

CFS Retail Property Trust Group

CFX

ANNUAL REPORT 2014

CFX Co Limited ABN 79 167 087 363

CFS Retail Property Trust 1 ARSN 090 150 280

Responsible Entity:

Commonwealth Managed Investments Limited

ABN 33 084 098 180 AFSL 235384

CELEBRATING
20 YEARS



CFS Retail Property Trust Group (CFX or the Group) has been one of Australia's leading retail property groups since we listed on the Australian Securities Exchange (ASX) in 1994.

As we celebrate our 20th anniversary, we can look back with pride on what we have achieved for our investors.

Since inception, we have delivered an annual compound return of 11.3%; to put that in perspective, \$1,000 invested in CFX at inception would today be worth \$8,720 compared to \$3,874 invested in the S&P/ASX 200 Property Accumulation Index.

We are focused on the intensive asset management of our quality portfolio of Australian retail assets. Together with our disciplined approach to investment and capital management, we have delivered stable or rising distributions and solid total returns throughout our history.

Established initially as an externally-managed property trust, CFX became an internally managed entity in March 2014 following overwhelming securityholder approval of the acquisition of a number of management entities from Commonwealth Bank of Australia (CBA). The Internalisation transaction is accretive to distributions, provides enhanced governance and delivers diversification and scale benefits.

Today, we are one of Australia's largest retail property groups, with \$14.2 billion in assets under management. We own and manage some of the nation's best shopping centres and retail outlet centres, and we maintain relationships with over 5,100 retailers across 36 retail assets which generate more than \$9.4 billion in annual sales from more than 230 million customer visits.

To read more about our journey as a listed entity, turn to pages 30 to 33 of this report.

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Welcome



Performance snapshot

Distribution per security

13.6c (2013: 13.6c)

Net profit

\$400.1m (2013: \$295.0m)Distributable income¹**\$400.4m** (2013: \$384.6m)Net tangible asset backing per security (NTA)²**\$1.90** (2013: \$2.04)

Net asset value per security (NAV)

\$2.02 (2013: \$2.04)

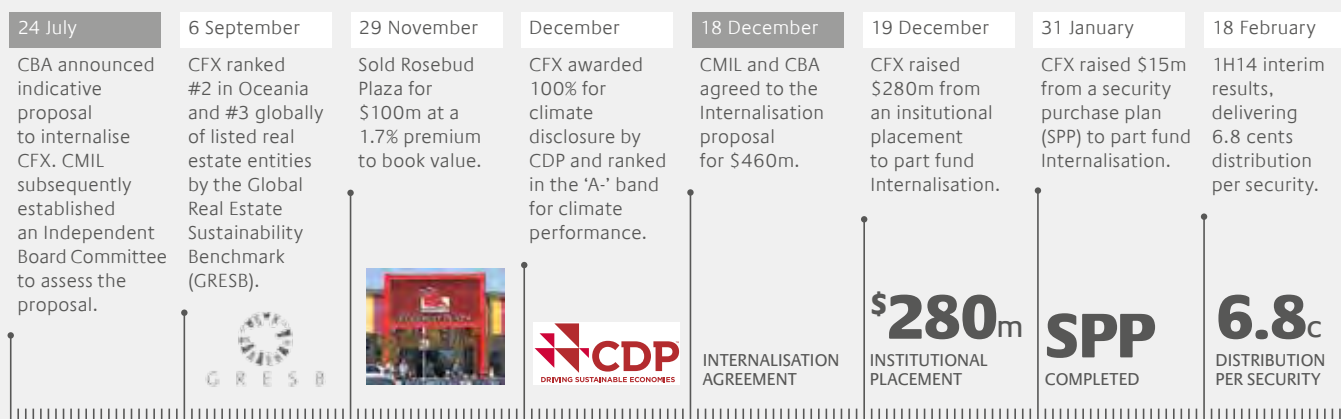
Note: Statistics relate to the Direct Portfolio.

1 Distributable income is a key non-IFRS earnings measure used by management to assess the performance of CFX. It represents CFX's underlying and recurring earnings from ordinary operations. Refer to page 7 for the reconciliation of net profit to distribution.

2 NTA decreased predominantly due to the acquisition of management entities which include intangible assets, as part of the Internalisation.

Year in review

July 2013



Total assets

\$9.5b

(2013: \$8.6b)

Gearing¹

30.9%

(2013: 28.8%)

Net property income (NPI) growth²

2.2%

Comparable retail specialty sales per sqm

\$10,457

(2013: \$10,066)

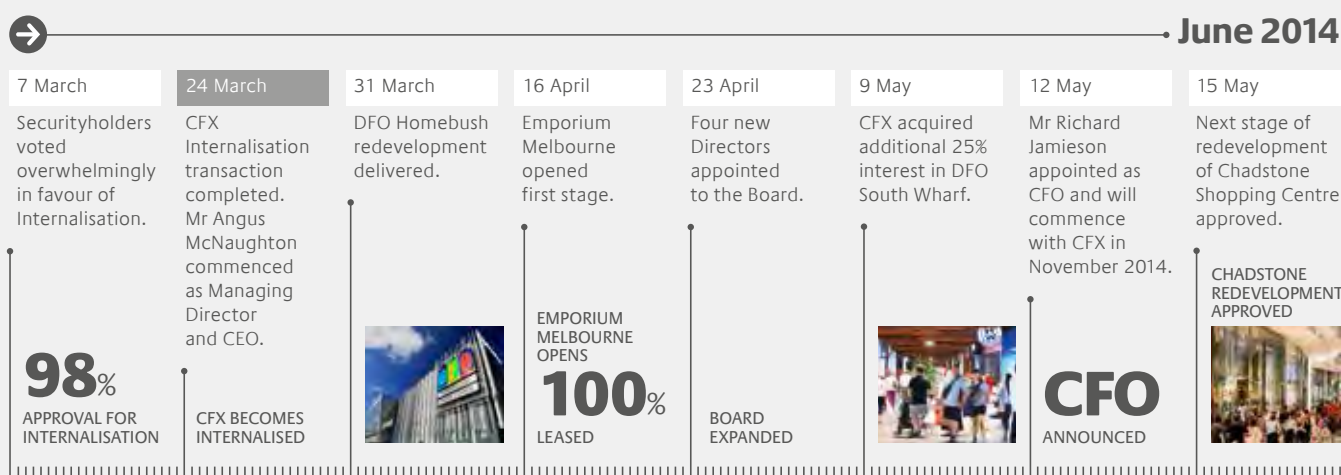
Portfolio occupancy by area

99.7%

(2013: 99.4%)

¹ Gearing equals borrowings as a proportion of total assets. For this calculation, total assets exclude the fair value of derivatives, and borrowings is the amount of debt drawn as per Note 13 of the Financial Report.

² Refer to the table on page 8 for the calculation of NPI and like-for-like NPI.



A landmark year

Dear securityholder,

In a landmark year for CFX, we completed the internalisation transaction and celebrated our 20th anniversary since listing on the Australian Securities Exchange (ASX) as Gandel Retail Trust. We also delivered a solid annual profit of \$400.1 million, up from \$295.0 million in the prior year, driven by steady property income growth and positive property valuations. In line with guidance, our investors will receive a distribution of 13.6 cents per security for FY14.

Following overwhelming approval from our securityholders, we executed the single largest change to the Group's structure since our inception. On 24 March 2014, CFX completed the transaction to internalise the Group's management, commence the investment management of a number of wholesale property funds and mandates (Wholesale Funds) and acquire CBA's retail property asset management business (together Internalisation).

In doing so, we have created one of Australia's largest retail property groups. We have \$14.2 billion in assets under management, including \$8.9 billion held on balance sheet (the Direct Portfolio), and relationships with over 5,100 retailers, and we directly employ over 800 people.

The structural change delivered through the Internalisation will provide long-term benefits to our securityholders. It is accretive¹ to distributions, with funds and asset management fees for the Direct Portfolio previously paid to CBA replaced with lower direct costs over which CFX has greater control. It provides an enhanced governance framework, with securityholders now able to vote on the election of Non-executive Directors and remuneration matters, providing greater alignment of interests; and it delivers scale and diversification benefits.

Under the internalised structure, approximately 92% of our revenue is generated from CFX's Direct Portfolio, while the remaining 8% is delivered from our Strategic Partnerships platform acquired as part of the Internalisation. While this is not a material shift to our earnings profile, it provides diversification of earnings and capital sources, and scope for incremental growth over time.

As outlined in the Explanatory Memorandum dated 7 February 2014 (Meeting Booklet), our FY14 result of 13.6 cents per security is unchanged on guidance provided under the previous externally-managed structure. This is primarily due to the accretion benefits of Internalisation (effective for the final three months of the reporting period) being largely offset by the cost of securing an institutional placement (the Placement) three months prior to the implementation of the Internalisation. Securities issued under the Placement ranked equally with the existing securities on issue and therefore were fully entitled to the December 2013 half-year distribution. An SPP was also offered to all securityholders under effectively the same terms as the



Richard Haddock AM
Chairman

Assets under management

\$14.2b

Placement. Raising equity via an institutional placement and SPP well ahead of implementation de-risked the funding of the Internalisation.

The Internalisation required an enormous effort from your Directors and management, and I would like to take this opportunity to thank all those involved.

We remain focused on Australian retail property and steadfast in our commitment to provide superior and stable risk-adjusted returns to our investors through the intensive management of our assets, supported by our rigorous corporate governance framework and a prudent capital management approach.

¹ Internalisation was estimated to be accretive on an FY14 pro forma per security basis by 2.0% to distribution and 4.0% to value.

Board and management changes

The Internalisation necessitated a number of changes to be made to your Board and management. Following completion of the transaction on 24 March 2014, Mr Ross Griffiths and Mr Michael Venter, as executives of CBA, resigned from their positions as Directors.

Subsequently, I was pleased to announce the appointment of five new Non-executive Directors to the boards of CFX Co Limited (CFX Co) and Commonwealth Managed Investments Limited (CMIL) (collectively referred to as the Board):

- Mr Trevor Gerber – Independent Non-executive Director
- Mr Peter Hay – Independent Non-executive Director
- Ms Karen Penrose – Independent Non-executive Director
- Mr Peter Kahan – Non-executive Director (nominated by Gandel Group), and
- Dr David Thurin – Non-executive Director (nominated by Gandel Group).

Our new Directors have a broad range of expertise and experience, at both an operational and an executive level, in retail property funds and asset management, along with non-executive director experience, which is highly valuable and complementary to the Board's existing experience and capabilities.

Mr James Kropp, a long-standing Director and a key member of the Independent Board Committee which negotiated the Internalisation transaction, announced his impending retirement, which is planned to be in September 2014.

I would like to thank Ross, Michael and Jim for their counsel and contribution to the Board during their tenure and I welcome our new Board members.

During the period, Mr Angus McNaughton was appointed to the newly created role of Managing Director and CEO, while Mr Michael Gorman was appointed to the new role of Deputy CEO and Chief Investment Officer. Prior to Internalisation, Mr McNaughton was the Managing Director, Property, Colonial First State Global Asset Management (CFSGAM) and Mr Gorman was the CFX Fund Manager. Mr Richard Jamieson was appointed to the newly created role of Chief Financial Officer and will commence with CFX in November 2014.

I encourage you to read more about your Directors and Executive Committee on pages 16 to 21.

Dividend and distribution reinvestment plan (DRP)

During the period, we raised \$56.9 million from the distribution reinvestment plan (DRP) for the June 2013 distribution (securities issued in August 2013). The DRP is a key funding source for the Group's development pipeline. After suspending the DRP for the December 2013 period due to other capital raising activity undertaken to support the funding of the Internalisation, it was reactivated for the June 2014 period, and will raise \$64.9 million.

Remuneration Report

Following Internalisation, a Remuneration and Organisation Committee was established, with Independent Non-executive Director Nancy Milne OAM nominated as the Chairman, to oversee our remuneration, recruitment, reward, retention and termination practices. As part of this year's Annual Report, we are pleased to publish CFX's first Remuneration Report, which outlines the remuneration structure for Key Management Personnel for FY14 and the revised framework to apply in FY15. With the Internalisation being implemented almost nine months into the financial year, remuneration frameworks for FY14 are generally in accordance with the arrangements in place prior to Internalisation, which were determined by CBA. The Remuneration Report is provided on pages 83 to 96.

Outlook

This is an exciting period in CFX's history, and we remain focused on completing our transition to a fully independent and integrated retail property business. We are well underway in the development of a new corporate brand for the Group, the outcome of which I hope to be able to share with you later in 2014.

With regard to the operating environment, we have begun to witness a slow but positive turnaround in retail property market fundamentals, although Federal Budget outcomes may temper sales growth this year.

We will continue to further refine the quality of our Direct Portfolio through the selective sale of non-core assets and to investigate opportunities to recycle capital into value enhancing initiatives such as investing in the development pipeline or acquiring properties.

For FY15 we provide distribution guidance of 13.8 cents per security¹. This includes incremental EBIT from Internalisation at least equal to the amount outlined in the Meeting Booklet and modest like-for-like Net Property Income growth, offset by a short-term impact as Emporium Melbourne comes on line. Our guidance excludes the impact of asset sales, such as The Entertainment Quarter or any potential benefits arising out of the operational review currently underway. We will provide an update of this guidance at the half-year results.

On behalf of my fellow Directors, I thank you for your continued support of CFX and look forward to updating you as we progress with our strategic initiatives over the coming year.



Richard Haddock AM
Chairman

¹ Assuming there is no unforeseen material deterioration to existing economic conditions.

