

Interim financial report

For the half year ended 31 December 2016



Important Notice

Charter Hall Retail Management Limited ABN 46 069 709 468; AFSL 246996 (CHRML) is the responsible entity of Charter Hall Retail REIT ARSN 093 143 965 (REIT). CHRML is a controlled entity of Charter Hall Limited ABN 57 113 531 150 (Charter Hall).

Past performance is not a reliable indicator of future performance. Due care and attention has been exercised in the preparation of forecast information; however, forecasts, by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of CHRML. Actual results may vary from forecasts and any variation may be materially positive or negative.

This report has been prepared for general information purposes only and is not an offer or invitation for subscription or purchase of, or recommendation of, securities. It does not take into account the investment objectives, financial situation or needs of any investor. Before investing, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

CHRML does not receive fees in respect of the general financial product advice it may provide; however, it will receive fees for operating the REIT which, in accordance with the REIT's constitution, are calculated by reference to the value of the assets and the performance of the REIT. Controlled entities of Charter Hall may also receive fees for managing the assets of, and providing resources to, the REIT. Charter Hall and its related entities, together with their officers and directors, may hold securities in the REIT from time to time.

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Directors' Report

The Directors of Charter Hall Retail Management Limited (Responsible Entity or CHRML), the responsible entity of Charter Hall Retail REIT, present their report together with the consolidated interim financial statements of Charter Hall Retail REIT and its controlled entities (together, the REIT) for the half year ended 31 December 2016.

Principal Activities

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

Directors

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

- Greg Chubb - Executive Director and Head of Retail of Charter Hall Group
- Michael Gorman - Non-Executive Director (appointed on 10 November 2016)
- John Harkness - Chairman and Non-Executive Director
- David Harrison - Executive Director and Chief Executive Officer / Managing Director of Charter Hall Group
- Sue Palmer - Non-Executive Director and Chairperson of Audit, Risk and Compliance Committee
- Alan Rattray-Wood - Non-Executive Director
- Scott Dundas - Alternate for David Harrison

Distributions

Distributions paid or declared by the REIT to unitholders:

	6 months to 31 Dec 2016		6 months to 31 Dec 2015	
	Cents per unit	\$'m	Cents per unit	\$'m
Ordinary unitholders				
31 December	14.1	57.3	14.0	56.3
Total distributions (Ordinary)	14.1	57.3	14.0	56.3

A liability has been recognised in the consolidated interim financial statements as the interim distribution had been declared as at the balance date and will be paid on 28 February 2017.

Distribution Reinvestment Plan

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

The DRP issue price is determined at a discount of 1.0% to the daily average of the volume weighted average market price of units traded on the ASX during the 15 business days commencing on the third business day following the distribution record date. The REIT raised \$9.0 million from the DRP for the 30 June 2016 distribution. The DRP was suspended for the distribution payable on 28 February 2017.

Directors' report (continued)

Review and Results of Operations

The REIT recorded a statutory profit for the period of \$178.9 million (2015: \$104.4 million). Operating earnings amounted to \$61.7 million (2015: \$58.9 million) predominately due to increased net property income following acquisitions and developments combined with net property income growth during the period.

Operating earnings is a financial measure which represents the profit/(loss) under Australian Accounting Standards adjusted for net fair value movements, non-cash accounting adjustments such as straightlining of rental income and amortisation and other unrealised or one-off items. Operating earnings also aligns to the Funds from Operations (FFO) as defined by the Property Council of Australia.

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:

	6 months to 31 Dec 2016	6 months to 31 Dec 2015
	\$'m	\$'m
Net property income from wholly owned properties	74.4	73.5
Net income from joint venture entities	8.1	6.2
Other income	0.1	0.1
Fund management fees	(5.4)	(5.1)
Finance costs	(14.1)	(14.1)
Administration and other expenses	(1.4)	(1.7)
Operating earnings *	61.7	58.9

* Further detail on Operating Earnings is contained in Note 2.

