APPENDIX 4D

Half Year Report for the period ended 31 December 2012

Name of Entity: Charter Hall Retail REIT

ARSN: 093 143 965

Results for announcement to the market

| | 6 months to 31 December 2012 \$m | 6 months to 31 December 2011 \$m | Variance (%) |
|---|---|---|--------------|
| Revenue from ordinary activities* | 93.5 | 79.9 | 17.0% |
| Profit from ordinary activities after tax attributable to members | 24.8 | 4.6 | 439.1% |
| Profit/(loss) for the period attributable to members | 15.8 | (15.7) | 200.6% |
| Operating earnings** | 45.9 | 41.7 | 10.1% |

^{*} The composition of revenue from ordinary activities is detailed in Note 3(a) of the half year financial report.

^{**} 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 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 half year financial report.

| | 6 months to 31 December 2012 | 6 months to 31 December 2011 | Variance (%) |
|-----------------------------|------------------------------------|------------------------------------|-----------------|
| Basic earnings per unit | 5.08¢ | (5.24¢) | 196.9% |
| Operating earnings per unit | 14.76¢ | 13.92¢ | 6.0% |

| Distributions | | Amount per unit |
|--|--------|-----------------|
| Current period: Interim distribution | | 13.30¢ |
| Previous corresponding period: Interim distribution | | 13.00¢ |
| Record date for determining entitlements to the distribution | 31 Dec | cember 2012 |

Results for announcement to the market (continued)

The REIT recorded a statutory profit for the period of \$15.8 million compared to a loss of \$15.7 million for the corresponding period in 2011. Operating earnings amounted to \$45.9 million compared to \$41.7 million in 2011, reflecting the acquisitions of investment properties in Australia and continued income growth from the Australian portfolio during the period.

The REIT's statutory accounting result is a profit of \$15.8 million. This includes a number of unrealised, non-cash and other non-core capital items including:

- \$0.4 million Unrealised valuation gains on investment properties in Australia;
- (\$6.8) million Acquisition costs incurred on Australian investment properties during the period;
- (\$18.7) million Unrealised valuation losses on investment properties in New Zealand, Europe and the United States:
- (\$4.9) million Unrealised fair value loss on derivative financial instruments;
- \$2.5 million Deferred tax benefit; and
- (\$3.8) million Transfer from reserves of cumulative FX losses on disposal of assets held for sale.

Refer to the attached Balance Sheet, Statement of Comprehensive Income and Cash Flow Statement for further detail

Details of Distributions

Refer attached financial report (Directors Report and Note 4: Distributions paid and payable).

Details of Distribution Reinvestment Plan

The REIT has 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. 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. Following a preliminary participation rate of 29%, the REIT expects to raise approximately \$13 million from the DRP for the 31 December 2012 distribution.

Statement of Undistributed Income

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

Net Tangible Assets

| | As at 31 December 2012 | As at 30 June 2012 |
|--|------------------------|--------------------|
| Net tangible asset backing per unit ¹ | \$3.31 | \$3.38 |

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 period

On 31 October 2012, the REIT acquired a further 50% interest in Charter Hall Retail JV Trust. Following this acquisition, Charter Hall Retail JV Trust, CH Lake Macquarie Trust and CH Mount Hutton Trust became wholly owned subsidiaries of the REIT.

Details of Associates and Joint Venture entities

Refer attached financial report (Note 7(f): Investment in Joint venture entities held for sale and Note 9: Investment in Joint Venture Entities).

Accounting standards used by foreign entities

International Financial Reporting Standards

Audit

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

| The accounts have been audited. (refer attached financial statements) | V | The accounts have been subject to review. (refer attached financial statements) |
|--|---|---|
| The accounts are in the process of being audited or subject to review. | | 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 2012

Interim financial report

for the half year ended 31 December 2012

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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Interim financial report for the half year ended 31 December 2012

Contents

| Directo | ors' report | 1 |
|---------|--|----|
| Audito | or's independence declaration | 5 |
| Conso | olidated statement of comprehensive income | 6 |
| Conso | olidated balance sheet | 7 |
| Conso | olidated statement of changes in equity | 8 |
| Conso | olidated cash flow statement | 9 |
| 1. | Summary of significant accounting policies | 10 |
| 2. | Segment information | 11 |
| 3. | Profit for the period from continuing operations | 13 |
| 4. | Distributions paid and payable | 14 |
| 5. | Earnings per unit | 14 |
| 6. | Derivative financial instruments | |
| 7. | Assets and liabilities classified as held for sale and discontinued operations | 15 |
| 8. | Investment properties | 19 |
| 9. | Investment in joint venture entities | 20 |
| 10. | Interest bearing liabilities | 21 |
| 11. | Contributed equity | 22 |
| 12. | Reserves | 23 |
| 13. | Net tangible assets | 23 |
| 14. | Commitments and contingent liabilities | 23 |
| 15. | Significant contract terms and conditions | 24 |
| 16. | Events occurring after balance date | 24 |
| Directo | ors' declaration to unitholders | 25 |
| Indepe | endent auditor's review report to the unitholders of Charter Hall Retail REIT | 26 |

for the half year ended 31 December 2012

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 report of Charter Hall Retail REIT and its controlled entities (together, the REIT) for the half year ended 31 December 2012.

1. 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.

2. 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:

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

3. Distributions

Distributions paid or declared by the REIT to unitholders:

| | 31 Dec 2012 | 31 Dec 2011 |
|--|-------------|-------------|
| | \$'m | \$'m |
| Interim distribution for the six months ended 31 December 2012 of 13.30 cents per unit | | |
| (31 December 2011: 13.00 cents per unit) payable on 15 February 2013 | 44.4 | 39.0 |

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

Distribution Reinvestment Plan

The REIT has established a Distribution Reinvestment Plan (DRP) under which unitholders may elect to have all or part of their distribution entitlements satisfied by the issue of new units rather than being paid in cash. Given the redevelopment pipeline of the REIT, along with Australian acquisition opportunities, the DRP was reinstated for the half year ending 31 December 2012. 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 exdistribution date. Following a preliminary participation rate of 29%, the REIT expects to raise approximately \$13 million from the DRP for the 31 December 2012 distribution.