A solid result



Angus McNaughton
Managing Director and CEO

Dear securityholder,

As your newly appointed Managing Director and CEO, it is my pleasure to present you with an overview of how we have performed against our FY14 operational targets and provide an update of our strategic priorities. In our 20th anniversary year, CFX once again delivered a solid result for our investors. We produced a net profit of \$400.1 million, and generated total annual retail sales of \$7.8 billion across our Direct Portfolio of 29 retail assets.

FY14 distribution per security

13.6c

In line with guidance

Total Securityholder Return (TSR)¹

9.1%

Compared to the Index² return of 8.5%

¹ TSR comprises security price performance and distribution income yield.
² UBS Retail 200 Property Accumulation Index.

Over the 12 months to 30 June 2014:

- net property income (NPI) was \$549.0 million, up 2.2%, driven by a number of development completions and offset by the sale of Rosebud Plaza in November 2013; like-for-like NPI was up 0.7%, with fixed 5% specialty rent increases offset by negative spreads on expiring leases
- distributable income was up 4.1% to \$400.4 million
- a TSR of 9.1% was delivered
- net tangible asset backing per security (NTA) decreased 6.9% to \$1.90, predominantly due to the acquisition of management entities as part of the Internalisation, which include intangible assets, as outlined in the Meeting Booklet
- net asset value per security (NAV) decreased by 1.0% to \$2.02, reflecting Internalisation transaction costs, and
- annual distribution was \$409.9 million compared to \$384.6 million for the prior year. Due to the increase in equity on issue during the year, distribution per security was 13.6 cents, in line with guidance and the prior year.

“Post Internalisation, CFX now has \$14.2 billion of assets under management, including \$8.9 billion held on balance sheet (the Direct Portfolio), and relationships with over 5,100 retailers, and we directly employ over 800 people.”

RECONCILIATION OF NET PROFIT TO DISTRIBUTION FOR THE YEAR ENDED	30-JUN-14 \$M	30-JUN-13 \$M
Net profit	400.1	295.0
Adjustments:		
net (gain)/loss from property valuations	(70.8)	63.1
net unrealised loss from derivative valuations	23.0	3.5
straight-lining revenue	1.6	(2.4)
movement in fair value of unrealised performance fees	2.0	(5.5)
non-cash convertible notes interest expense	1.2	2.0
Internalisation costs	13.5	–
project and other items	29.8	28.9
Distributable income	400.4	384.6
transfer from undistributed reserves ^a	9.5	–
Distribution	409.9	384.6
Securities on issue (end of period) (million)	3,018 ^b	2,828
Distribution per stapled security (cents)	13.6	13.6

a New securities issued in December 2013 ranked equally with securities on issue at the time and were fully entitled to the December 2013 distribution. Consequently, an amount of \$9.8 million was transferred from undistributed reserves to deliver the December 2013 distribution payment. \$0.3 million was transferred to undistributed reserves.

b Securities were issued during FY14 for the June 2013 DRP, the Placement and the SPP.

Our solid FY14 performance was delivered in what continued to be a challenging operating environment and during the Internalisation of the business.

Key highlights for the year included:

- the staged opening of our landmark Emporium Melbourne development, which is fully leased, with effective completion in August 2014
- the completion of our DFO Homebush redevelopment, ahead of schedule, on budget and fully leased
- actively recycling capital through the sale of Rosebud Plaza and the conditional sale of The Entertainment Quarter, both at a premium to book value, while also acquiring an additional 25% interest in DFO South Wharf
- early works commencing on the \$580 million (\$290 million CFX direct share) next stage of redevelopment of Chadstone Shopping Centre
- reducing the weighted average cost of debt to 5.4%, down from 5.6% at 30 June 2013
- maintaining effectively full occupancy of 99.7% within our Direct Portfolio
- strategically remixing tenancies to improve sales and lift rental income, and
- delivering sustainability initiatives across the portfolio which have created further efficiencies in water and energy usage, reduced waste to landfill and garnered global recognition.

Internalisation funding

The Internalisation was the largest structural change we have undertaken since listing on the Australian Securities Exchange in 1994. It had the overwhelming support of our securityholders, with more than 98% of the votes cast in favour of each of the Internalisation resolutions. The Internalisation transaction completed on 24 March 2014.

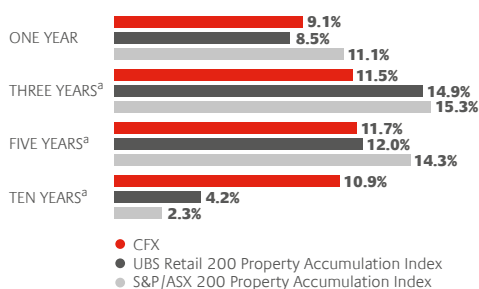
CFX paid \$452 million¹ to CBA to complete the Internalisation transaction, which was funded via a combination of both equity and debt, comprising:

- a \$280 million fully underwritten Placement
- \$15 million raised through a SPP, and
- debt funding.

Securing the funding in this manner well in advance of completion provided securityholders with certainty regarding the anticipated amount of earnings accretion arising from the Internalisation.

Solid total returns

CFX delivered a TSR of 9.1% for the year, outperforming the UBS Retail 200 Property Accumulation Index (the Index) return of 8.5%. CFX also delivered on its objective to provide long-term sustainable returns, with notable outperformance against both the Index and the broader S&P/ASX 200 Property Accumulation Index over a 10-year horizon.



a Compound average annual growth rate.

CALCULATION OF NET PROPERTY INCOME FOR THE YEAR ENDED	30-JUN-14 \$M	30-JUN-13 \$M	CHANGE %
Property revenue	733.8	725.1	
Share of net profit from equity accounted investments before fair value adjustments	3.6	3.4	
Dividend income	1.4	1.5	
Property expenses	(220.7)	(219.3)	
Straight-lining revenue ^b	1.6	(2.4)	
Amortisation of project items ^b	19.6	20.0	
Other items ^b	9.7	8.9	
NPI	549.0	537.2	2.2
Like-for-like adjustments			
Development-affected properties excluded ^c	(37.5)	(32.9)	
Adjustment for changes in ownership of properties ^d	(1.1)	(4.2)	
Property expenses eliminated post Internalisation	(11.4)	-	
Other one-off adjustments ^e	(4.3)	(8.9)	
Like-for-like net property income	494.7	491.3	0.7

b Refer to Note 3(b) of the Financial Report for further explanation of these items.

c Properties have been excluded from the like-for-like calculation where income has been significantly affected by development in either year. Properties excluded are Brimbank Shopping Centre, Forest Hill Chase, Emporium Melbourne and Roxburgh Park Shopping Centre.

d In May 2014, CFX acquired a further 25% interest in DFO South Wharf and in November 2013, CFX sold Rosebud Plaza Shopping Centre. An adjustment is made to the like-for-like calculation to reflect the changes in ownership interests.

e Queensland flood insurance claims and lease premiums have been excluded from the like-for-like calculation in FY14. A timing-related adjustment was made for the development of the industrial site at DFO Homebush and lease premiums have been excluded from the like-for-like calculation in FY13.

¹ Adjusted for QV Retail and excluding net assets and transaction costs, as outlined in the Meeting Booklet.

Enhancing the portfolio

Over two decades, we have built a wealth of knowledge and expertise to be able to optimise asset performance through intensive asset management. We also undertake extensive analysis to assess whether to acquire new assets or to divest of or develop assets within our Direct Portfolio.

From our development pipeline this year, we delivered both the Emporium Melbourne and the DFO Homebush projects fully leased.

Emporium Melbourne is a landmark project which delivers a world-class retail destination to Melbourne's CBD, while the DFO Homebush redevelopment project continues our commitment to redefine the retail outlet offer in Australia. More information on developments can be found on pages 34 to 40.

We also executed a number of transactions to enhance the Direct Portfolio during the period. In November 2013, we sold Rosebud Plaza for \$100.0 million, a 1.7% premium to book value. In line with our strategy, we reinvested the proceeds from this asset sale

to increase our interest in DFO South Wharf from 50% to 75% at a purchase price of \$87.6 million.¹ The DFO assets have been strong performers in our portfolio, and DFO South Wharf continues to report double-digit sales and traffic growth. Increasing our ownership interest in this asset improves the quality of our earnings.

In June 2014, we announced the conditional sale of our leasehold interest in The Entertainment Quarter, which is jointly-owned with one of our wholesale funds, for \$40 million (CFX's 50% direct share) at a 22.7% premium to book value. The sale is conditional on final approval by the ground lessor and the relevant NSW State Government authority.

We will continue to review the composition of our Direct Portfolio with the objective of improving its overall quality. This is expected to result in the potential divestment² of \$100 million to \$200 million of non-core assets over the next two years, as well as selective acquisitions and developments over time.



Emporium Melbourne, VIC

“Emporium Melbourne is a landmark project which delivers a world-class retail destination to Melbourne's CBD, while the DFO Homebush redevelopment project continues our commitment to redefine the retail outlet offer in Australia.”

¹ Excluding acquisition costs.

² Including the conditional sale of The Entertainment Quarter.

The strategic initiatives we set ourselves each year underpin the delivery of our objective of providing long-term sustainable returns for our investors. In FY14, we successfully executed upon most initiatives.

Progress against FY14 priorities

INTENSIVE ASSET MANAGEMENT	
• Complete and open Emporium Melbourne and DFO Homebush projects fully leased • Progress design development of Chadstone Shopping Centre • Continue to masterplan other planned projects • Continue to tailor tenant mix to each centre's trade area • Maintain effectively full occupancy	✓ • DFO Homebush was completed fully leased in March 2014 • The first stage of Emporium Melbourne opened in April 2014 with the whole centre fully leased and was substantially complete in August 2014 ✓ • Gained final approval to commence the next stage of redevelopment of Chadstone Shopping Centre ✓ • Other planned projects progressed ✓ • Executed 1,170 leasing deals in refining tenancy mix ✓ • The Direct Portfolio remains effectively full at 99.7% occupancy
DISCIPLINED INVESTMENT DECISIONS	
• Actively pursue the sale of non-core assets • Reinvest the proceeds of non-core asset sales	✓ • Sold Rosebud Plaza and exchanged conditional contracts to sell The Entertainment Quarter, both at a premium to book value ✓ • Acquired an additional 25% interest in DFO South Wharf
PRUDENT CAPITAL MANAGEMENT	
• Maintain a competitive cost of debt • Investigate opportunities to extend and diversify sources of debt	✓ • Negotiated \$1.6 billion of financing facilities, materially improving the Group's debt position, by extending duration and reducing our weighted average cost of debt
INVESTING RESPONSIBLY	
• Undertake NABERS ratings annually • Set individual property environmental performance targets • Report in accordance with the Global Reporting Initiative (GRI) G4 framework • Pursue best practice in corporate governance	✓ • Entire Direct Portfolio NABERS rated this year ✓ • Short and long-term energy and water internal targets set for all properties ✗ • GRI (G4) reporting deferred to post Internalisation ✓ • New structure brings an expanded Board and enhanced alignment with securityholders

Our strategy

Over 20 years, we have been driven by a clear strategic objective, which is to provide our investors with superior and stable risk-adjusted returns from the ownership and management of Australian retail property.

We have never wavered from this strategy.

From experience, we know that our prudent and disciplined approach to investment and capital management, combined with our intensive asset management approach, delivers stable results throughout property cycles. The assets we manage are spread across the retail spectrum and are tailor made for their individual catchments, ensuring that we match our retail offering with our customer base.

Just as we are committed to those who invest directly in CFX, so too are we committed to providing quality returns for our strategic partners through the prudent management of the funds and assets we manage on their behalf.

A key priority over the next year will be transitioning CFX to a fully independent and integrated retail property business. This will include the relocation of the Sydney office to the MLC Centre in Martin Place and the launch of a new corporate brand in late 2014. We are also undertaking an operational review to ensure that we have the most efficient and effective organisational structure and processes in place under an internalised structure.

As always, we will continue to nurture our culture of continuous improvement, which places excellence at the core of everything we do.

Our FY15 priorities**INTENSIVE ASSET MANAGEMENT****Enhance centre performance**

- Refine tenant mix and enhance the appeal of our assets to improve productivity, maintain effectively full occupancy and drive NPI growth

Progress the development pipeline

- Continue the construction and leasing of Chadstone's retail and office redevelopment
- Continue to masterplan projects in the development pipeline

DISCIPLINED INVESTMENT AND CAPITAL MANAGEMENT**Transact to enhance Direct Portfolio quality**

- Continue to selectively recycle assets to invest in value enhancing opportunities, such as acquisitions or developments

Maintain a strong balance sheet

- Investigate opportunities to enhance debt metrics
- Utilise the DRP to part fund the development pipeline, having regard to pricing

OPERATIONAL EXCELLENCE**Complete the separation from CBA**

- Establish new corporate identity
- Implement standalone IT systems, processes and people management programs

Complete operational review

- Ensure we have highly efficient and effective organisational structures, systems and processes in place under an internalised structure

Managing responsibly

- Set water and energy NABERS targets for all assets in the Direct Portfolio
- Prepare for GRI (G4) reporting

STRATEGIC PARTNERSHIPS**Deliver existing fund and mandate strategies**

- Achieve favourable results for funds in wind down
- Invest committed capital for CERF

Explore new fund and mandate opportunities


Angus McNaughton
Managing Director and CEO

Driving performance



Michael Gorman
Deputy CEO and
Chief Investment Officer

Occupancy rate

99.7%



an increase on 99.4% at June 2013

Comparable specialty sales per sqm

\$10,457



a 3.9% increase on June 2013

“CFX’s income profile remains strong, underpinned by our high quality portfolio that is effectively fully occupied with a well-diversified tenant mix.”