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

	6 months to 31 Dec 2016	6 months to 31 Dec 2015
	\$'m	\$'m
Operating earnings	61.7	58.9
Revaluation increment on investment properties	97.1	60.0
Revaluation decrement on investment properties attributable to acquisition costs	(0.2)	(7.2)
Net gain/(loss) on derivative financial instruments	19.5	(4.7)
Gain/(loss) on sale of investment properties	2.9	(0.3)
Write off capitalised borrowing costs related to extinguished debt facilities	(0.1)	(0.5)
Other	(2.0)	(1.8)
Statutory profit	178.9	104.4
Basic weighted average number of units (millions)	405.6	388.2
Basic earnings per unit (cents)	44.11	26.90
Operating earnings per unit (cents)	15.21	15.18
Distribution per unit (cents)	14.10	14.00

Directors' report (continued)

Review and Results of Operations (continued)

The 31 December 2016 financial results are summarised as follows:

	6 months to 31 Dec 2016	6 months to 31 Dec 2015
Revenue (\$ millions)	108.1	106.4
Net profit after tax (\$ millions)	178.9	104.4
Basic earnings per unit (cents)	44.11	26.90
Operating earnings (\$ millions)	61.7	58.9
Operating earnings per unit (cents)	15.21	15.18
Distributions (\$ millions)	57.3	56.3
Distributions per unit (cents)	14.10	14.00

	31 Dec 2016	30 Jun 2016
Total assets (\$ millions)	2,633.3	2,449.0
Total liabilities (\$ millions)	966.1	916.8
Net assets attributable to unitholders (\$ millions)	1,667.2	1,532.2
Units on issue (millions)	406.2	404.3
Net assets per unit (\$)	4.10	3.79
Balance sheet gearing - total debt (net of cash) to total assets (net of cash)	32.1%	32.0%
Look through gearing - total debt (net of cash) to total assets (net of cash)	35.3%	35.9%

Significant Changes in the State of Affairs

Acquisitions

In October 2016, the REIT acquired additional land adjacent to the existing Gordon Centre, NSW for a gross price of \$4.5 million.

In December 2016, the REIT acquired Arana Hills Plaza and the adjacent petrol station, QLD for a combined purchase price of \$67.1 million.

Disposals

In October 2016, Charter Hall Retail Partnership No.1 Trust (CHRP1), one of the REIT's joint venture entities, sold Pakington Strand, VIC for a gross price of \$31.8 million.

In November 2016, the REIT sold Caboolture, QLD for a gross price of \$27.5 million.

In December 2016, the REIT sold Moe Kmart, VIC for a gross price of \$12.9 million.

Debt transactions

In December 2016, the REIT entered into a new unsecured bilateral \$150 million bank debt facility due to mature in July 2022. The REIT also repaid and cancelled \$100 million of the existing unsecured syndicated bank debt facility which was due to mature in July 2018.

Redevelopments

During the six months to December 2016 the REIT completed projects at Southgate (SA), Bateau Bay (NSW) (CHRP2), Gatton (QLD) and Goulburn (NSW).

The Secret Harbour (WA) re-development is currently under construction and is expected to be completed by May 2017.

Matters subsequent to the end of the financial half year

On 17 February 2017 the REIT entered into an unconditional contract to sell the Rosehill Woolworths supermarket for \$13.0 million with settlement to occur no later than 30 September 2017. The sale represents a \$0.5 million gain above the asset's carrying value at 31 December 2016. 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 interim 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 period subsequent to 31 December 2016.

Directors' report (continued)

Interests in the REIT

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

	6 months to 31 Dec 2016	Year to 30 Jun 2016
Units on issue at the beginning of the period	404,307,852	375,554,374
Units issued during the period		
- via Distribution Reinvestment Plan	1,881,240	5,311,633
- via Placement issue	-	23,441,845
Units on issue at the end of the period	406,189,092	404,307,852

Value of Assets

	31 Dec 2016 \$'m	30 Jun 2016 \$'m
Value of REIT assets	2,633.3	2,449.0

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 8.

Rounding of Amounts to the Nearest Hundred Thousand Dollars

As permitted by ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the Directors' report and consolidated interim financial statements, amounts in the Directors' report 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
17 February 2017

Auditor's independence declaration



Auditor's Independence Declaration

As lead auditor for the review of Charter Hall Retail REIT for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to read 'J Richardson'.