4. Review and results of operations

The REIT recorded a statutory profit for the period of \$15.8 million compared to a loss of \$15.7 million for the corresponding period in 2011. Operating earnings amounted to \$45.9 million compared to \$41.7 million in 2011, reflecting the acquisitions of investment properties in Australia and continued income growth from the Australian portfolio during the period.

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.

for the half year ended 31 December 2012

4. Review and results of operations (continued)

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

| | 6 months to 31 Dec 2012 | 6 months to 31 Dec 2011 \$'m |
|--|----------------------------|------------------------------------|
| | | |
| | \$'m | |
| Net property income from wholly owned properties | 68.3 | 67.5 |
| Net income from joint venture entities | 5.8 | 4.6 |
| Realised gains on forward foreign exchange contracts | 0.8 | 0.9 |
| Other income | 0.7 | 0.2 |
| Management fees | (4.2) | (4.2) |
| Finance costs * | (22.7) | (25.4) |
| Other expenses | (2.3) | (2.1) |
| Tax (expense)/benefit | (0.5) | 0.2 |
| Operating earnings ** | 45.9 | 41.7 |
| | | |

^{*} Finance costs include \$4.2 million (2011: \$0.4 million) of realised net loss on interest rate swaps and debt cross currency swaps.

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

| Operating earnings | 45.9 | 41.7 |
|--|--------|--------|
| Unrealised net valuation gains on Australian investment properties | 0.4 | 3.7 |
| Acquisition costs incurred on Australian investment properties | (6.8) | (2.8) |
| Unrealised net valuation losses on offshore investment properties | (18.7) | (15.6) |
| Revaluation adjustments | 0.9 | 0.4 |
| Unrealised net losses on derivative financial instruments | (4.9) | (22.9) |
| Capital transaction related realised net gain on derivative financial instruments | 1.9 | 3.4 |
| Loss on sale of investment properties | (1.1) | (0.6) |
| Change in fair value of deferred consideration receivable | - | (1.9) |
| Deferred tax benefit/(expense) | 2.5 | (0.5) |
| Transfer from reserves of cumulative FX losses on disposal of assets held for sale | (3.8) | (20.0) |
| Other | (0.5) | (0.6) |
| Profit/(loss) from continuing and discontinued operations*** | 15.8 | (15.7) |
| Basic weighted average number of units (millions) | 311.2 | 299.6 |
| Basic earnings per unit (cents) | 5.08 | (5.24) |
| Operating earnings per unit (cents) | 14.76 | 13.92 |
| Distributions per unit (cents) | 13.30 | 13.00 |

^{***} Following a change in accounting policy the prior period has been restated to reflect a \$20.0 million transfer of foreign currency translation losses realised in the six months to 31 December 2011 (Refer to Note 1(a)).

The 31 December 2012 financial results are summarised as follows:

| Revenue (\$ millions) | 93.5 | 79.9 |
|---|-------|--------|
| Net profit/(loss) after tax (\$ millions) | 15.8 | (15.7) |
| Basic earnings per unit (cents) | 5.08 | (5.24) |
| Operating earnings (\$ millions) | 45.9 | 41.7 |
| Operating earnings per unit (cents) | 14.76 | 13.92 |
| Distribution (\$ millions) | 44.4 | 39.0 |
| Distribution per unit (cents) | 13.30 | 13.00 |

| | 31 Dec 2012 | 30 Jun 2012 |
|--|-------------|-------------|
| Total assets (\$ millions) | 2,010.2 | 1,944.6 |
| Total liabilities (\$ millions) | 904.5 | 931.2 |
| Net assets attributable to unitholders (\$ millions) | 1,105.7 | 1,013.4 |
| Units on issue (millions) | 334.1 | 299.6 |
| Net assets per unit (\$) | 3.31 | 3.38 |
| Balance sheet gearing - total debt (net of cash) to total assets (net of cash) | 38.7% | 40.4% |

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

for the half year ended 31 December 2012

5. Significant changes in the state of affairs

During the period 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 high quality 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.

6. Events occurring after balance date

Since the end of the financial period, 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 the half year ended 31 December 2012.

7. Interests in the REIT

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

| | 6 months to | Year to |
|---|-------------|-------------|
| | 31 Dec 2012 | 30 Jun 2012 |
| Units on issue at the beginning of the period | 299,628,571 | 302,162,079 |
| Units issued during the period | 34,470,000 | - |
| Units cancelled during the period | - | (2,533,508) |
| Units on issue at the end of the period | 334,098,571 | 299,628,571 |

8. Value of Assets

| | 31 Dec 2012 | 30 Jun 2012 |
|----------------------|-------------|-------------|
| | \$'m | \$'m |
| | | |
| Value of REIT assets | 2,010.2 | 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 for the year ended 30 June 2012.

9. 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 5.

for the half year ended 31 December 2012

10. 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 & Investments Commission relating to the 'rounding off' of amounts in the Directors' report and interim financial statements. Amounts in the Directors' report and interim 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 of Charter Hall Retail Management Limited.

John Harkness Chairman

Sydney 14 February 2013



Auditor's Independence Declaration

As lead auditor for the review of Charter Hall Retail REIT for the half year ended 31 December 2012, 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.