Our Direct Portfolio of 29 shopping centres and DFO retail outlet centres continues to perform well, despite a challenging operating environment.

The Australian economy continues to grow, albeit at a sub-trend pace. Retail sales growth also remains soft as positive economic, income and house price growth is offset by weaker employment conditions and consumer caution following the announcement of the 2015 Federal Budget. Additionally, unseasonably warm weather in autumn created challenges for some retailers in moving their winter stock.

Notwithstanding, we are particularly pleased with the continued strong performance of our DFO portfolio. Since acquiring the portfolio in 2010, we have been able to add significant value by applying our intensive asset management model and utilising our extensive tenant relationships to significantly improve the retail mix.

CFX's Direct Portfolio of shopping centres reported total moving annual turnover (MAT) of \$7.1 billion, up 0.9% compared to the prior year. Comparable specialty stores achieved 2.2% MAT growth this year, which is below our forecast of 3.0%, but an uplift on the 1.7% reported to December 2013.

While we were generally able to achieve fixed 5% annual increases and not give incentives to renewing tenants, average re-leasing spreads for the year were -4.3% for the Direct Portfolio, and -6.1% excluding the DFO portfolio, which remains relatively unchanged since December 2013.

Pleasingly, comparable specialty store sales grew to \$10,457 per sqm at 30 June 2014, up 3.9% from the prior year, as underperforming tenants were progressively replaced. The increase in productivity has been reflected in our comparable shopping centre specialty store occupancy costs reducing to 17.1%, from 17.3% at 30 June 2013.

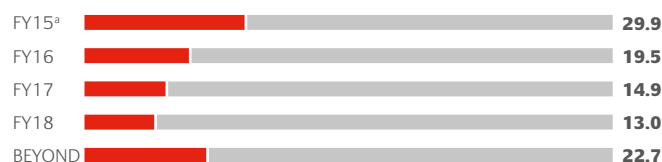
While leasing remains challenging, the quality of our Direct Portfolio, coupled with improving sales growth, has enabled us to maintain effectively full occupancy of 99.7%.

We remain cautious on retail sales, noting a number of fiscal constraints, and we forecast retail specialty sales growth to improve to around 3% for our Direct Portfolio over FY15.

Refer to page 28 for the change in key portfolio metrics over the year.

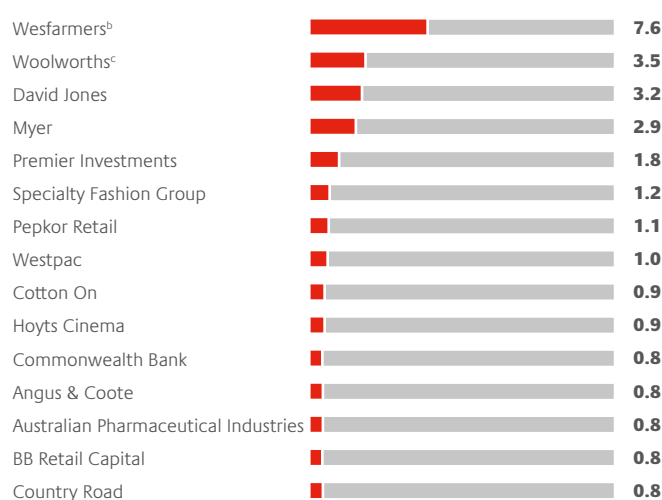
SPECIALTY TENANT LEASE EXPIRY PROFILE

% AREA



TOP 15 TENANT GROUPS

% INCOME



TOTAL TOP 15

28.0

a For the 12 months to June 2015 and includes vacancies and holdovers.

b Includes Coles, Target, Kmart and subsidiary brands.

c Includes Big W and subsidiary brands.

Capital management

It was an active year for the Group in capital management, negotiating \$1.6 billion of new or renewed financing facilities. This has materially improved our debt position by extending duration and reducing our weighted average cost of debt.

Another key achievement was fully funding the Internalisation through a combination of equity (the Placement and SPP) and debt well in advance of the transaction being completed.

Our focused and proactive approach to capital management has maintained our strong balance sheet and long-term stable Standard & Poor's (S&P) credit rating of 'A', one of the highest in the sector.

CFX's DRP will operate in respect of the June 2014 distribution. Securities issued under the DRP will be issued at a 2.0% discount to the market price, raising \$64.9 million, which will be applied to funding the development pipeline of the Direct Portfolio.

DFO Homebush, NSW



Changes to key debt metrics compared to the prior year are detailed below:

KEY DEBT METRICS	AS AT 30-JUN-14 ^a	AS AT 30-JUN-13
Weighted average interest rate ^b (%)	5.4	5.6
Weighted average debt duration (years)	3.5	3.1
Proportion of debt hedged ^c (%)	83.9	81.3
Weighted average interest rate on hedged debt ^c (%)	4.8	5.1
Weighted average hedged debt duration ^c (years)	3.7	3.1
Gearing ^d (%)	30.9	28.8
Undrawn debt facilities (\$m)	301	530
Interest cover ratio ^e (times)	3.4	3.3
Loan to value ratio ^e (%)	36	33

a As at 30 June 2014, adjusted for capital management activities post the period.

b Including margins and line fees.

c Including all fixed-rate debt and excluding margins and fees.

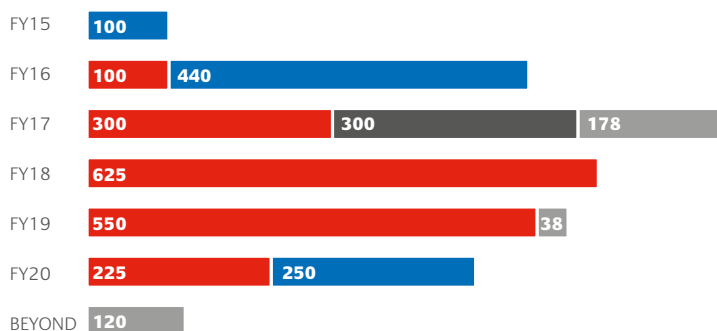
d Calculated as drawn debt as a percentage of total assets (excluding the fair value of derivatives).

e As defined in the Financial Report.

“We have a well-diversified debt profile, with limited expiries over the remainder of FY15.”

DEBT MATURITY PROFILE^{f,g}

\$M

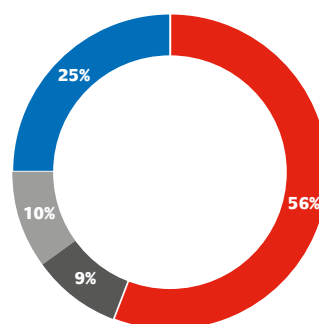


■ Bank debt ■ Convertible notes ■ US Private Placement ■ Medium term notes

f As at 30 June 2014, adjusted for the repayment of August 2014 convertible notes (\$92 million).

g Excludes short term notes (\$100 million) maturing in FY15 which are backed by bank debt facilities.

SOURCES OF DEBT^{f,g}



Emporium Melbourne, VIC



Developments

Our development team achieved a number of milestones during the year, including the delivery of the landmark Emporium Melbourne development, the completion of our DFO Homebush redevelopment and securing approval to proceed with the next stage of the Chadstone Shopping Centre redevelopment.

CFX's development pipeline currently totals \$1.2 billion, including \$538 million related to CFX's Direct Portfolio. Direct projects currently under construction have a development cost of approximately \$303 million (CFX share), with approximately \$290 million remaining to be spent.

More information on CFX's development pipeline can be found on pages 34 to 40.

Asset valuations

The entire Direct Portfolio was independently valued during the year, which resulted in a \$70.8 million net valuation gain compared to book value.

The Direct Portfolio weighted average capitalisation rate¹ of shopping centres tightened to 6.25% from 6.43% at 30 June 2013.

Increased transaction volumes have provided evidence for tighter capitalisation rates for quality retail assets and reflected investor confidence in longer-term retail market fundamentals. As a result, growth in valuations was positive, but tempered by the impact of current challenging conditions within the retail leasing market.

KEY VALUATION MOVEMENTS^a

	VALUATION DATE	CAPITALISATION RATE (%)	LATEST VALUATION (\$M)	VALUATION GAIN/(LOSS) (\$M)	INCREASE/ (DECREASE) (%)
QueensPlaza, QLD	31-May-14	5.50	635.0	63.4	11.1
Chatswood Chase Sydney, NSW	31-May-14	5.50	889.2	32.9	3.8
DFO Homebush, NSW	31-Dec-13	6.75	250.0	25.6	11.4
Clifford Gardens Shopping Centre, QLD	30-Jun-14	7.50	168.6	7.2	4.5
Broadmeadows Shopping Centre, VIC	30-Jun-14	7.50	316.0	(14.0)	(4.2)
Forest Hill Chase, VIC	31-May-14	7.25	270.0	(14.7)	(5.2)
Bayside Shopping Centre, VIC	30-Jun-14	6.25	561.2	(27.3)	(4.6)

a CFX share.

Michael Gorman
Deputy CEO and Chief Investment Officer

¹ Excluding DFO retail outlet centres and 15 Bowes Street, Woden. Myer Bourke Street, VIC and Emporium Melbourne, VIC valuations are included in the calculation of weighted average capitalisation rate from 30 June 2014.

FROM LEFT

Peter Hay

Karen Penrose

Trevor Gerber

Angus McNaughton

James Kropp

Nancy Milne OAM

Peter Kahan

Richard Haddock AM

David Thurin





Robust governance

“CFX operates within a robust governance framework and, in keeping with best practice, our Board is comprised of a majority of Independent Directors.”

1. Mr Richard Haddock AM

CHAIRMAN, INDEPENDENT NON-EXECUTIVE DIRECTOR
BA, LLB, FAICD

Director since 1 January 2009.

SKILLS, EXPERIENCE AND EXPERTISE

Mr Haddock has had a long career in financial services and was Deputy General Manager, Australia at BNP Paribas, Sydney from 1988 to 2001.

OTHER CURRENT DIRECTORSHIPS/APPOINTMENTS

Chairman: Catholic Care, Australian Catholic Superannuation and Retirement Fund and St Vincent's Curran Foundation.

Director: Retirement Villages Group Fund and Caritas Australia.

Fellow: Australian Institute of Management and Financial Services Institute of Australia.

Member: Finance Council of Catholic Archdiocese of Sydney.

PREVIOUS LISTED DIRECTORSHIPS (PAST THREE YEARS)

Director: Tishman Speyer Australia Limited (2004–12).

2. Mr Trevor Gerber

INDEPENDENT NON-EXECUTIVE DIRECTOR
BACC, CA, SA

Director since 23 April 2014.

SKILLS, EXPERIENCE AND EXPERTISE

Mr Gerber worked for 14 years at Westfield, initially as Group Treasurer and subsequently as Director of Funds Management responsible for Westfield Trust and Westfield America Trust. He has been a professional director since 2000.

CURRENT LISTED DIRECTORSHIPS

Director: Leighton Holdings Limited, Sydney Airport Holdings and Tassal Group Limited.

OTHER CURRENT DIRECTORSHIPS/APPOINTMENTS

Member: Institute of Chartered Accountants.

PREVIOUS LISTED DIRECTORSHIPS (PAST THREE YEARS)

Director: Valad Property Group (2002–11).

3. Mr Peter Hay

INDEPENDENT NON-EXECUTIVE DIRECTOR
LLB, FAICD

Director since 25 July 2014.

SKILLS, EXPERIENCE AND EXPERTISE

Mr Hay has a strong background and breadth of experience in business, corporate governance, finance and investment banking advisory work, with a particular expertise in relation to mergers and acquisitions. Mr Hay was a partner of the legal firm Freehills until 2005, where he served as Chief Executive Officer from 2000. Mr Hay has also had significant involvement in advising governments and government-owned enterprises.

CURRENT LISTED DIRECTORSHIPS

Chair: Newcrest Mining Limited.

Director: GUD Holdings Limited.

OTHER CURRENT DIRECTORSHIPS/APPOINTMENTS

Chairman: Landcare Australia Limited and Australian Institute of Company Directors.

Member: Australian Government Takeovers Panel and AICD Corporate Governance Committee.

PREVIOUS LISTED DIRECTORSHIPS (PAST THREE YEARS)

Director: Alumina Limited (2002–13), Australia and New Zealand Banking Group Limited (2008–14), NBN Co Limited (2009–12) and Myer Holdings Limited (2010–14).

4. Mr Peter Kahan

NON-EXECUTIVE DIRECTOR
BCOMM, BACC

Director since 23 April 2014.

SKILLS, EXPERIENCE AND EXPERTISE

Mr Kahan has a long career in property funds management, with prior roles including Chief Executive Officer and Finance Director of Gandel Group. Mr Kahan was the Finance Director of Gandel Group at the time of the merger between Gandel Retail Trust and Colonial First State Retail Property Trust in 2002. Prior to joining Gandel Group in 1994, Mr Kahan worked as a Chartered Accountant and held several senior financial roles across a variety of industry sectors.

CURRENT LISTED DIRECTORSHIPS

Director: Charter Hall Group.

OTHER CURRENT DIRECTORSHIPS/APPOINTMENTS

Deputy Chairman: The Gandel Group Pty Limited.

Member: Institute of Chartered Accountants and Australian Institute of Company Directors.

5. Mr James Kropp

INDEPENDENT NON-EXECUTIVE DIRECTOR, CHAIRMAN OF
AUDIT COMMITTEE
FCPA

Director since 22 December 2003.