Justine Richardson
Partner
PricewaterhouseCoopers

Sydney
17 February 2017

Consolidated statement of comprehensive income

		6 months to 31 Dec 2016	6 months to 31 Dec 2015
	Notes	\$'m	\$'m
Revenue			
Property rental income		108.0	106.3
Interest income		0.1	0.1
Total revenue		108.1	106.4
Other income			
Share of net profit and valuation gains on investment in joint venture entities	8(b)	32.8	15.1
Net fair value gain on investment properties	3(a)	76.2	44.5
Net gain from derivative financial instruments		18.2	-
Total revenue and other income		235.3	166.0
Expenses			
Property expenses		(35.5)	(34.6)
Net loss from derivative financial instruments		-	(5.3)
Net loss on disposal of investment properties		(0.1)	(0.3)
Fund management fees		(5.4)	(5.1)
Finance costs		(14.1)	(14.6)
Administration and other expenses		(1.3)	(1.7)
Total expenses		(56.4)	(61.6)
Net profit		178.9	104.4
Other comprehensive income*			
Change in the fair value of cash flow hedges		4.4	(2.8)
Other comprehensive income		4.4	(2.8)
Total comprehensive income for the period		183.3	101.6
Basic and diluted earnings per ordinary unitholder of the REIT			
Earnings per unit (cents)	5	44.11	26.90

* 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

		31 Dec 2016	30 Jun 2016
	Notes	\$'m	\$'m
Assets			
Current assets			
Cash and cash equivalents		16.5	12.2
Receivables		11.3	9.4
Derivative financial instruments	6	4.7	4.5
Other assets		3.9	1.4
Assets classified as held for sale	7	-	27.4
Total current assets		36.4	54.9
Non-current assets			
Investment properties	7	2,324.4	2,142.3
Investments in joint venture entities	8	248.7	222.0
Derivative financial instruments	6	23.8	29.8
Total non-current assets		2,596.9	2,394.1
Total assets		2,633.3	2,449.0
Liabilities			
Current liabilities			
Payables	9	45.5	35.4
Distribution payable		57.3	57.0
Other liabilities		0.4	0.3
Total current liabilities		103.2	92.7
Non-current liabilities			
Borrowings	10	848.3	805.7
Derivative financial instruments	6	14.6	18.4
Total non-current liabilities		862.9	824.1
Total liabilities		966.1	916.8
Net assets		1,667.2	1,532.2
Equity			
Contributed equity	11	2,278.6	2,269.6
Cash flow hedge reserve		3.1	(1.3)
Accumulated losses		(614.5)	(736.1)
Total equity		1,667.2	1,532.2

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

Consolidated statement of changes in equity

	Notes	Contributed equity \$'m	Cash flow hedge reserves \$'m	Accumulated losses \$'m	Consolidated \$'m
Total equity at 1 July 2015		2,153.3	(0.1)	(803.5)	1,349.7
Net profit for the period		-	-	104.4	104.4
Other comprehensive income/(loss)		-	(2.8)	-	(2.8)
Total comprehensive income for the period		-	(2.8)	104.4	101.6
Transactions with unitholders in their capacity as unitholders					
- Contributions of equity, net of issue costs	11	107.3	-	-	107.3
- Distributions paid and payable	4	-	-	(56.3)	(56.3)
Total equity at 31 December 2015		2,260.6	(2.9)	(755.4)	1,502.3
Total equity at 1 July 2016		2,269.6	(1.3)	(736.1)	1,532.2
Net profit for the period		-	-	178.9	178.9
Other comprehensive income		-	4.4	-	4.4
Total comprehensive income for the period		-	4.4	178.9	183.3
Transactions with unitholders in their capacity as unitholders					
- Contributions of equity, net of issue costs	11	9.0	-	-	9.0
- Distributions paid and payable	4	-	-	(57.3)	(57.3)
Total equity at 31 December 2016		2,278.6	3.1	(614.5)	1,667.2

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

Consolidated cash flow statement

	6 months to 31 Dec 2016 \$'m	6 months to 31 Dec 2015 \$'m
Cash flows from operating activities		
Property income received	114.2	120.7
Property expenses paid	(32.0)	(38.8)
Distributions received	4.1	4.7
Interest received	0.1	-
Finance costs paid	(14.6)	(16.8)
Other operating expenses paid	(4.9)	(6.8)
Net GST paid to ATO relating to operating activities	(6.2)	(11.1)
Net GST received from ATO relating to investing activities	0.8	4.6
Net cash flows from operating activities	61.5	56.5
Cash flows from investing activities		
Payments for investment properties and capital expenditure	(118.0)	(141.0)
Payment for investment in joint venture	-	(6.0)
Proceeds from sale of investment properties	40.8	-
Net cash flows from investing activities	(77.2)	(147.0)
Cash flows from financing activities		
Proceeds from issue of units	-	49.1
Proceeds from borrowings	137.8	344.0
Repayment of borrowings	(69.9)	(254.9)
Distributions paid to unitholders	(47.9)	(38.9)
Net cash flows from financing activities	20.0	99.3
Net increase in cash and cash equivalent	4.3	8.8
Cash and cash equivalents at the beginning of the period	12.2	6.5
Cash and cash equivalents at the end of the period	16.5	15.3

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

Notes to the consolidated financial statements

1 Summary of significant accounting policies

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

This general purpose interim financial report for the half year ended 31 December 2016 has been prepared in accordance with the REIT's constitution, Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim financial report does not include all notes normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by the Charter Hall Retail REIT during the half year ended 31 December 2016 in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted in the preparation of the interim financial report are consistent with those of the previous financial year.