J A Dunning

Partner

PricewaterhouseCoopers

Sydney 14 February 2013

for the half year ended 31 December 2012

Consolidated statement of comprehensive income

| | Notes | 6 months to 31 Dec 2012 \$'m | 6 months to 31 Dec 2011 \$'m |
|--|------------|------------------------------------|------------------------------------|
| | | | |
| Income | 0() | 24.2 | 77.0 |
| Property rental income | 3(a) | 84.2 | 77.6 |
| Property expenses | | (27.9) | (25.0) |
| Net property income | | 56.3 | 52.6 |
| Share of profits and valuation gains of investment in joint venture entities | 9(b), 3(a) | 9.2 | 2.1 |
| Other income | 3(a) | 0.1 | 0.2 |
| Total income net of property expenses | , , | 65.6 | 54.9 |
| Evnances | | | |
| Expenses Valuation losses on investment properties | 3(b) | (13.0) | (12.5) |
| Net losses from derivative financial instruments | 3(c) | (5.3) | (11.4) |
| Loss on sale of investment properties | 3(0) | (0.8) | (0.1) |
| Management fees | | (3.8) | (3.6) |
| Finance costs | | (3.8) (15.8) | (20.6) |
| | | ` , | , , |
| Other expenses Total expenses | | (1.9) | (1.8) |
| | | (40.6) 25.0 | (50.0) |
| Profit before tax from continuing operations | | | _ |
| Tax expense | | (0.2) | (0.3) |
| Profit after tax from continuing operations | 7(-) | 24.8 | 4.6 |
| Loss from discontinued operations | 7(c) | (9.0) | (20.3) |
| Profit/(loss) for the period | | 15.8 | (15.7) |
| Other comprehensive income | | | |
| Exchange differences on translation of foreign operations | | 0.3 | 1.8 |
| Transfer from reserves of cumulative FX losses on disposal of assets held for sale | | 3.8 | 20.0 |
| Other comprehensive income, net of tax | | 4.1 | 21.8 |
| Total comprehensive income | | 19.9 | 6.1 |
| Peois and diluted cornings nor ardinary unithelder of the PET | | | |
| Basic and diluted earnings per ordinary unitholder of the REIT | E | 7.07 | 1.54 |
| Earnings per unit (cents) for profit from continuing operations | 5 | 7.97 | _ |
| Earnings per unit (cents) for loss from discontinued operations | 5 | (2.89) | (6.78) |
| Earnings per unit (cents) | 5 | 5.08 | (5.24) |

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

as at 31 December 2012

Consolidated balance sheet

| | | 31 Dec 2012 | 30 Jun 2012 |
|--|-------|-------------|-------------|
| | Notes | \$'m | \$'m |
| Current assets | | | |
| Cash and cash equivalents | | 21.2 | 23.8 |
| Receivables | | 13.4 | 12.5 |
| Derivative financial instruments | 6 | 1.6 | 3.7 |
| Other assets | | 4.0 | 3.2 |
| | | 40.2 | 43.2 |
| Assets classified as held for sale | 7(b) | 313.9 | 164.6 |
| Total current assets | | 354.1 | 207.8 |
| Non-current assets | | | |
| Investment properties | 8 | 1,536.4 | 1,594.7 |
| Investment in joint venture entities | 9(a) | 118.7 | 131.6 |
| Derivative financial instruments | 6 | 1.0 | 4.0 |
| Deferred tax assets | | - | 6.5 |
| Total non-current assets | | 1,656.1 | 1,736.8 |
| Total assets | | 2,010.2 | 1,944.6 |
| Current liabilities | | | |
| Payables | | 19.0 | 27.3 |
| Distribution payable | | 44.4 | 39.3 |
| Interest bearing liabilities | 10 | - | 3.0 |
| Derivative financial instruments | 6 | - | 0.4 |
| Other liabilities | | 0.4 | 1.8 |
| | | 63.8 | 71.8 |
| Liabilities directly associated with assets classifed as held for sale | 7(b) | 208.8 | 26.2 |
| Total current liabilities | . , | 272.6 | 98.0 |
| Non-current liabilities | | | |
| Interest bearing liabilities | 10 | 610.3 | 791.6 |
| Deferred tax liabilities | . • | - | 14.8 |
| Derivative financial instruments | 6 | 21.6 | 26.8 |
| Total non-current liabilities | - | 631.9 | 833.2 |
| Total liabilities | | 904.5 | 931.2 |
| Net assets | | 1,105.7 | 1,013.4 |
| | | | |
| Equity | 4.4 | , | 4 000 0 |
| Contributed equity | 11 | 1,997.5 | 1,909.2 |
| Reserves | 12 | (52.2) | (56.3) |
| Accumulated losses | | (839.6) | (839.5) |
| Total equity | | 1,105.7 | 1,013.4 |

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

for the half year ended 31 December 2012

Consolidated statement of changes in equity

| | | Contributed | Reserves | Accumulated | Consolidated |
|--|-------|-------------|------------|-------------|--------------|
| | Natas | equity | ¢ ! | losses | ¢ 1 |
| | Notes | \$'m | \$'m | \$'m | \$'m |
| Balance at 1 July 2011 | | 1,927.5 | (76.5) | (781.2) | 1,069.8 |
| Loss for the period | | - | - | (15.7) | (15.7) |
| Other comprehensive income | | - | 21.8 | - | 21.8 |
| Total comprehensive income for the period | | - | 21.8 | (15.7) | 6.1 |
| Transactions with unitholders in their capacity as unitholders | | | | | |
| - Distributions paid and payable | | - | - | (39.0) | (39.0) |
| - Units cancelled | 11 | (8.0) | - | - | (8.0) |
| Balance at 31 December 2011 | | 1,919.5 | (54.7) | (835.9) | 1,028.9 |
| Balance at 1 July 2012 | | 1,909.2 | (56.3) | (839.5) | 1,013.4 |
| Profit for the period | | - | - | 15.8 | 15.8 |
| Other comprehensive income | | - | 4.1 | - | 4.1 |
| Total comprehensive income for the period | | - | 4.1 | 15.8 | 19.9 |
| Transactions with unitholders in their capacity as unitholders | | | | | |
| - Contributions of equity, net of issue costs | 11 | 116.8 | - | - | 116.8 |
| - Return of capital from US REITs | 11 | (28.5) | - | 28.5 | - |
| - Distributions paid and payable | | - | - | (44.4) | (44.4) |
| Balance at 31 December 2012 | | 1,997.5 | (52.2) | (839.6) | 1,105.7 |