SKILLS, EXPERIENCE AND EXPERTISE

Mr Kropp was a senior audit and risk management consulting partner in the Sydney office of PricewaterhouseCoopers for over 18 years, retiring from the practice in December 1999.

OTHER CURRENT DIRECTORSHIPS/APPOINTMENTS

Fellow: CPA Australia (National President in 1995–96).

6. Mr Angus McNaughton

MANAGING DIRECTOR AND CEO
BMS (HONS), FAPI

Managing Director and CEO since 24 March 2014.

SKILLS, EXPERIENCE AND EXPERTISE

Mr McNaughton joined the Board in March 2014 when he was appointed Managing Director and CEO of CFX, after being Managing Director, Property for Colonial First State Global Asset Management (CFSGAM) since November 2011.

Mr McNaughton has more than 20 years' experience in the property sector. Prior to his current appointment, Mr McNaughton was employed in the broader CFSGAM group for close to 20 years in various roles, including Head of Wholesale Property and Chief Executive of the Manager of Kiwi Income Property Trust.

7. Ms Nancy Milne OAM

INDEPENDENT NON-EXECUTIVE DIRECTOR, CHAIRMAN OF
REMUNERATION AND ORGANISATION COMMITTEE, CHAIRMAN OF RISK
AND COMPLIANCE COMMITTEE
LLB, FAICD

Director since 1 January 2009.

SKILLS, EXPERIENCE AND EXPERTISE

Ms Milne is a lawyer with over 25 years' experience, with primary areas of legal expertise in insurance and reinsurance, risk management, corporate governance and professional negligence. Ms Milne was at Clayton Utz as a partner until 2003 and as a consultant until 2012.

CURRENT LISTED DIRECTORSHIPS

Director: Australand Holdings Limited and Crowe Horwath Australasia Ltd.

OTHER CURRENT DIRECTORSHIPS/APPOINTMENTS

Chair: Securities Exchanges Guarantee Corporation Limited.

Director: Good Beginnings Australia.

Member: NSW Council of Australian Institute of Company Directors.

8. Ms Karen Penrose

INDEPENDENT NON-EXECUTIVE DIRECTOR
BCOMM, CPA, GAICD

Director since 23 April 2014.

SKILLS, EXPERIENCE AND EXPERTISE

Ms Penrose has over 30 years' business experience including 20 years in banking with CBA and HSBC Bank Australia. In the past eight years, Ms Penrose has held Chief Financial Officer and Chief Operating Officer roles with Wilson HTM Investment Group and Keybridge Capital.

CURRENT LISTED DIRECTORSHIPS

Deputy Chair: Silver Chef Limited.

Director: AWE Limited.

OTHER CURRENT DIRECTORSHIPS/APPOINTMENTS

Director: Marshall Investments Pty Ltd.

9. Dr David Thurin

NON-EXECUTIVE DIRECTOR
MBBS, DIP RACOG, FRACGP, MSM

Director since 23 April 2014.

SKILLS, EXPERIENCE AND EXPERTISE

Dr Thurin has had a long professional career which includes senior roles within Gandel Group and associated companies including being its Joint Managing Director. Dr Thurin was a Director of Gandel Group at the time of the merger between Gandel Retail Trust and Colonial First State Retail Property Trust in 2002.

Dr Thurin is the Managing Director and founder of Tigcorp Pty Ltd, which has property interests in retirement villages and land subdivision. He has a background in medicine, having been in private practice for over a decade, and was a prior President of the International Diabetes Institute.

OTHER CURRENT DIRECTORSHIPS/APPOINTMENTS

Director: Tigcorp Pty Ltd, Melbourne Football Club and Baker IDI Heart and Diabetes Institute.

Member: World Presidents' Organisation.



Refer to image on pages 16 and 17.

An experienced team



Angus McNaughton
MANAGING DIRECTOR AND CEO

For biographical details see page 19.



Michael Gorman
DEPUTY CEO AND CHIEF
INVESTMENT OFFICER

Mr Gorman has more than 25 years' experience in property investment.

Prior to his current appointment, Mr Gorman was Fund Manager of CFX for nine years when it was managed within CFSGAM. Mr Gorman joined CFSGAM in 2003 after holding a variety of positions at Lend Lease for 10 years, including Retail Portfolio Manager, General Property Trust and CEO of the Lend Lease Foundation.

Mr Gorman is also Deputy Chairman of Shopping Centre Council of Australia.



David Marcun
CHIEF OPERATING OFFICER AND
HEAD OF ASSET MANAGEMENT

Mr Marcun has more than 20 years' experience in the property sector, predominantly in finance and operations roles.

Prior to his current appointment, Mr Marcun was Chief Operating Officer at CFSGAM Property from 2009. During his career, David was involved in the float of Gandel Retail Trust in 1994 and the acquisition of Gandel Retail Management by CFSGAM in 2002.

Mr Marcun is also a member of Institute of Chartered Accountants in Australia.



Adrian Chye
HEAD OF STRATEGY

Mr Chye has more than 10 years' experience in strategy roles.

Prior to his current appointment, Mr Chye was with CFSGAM Property since 2006, where he held a number of roles focusing on mergers and acquisitions, corporate development and strategy, including most recently holding the title of Head of Strategy. Prior to joining CFSGAM Property, Mr Chye worked at PricewaterhouseCoopers and Deutsche Bank.

Mr Chye is also a member of Institute of Chartered Accountants in Australia.

Note: Richard Jamieson has been appointed to the role of CFO and will join the Executive Committee on commencement with the Group later in 2014.



Eileen Kershaw
HEAD OF HUMAN RESOURCES

Ms Kershaw has more than 25 years' experience in human resources and financial services-related roles.

Prior to her current appointment, Ms Kershaw was Head of Human Resources for CFSGAM Property since 2007, and she previously held roles with EY, PricewaterhouseCoopers, Australia and New Zealand Banking Group Limited and Bank of Ireland.

Ms Kershaw is also a certified member of Australian Human Resources Institute.



George Karabatsos
HEAD OF RETAIL OPERATIONS

Mr Karabatsos has more than 25 years' experience in leasing, asset management, development and property investment.

Prior to his current appointment, Mr Karabatsos was Head of Retail Operations for CFSGAM Property since 2007. He previously held various senior executive roles during his 13 years at Westfield Group, and prior to that Baillieu Knight Frank.

Mr Karabatsos is a board member and director (Asia Pacific) of International Council of Shopping Centres, a board member of Shopping Centre Council of Australia and a member of Property Council of Australia and Australian Institute of Company Directors.



Stuart Macrae
GENERAL MANAGER OF LEASING

Mr Macrae has more than 25 years' experience in property management, development and leasing.

Prior to his current appointment, Mr Macrae was General Manager of Leasing within CFSGAM Property since 2002 and prior to that Mr Macrae held a number of senior leasing roles within Gandel Retail Management from 1989 to 2002.



Daryl Stubbings
REGIONAL DEVELOPMENT
MANAGER
(appointed Head of Development
effective January 2015)

Mr Stubbings is currently Regional Development Manager and will move to the role of Head of Development effective from January 2015. Mr Stubbings has over 25 years' experience in asset management and development.

Prior to his current appointment, Mr Stubbings was with CFSGAM Property since 2005, where he held a number of senior roles, including most recently Regional Development Manager since 2006. Over the past 10 years, Mr Stubbings has completed in excess of \$2 billion in major redevelopments and expansions of regional shopping centres, most recently managing the development of the \$1.2 billion Emporium Melbourne project.

A sustainable approach

CFX has, over an extended period, had a strong and robust approach to responsible investment. We maintain high standards of governance, we focus on improving the efficiency of our assets and we recognise that the Group and its portfolio of shopping centres play an important role in supporting and enhancing our communities.

In FY14, our responsible investment approach continued to be recognised by a number of independent local and global industry bodies, including:

- scoring 100% for climate disclosure, the highest score in Australia and New Zealand, and ranked in the 'A-' band for climate performance by CDP
- being rated as second in Oceania and third globally amongst listed property entities by Global Real Estate Sustainability Benchmark (GRESB), and
- being recognised for our diligent approach to property valuations at the Asia Pacific Real Estate Association (APREA) awards for best practice.

CFX also continued to be included in the Dow Jones sustainability indices and FTSE4Good, and responded to a number of investors' requests for information in line with the Principles for Responsible Investment (PRI) initiative.

Our environmental performance

To date, our responsible property investment activities have had a strong focus on environmental performance and efficiency. Our initiatives and efforts in FY14 continued to deliver environmental efficiency improvements and cost reduction opportunities. The following table provides more detailed environmental performance information from a portfolio and asset perspective.

OUR ABSOLUTE ENVIRONMENTAL PERFORMANCE OVER TIME

Energy and emissions 	• Reduced consumption by 157,992 GJ, and emissions by 79,233 tCO₂-e. • Saved enough energy to power 3,285 Australian homes for one year. • \$11.2 million of avoided costs.
Water 	• Reduced consumption by 896 ML. • Saved enough water to fill 358 Olympic-sized swimming pools. • \$2.7 million of avoided costs.
Recycling 	• Diverted 16,942 tonnes of waste away from landfill. • Saved enough waste to fill 3,474 standard metropolitan buses. • \$3.8 million of avoided costs.

Note: Data in this table is reported against a base year of FY08 for energy, emissions and water, and FY12 for recycling.

CASE STUDY

COMMUNITY INVESTMENT IN OUR CENTRES 'QUIET ROOM' AT NORTHLAND SHOPPING CENTRE, VIC

In June 2014, we were pleased to announce that Northland Shopping Centre, in partnership with Amaze (formerly Autism Victoria) opened Australia's first ever shopping centre 'Quiet Room' – a sensory soothing space for individuals with Autism Spectrum Disorder (ASD).

The 'Quiet Room' initiative was led by the Retail Manager of Northland. Volunteer support was received from fellow CFX employees, local key suppliers and contractors, and representatives from Amaze.

Since opening its doors, the 'Quiet Room' attracted unprecedented public support, industry recognition and significant international media coverage. It has also been hailed as a 'world first' in the retail space and is providing children, adolescents and adults with ASD respite from overload of sensory stimulation to improve their shopping experience.

This initiative demonstrates our continuing efforts to engage with, and invest in, our local communities, and we will continue to explore opportunities to improve inclusiveness and experiences for our communities.



Quiet time in Northland's 'Quiet Room'.

Reducing our environmental impact

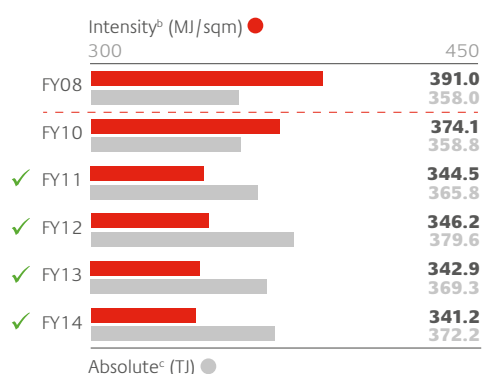
Our focus remains on improving the efficiency of our portfolio. We report the intensity of our Direct Portfolio by measuring our resource use as a proportion of our retail market footprint (sqm). Our goal is to lower our intensity over time.

PORTFOLIO INTENSITY¹ – RESOURCE USE PER SQM ✓

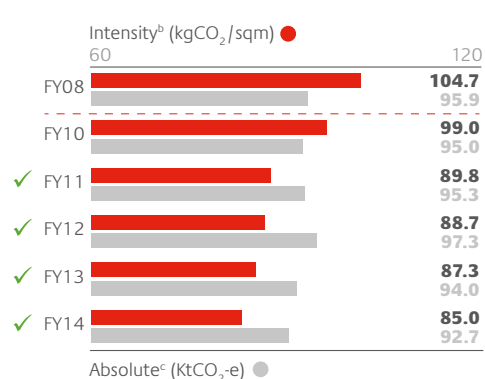
	 Energy	 Emissions	 Water	 Recycling ^a
FY14 versus	341 MJ	85 kg CO ₂ -e	0.91 kL	6.1 kg diverted
–vs Previous year	 0.5%	 2.6%	 5.9%	 13.1%
– vs Base year (FY08)^a	 12.7%	 18.9%	 17.7%	 43.6%

a Base year FY12 for recycling.

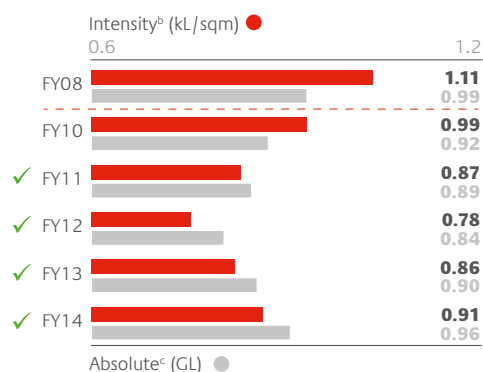
ENERGY



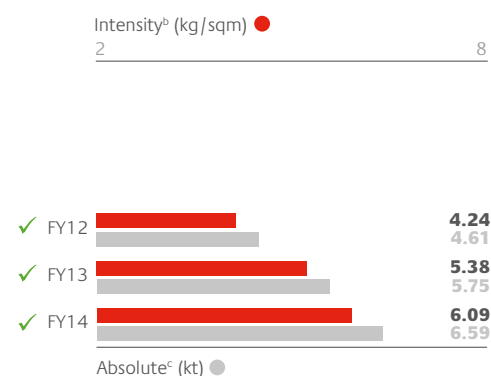
EMISSIONS



WATER



RECYCLING



b Intensity indicators are reported for all sites owned throughout the period where GLA has not varied by more than 10% over the period.

c Absolute figures are reported for total Direct Portfolio.