Excess of current liabilities over current assets

The REIT maintains a policy of using excess available cash to reduce drawn revolving debt facilities. This policy, when combined with the REIT's distribution liability at the end of the reporting period, results in the excess of current liabilities over current assets. As at 31 December 2016, the REIT had \$111.6 million of undrawn debt capacity that can be used to fund current liabilities.

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 REIT's operating segments are as follows:

- *Freestanding supermarkets* - standalone supermarket with no specialty shops;
- *Neighbourhood shopping centres* - local shopping centres with one supermarket and a gross lettable area (GLA) less than 10,000 sqm;
- *Sub-regional shopping centres* - medium sized shopping centres typically incorporating at least one full line discount department store and a major supermarket with total GLA of up to 40,000 sqm; and
- *REIT operations*, which includes all other income and expenses which are not directly attributable to these shopping centres.

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 7. All other assets and liabilities are presented on a consolidated basis, in line with the consolidated balance sheet. This is consistent with the manner in which the information is presented to the Board in its capacity as chief operating decision maker.

(b) Segment information provided to the Board

The operating earnings reported to the Board for the operating segments for the half year ended 31 December 2016 is as follows:

	Freestanding supermarkets \$'m	Neighbourhood shopping centres \$'m	Sub-regional shopping centres \$'m	REIT operations \$'m	Total \$'m
Half year ended 31 December 2016					
Net property income from wholly owned properties	7.1	35.3	32.0	-	74.4
Net income from joint venture entities	-	3.3	8.5	(3.7)	8.1
Other income	-	-	-	0.1	0.1
Fund management fees	-	-	-	(5.4)	(5.4)
Finance costs paid	-	-	-	(14.1)	(14.1)
Administration and other expenses	-	-	-	(1.4)	(1.4)
Operating earnings	7.1	38.6	40.5	(24.5)	61.7

Notes to the consolidated financial statements (continued)

2 Segment information (continued)

(b) Segment information provided to the Board (continued)

	Freestanding supermarkets \$'m	Neighbourhood shopping centres \$'m	Sub-regional shopping centres \$'m	REIT operations \$'m	Total \$'m
Half year ended 31 December 2015					
Net property income from wholly owned properties	7.8	33.8	31.9	-	73.5
Net income from joint venture entities	-	3.1	5.9	(2.8)	6.2
Other income	-	-	-	0.1	0.1
Fund management fees	-	-	-	(5.1)	(5.1)
Finance costs	-	-	-	(14.1)	(14.1)
Administration and other expenses	-	-	-	(1.7)	(1.7)
Operating earnings	7.8	36.9	37.8	(23.6)	58.9

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

	6 months to 31 Dec 2016 \$'m	6 months to 31 Dec 2015 \$'m
Operating earnings	61.7	58.9
Revaluation increment on investment properties	97.1	60.0
Revaluation decrement on investment properties attributable to acquisition costs	(0.2)	(7.2)
Net gain/(loss) on derivative financial instruments	19.5	(4.7)
Gain/(loss) on sale of investment properties	2.9	(0.3)
Write off capitalised borrowing costs related to extinguished debt facilities	(0.1)	(0.5)
Other	(2.0)	(1.8)
Net Profit	178.9	104.4

Operating earnings is a financial measure which represents the profit/(loss) under Australian Accounting Standards adjusted for net fair value movements, non-cash accounting adjustments such as straightlining of rental income and amortisation and other unrealised or one-off items. Operating earnings also aligns to the Funds from Operations (FFO) as defined by the Property Council of Australia.

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.