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

Cash and cash equivalents at the end of the period

for the half year ended 31 December 2012

Consolidated cash flow statement 6 months to 6 months to 31 Dec 2012 31 Dec 2011 Notes \$'m \$'m Cash flows from operating activities Property rental income received 91.0 82.3 Property expenses paid (30.6)(22.7)Distributions received from investment in joint venture entities 3.5 3.7 Distributions received from discontinued operations 5.9 5.9 Other operating expenses paid (9.2)(9.9)Finance costs paid (18.4)(21.2)Interest income and net derivative gains/(losses) (3.9)3.8 Tax refunds received 0.1 Net cash flows from operating activities 42.0 38.3 Cash flows from investing activities 60.9 Proceeds from sale of investment properties 46.0 Deferred consideration received 27.3 (4.8)Payments for investment in joint venture entities (16.9)(59.7)Payments for investment properties and capital expenditure (141.4)Net cash flows from investing activities (85.0)(3.6)Cash flows from financing activities 89.8 Proceeds from borrowings 170.2 Repayment of borrowings (199.4)(77.3)Proceeds from issue of units, net of costs 116.8 Payments for unit buyback 11 (8.0)Distributions paid to unitholders (39.3)(38.7)Net cash flows from financing activities 48.3 (34.2)Net increase in cash held 1.6 4.2 Cash and cash equivalents at the beginning of the period 23.8 13.1 Reclassification of cash and cash equivalents attributable to discontinued operations (4.9)(4.6)Effect of exchange rate changes on cash and cash equivalents 0.4 0.3

12.7

21.2

for the half year ended 31 December 2012

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 reporting period ended 31 December 2012 has been prepared in accordance with 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 2012 and any public announcements made by the Charter Hall Retail REIT during the half year ended 31 December 2012 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. Comparative information in relation to the corresponding interim reporting period has been adjusted to reflect a change in the accounting policy on foreign currency translation (Refer to Note 1(a)). Other than this change in accounting policy, the accounting policies adopted in the preparation of the interim financial report are consistent with those of the corresponding interim reporting period.

(a) Foreign currency translation

(i) Change in accounting policy

At 30 June 2012, the REIT changed its accounting policy to release foreign currency gains or losses from the foreign currency translation reserve to accumulated losses when capital is repatriated from the sale of a foreign operation rather than on the liquidation of the dormant entity. This change in accounting policy has been made as this treatment more appropriately reflects when the foreign currency gain or loss has been realised.

This resulted in a reclassification of the consolidated statement of comprehensive income for the six months ended 31 December 2011 to reflect \$20.0 million of foreign currency translation losses realised in this period.

This reclassification has no impact on the total comprehensive profit or profit from continuing activities for the six month period ended 31 December 2011.

(ii) Foreign currency exchange rates

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

| | 31 December | 30 June | 31 December |
|--------------|-------------|---------|-------------|
| | 2012 | 2012 | 2011 |
| Spot rate | | | _ |
| US Dollar | 1.0378 | 1.0238 | 1.0209 |
| NZ Dollar | 1.2622 | 1.2777 | 1.3133 |
| Euro | 0.7868 | 0.8084 | 0.7879 |
| Average rate | | | |
| US Dollar | 1.0404 | 1.0364 | 1.0349 |
| NZ Dollar | 1.2717 | 1.2808 | 1.2833 |
| Euro | 0.8123 | 0.7743 | 0.7532 |

for the half year ended 31 December 2012

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 8. 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.

for the half year ended 31 December 2012

2. Segment information (continued)

(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 2012 is as follows:

| | 6 months to 31 Dec 2012 | | | 6 months to 31 Dec 2011 |
|--|----------------------------|------------|--------|----------------------------|
| | Discontinued | Continuing | | |
| | operations | operations | Total | Total |
| | \$'m | \$'m | \$'m | \$'m |
| Net property income from wholly owned properties | | | | |
| Australia | - | 52.3 | 52.3 | 48.4 |
| New Zealand | 0.3 | - | 0.3 | 0.3 |
| Europe | 10.0 | 4.5 | 14.5 | 15.2 |
| United States | 1.2 | - | 1.2 | 3.6 |
| Total net property income from w holly ow ned properties | 11.5 | 56.8 | 68.3 | 67.5 |
| Net income from joint venture entities | | | | |
| Australia | = | 5.3 | 5.3 | 4.1 |
| United States | 0.5 | - | 0.5 | 0.5 |
| Realised gains on forward foreign exchange contracts | - | 0.8 | 0.8 | 0.9 |
| Other income | 0.6 | 0.1 | 0.7 | 0.2 |
| Total income net of property expenses | 12.6 | 63.0 | 75.6 | 73.2 |
| Management fees | (0.4) | (3.8) | (4.2) | (4.2) |
| Finance costs* | (4.3) | (18.4) | (22.7) | (25.4) |
| Other expenses | (0.4) | (1.9) | (2.3) | (2.1) |
| Tax (expense)/benefit | (0.3) | (0.2) | (0.5) | 0.2 |
| Total expenses | (5.4) | (24.3) | (29.7) | (31.5) |
| Operating Earnings | 7.2 | 38.7 | 45.9 | 41.7 |
| Operating earnings per unit (cents) | 2.32 | 12.44 | 14.76 | 13.92 |

^{*} Finance costs include \$4.2 million (2011: \$0.4 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:

| | 6 months to 31 Dec 2012 | | | 6 months to 31 Dec 2011 |
|---|------------------------------|----------------------------|---------------|----------------------------|
| | Discontinued operations \$'m | Continuing operations \$'m | Total \$'m | Total \$'m |
| Operating earnings | 7.2 | 38.7 | 45.9 | 41.7 |
| Unrealised net valuation losses on investment properties | (15.1) | (9.1) | (24.2) | (14.3) |
| Unrealised net gain/(loss) on derivative financial instruments | 0.5 | (5.4) | (4.9) | (22.9) |
| Capital transaction related realised net gain on derivative financial | | | | |
| instruments | - | 1.9 | 1.9 | 3.4 |
| Loss on sale of investment properties | (0.3) | (0.8) | (1.1) | (0.6) |
| Change in fair value of deferred consideration receivable | - | - | - | (1.9) |
| Deferred tax benefit/(expense) | 2.5 | - | 2.5 | (0.5) |
| Transfer from reserves of cumulative FX losses on disposal of assets | | | | |
| held for sale | (3.8) | - | (3.8) | (20.0) |
| Other | - | (0.5) | (0.5) | (0.6) |
| Profit/(loss) from continuing and discontinued operations | (9.0) | 24.8 | 15.8 | (15.7) |

for the half year ended 31 December 2012

2. Segment information (continued)

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

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

| | | 6 months to | 6 months to |
|--|------|---------------------|---------------------|
| | Note | 31 Dec 2012 \$'m | 31 Dec 2011 \$'m |
| Total net property income from w holly ow ned properties | | 68.3 | 67.5 |
| Property expenses | | 27.9 | 25.0 |
| Net property income from discontinued operations | | (11.5) | (14.1) |
| Share of profits and valuation gains of investment in joint venture entities | | 9.2 | 2.1 |
| Other income | | 0.1 | 0.2 |
| Other non-core items | | (0.5) | (8.0) |
| Total revenues | 3(a) | 93.5 | 79.9 |

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.