Data integrity

The full data set and CFX fund reporting criteria report can be found on our website, cfsgam.com.au/cfx

✓ Where you see this symbol, data has been assured by Net Balance in accordance with ASAE3000, both in current and prior years.

Our progress and priorities

Our priorities were expanded in the past year, due to Internalisation, with the incorporation of specific activities in relation to our workplace and external regulatory reporting obligations. A number of initiatives were deferred or adjusted to reflect the new internalised corporate structure. The table below summarises progress on our FY14 scorecard and our FY15 priorities.

	Our FY14 scorecard	Our FY15 priorities
Energy and emissions	⚡ Average NABERS Energy performance rating was 3.0 stars (3.0 stars in FY13) ✓ Established operational energy performance monitoring ✓ Short and long-term internal energy and emissions targets were set for all existing properties	• Improve overall energy efficiency and an average NABERS Energy performance rating to greater than 3.0 stars • Establish NABERS Energy targets for each asset • Report progress against property-level energy and emissions targets
Water	✗ Average NABERS Water performance rating was 3.2 stars (3.4 stars in FY13) ✓ Established operational water performance monitoring ✓ Short and long-term internal water targets were set for all existing properties	• Improve overall water efficiency and an average NABERS Water performance rating to greater than 3.4 stars • Establish NABERS Water targets for each asset • Report progress against property-level water targets
Recycling	✗ Achieved 33% diversion from landfill (vs target of 46%) ✓ Continued ongoing engagement with tenants, cleaners and waste contractors ✓ Strong promotion of our 'Away from home' recycling initiative across the portfolio	• Achieve a waste target of 37% diversion from landfill • Engagement with tenants and service providers to investigate further recycling initiatives • Track effectiveness of our 'Away from home' recycling program
Community	⚡ Commenced the development process for our community engagement strategy	• Establish and implement our community engagement strategy and investment framework
Workplace	✓^a Established a Diversity Policy ✓^a Established a work health and safety (WHS) plan	• Establish measurable diversity objectives • Strengthen our approach to talent development, employee engagement and workplace culture • Further develop our WHS plan and framework
Reporting and governance	⚡ Implementation of new environmental data management platform deferred due to Internalisation ✓^a Commenced tender process for a new Human Resources Management System (HRMS) ⚡ Global reporting initiative (GRI) G4 reporting deferred to post Internalisation ✓^a Identified and confirmed relevant environmental and workplace regulatory reporting requirements ✓ Undertook selected stakeholder engagement to inform our materiality assessment process ✓ Maintained our ASAE3000 limited assurance	• Implement new environmental data management platform • Implement new HRMS • Report in accordance with GRI G4 reporting framework for FY15 • Report energy consumption, production and emissions as per the National Greenhouse and Energy Reporting Act • Report gender equality indicators as per the Workplace Gender Equality Act • Review and refresh our materiality assessment process post Internalisation and increase stakeholder engagement • Maintain independent assurance of sustainability performance metrics and processes
Collaboration and industry engagement	✓ Chatswood Chase Sydney was registered for a Green Star – Performance rating	• Complete Chatswood Chase Sydney rating and provide continuous improvement feedback to the Green Building Council of Australia

Note: Portfolio data or targets in this table relate to the Direct Portfolio.

a New or expanded priorities as a result of Internalisation.

IMPROVING PERFORMANCE THROUGH ASSET-LEVEL BENCHMARKING

Our asset-level benchmarking program allows us to continually test performance against the market and across each of our assets. Being at the forefront of the evolving responsible property investment space and adopting leading frameworks and benchmarks also allows us to confirm and validate the effectiveness of our environmental efficiency programs and initiatives.

During the year, Chatswood Chase Sydney was the first Australian shopping centre to register for a Green Star – Performance rating. The rating tool will allow us to benchmark the centre against best practices for sustainable building operations and identify pathways to improve and ‘future proof’ the asset.

“Chatswood Chase Sydney was the first Australian shopping centre to register for a Green Star – Performance rating.”

We continued our commitment to benchmark all rateable assets using the NABERS rating tool for shopping centres, and Corio Shopping Centre’s rating added to the portfolio this year (post minor development works). This year, five assets improved their energy rating and one asset its water rating, while three assets had NABERS rating declines for energy and water respectively.

CASE STUDY**ENGAGING OUR PEOPLE, TENANTS AND CONTRACTORS CHRISTMAS CHARITY DRIVE**

Almost \$100,000 was raised for Cancer Council branches, the Victorian Aboriginal Child Care Agency, KOALA Kids, Extended Families Australia and Beyond Blue following our annual staff Christmas charitable fundraising campaign.

This year’s effort involved a six-week drive from Halloween through to Christmas and drew very generous support from our staff, tenants and contractors.

The impressive funds raised were drawn from a range of activities including morning teas in our offices and retail centres, raffles, auctions and centre gift wrapping. In one major event, approximately 20 of our senior managers volunteered to have their head shaved or dyed, with some of our hairdressing tenants donating their time and services for the event.

The collaborative effort across our community, and the generosity of some 50 contractors and tenants who donated time, gifts and money towards the various events, will provide much needed funds to very worthy organisations and is a reflection of our drive to engage with and improve our local communities.



Charity drive at Broadmeadows.

LOOKING AHEAD FOR OUR RESPONSIBLE PROPERTY PROGRAM

This year marked an important transition point for CFX in responsible property investment with the implementation of Internalisation in March 2014. In addition to owning units in a trust that owns quality retail assets, CFX securityholders now also own shares in a company (CFX Co Limited) which is responsible for all of CFX’s personnel and owns the management entities for the Group’s new integrated funds and asset management platform.¹

While we will maintain our leading approach to resource efficiency, community engagement and high governance standards, Internalisation has a number of implications for our approach to owning and managing property responsibly.

The largest change to the business has been the direct employment of over 800 people. Accordingly, CFX now has a range of human resources-related considerations, and the development of human capital will be a key focus of the Group. Importantly, we commenced a program of work to implement policies, practices, management frameworks and systems to support our long-term needs.

We will also look to build upon our materiality assessment work to reassess and reprioritise the material responsible property matters post Internalisation. This work will be completed in conjunction with the development of a broader stakeholder engagement strategy to inform our future priorities, better collaborate with our stakeholders and guide our related disclosure and performance reporting.

HOW OUR RESPONSIBLE PROPERTY PROGRAM WILL EVOLVE

**ENGAGE OUR
STAKEHOLDERS**

**ASSESS MATERIAL
ASPECTS**

**ALIGN OUR
APPROACH**

**REPORT OUR
PERFORMANCE**

¹ More information on the Internalisation can be found on our website, cfsgam.com.au/cfx.

Keeping you informed



Penny Berger
Head of Investor Relations
and Communications

We have enjoyed providing 20 years of service to our securityholders, having delivered a total return since inception of 11.3% p.a.

We have not wavered from our strategy of delivering long-term returns for our investors through the intensive management of a quality portfolio of retail assets.

Our highly awarded governance practices have assisted our ability to deliver consistent returns, and we are recognised in our industry for our high levels of transparency and disclosure.

Our consistency in delivery has been well rewarded, with the Group now managing CFX on behalf of more than 17,000 investors from 17 countries.

Throughout this financial year, our investor relations efforts were primarily focused on the Internalisation, and ensuring that our investors remained fully informed throughout the process, as well as communicating our business-as-usual activities.

In the year ahead, our team will be heavily focused on the rebranding of CFX, and ensuring that we maintain our high standards for reporting and disclosure, while continuing to execute our domestic and global investor roadshows. Our investor relations program aims to encourage investment flows that support security price performance and liquidity within the Group's securities.

We will also be focused on informing our investors on the new areas of our business in a clear and transparent way.

We continue to provide regular investor communications, including annual reports, half-year investor reviews, quarterly updates and presentation materials, all of which can be found on our website, cfsgam.com.au/cfx

Annual General Meetings

We will hold Annual General Meetings where securityholders will be able to vote on the election of Non-executive Directors, the Remuneration Report and the Financial Report of the Group. These meetings also provide an opportunity for securityholders to meet the Board and key members of the Executive Committee.

The next meeting will be held on 31 October 2014.

Join our email distribution list

Securityholders can register to keep abreast of the latest CFX news and announcements by receiving investor communications by email. Electronic communications are prompt, provide CFX with cost savings, and are an environmentally friendly alternative.

To elect to receive your information from us electronically, contact the Security Registry.

Dividend and distribution payments

Dividend and distribution payments for CFX are determined half-yearly for the periods ending 30 June and 31 December each year and are paid in the last week in August and February respectively. Payments can be made by:

- direct credit to a nominated Australian financial institution account
- a cheque mailed to your registered securityholding address (for foreign investors only), or
- the allocation of new securities via the dividend and distribution reinvestment plan (DRP), which was active for the June 2014 distribution.

Foreign investors should contact our Security Registry to determine whether direct credit payment options are available to them.

Annual tax statements

An annual tax statement is sent to securityholders in August each year. This statement summarises the payments made to you by CFX during the preceding financial year and includes information required to complete your tax return.

All securityholders should retain this statement for their tax records.

ASX listing

CFS Retail Property Trust Group is listed on the Australian Securities Exchange (ASX) under the trading code 'CFX'. CFX's security price is published in all major Australian metropolitan newspapers and is also available, on a 20-minute delayed basis, on our website.

Annual and half-year report

All annual and half-year reports are available on CFX's website. A printed copy of reports for the financial year will only be sent to securityholders who have elected to receive one.

Contact the Security Registry

If you have queries relating to your securityholding or wish to update your personal or payment details, please contact the Security Registry.

CFS Retail Property Trust Group

C/- Link Market Services

Locked Bag A14

Sydney South NSW 1235

Telephone: (Callers in Australia) 1800 500 710

Telephone: (Callers outside Australia) +61 1800 500 710

Email: cfs@linkmarketservices.com.au

Website: linkmarketservices.com.au

Contact us

We are committed to delivering a high level of service to all securityholders. Should there be some way you feel that we can improve our service, we would like to know. Whether you are making a suggestion or a complaint, your feedback is appreciated.

Our contact details are:

Investor Relations

CFS Retail Property Trust Group

GPO Box 3892

Sydney NSW 2001

Telephone: +61 2 9303 3500

Email: CFXfeedback@colonialfirststate.com.au

The Responsible Entity is also a member (number 10324) of the Financial Ombudsman Service (FOS), an external complaints resolution scheme. FOS offers consumers a single national source of accessible information and expertise for banking, insurance and investment disputes. If you are not satisfied with the resolution of your complaint by the Responsible Entity, you may refer your complaint to FOS.

Access your securityholding online

You can also update your personal details and access information regarding your securityholding online through the 'Access your securityholding' section of CFX's website or the 'Investor Services Centre' section of the Security Registry's website at linkmarketservices.com.au

As a securityholder, you can use the online system to:

- view current and previous holding balances and your transaction history
- choose your preferred annual report option
- confirm whether you have lodged your Tax File Number (TFN) or Australian Business Number (ABN)
- register or update your contact details and communications preferences
- check CFX's security price, and
- download a variety of securityholder instruction forms.



Use your smartphone to scan this QR code to find out more about CFX.



cfsgam.com.au/cfx

Leveraging our expertise

Our Strategic Partnerships platform is underpinned by the strength of our fully integrated retail property funds and asset management platform. While ownership of the platform is new to CFX securityholders, being acquired as part of the Internalisation, CFX has had a long association with the platform under its prior management within CFSGAM Property.

Our funds and asset management partners (Strategic Partnerships) now deliver around 8% of the Group's revenue. While this is not a material shift from our revenue generation pre Internalisation, it is nevertheless an important addition to our business and it provides diversification of earnings and capital sources, and scope for incremental growth over time.

The Group's portfolio includes \$8.9 billion of assets in CFX's Direct Portfolio and \$5.3 billion of assets managed by CFX on behalf of joint owners of assets in CFX's Direct Portfolio, Wholesale Funds and other third parties.

The overall portfolio features:

- \$14.2 billion of assets under management
- over 5,100 tenants
- 1.7 million sqm of GLA
- 230 million customer visits annually, and
- 13 strategic partners.

KEY PORTFOLIO STATISTICS

		FY13	FY14			
			STRATEGIC PARTNERSHIPS			
INDICATOR		DIRECT PORTFOLIO	DIRECT PORTFOLIO	ASSET MANAGEMENT	FUNDS MANAGEMENT	CFX GROUP
CFX GROUP	Retail assets under management (\$b)	8.6	8.9	3.6	1.7	14.2
	Funds under management (\$b)	–	8.9	–	1.9	10.8
	Number of retail assets	29	29 ^a	7 ^b	10 ^c	36
	Portfolio size (GLA, '000sqm)	1,422	1,442	n.a.	n.a.	1,717
	Number of tenants	4,234	4,367	n.a.	n.a.	5,127
	Annual visitations (m)	198	201	n.a.	n.a.	231
	Type – Regional or larger (%)	77	78	88	75	84
	– Sub-regional or smaller (%)	15	12	9	23	13
	– DFO outlet centre (%)	7	9	3	–	2
	– Other (%)	1	1	–	2	1
	Development pipeline (\$m)	1.2	0.5	n.a.	n.a.	1.2
	Number of strategic partners	n.a.	n.a.	10	3	13
	Average capitalisation rate (%)	6.43	6.25			
DIRECT PORTFOLIO	Occupancy (%)	99.4	99.7			
	Number of vacancies	54	36			
	Total retail sales (\$)	7,727	7,756			
	Specialty sales (\$/sqm)	10,066	10,457			
	Specialty occupancy costs (%)	17.3	17.1			
	Portfolio NABERS Energy rating (stars)	3.0	3.0			
	Portfolio NABERS Water rating (stars)	3.4	3.2			

a Post 16 April 2014, Emporium Melbourne, VIC and Myer Bourke Street, VIC are treated as two separate assets.

b Six assets are co-owned with CFX.

c Four assets are co-owned with CFX.