A reconciliation between total net property income from wholly owned properties to total revenues is set out below:

	6 months to 31 Dec 2016 \$'m	6 months to 31 Dec 2015 \$'m
Total net property income from wholly owned properties	74.4	73.5
Add back: Property expenses	35.5	34.6
Interest income	0.1	0.1
Non-cash adjustments	(1.9)	(1.8)
Total revenues	108.1	106.4

Notes to the consolidated financial statements (continued)

3 Profit for the period

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

(a) Property valuation gains

	Note	6 months to 31 Dec 2016 \$'m	6 months to 31 Dec 2015 \$'m
Valuation gains on wholly owned investment properties			
Revaluation increment on investment properties		76.4	50.9
Revaluation decrement on investment properties attributable to acquisition costs		(0.2)	(6.4)
		76.2	44.5
Valuation gains on investment properties in joint venture entities			
Revaluation increment on investment properties	8(b)	20.7	9.6
Revaluation decrement on investment properties attributable to acquisition costs		-	(0.8)
		20.7	8.8

4 Distributions paid and payable

	6 months to 31 Dec 2016 Cents per unit	6 months to 31 Dec 2015 Cents per unit
Ordinary unitholders		
31 December	14.1	14.0
Total distributions (Ordinary)	14.1	14.0

The distribution of 14.1 cents per unit for the half year ended 31 December 2016 was declared prior to 31 December 2016 and will be paid on 28 February 2017.

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.

5 Earnings per unit

	6 months to 31 Dec 2016	6 months to 31 Dec 2015
Basic and diluted earnings per ordinary unitholder of the REIT		
Earnings per unit (cents)	44.11	26.90
Earnings used in the calculation of basic and diluted earnings per unit		
Net profit for the period (\$'m)	178.9	104.4
Weighted average number of units used in the calculation of basic and diluted earnings per unit (millions)*	405.6	388.2

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

Notes to the consolidated financial statements (continued)

6 Derivative financial instruments

	31 Dec 2016 \$'m	30 Jun 2016 \$'m
Assets		
Current		
Cross currency swaps*	4.7	4.5
	4.7	4.5
Non-current		
Interest rate swaps	6.2	-
Cross currency swaps	17.6	29.8
	23.8	29.8
Liabilities		
Non-current		
Interest rate swaps	-	10.0
Cross currency swaps	14.6	8.4
	14.6	18.4

* Represents the interest payment receivable on the AUD: USD cross currency swap.

7 Investment properties

	31 Dec 2016 \$'m	30 Jun 2016 \$'m
Current		
Held for sale	-	27.4
	-	27.4
Non-current		
Freestanding supermarkets	221.5	223.6
Neighbourhood shopping centres	1,113.8	1,040.6
Sub-regional shopping centres	989.1	878.1
	2,324.4	2,142.3

Investment properties include a straightlining asset of \$10.4 million (30 June 2016: \$10.2 million) and unamortised lease incentives of \$14.2 million (30 June 2016: \$11.9 million).

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

	Notes	6 months to 31 Dec 2016 \$'m	Year to 30 Jun 2016 \$'m
Carrying amount at the beginning of the period		2,142.3	1,937.5
Acquisition including acquisition costs		76.4	116.7
Other capital expenditures		41.0	72.6
Revaluation increment	3(a)	75.8	63.1
Revaluation adjustments*		(0.4)	(0.6)
Straightlining of rental income, amortisation of lease incentives and capitalisation of lease fees		0.4	0.6
Disposals and transfers		(11.1)	(47.5)
Carrying amount at the end of the period		2,324.4	2,142.3

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

Notes to the consolidated financial statements (continued)

8 Investment in joint venture entities

During the period, the REIT had investments 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 period, the investments have been accounted for in the consolidated interim financial statements using the equity method of accounting.

Information relating to the joint venture entities is detailed below:

Joint venture entity	Country of establishment	Principal activity	Ownership interest	
			31 Dec 2016 %	31 Dec 2015 %
Charter Hall Retail Partnership No.1 Trust	Australia	Property investment	50.0%	50.0%
Charter Hall Retail Partnership No.2 Trust	Australia	Property investment	47.5%	47.5%

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

	Notes	6 months to 31 Dec 2016 \$'m	Year to 30 Jun 2016 \$'m
Balance at the beginning of the period		222.0	148.2
Acquisition of interest in CHRP2		-	50.6
Share of profits and property valuation gains	8(b)	32.8	34.4
Distributions paid and payable		(7.0)	(13.9)
Distribution reinvested		0.9	2.7
Balance at the end of the period		248.7	222.0

(b) Share of results attributable to joint venture entities

The table below provides summarised information about the financial performance of the joint venture entities. The information presented reflects the amounts in the financial statements of the joint venture, not the REIT's proportionate share, and covers the period of the REIT's ownership of each joint venture entity for the half year ended 31 December 2016.