3. Profit for the period from continuing operations

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

(a) Revenues

| | 6 months to | 6 months to |
|--|----------------|-------------|
| | 31 Dec 2012 | 31 Dec 2011 |
| | \$'m | \$'m |
| Property rental income | 84.2 | 77.6 |
| Share of profits and valuation gains of investment in joint venture entities | 9.2 | 2.1 |
| Other income | 0.1 | 0.2 |
| Total revenues | 93.5 | 79.9 |
| (b) Property valuation gains/(losses) | | |
| Valuation (losses)/gains on wholly owned investment properties Australia | | |
| Revaluation (decrement)/increment on investment properties | (2.0) | 3.5 |
| Revaluation (decrement) increment on investment properties Revaluation decrement on investment properties attributable to acquisition costs | (3.8) (6.8) | (2.8) |
| Revaluation adjustments* | 0.5 | 0.8 |
| | (10.1) | 1.5 |
| Europe Revaluation decrement on investment properties | (2.9) | (14.0) |
| | (2.9) | (14.0) |
| | (13.0) | (12.5) |
| | | |
| Valuation gains on investment properties in joint venture entities Australia | | |
| Revaluation increment on investment properties | 4.2 | 0.2 |
| Revaluation adjustments* | (0.3) | (0.2) |

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

for the half year ended 31 December 2012

3. Profit for the period from continuing operations (continued)

(c) Net gains/(losses) from derivative financial instruments

| | 6 months to | 6 months to |
|---|-------------|-------------|
| | 31 Dec 2012 | 31 Dec 2011 |
| | \$'m | \$'m |
| Gain on derivative financial instruments - realised | 0.4 | 4.2 |
| Loss on derivative financial instruments - unrealised | (5.7) | (15.6) |
| | (5.3) | (11.4) |

4. Distributions paid and payable

| | | Total |
|--|----------------|--------|
| | Distribution | amount |
| | cents per unit | \$'m |
| Ordinary unitholders | | |
| Distributions for the half year ended: | | |
| 31 December 2012 * | 13.30 | 44.4 |
| 31 December 2011 | 13.00 | 39.0 |

^{*} The distribution of 13.30 cents per unit for the half year ended 31 December 2012 was declared prior to 31 December 2012 and will be paid on 15 February 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 Note 2) as a guide to assessing an appropriate distribution to declare.

5. Earnings per unit

| | 6 months to | 6 months to |
|---|-------------|-------------|
| | 31 Dec 2012 | 31 Dec 2011 |
| Basic and diluted earnings per ordinary unitholder of the R⊟T | | |
| Earnings per unit (cents) for profit from continuing operations | 7.97 | 1.54 |
| Earnings per unit (cents) for loss from discontinued operations | (2.89) | (6.78) |
| Earnings per unit (cents) | 5.08 | (5.24) |
| Earnings used in the calculation of basic and diluted earnings per unit | | |
| Net profit from continuing operations (\$'m) | 24.8 | 4.6 |
| Net loss from discontinued operations (\$'m) | (9.0) | (20.3) |
| Net profit/(loss) for the period (\$'m) | 15.8 | (15.7) |
| Weighted average number of units used in the calculation of basic and | | |
| diluted earnings per unit (millions)** | 311.2 | 299.6 |

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

for the half year ended 31 December 2012

6. Derivative financial instruments

| | 31 Dec 2012 | 30 Jun 2012 |
|------------------------------------|-------------|-------------|
| | \$'m | \$'m |
| Assets | | |
| Current | | |
| Cross currency sw aps | - | 2.2 |
| Forward foreign exchange contracts | 1.6 | 1.5 |
| | 1.6 | 3.7 |
| Non-current | | |
| Interest rate sw aps | - | 2.2 |
| Forward foreign exchange contracts | 1.0 | 1.8 |
| | 1.0 | 4.0 |
| Liabilities | | |
| Current | | |
| Interest rate sw aps | - | 0.4 |
| , | - | 0.4 |
| Non-current | | |
| Interest rate sw aps | 21.6 | 26.8 |
| · | 21.6 | 26.8 |

During the period, the remaining cross currency swap contract matured and the REIT did not enter into any new cross currency swaps.

7. 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 the purchaser obtaining adequate insurance cover. The New Zealand portfolio continues to be classified as a discontinued operation at 31 December 2012.

United States

During the period, the REIT continued its strategy to sell its remaining investments in the United States and anticipates the completion of this disposal program within the next 12 months. The United States portfolio continues to be classified as a discontinued operation at 31 December 2012.

Poland

During the period, the REIT actively marketed its Polish investment properties and anticipates the disposal of these properties within the next 12 months. The Polish portfolio has been classified as a discontinued operation at 31 December 2012.

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 Polish, United States and New Zealand investment property portfolios as discontinued operations at 31 December 2012.

for the half year ended 31 December 2012

7. Assets and liabilities classified as held for sale and discontinued operations (continued)

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

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.