“Our asset management business has one of the largest portfolios of Australian retail assets under management, totalling \$14.2 billion and with over 5,100 retailer relationships.”

We provide two key services for our Strategic Partnerships, being funds management and asset management services.

Funds management

Our Wholesale Funds management business comprises an experienced team of dedicated staff who have a proven track record in property investment. We have strong relationships with a number of major domestic and offshore investors, for whose investment vehicles we provide a full range of wholesale property funds management services including capital transactions, funds structuring, taxation, financial and portfolio reporting, risk management and compliance, legal and research. With our focus on the retail sector, our partners also benefit from our leading retail asset management platform.

With a long history of strong corporate governance, one of the first policies we implemented under the new internalised business model was a conflicts committee charter for our Wholesale Funds to ensure that any transaction involving CFX and its wholesale funds is dealt with appropriately within a robust governance framework.

Our funds management business has around \$1.7 billion in retail assets under management and is primarily comprised of two wholesale closed-end funds and one direct property mandate.

Our Wholesale Funds are:

- CFSGAM Property Retail Partnership (CRP): a fully-invested closed-end fund, with \$1.2 billion of retail assets and which is the co-owner of four assets in CFX's Direct Portfolio
- a direct property mandate for Commonwealth Bank Group Super (CBGS): a diversified portfolio with \$0.5 billion in assets under management
- CFSGAM Property Enhanced Retail Fund (CERF): a closed-end fund with \$0.6 billion of committed equity which is in its investment phase. In June 2014, the fund acquired Riverside Plaza, NSW and post the period it acquired Bathurst City Centre, NSW. CERF's investment portfolio now comprises three assets totalling over \$200 million.

Asset management

The Group's asset management platform has one of Australia's largest retail property portfolios, with \$14.2 billion under management. The Group earns management fees from the \$5.3 billion of assets owned by joint owners, Wholesale Funds and other third parties.

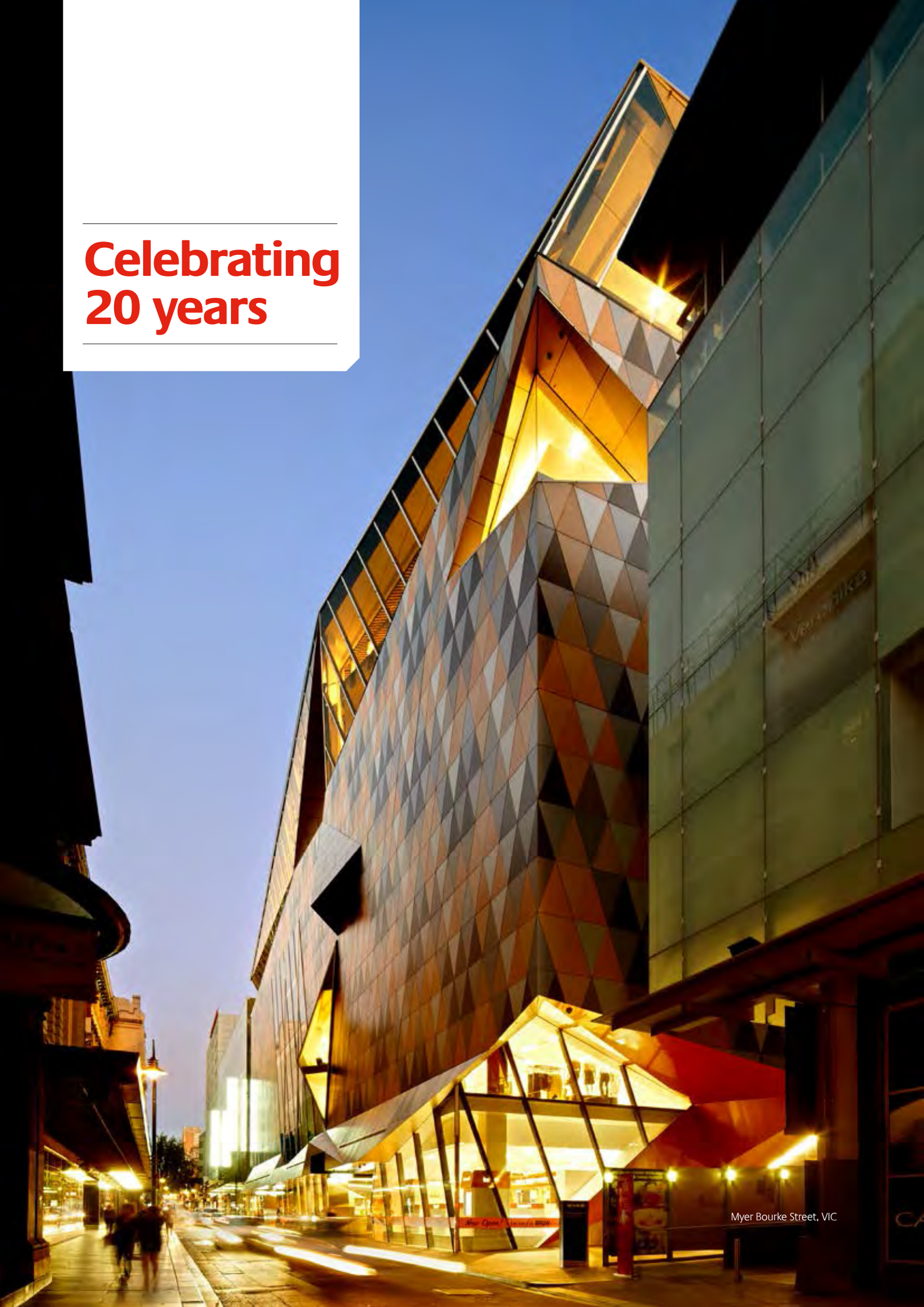
The Group provides a full suite of services for the professional management of retail assets including centre management, development management, leasing, planning, market research, marketing, tenancy design, procurement, sustainability, risk management and portfolio management.

Scale is important for retail property management and is key to driving strong leasing and development outcomes for the Group and our Strategic Partnerships.

More than half of our external asset management revenue comes from the joint owners of a number of CFX's directly-held assets. We also manage assets for third parties in either a full or selected-services capacity.

“Scale is important for retail property management and is key to driving strong leasing and development outcomes.”

Celebrating 20 years



Myer Bourke Street, VIC

“In April 2014, we marked the 20th anniversary of CFX’s listing on the Australian Securities Exchange.”

Then

1994

RETAIL ASSETS

6

ASSETS UNDER MANAGEMENT

\$0.7b

DIRECT PORTFOLIO VALUE

\$0.7b

STRATEGIC PARTNERSHIPS AUM

—

GROSS RENTAL INCOME (ANNUALISED)

\$55m

MARKET CAPITALISATION

\$551m

CREDIT RATING^a

Not rated

ANNUAL RETAIL SALES

\$1.0b

NET TANGIBLE ASSET BACKING PER UNIT

\$0.97

NET ASSET VALUE PER SECURITY

\$1.00

DISTRIBUTABLE INCOME (ANNUALISED)

\$43m

Data as at 30 June 1994.

a First rated BBB+ (long-term) by S&P in 1998.

Now

2014

RETAIL ASSETS^b

36

AUM^b

\$14.2b

DIRECT PORTFOLIO VALUE

\$8.9b

STRATEGIC PARTNERSHIPS AUM

\$5.3b

TOTAL REVENUE

\$835m

MARKET CAPITALISATION

\$6.2b

CREDIT RATING^c

A (S&P long-term)

ANNUAL RETAIL SALES

\$9.4b

NET TANGIBLE ASSET BACKING PER SECURITY

\$1.90

NET ASSET VALUE PER SECURITY

\$2.02

DISTRIBUTABLE INCOME

\$400m

b Includes assets held by Wholesale Funds and third parties.

c CFX has been rated A (long-term) by S&P since 2003.

Celebrating 20 years

1994

1999

1994-95

Listed on the ASX under the name Gandel Retail Trust in April 1994, with the ASX trading code of GAN. The Group's portfolio comprised interests in six assets, valued at approximately \$647m.

TOTAL PORTFOLIO

6 assets

GROSS VALUE OF

\$647m

FY96

Completed the \$60m redevelopment of Broadmeadows Shopping Centre.



FY97

Acquired Quayside Shopping Centre for \$71.5m which, when combined with the Group's adjacent Bayside holding at Frankston, created a regional centre of over 54,000 sqm. The Group also acquired its first NSW asset, Lake Haven Shopping Centre, for \$74.3m.



FY98

Opened the \$33.1m (\$16.5m Group share) entertainment and leisure precinct at Northland Shopping Centre.

\$33.1m

FY99

Acquired a 50% interest in Elizabeth Shopping Centre, Rosebud Plaza and the Lake Haven Homemaker Centre for a combined total of \$95m. The Group also acquired its first Queensland centre, The Myer Centre Brisbane, for \$369m.



2005

2009

FY05

Acquired Forest Hill Chase in Melbourne for \$223.2m and Post Office Square in Brisbane for \$72.1m.



FY06

CBA acquired Gandel Group's interests in the funds and asset management entities that serviced the Group. The Group changed its name to CFS Retail Property Trust with the ASX trading code of CFX. CFX successfully completed a \$160m redevelopment at Elizabeth Shopping Centre.



FY07

Issued US\$200m of Senior Fixed Rate Notes via a US private placement, providing the Group with cost-effective diversified long-term funding. CFX negotiated the acquisition of the remaining 50% interest in Chatswood Chase Sydney, for \$281.5m.



FY08

As part of a consortium, CFX acquired the landmark development site of Myer Melbourne for \$605m (\$276.6m CFX share). CFX raised \$600m in convertible notes to fund its share of the acquisition and redevelopment. The Group also swapped a 50% interest in Grand Plaza Shopping Centre for an additional 33% interest in Rockingham Shopping Centre and a cash consideration of \$96.9m.



FY09

Despite difficult market conditions, the Group realised significant value for investors through the sale of Golden Grove Village. CFX became the first listed entity operating outside of the financial sector to raise medium term notes post the Global Financial Crisis with a \$125m issuance.

TOTAL PORTFOLIO

24 assets

GROSS VALUE OF

\$7.2b

2000

2004

FY00

A major \$155m (\$77.5m Group share) redevelopment was completed at Chadstone Shopping Centre. The redevelopment included two new department stores, a refurbished cinema complex, 80 additional specialty stores and car parking.



FY01

Completed the \$38.5m (\$19.25m Group share) entertainment precinct at Chadstone Shopping Centre.



FY02

Acquired the QueensPlaza site on Queen Street Mall in Brisbane for \$74.3m, creating an opportunity for the Group to enhance the Brisbane CBD shopping experience.



FY03

In October 2002, the Group acquired the retail assets of Colonial First State Property Trust Group, consisting of nine assets valued at \$670.6m. The Group changed its name to CFS Gandel Retail Trust, and the funds and asset management entities were jointly owned by Gandel Group and CBA.

TOTAL PORTFOLIO

20 assets

GROSS VALUE OF

\$3.1b

FY04

Acquired the Group's first Sydney metropolitan assets, with 50% interests in both Chatswood Chase Sydney (\$251.6m Group share) and The Entertainment Quarter (\$26.4m Group share).



2010

2014

FY10

Acquired Northgate Shopping Centre in Tasmania for \$70.1m and completed a record \$850m of redevelopments at Chadstone, Chatswood Chase Sydney, Northland and Rockingham.

COMPLETED REDEVELOPMENTS TO THE VALUE OF

\$850m

FY11

CFX added to its retailer distribution channel, acquiring interests in four DFO retail outlet centres in NSW and Victoria for \$498m. The Myer Bourke Street store was completed, along with redevelopments of Forest Hill Chase and Bayside Shopping Centre.



FY12

CFX became a stapled security after securityholders approved a proposal for CFX to pursue additional income streams such as digital screen advertising in its shopping centres. A 50% interest in The Myer Centre Brisbane was also sold.



FY13

A \$65m expansion of Roxburgh Park was completed. CFX completed NABERS assessments for the entire Direct Portfolio, achieving an average rating of 3.0 stars for Energy and 3.4 stars for Water.

ENTIRE PORTFOLIO

NABERS

RATED

FY14

In our 20th year, CFX shifted to an internally managed model and now employs its staff directly. Securityholders voted overwhelmingly in favour of the proposal, creating one of Australia's largest fully integrated retail property groups. The Group also sold two non-core assets at a premium to book value and acquired an additional 25% interest in DFO South Wharf.