	CHRP1 100% interest		CHRP2 100% interest		Total CQR Interest	Total CQR Interest
	6 months to 31 Dec 2016 \$'m	6 months to 31 Dec 2015 \$'m	6 months to 31 Dec 2016 \$'m	30 Nov 2015 to 31 Dec 2015 \$'m	6 months to 31 Dec 2016 \$'m	6 months to 31 Dec 2015 \$'m
Income						
Property rental income	26.1	25.7	9.0	1.5	17.3	13.6
Property expenses	(8.6)	(8.6)	(2.4)	(0.4)	(5.4)	(4.5)
Net property income	17.5	17.1	6.6	1.1	11.9	9.1
Finance costs	(5.3)	(5.3)	(1.8)	(0.3)	(3.5)	(2.8)
Administration and other expenses	(0.1)	(0.1)	(0.5)	(0.1)	(0.3)	(0.1)
Total expenses	(5.4)	(5.4)	(2.3)	(0.4)	(3.8)	(2.9)
Operating earnings	12.1	11.7	4.3	0.7	8.1	6.2
Revaluation increment on investment properties	34.3	17.5	7.5	-	20.7	8.8
Revaluation increment on investment properties attributable to acquisition costs	-	(0.7)	-	(0.9)	-	(0.8)
Gain on disposal	6.0	-	-	-	3.0	-
Net unrealised gain/(loss) on derivative financial instruments	1.6	1.3	1.1	(0.2)	1.3	0.6
Other	(0.3)	0.7	(0.2)	-	(0.3)	0.3
Net Profit	53.7	30.5	12.7	(0.4)	32.8	15.1
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	53.7	30.5	12.7	(0.4)	32.8	15.1
REIT's interest in total comprehensive income	26.8	15.3	6.0	(0.2)	32.8	15.1

Notes to the consolidated financial statements (continued)

8 Investment in joint venture entities (continued)

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

The table below provides summarised information about the financial position of the joint venture entities as at 31 December 2016. The information presented reflects the amounts in the financial statements of the joint ventures, not the REIT's proportionate share.

	CHRP1		CHRP2	
	31 Dec 2016	30 Jun 2016	31 Dec 2016	30 Jun 2016
	\$'m	\$'m	\$'m	\$'m
Current assets				
Cash and cash equivalents	4.0	4.2	1.8	1.2
Receivables	1.4	3.6	0.5	0.4
Other assets	1.3	0.5	-	0.1
Total current assets	6.7	8.3	2.3	1.7
Non-current assets				
Investment properties	566.4	555.3	225.0	215.5
Total assets	573.1	563.6	227.3	217.2
Current liabilities				
Payables	11.2	7.6	4.7	5.1
Derivative financial instruments	1.7	3.3	-	-
Total current liabilities	12.9	10.9	4.7	5.1
Non-current liabilities				
Borrowings	182.9	220.7	95.6	92.4
Derivative financial instruments	-	-	0.7	1.7
Total liabilities	195.8	231.6	101.0	99.2
Net assets	377.3	332.0	126.3	118.0
REIT's interest in net assets	188.7	166.0	60.0	56.0

Charter Hall Retail Partnership No.1 Trust (CHRP1) has a bank loan secured by registered mortgages over nine investment properties. This facility matures in July 2018 and 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 carrying value of the properties pledged as security is \$566.4 million (30 Jun 2016: \$555.3 million) against the total facility limit of \$235.0 million (30 June 2016: \$235.0 million).

Charter Hall Retail Partnership No.2 Trust (CHRP2) has a bank loan secured by registered mortgages over one investment property. This facility matures in October 2020 and is repayable immediately if the joint venture entity 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 1.50:1. The carrying value of the properties pledged as security is \$225.0 million (30 June 2016: \$215.5 million) against the total facility limit of \$100.0 million.

Both CHRP1 and CHRP2 maintain a proactive cash management practice of using excess available cash to reduce drawn revolving debt facilities. This practice, when combined with distribution liability at the end of the reporting period, results in the excess of current liabilities over current assets. CHRP1 and CHRP2 have sufficient operating cash flows to meet current liabilities. In addition, as at 31 December 2016, CHRP1 had undrawn debt capacity of \$51.6 million and CHRP2 had undrawn debt capacity of \$3.9 million.