| | 31 Dec 2012 | | | 30 Jun 2012 | | |
|---|------------------------------|------|---------------|-------------|-------|-------|
| | Discontinued operations Held | | Held for sale | Total | Total | |
| | New Zealand | US | Poland | Australia | | |
| | \$'m | \$'m | \$'m | \$'m | | \$'m |
| Assets classified as held for sale | | | | | | |
| Cash and cash equivalents | 0.1 | 0.5 | 5.1 | - | 5.7 | 4.6 |
| Receivables | = | 1.3 | 1.4 | - | 2.7 | 1.6 |
| Other assets | = | - | 0.5 | - | 0.5 | 0.3 |
| Deferred consideration receivable | - | - | - | - | - | 28.0 |
| Investment properties | 6.5 | 21.3 | 232.6 | 27.5 | 287.9 | 117.1 |
| Investment in joint venture entities | - | 11.9 | - | - | 11.9 | 13.0 |
| Deferred tax assets | = | - | 5.2 | - | 5.2 | - |
| Total assets classified as held for sale | 6.6 | 35.0 | 244.8 | 27.5 | 313.9 | 164.6 |
| Liabilities classified as held for sale | | | | | | |
| Payables | - | 0.2 | 5.9 | - | 6.1 | 0.4 |
| Interest bearing liabilities | - | 9.3 | 161.7 | 13.7 | 184.7 | 25.1 |
| Derivative financial instruments | - | - | 5.8 | - | 5.8 | - |
| Deferred tax liabilities | - | 0.3 | 11.9 | - | 12.2 | 0.7 |
| Total liabilities directly associated with assets | | | | | | |
| classifed as held for sale | = | 9.8 | 185.3 | 13.7 | 208.8 | 26.2 |

Investment properties classified as held for sale are carried at their expected sale value, without allowance for disposal costs.

At 31 December 2012, the REIT is actively marketing to sell one of its investment properties in Australia. The investment property is classified as held for sale given its value will be recovered principally through sale rather than through continuing use.

Interest bearing liabilities

Interest bearing liabilities in the United States amounting to US\$10.0 million (\$9.7 million) (June 2012: US\$10.3 million; \$10.1 million) are secured by two US investment properties with a carrying value of US\$20.0 million (\$19.2 million) (June 2012: US\$20.0 million; \$19.5 million).

Investment properties in Poland are partially funded by term debt amounting to €127.4 million (\$161.9 million) (June 2012: €128.6 million; \$159.1 million) which are secured by registered mortgages over five investment properties. The carrying value of the properties pledged as security amounts to €183.0 million (\$232.6 million) (June 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 \$27.5 million (June 2012: three properties valued at \$62.7 million) against the REIT's share of the total facility of \$13.7 million (June 2012: \$32.0 million). The facility matures in November 2013.

The Australian property level bank loan 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 1.60:1.

for the half year ended 31 December 2012

7. Assets and liabilities classified as held for sale and discontinued operations (continued)

(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 31 December 2012 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 have been included.

| | 6 months to 31 Dec 2012 \$'m | 6 months to 31 Dec 2011 \$'m |
|---|------------------------------------|------------------------------------|
| Net property income | 11.5 | 14.1 |
| Other income | 0.6 | - |
| Share of profits and valuation losses of investment in joint venture entities | (0.2) | 0.5 |
| Valuation losses on investment properties | (14.4) | (1.8) |
| Net loss from derivative financial instruments | (1.1) | (5.4) |
| Change in fair value of deferred consideration receivable | - | (1.9) |
| Management fees | (0.4) | (0.6) |
| Finance costs | (2.7) | (4.4) |
| Transfer from reserves of cumulative FX losses on disposal of assets held for sale | (3.8) | (20.0) |
| Other expenses | (0.4) | (0.3) |
| Profit/(loss) before income tax | (10.9) | (19.8) |
| Tax benefit | 2.2 | - |
| Profit/(loss) after income tax | (8.7) | (19.8) |
| Loss on sale of investment properties | (0.3) | (0.5) |
| Profit/(loss) from discontinued operations | (9.0) | (20.3) |
| Net cash inflow from operating activities | 6.4 | 2.4 |
| Net cash outflow from investing activities | (3.5) | (0.2) |
| Net cash outflow from financing activities | (1.8) | (2.5) |
| Net increase/(decrease) in cash generated by discontinued operations excluding deferred | | |
| consideration received and sales proceeds | 1.1 | (0.3) |

(d) Details of disposals

The REIT disposed of the following assets during the period:

| | Date of | | Ow nership interest | Total consideration |
|-------------------------------|-------------|---------------------|---------------------|---------------------|
| | disposal | Principal activity | disposed | \$'m |
| US portfolio | | | | |
| Northlake Promenade, GA | 5 Sep 2012 | Investment property | 100% | 3.3 |
| Australian portfolio | | | | |
| Mile End Homemaker Centre, SA | 10 Dec 2012 | Investment property | 100% | 43.8 |
| | | | | 47.1 |

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

| 6 months to 31 Dec 2012 | 6 months to 31 Dec 2011 |
|----------------------------|---|
| | |
| | |
| 47.1 | 63.2 |
| (1.1) | (2.1) |
| (47.1) | (61.7) |
| (1.1) | (0.6) |
| - | - |
| (1.1) | (0.6) |
| | 31 Dec 2012 \$'m 47.1 (1.1) (47.1) (1.1) |

for the half year ended 31 December 2012

7. Assets and liabilities classified as held for sale and discontinued operations (continued)

(f) Investment in joint ventures entities held for sale

As at 31 December 2012, the REIT has an investment in one US joint venture entity. The REIT exercises joint control over the joint venture entity, but neither the REIT nor its joint venture partner has control in their own right, irrespective of their ownership interest. During the period, this investment continues to be classified as held for sale as it is expected that its carrying value will be recovered through sale rather than continuing use.

Information relating to the joint venture entity is detailed below:

| | | | Ownership in | terest |
|---------------------------------------|---------------|---------------------|--------------|-------------|
| | Country of | | 31 Dec 2012 | 30 Jun 2012 |
| Joint venture entity | incorporation | Principal activity | % | % |
| Macquarie CountryWide-Regency III LLC | United States | Property investment | 75.00 | 75.00 |

(g) Gross equity accounted value of investment in joint venture entities held for sale

| | 6 months to | Year to | |
|---|-------------|-------------|--|
| | 31 Dec 2012 | 30 Jun 2012 | |
| | \$'m | \$'m | |
| Balance at the beginning of the period | 13.0 | 9.4 | |
| Share of profits before property valuation (losses)/gains | 0.5 | 1.0 | |
| Share of property valuation (losses)/gains | (0.7) | 2.8 | |
| Cash distributions paid and payable | (0.7) | (0.6) | |
| Foreign exchange rate differences on translation | (0.2) | 0.4 | |
| Balance at the end of the period | 11.9 | 13.0 | |