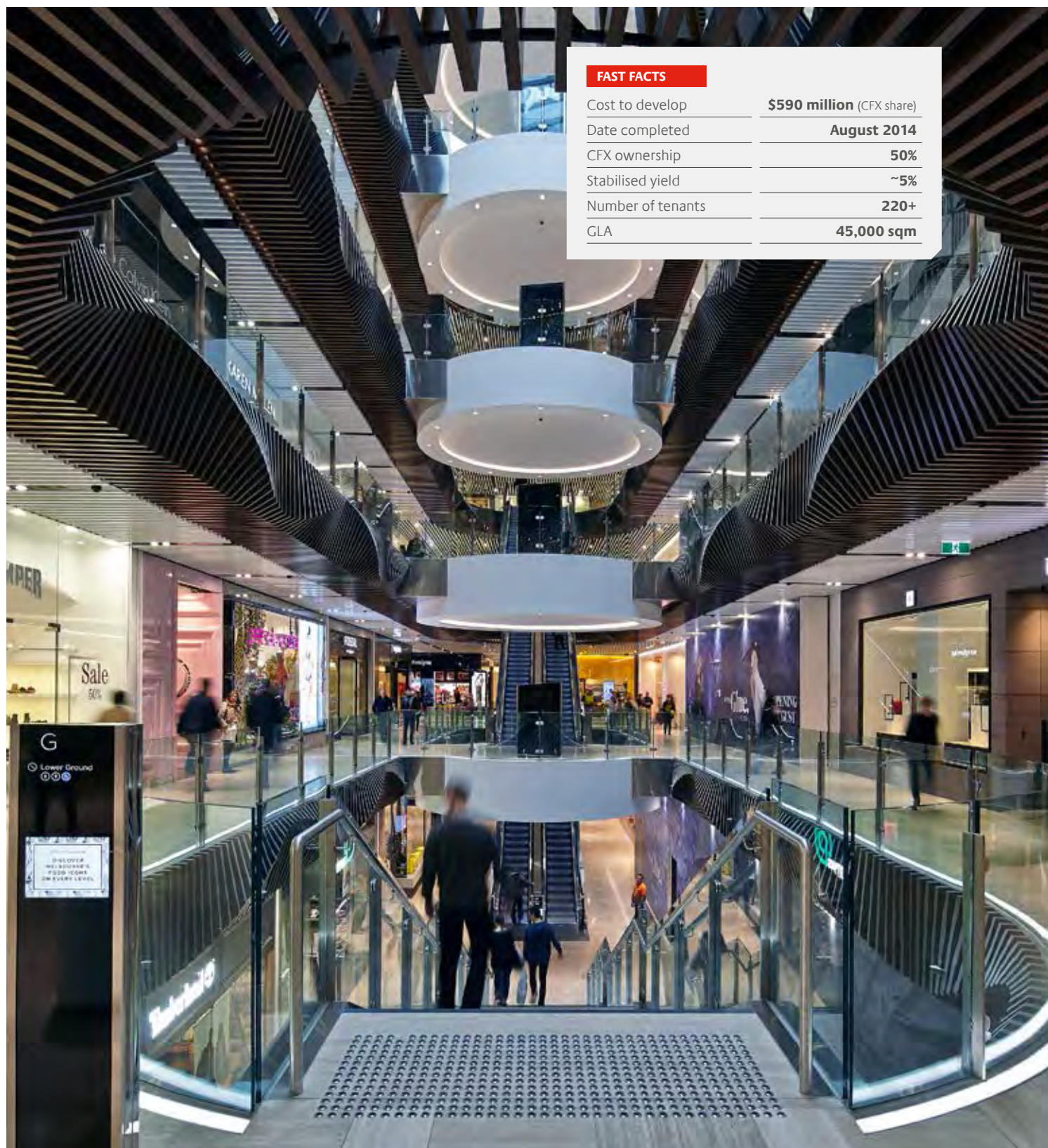
TOTAL DIRECT PORTFOLIO

29 assets

GROSS VALUE OF

\$8.9b

Emporium Melbourne



FAST FACTS

Cost to develop	\$590 million (CFX share)
Date completed	August 2014
CFX ownership	50%
Stabilised yield	~5%
Number of tenants	220+
GLA	45,000 sqm

“Over 5 million customers have visited Emporium Melbourne in the first three months after stage 1 opened.”

The development of the iconic Emporium project was a complex undertaking involving the demolition and reconstruction of a number of buildings on the site bounded by Lonsdale, Swanston and Little Bourke Streets, while maintaining the heritage façade. The building incorporates quality finishes and materials sourced from around the globe to deliver a world-class shopping experience.

While the development experienced problems with delays and costs, the finished product is of a very high quality. The centre has a premium

tenant mix, housing some of the world's best international brands, with the largest collection of Australian designers under one roof and a 1,100 seat café court providing a strong and wide-ranging food offer.

With the finalisation of the Emporium Melbourne development, we have completed the premium CBD retail destination encompassed by this site and its connections through to adjacent sites on Bourke Street mall: David Jones and Myer Bourke Street (which was separately reconstructed and revitalised by CFX, with completion in 2010).



“We listen to what our retailers and customers are telling us in order to bring to market best-in-class retail developments. Emporium Melbourne delivers a world-class outcome for Melbourne's CBD.”

Daryl Stubbings
Regional Development
Manager



Emporium Melbourne: The new heart of Melbourne retail

45,000sqm

OF PREMIUM CBD RETAIL

1,100

SEAT CAFÉ COURT

220+

EXCITING RETAILERS



TENANTS

First to Australia

Uniqlo
Zoo York
UCLA
Calvin Klein
Watches & Jewellery



FASHION

First to Melbourne

Brooks Brothers
Kate Spade
Michael Kors
Farage



FOOD

First to Melbourne

Becasse Bakery
Charlie & Co
Pho Nom
Top Juice



FLAGSHIP STORES

Australian

Calvin Klein
Platinum Label
Coach
Superdry



MELBOURNE

First to CBD

Camilla
Muji
Jimmy Grants
Jones the Grocer



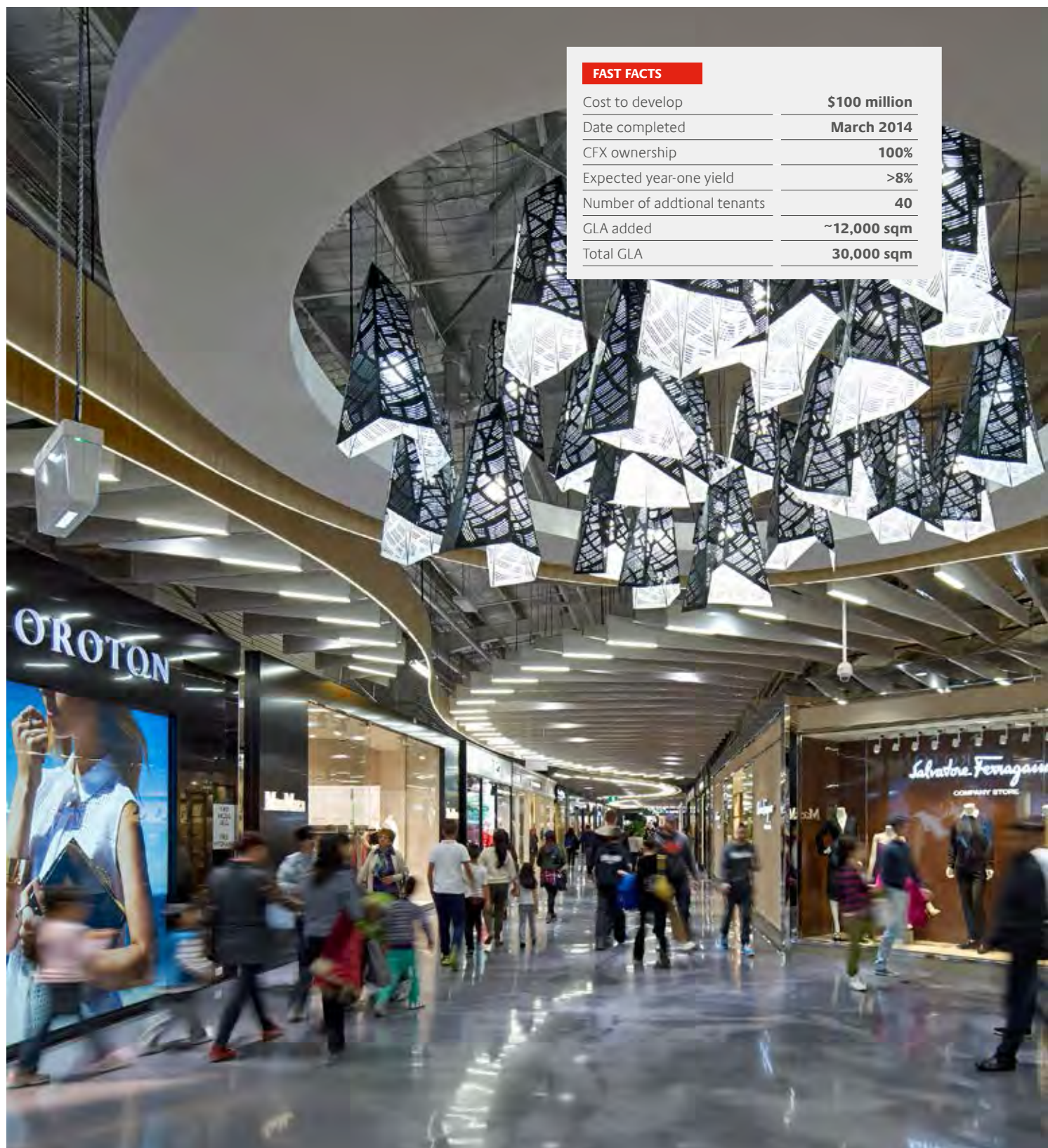
FLAGSHIP STORES

Melbourne

Topshop
UGG Australia
Nespresso



DFO Homebush



FAST FACTS

Cost to develop	\$100 million
Date completed	March 2014
CFX ownership	100%
Expected year-one yield	>8%
Number of additional tenants	40
GLA added	~12,000 sqm
Total GLA	30,000 sqm

“DFO Homebush has one of the strongest fashion offers of any retail asset in Australia.”

The completed DFO Homebush project involved a significant expansion and substantial remodelling of the existing centre and introduced a number of luxury and premium apparel retailers and additional homemaker retailers.

The project also delivered a new food court, upgraded parents' rooms and toilets, and an expanded and reworked car parking facility with over 2,000 spaces.

Following completion of the development, DFO Homebush has one of the best collections of retailers in Sydney. Feedback on the development has been extremely positive from both customers and retailers alike, and is reflected in the increased foot traffic and sales.



Chadstone

“The next stage of the evolution of Chadstone has commenced.”

We have commenced the next evolutionary phase for our landmark Chadstone Shopping Centre, having gained approval for a \$580 million (CFX direct share: \$290 million) mixed-use redevelopment project.

The project will involve the expansion and redevelopment of the northern end of the centre, including a revitalised West Mall and a world-class entertainment and leisure precinct featuring international flagship and luxury tenants around a central atrium. At the same time, a 10-level, 17,000 sqm office building with four levels of basement parking will be built on the southern end of the site. Associated works will include the construction of a retail car park deck and a 14-bay centralised bus interchange. In total, approximately 20,000 sqm will be added to retail GLA and 14,000 sqm (net) will be added to office NLA.

The new North Retail precinct will accommodate a state-of-the-art Hoyts digital cinema complex, up to five international flagship stores in 11,000 sqm of space, 40 additional retailers, and a new 1,300-seat, 20-plus tenancy food gallery. Target will also be relocated to the lower ground floor in a new 7,000 sqm store.

In keeping with our commitment to responsible property investment, both the retail and the office components are targeting 5-star Green Star ratings.

The project is targeting an initial yield on completion of greater than 6%, with a target internal rate of return greater than 10%. Early works and demolition commenced in June 2014, with construction starting in September 2014 and staged openings through to completion by mid 2017.



Portfolio index



A diversified portfolio

	CENTRE TYPE	CFX OWNERSHIP (%)	BOOK VALUE AS AT 30 JUN 2014 (\$M)	CAPITALISATION RATE (%)	DISCOUNT RATE (%)	PAGE NUMBER
New South Wales						
Chatswood Chase Sydney	Regional	100	889.7	5.50	8.25	48
DFO Homebush	Retail outlet	100	270.9	6.75	9.00	50
The Entertainment Quarter	Other	50	35.2	7.88	9.00	52
Lake Haven Shopping Centre	Sub-regional	100	253.2	7.50	9.00	54
Queensland						
Clifford Gardens Shopping Centre	Sub-regional	100	168.6	7.50	9.25	48
Grand Plaza Shopping Centre	Regional	50	174.0	6.75	9.00	54
The Myer Centre Brisbane	CBD-regional	50	375.0	6.25	8.75	55
Post Office Square	Other	100	71.1	8.00	9.50	57
QueensPlaza	CBD-regional	100	635.0	5.50	8.25	57
Runaway Bay Shopping Village	Regional	50	119.3	7.25	9.00	59
South Australia						
Castle Plaza Shopping Centre	Sub-regional	100	151.8	8.00	9.75	47
Elizabeth Shopping Centre	Regional	100	357.5	7.00	8.75	52
Tasmania						
Eastlands Shopping Centre	Regional	100	165.2	7.25	9.50	51
Northgate Shopping Centre	Sub-regional	100	90.6	8.25	10.00	56



Chatswood Chase Sydney, NSW



QueensPlaza, QLD

	CENTRE TYPE	CFX OWNERSHIP (%)	BOOK VALUE AS AT 30 JUN 2014 (\$M)	CAPITALISATION RATE (%)	DISCOUNT RATE (%)	PAGE NUMBER
Victoria						
Altona Gate Shopping Centre	Sub-regional	100	78.5	8.25	9.75	45
Bayside Shopping Centre	Regional	100	561.2	6.25	8.50	45
Brimbank Shopping Centre	Sub-regional	100	156.4	7.75	9.25	46
Broadmeadows Shopping Centre	Regional	100	316.0	7.50	9.00	46
Chadstone Shopping Centre	Super-regional	50	1,682.3	5.25	8.00	47
Corio Shopping Centre	Sub-regional	100	117.0	8.25	9.25	49
DFO Essendon	Retail outlet	100	141.5	7.50	9.50	49
DFO Moorabbin	Retail outlet	100	100.0	8.00	9.50	50
DFO South Wharf	Retail outlet	75	272.4	7.00	9.50	51
Emporium Melbourne	CBD-regional	50	442.0	5.50	8.50	53
Forest Hill Chase	Regional	100	270.3	7.25	8.75	53
Myer Bourke Street	CBD-regional	33	114.5	6.00	8.50	55
Northland Shopping Centre	Regional	50	477.5	5.80	8.35	56
Roxburgh Park Shopping Centre	Sub-regional	100	94.4	7.75	9.50	58
Western Australia						
Rockingham Shopping Centre	Regional	50	273.5	6.25	8.75	58
Australian Capital Territory						
15 Bowes Street, Woden	Office	100	11.0	12.50	12.00	59



Chadstone Shopping Centre, VIC



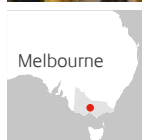
Emporium Melbourne, VIC

Asset summaries



ALTONA GATE SHOPPING CENTRE

Altona Gate Shopping Centre is a four-level sub-regional shopping centre located approximately 10 km west of Melbourne's CBD. The centre is anchored by Kmart, Coles, Aldi, Best & Less, and includes more than 80 specialty stores.