The joint venture entities have entered into contracts for the construction and development of some of their properties. The REIT's share in the commitments of the joint venture entities total \$0.1 million (30 June 2016: \$0.3 million). These commitments have not been reflected in the consolidated interim financial statements of the REIT.

Notes to the consolidated financial statements (continued)

9 Payables

	31 Dec 2016	30 Jun 2016
	\$'m	\$'m
Current		
Accrued property expenses	10.3	9.6
Accrued capital expenditure	9.9	11.3
Income received in advance	7.7	6.9
Accrued expenses relating to property acquisitions and disposals	5.8	-
Interest payable on interest bearing liabilities	5.6	5.3
Trade and sundry creditors	4.3	2.2
GST payable	1.5	-
Other	0.4	0.1
	45.5	35.4

10 Borrowings

	31 Dec 2016	30 Jun 2016
	\$'m	\$'m
Non-current		
US Private Placement notes (USPP notes)	450.3	435.8
Fair value hedge adjustment	(21.0)	18.2
Unsecured bank loans	423.4	355.5
Less: Unamortised transaction costs	(4.4)	(3.8)
	848.3	805.7

US Private Placement notes

Information about USPP notes is summarised in the table below:

	US Dollar Fixed Coupon	Issue Date	Maturity Date	Australian Dollar Equivalent at Issue Date \$m	Carrying Amount \$'m
USPP	3.55%	July 2015	July 2027	251.6	277.1
USPP	3.76%	May 2016	May 2026	177.4	173.2
Net exposure				429.0	450.3
Fair value hedge adjustment				-	(21.0)
Total				429.0	429.3

The REIT's interest rate and foreign exchange exposure under these notes is 100% hedged with cross currency interest rate swaps.

Fair value hedge adjustment

This adjustment reflects movement in the fair value of USPP notes in the current period. These movements offset the change in the fair value of cross currency swaps designated as a fair value hedge.

Syndicated bank facility

During the period, the REIT repaid and cancelled \$100 million of the \$150 million 3 year tranche unsecured syndicated bank debt facility which was due to mature in July 2018 and continues to hold the 5 year (\$285 million) tranche to mature in July 2020. The total facility limit of the syndicated bank facility is \$335 million. Interest rates on the debt facility are variable and are reset periodically, usually after a period of 90 days. As at 31 December 2016, the interest rate on the bank loan is 3.18 % per annum (30 June 2016: 3.32% per annum).

Notes to the consolidated financial statements (continued)

Bank debt facility

During the period, the REIT entered into an additional \$150 million unsecured bilateral bank debt facility for a 5.5 year term to mature in July 2022. Interest rates on the facility are variable and are reset periodically, usually after a period of 90 days. As at 31 December 2016, the interest rate on the bank loan is 3.18% per annum.

The REIT continues to hold a \$50 million bilateral revolving facility with a maturity in February 2021. Interest rates on the facility are variable and are reset periodically, usually after a period of 90 days. As at 31 December 2016, the interest rate on the bank loan is 2.99% per annum (30 June 2016: 3.20% per annum).

Covenants

The USPP notes and unsecured bank loans are repayable immediately if any of the following occurs:

- the REIT defaults on payments of interest or principal;
- interest cover ratio falls below 2.00:1;
- total liabilities to total assets ratio exceeds 50%;
- priority debt of the REIT over the total look through tangible assets exceeds 5%;
- the REIT's look through share in the priority debt of the joint venture entities over the total look through tangible assets exceeds 15%; and
- unencumbered wholly owned assets of the REIT over total tangible assets falls below 85%.

11 Contributed equity

			6 months to 31 Dec 2016 \$'m	Year to 30 Jun 2016 \$'m
No. of units	Details	Date of income entitlement		
375,554,374	Units on issue	30 June 2015		2,153.3
12,437,810	Placement issue	1 July 2015		49.2
3,055,054	DRP issue	1 July 2015		12.9
11,004,035	Placement issue	1 July 2015		45.2
2,256,579	DRP issue	1 January 2016		9.0
404,307,852	Units on issue	30 June 2016	2,269.6	2,269.6
1,881,240	DRP issue	1 July 2016	9.0	
406,189,092	Units on issue	31 December 2016	2,278.6	2,269.6

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.