(h) Share of results attributable to joint venture entities held for sale

| | 6 months to 31 Dec 2012 \$'m | 6 months to 31 Dec 2011 \$'m |
|---|------------------------------------|------------------------------------|
| | φ 111 | φιιι |
| Income | | |
| Property rental income | 2.2 | 2.1 |
| Property expenses | (0.7) | (0.6) |
| Net property income | 1.5 | 1.5 |
| Expenses | | |
| Management fees | (0.1) | (0.1) |
| Finance costs | (0.9) | (0.9) |
| Total expenses | (1.0) | (1.0) |
| Share of profits before property valuation losses | 0.5 | 0.5 |
| Property valuation losses | | |
| Revaluation decrement on investment properties | (0.7) | - |
| Share of property valuation losses | (0.7) | - |
| Share of profits and valuation losses of investment in joint venture entities | (0.2) | 0.5 |

for the half year ended 31 December 2012

7. Assets and liabilities classified as held for sale and discontinued operations (continued)

(i) Share of joint venture entity's assets and liabilities held for sale

| | 31 Dec 2012 | 30 Jun 2012 |
|------------------------------|-------------|-------------|
| | \$'m | \$'m |
| Current assets | | |
| Cash and cash equivalents | 0.7 | 0.3 |
| Receivables | 0.3 | 0.7 |
| Other assets | 0.1 | 0.1 |
| | 1.1 | 1.1 |
| Non-current assets | | |
| Investment properties | 43.6 | 44.9 |
| Total assets | 44.7 | 46.0 |
| Current liabilities | | |
| Payables | 0.7 | 0.5 |
| Other liabilities | 0.2 | 0.2 |
| | 0.9 | 0.7 |
| Non-current liabilities | | |
| Interest bearing liabilities | 31.9 | 32.3 |
| Total liabilities | 32.8 | 33.0 |
| Net assets | 11.9 | 13.0 |

Interest bearing liabilities are secured by four United States properties owned in a joint venture entity. The carrying value of the REIT's share of the properties pledged as security is US\$45.3 million (\$43.6 million) (June 2012: US\$46.0 million; \$44.9 million) against the REIT's share of the total facilities of US\$33.1 million (\$31.9 million) (June 2012: US\$33.1 million; \$32.3 million). The facilities mature in April 2016 and January 2017 and are repayable immediately if the REIT defaults on payments of interest or principal.

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

8. Investment properties

| | 31 Dec 2012 | 30 Jun 2012 |
|-----------------------|-------------|-------------|
| | \$'m | \$'m |
| Non-current | | |
| Australian properties | 1,427.1 | 1,248.3 |
| European properties | 109.3 | 346.4 |
| | 1,536.4 | 1,594.7 |

Investment properties include a straightlining asset of \$7.1 million (June 2012: \$6.4 million) and unamortised lease incentives of \$4.8 million (June 2012: \$5.1 million).

A reconciliation of the carrying amount of investment properties is set out below:

| | 6 months to | Year to | |
|--|-------------|-------------|--|
| | 31 Dec 2012 | 30 Jun 2012 | |
| Carrying amount at the beginning of the period | 1,594.7 | 1,624.4 | |
| Additions | 168.4 | 106.2 | |
| Acquisition costs incurred | 6.8 | 5.6 | |
| Revaluation decrement attributable to acquisition costs | (6.8) | (5.6) | |
| Revaluation decrement | (6.7) | (18.2) | |
| Foreign exchange rate differences on translation | 3.0 | (32.0) | |
| Reclassification of investment properties as held for sale | (237.4) | (85.7) | |
| Reclassification of held for sale investment property as non current asset | 14.4 | - | |
| Carrying amount at the end of the period | 1,536.4 | 1,594.7 | |

for the half year ended 31 December 2012

9. Investment in joint venture entities

During the six month period ended 31 December 2012, the REIT had an investment in two Australian joint venture entities. The REIT exercised joint control over these joint venture entities, but neither the REIT nor its joint venture partners had control in their own right, irrespective of their ownership interest. During the period, these investments have been accounted for in the consolidated interim financial statements using the equity method of accounting.

Information relating to these joint venture entities is detailed below:

| | | | Ownership interest | | |
|--|---------------|---------------------|--------------------|-------------|--|
| | Country of | | 31 Dec 2012 | 30 Jun 2012 | |
| Joint venture entity | establishment | Principal activity | % | % | |
| 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

| | 6 m onths to 31 Dec 2012 \$'m | Year to 30 Jun 2012 \$'m |
|---|-------------------------------------|--------------------------------|
| | | |
| | | |
| Balance at the beginning of the period | 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 losses | 5.3 | 6.0 |
| Share of property valuation gains/(losses) | 3.9 | (0.2) |
| Cash distributions paid and payable | (3.5) | (8.1) |
| Balance at the end of the period | 118.7 | 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 interim financial statements from this date.

(b) Share of results attributable to joint venture entities

| | 6 months to | 6 months to 31 Dec 2011 \$'m |
|---|-------------|------------------------------------|
| | 31 Dec 2012 | |
| | \$'m | |
| Income | | |
| Property rental income | 12.2 | 10.0 |
| Property expenses | (4.0) | (3.0) |
| Net property income | 8.2 | 7.0 |
| Expenses | | |
| Finance costs | (2.9) | (2.6) |
| Capital transaction related realised loss on derivative financial instruments | (0.3) | - |
| Net unrealised gain/(loss) on derivative financial instruments | 0.3 | (2.2) |
| Other expenses | - | (0.1) |
| Total expenses | (2.9) | (4.9) |
| Share of profits before property valuation losses | 5.3 | 2.1 |
| Property valuation gains | | |
| Revaluation increment on investment properties | 4.2 | 0.2 |
| Revaluation adjustments** | (0.3) | (0.2) |
| Share of property valuation gains | 3.9 | - |
| Share of profits and valuations gains of investment in joint venture entities 9.2 | | 2.1 |

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

for the half year ended 31 December 2012

9. Investment in joint venture entities (continued)

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

| (b) Share or joint ventare entitles about and habilities | 31 Dec 2012 | 30 Jun 2012 |
|--|-------------|-------------|
| | \$'m | \$'m |
| Current assets | | |
| Cash and cash equivalents | 0.5 | 1.5 |
| Receivables | 1.0 | 0.7 |
| Other assets | 0.4 | 0.5 |
| | 1.9 | 2.7 |
| Non-current assets | | |
| Investment properties | 190.6 | 220.8 |
| Total assets | 192.5 | 223.5 |
| Current liabilities | | |
| Payables and other liabilities | 1.2 | 2.6 |
| | 1.2 | 2.6 |
| Non-current liabilities | | |
| Interest bearing liabilities | 69.5 | 85.9 |
| Derivative financial instruments | 3.1 | 3.4 |
| Total liabilities | 73.8 | 91.9 |
| Net assets | 118.7 | 131.6 |

Interest bearing liabilities reflect a bank loan secured by registered mortgages over ten Australian properties owned in a joint venture entity. The carrying value of the REIT's share of the properties pledged as security is \$190.6 million (June 2012: \$185.6 million) against the REIT's share of the total facility of \$70.1 million (June 2012: \$70.1 million). The facility matures in June 2016.

The bank loan is repayable immediately if the REIT 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 has entered into contracts for the acquisition, construction and development of properties in Australia. The REIT's share of the commitments of the joint venture entity total \$0.6 million (June 2012: nil) within the next 12 months. These commitments have not been reflected in the consolidated interim financial statements of the REIT.

10. Interest bearing liabilities

| | 31 Dec 2012 | 30 Jun 2012 |
|--|-------------|-------------|
| | \$'m | \$'m |
| Current | | |
| Bank loan - term debt | | |
| European property level debt | - | 3.0 |
| | - | 3.0 |
| | | |
| Non-current | | |
| Bank loan - term debt | | |
| Australian multi-currency facility | 262.3 | 288.7 |
| European property level debt | 102.7 | 256.5 |
| Commercial mortgage backed securities (CMBS) | 250.0 | 250.0 |
| Less: Unamortised transaction costs | (4.7) | (3.6) |
| | 610.3 | 791.6 |

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

for the half year ended 31 December 2012

10. 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 \$664.2 million (June 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 (\$102.7 million) (June 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 €86.0 million (\$109.3 million) (June 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 31 December 2012, the interest rates on the bank loans vary from 1.05% to 5.61% per annum (June 2012: 1.14% to 5.01% per annum).

Commercial mortgage backed securities (CMBS)

The CMBS are secured by registered mortgages over 40 Australian properties. The carrying amount of properties pledged as security as at 31 December 2012 amounts to \$762.9 million (June 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.

11. Contributed equity

| | | | 6 months to 31 Dec 2012 \$'m | Year to 30 Jun 2012 \$'m |
|--------------|--|----------------------------|------------------------------------|--------------------------------|
| No. of units | Details | Date of income entitlement | | |
| 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** | | | (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 issue | 1 July 2012 | 18.9 | |
| | Transfer for return of capital from US REITs** | | (28.5) | |
| 334,098,571 | Units on issue | 31 December 2012 | 1,997.5 | 1,909.2 |

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

As stipulated in the REIT 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.

^{**}During the current and prior periods, 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.

for the half year ended 31 December 2012

11. Contributed equity (continued)

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 has been reinstated for the half year ended 31 December 2012. 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.

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 high quality 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.

12. Reserves

| | 6 months to 31 Dec 2012 \$'m | Year to 30 Jun 2012 \$'m |
|--|------------------------------------|--------------------------------|
| | | |
| | | |
| Foreign currency translation reserve | | |
| Opening balance | (56.3) | (76.5) |
| Translation of foreign operations and foreign denominated borrowings | 0.3 | (1.1) |
| Transfer to profit of cumulative FX losses on disposal of assets held for sale | 3.8 | 21.3 |
| Closing balance | (52.2) | (56.3) |

13. Net tangible assets

| | 31 Dec 2012 | 30 Jun 2012 |
|--|-------------|-------------|
| | \$'m | \$'m |
| Total assets | 2,010.2 | 1,944.6 |
| Less: Total liabilities | (904.5) | (931.2) |
| Net tangible assets attributable to the REIT | 1,105.7 | 1,013.4 |
| Total number of units on issue | 334,098,571 | 299,628,571 |
| Net tangible asset backing per unit | \$3.31 | \$3.38 |

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 \$50.9 million (June 2012: \$54.1 million) within the next 12 months and \$0.1 million (June 2012: \$0.3 million) thereafter. These commitments have not been reflected in the consolidated interim financial statements of the REIT.

for the half year ended 31 December 2012

14. Commitments and contingent liabilities (continued)

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 reduces progressively as the German structure retains sufficient cash to fund the redevelopment. At 31 December 2012 the guarantee is capped at €2.6 million (\$3.3 million).

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

15. Significant contract terms and conditions

Pre-emptive rights

If CHRML is removed as the responsible entity of the REIT, or there is a change in control of Regency or Macquarie CountryWide (US) No. 2 Trust, or other defined events occur, then either Regency or Macquarie CountryWide (US) No. 2 Trust may exercise their pre-emptive right to acquire the other party's share of joint venture assets. In addition, under the joint ownership arrangements in place with Charter Hall Direct Retail Fund (DRF) and Telstra Superannuation Scheme (TS), should CHRML cease to be the responsible entity of the REIT, the respective 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.

16. Events occurring after balance date

Since the end of the financial period, 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 2012.

Directors' Declaration to Unitholders

for the half year ended 31 December 2012

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

- (a) the interim financial statements and notes set out on pages 6 to 24 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 2012 and of its performance for the financial period ended on that date; and
- (b) there are reasonable grounds to believe that the REIT will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors of Charter Hall Retail Management Limited.

John Harkness

Sydney

14 February 2013



Independent auditor's review report to the unitholders 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 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Charter Hall Retail REIT and the Charter Hall Retail REIT Group (the consolidated entity). The consolidated entity comprises of the REIT and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the Charter Hall Retail Management Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such 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 Auditing Standard on Review Engagements ASRE 2410 Review of an Interim 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 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 2012 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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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:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Pricewaterhouse Coopers

J A Dunning Partner

Sydney 14 February 2013