Distribution reinvestment plan

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

The DRP issue price is determined at a discount of 1.0% to the daily average of the volume weighted average market price of units traded on the ASX during the 15 business days commencing on the third business day following the distribution record date. The REIT raised \$9.0 million from the DRP for the 30 June 2016 distribution. The DRP was suspended for the distribution payable on 28 February 2017.

Notes to the consolidated financial statements (continued)

12 Net tangible assets

	31 Dec 2016 \$'m	30 Jun 2016 \$'m
Total assets	2,633.3	2,449.0
Less: Total liabilities	(966.1)	(916.8)
Net tangible assets attributable to the REIT	1,667.2	1,532.2
Total number of units on issue	406,189,092	404,307,852
Net tangible asset backing per unit	\$4.10	\$3.79

13 Fair value measurement

(a) Recognised fair value measurements

The REIT measures and recognises derivative financial instruments (refer to Note 6) at fair value on a recurring basis.

To provide an indication about the reliability of inputs used in determining fair value, the REIT classifies its financial instruments into three levels prescribed under the accounting standards. An explanation of each level is set out below:

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

Financial assets and liabilities not carried at fair value have carrying values that reasonably approximate their fair values and are categorised within the fair value hierarchy as follows:

- Cash and cash equivalents – Level 1; and
- All other financial assets and liabilities – Level 2.

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

		Level 2		Total	
		31 Dec 2016	30 Jun 2016	31 Dec 2016	30 Jun 2016
	Notes	\$'m	\$'m	\$'m	\$'m
Financial assets - recurring fair value measurement					
<i>Derivative assets</i>					
Interest rate swaps	6	6.2	-	6.2	-
Cross currency swaps	6	22.3	34.3	22.3	34.3
Total assets		28.5	34.3	28.5	34.3
Financial liabilities - recurring fair value measurement					
<i>Derivative liabilities</i>					
Interest rate swaps	6	-	(10.0)	-	(10.0)
Cross currency swaps	6	(14.6)	(8.4)	(14.6)	(8.4)
Total liabilities		(14.6)	(18.4)	(14.6)	(18.4)

There were no transfers between levels of fair value measurement during the period and there were no other financial assets or liabilities that were measured and recognised at fair value and classified as Level 1 or Level 3.

The policy of the REIT is to recognise transfers into and transfers out of the fair value hierarchy levels as at the end of the reporting period.

The REIT did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2016.

Notes to the consolidated financial statements (continued)

13 Fair value measurement (continued)

(b) Disclosed fair values

The fair value of derivative financial instruments is disclosed in the balance sheet. The carrying amounts of receivables and payables are assumed to approximate their fair value due to their short-term nature.

The following table represents the carrying amounts and fair value of borrowings as at 31 December 2016 and 30 June 2016. Their fair value is estimated by comparing the margin on the facility to the pricing of a similar facility in the current market.

	31 Dec 2016		30 Jun 2016	
	Carrying amount \$'m	Fair value \$'m	Carrying amount \$'m	Fair value \$'m
US Private Placement notes	450.3	429.3	435.8	454.0
Bank loan - term debt	423.4	421.0	355.5	356.6
	873.7	850.3	791.3	810.6

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

The fair value of derivative financial instruments is estimated internally using generally acceptable valuation models based on discounted cash flow analysis using quoted market inputs (i.e. interest rates, forward rates, etc.), adjusted for specific features of the derivative and debit or credit valuation adjustments.

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

14 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 \$6.0 million (30 June 2016: \$28.0 million). These commitments have not been reflected in the consolidated interim financial statements of the REIT.

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

15 Matters subsequent to the end of the financial half year

On 17 February 2017 the REIT entered into an unconditional contract to sell the Rosehill Woolworths supermarket for \$13.0 million with settlement to occur no later than 30 September 2017. The sale represents a \$0.5 million gain above the asset's carrying value at 31 December 2016. 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 interim 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 periods subsequent to 31 December 2016.

Directors' declaration to unitholders

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

- a the consolidated interim financial statements and notes set out on pages 9 to 22 are in accordance with the *Corporations Act 2001*, including:
 - i complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half 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.

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



John Harkness
Chairman
Sydney

17 February 2017

Independent auditor's report



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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Charter Hall Retail REIT (the REIT), which comprises the consolidated balance sheet as at 31 December 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, selected 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 during that half-year.

Directors' responsibility for the half-year financial report

The directors of the REIT are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Charter Hall Retail REIT, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Independent auditor's report



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Charter Hall Retail REIT is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Justine Richardson

Justine Richardson
Partner

Sydney
17 February 2017

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