DATE ACQUIRED	CFX OWNERSHIP	CENTRE TYPE
Apr 94	100%	Sub-regional

Tenant distribution (by GLA)

- Discount department stores **29.4%**
- Supermarkets **19.5%**
- Mini-majors **15.6%**
- Specialty stores **24.2%**
- Other retail **7.6%**
- Non-retail **3.7%**



Specialty store lease expiry profile (by GLA)

FY15 [¥]		46.5%
FY16		8.8%
FY17		11.3%
FY18		15.0%
BEYOND		18.4%

Altona Gate Shopping Centre

North Altona, VIC

Total retail area (GLA) (sqm)*	25,158
Number of car spaces	1,632
Vacancy (%)	0.4
Valuation (\$m)	73.9
Valuation date	Nov-13
Capitalisation rate (%)	8.25
Discount rate (%)	9.75
Terminal yield (%)	8.50
Book value (including WIP [^]) (\$m)	78.5
NABERS Energy rating	3.0-star
NABERS Water rating	4.0-star

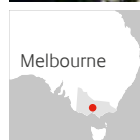
[¥] Twelve months to Jun-15 and includes vacancies and holdovers.

* Excluding car park, storage, ATMs, sundry and office tenancy areas but including kiosk areas.

[^] Work in progress.

BAYSIDE SHOPPING CENTRE

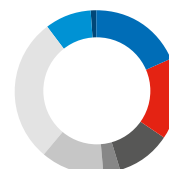
Bayside Shopping Centre is a regional shopping centre situated in the heart of Frankston, approximately 40 km south of Melbourne's CBD. The centre is anchored by Myer, Coles, Target, Safeway, Kmart, Aldi, Rebel Sport, Toys "R" Us, Best & Less, Country Road and Hoyts Cinema, and includes more than 250 specialty stores.



DATE ACQUIRED	CFX OWNERSHIP	CENTRE TYPE
Apr 94 ⁺	100%	Regional

Tenant distribution (by GLA)

- Department stores **18.5%**
- Discount department stores **16.2%**
- Supermarkets **10.8%**
- Other majors **3.3%**
- Mini-majors **12.5%**
- Specialty stores **28.6%**
- Other retail **9.1%**
- Non-retail **1.0%**



Specialty store lease expiry profile (by GLA)

FY15 [¥]		22.5%
FY16		12.1%
FY17		23.8%
FY18		21.7%
BEYOND		19.9%

Bayside Shopping Centre

Frankston, VIC

Total retail area (GLA) (sqm)*	88,046
Number of car spaces	3,448
Vacancy (%)	0.9
Valuation (\$m)	561.2
Valuation date	Jun-14
Capitalisation rate (%)	6.25
Discount rate (%)	8.50
Terminal yield (%)	6.50
Book value (including WIP [^]) (\$m)	561.2
NABERS Energy rating	3.5-star
NABERS Water rating	4.5-star

⁺ Bayside/Balmoral: Apr-94; Quayside/Central Park: Feb-97.

[¥] Twelve months to Jun-15 and includes vacancies and holdovers.

* Excluding car park, storage, ATMs, sundry and office tenancy areas but including kiosk areas.

[^] Work in progress.

BRIMBANK SHOPPING CENTRE

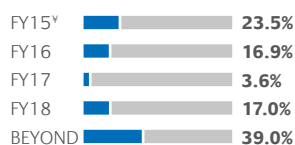
Brimbank Shopping Centre is a single-level sub-regional shopping centre located approximately 19 km north-west of Melbourne's CBD. The centre is anchored by Woolworths, Coles, Target and Aldi, and includes more than 110 specialty stores.



Tenant distribution (by GLA)



Specialty store lease expiry profile (by GLA)



Brimbank Shopping Centre	Deer Park, VIC
Total retail area (GLA) (sqm)*	38,897
Number of car spaces	1,655
Vacancy (%)	–
Valuation (\$m)	156.4
Valuation date	Jun-14
Capitalisation rate (%)	7.75
Discount rate (%)	9.25
Terminal yield (%)	8.00
Book value (including WIP^A) (\$m)	156.4
NABERS Energy rating	1.5-star
NABERS Water rating	4.0-star

* Twelve months to Jun-15 and includes vacancies and holdovers.

* Excluding car park, storage, ATMs, sundry and office tenancy areas but including kiosk areas.

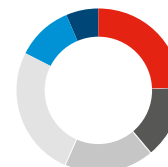
^ Work in progress.

BROADMEADOWS SHOPPING CENTRE

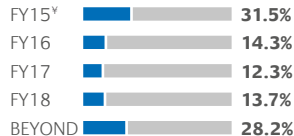
Broadmeadows Shopping Centre is a single-level regional shopping centre with a Homemaker Centre located approximately 15 km north of Melbourne's CBD. The centre is anchored by Target, Safeway, Coles, Big W, Hoyts Cinema, Aldi, JB Hi-Fi, Trade Secret and Best & Less, and includes more than 180 specialty stores.



Tenant distribution (by GLA)



Specialty store lease expiry profile (by GLA)



Broadmeadows Shopping Centre	Broadmeadows, VIC
Total retail area (GLA) (sqm)*	60,917
Number of car spaces	3,050
Vacancy (%)	0.4
Valuation (\$m)	316.0
Valuation date	Jun-14
Capitalisation rate (%)	7.50
Discount rate (%)	9.00
Terminal yield (%)	7.75
Book value (including WIP^A) (\$m)	316.0
NABERS Energy rating	1.0-star
NABERS Water rating	3.5-star

+ Centre: Apr-94; Homemaker: Dec-04.

* Twelve months to Jun-15 and includes vacancies and holdovers.

* Excluding car park, storage, ATMs, sundry and office tenancy areas but including kiosk areas.

^ Work in progress.

CASTLE PLAZA SHOPPING CENTRE

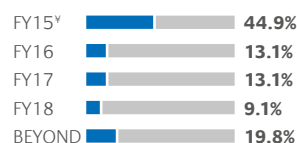
Castle Plaza Shopping Centre is a single-level sub-regional shopping centre located approximately 8 km south-west of Adelaide's CBD. The centre is anchored by Target, Coles and Foodland, and includes more than 60 specialty stores.



Tenant distribution (by GLA)



Specialty store lease expiry profile (by GLA)



Castle Plaza Shopping Centre

Edwardstown, SA

Total retail area (GLA) (sqm)*	22,757
Number of car spaces	1,345
Vacancy (%)	0.9
Valuation (\$m)	145.0
Valuation date	Nov-13
Capitalisation rate (%)	8.00
Discount rate (%)	9.75
Terminal yield (%)	8.25
Book value (including WIP^A) (\$m)	151.8
NABERS Energy rating	2.0-star
NABERS Water rating	2.5-star

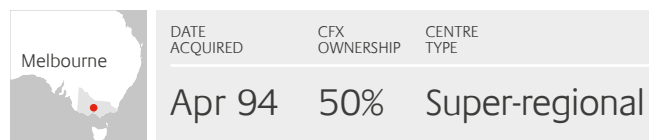
* Twelve months to Jun-15 and includes vacancies and holdovers.

* Excluding car park, storage, ATMs, sundry and office tenancy areas but including kiosk areas.

^ Work in progress.

CHADSTONE SHOPPING CENTRE

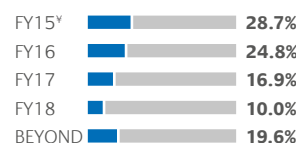
Chadstone Shopping Centre is a two-level super-regional shopping centre located approximately 13 km south-east of Melbourne's CBD. The centre is anchored by David Jones, Myer, Kmart, Target, Coles, Woolworths, Aldi, Zara, GAP and JB Hi-Fi, and includes more than 480 specialty stores, featuring a major international luxury precinct. The centre is ranked number one in Australia for total sales.



Tenant distribution (by GLA)



Specialty store lease expiry profile (by GLA)



Chadstone Shopping Centre

Chadstone, VIC

Total retail area (GLA) (sqm)*	146,587
Number of car spaces	9,500
Vacancy (%)	0.1
Valuation (\$m)	1,675.0
Valuation date	Dec-13
Capitalisation rate (%)	5.25
Discount rate (%)	8.00
Terminal yield (%)	5.50
Book value (including WIP^A) (\$m)	1,682.3
NABERS Energy rating	4.0-star
NABERS Water rating	Not rated

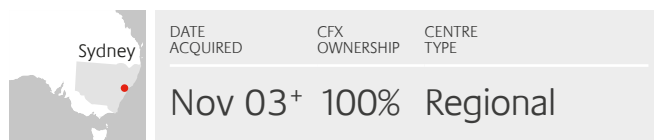
* Twelve months to Jun-15 and includes vacancies and holdovers.

* Excluding car park, storage, ATMs, sundry and office tenancy areas but including kiosk areas.

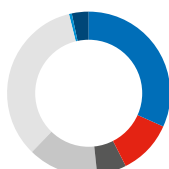
^ Work in progress.

CHATSWOOD CHASE SYDNEY

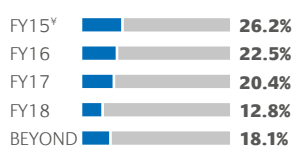
Chatswood Chase Sydney is a four-level regional shopping centre located approximately 12 km north of Sydney's CBD. The centre is anchored by David Jones, Kmart, Coles, JB Hi-Fi, Dick Smith, Apple and Country Road, and includes more than 200 specialty stores.



Tenant distribution (by GLA)



Specialty store lease expiry profile (by GLA)



Chatswood Chase Sydney	Chatswood, NSW
Total retail area (GLA) (sqm)*	58,502
Number of car spaces	2,441
Vacancy (%)	–
Valuation (\$m)	889.2
Valuation date	May-14
Capitalisation rate (%)	5.50
Discount rate (%)	8.25
Terminal yield (%)	5.75
Book value (including WIP [^]) (\$m)	889.7
NABERS Energy rating	3.5-star
NABERS Water rating	2.5-star

+ 50%: Nov-03; 50%: Aug-07.

[†] Twelve months to Jun-15 and includes vacancies and holdovers.

* Excluding car park, storage, ATMs, sundry and office tenancy areas but including kiosk areas.

[^] Work in progress.

CLIFFORD GARDENS SHOPPING CENTRE

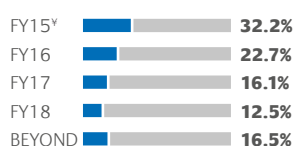
Clifford Gardens Shopping Centre is a single-level sub-regional shopping centre located approximately 3 km south-west of Toowoomba's CBD. The centre is anchored by Big W, Woolworths, Coles and Best & Less, and includes more than 80 specialty stores.



Tenant distribution (by GLA)



Specialty store lease expiry profile (by GLA)



Clifford Gardens Shopping Centre	Toowoomba, QLD
Total retail area (GLA) (sqm)*	28,079
Number of car spaces	1,600
Vacancy (%)	–
Valuation (\$m)	168.6
Valuation date	Jun-14
Capitalisation rate (%)	7.50
Discount rate (%)	9.25
Terminal yield (%)	7.75
Book value (including WIP [^]) (\$m)	168.6
NABERS Energy rating	3.5-star
NABERS Water rating	4.0-star

[†] Twelve months to Jun-15 and includes vacancies and holdovers.

* Excluding car park, storage, ATMs, sundry and office tenancy areas but including kiosk areas.

[^] Work in progress.

CORIO SHOPPING CENTRE

Corio Shopping Centre is a single-level sub-regional shopping centre located approximately 8 km north of Geelong's CBD. The centre is anchored by Kmart, Coles, Woolworths, Sam's Warehouse and Best & Less, and includes more than 90 specialty stores.



DATE ACQUIRED: Oct 02
CFX OWNERSHIP: 100%
CENTRE TYPE: Sub-regional

Tenant distribution (by GLA)

■ Discount department stores **18.7%**
■ Supermarkets **25.3%**
■ Mini-majors **10.3%**
■ Specialty stores **27.4%**
■ Other retail **0.6%**
■ Non-retail **17.7%**



Specialty store lease expiry profile (by GLA)

FY15[¥] **30.6%**
FY16 **21.4%**
FY17 **18.1%**
FY18 **12.4%**
BEYOND **17.5%**

Corio Shopping Centre

Corio, VIC

Total retail area (GLA) (sqm)*	27,927
Number of car spaces	1,530
Vacancy (%)	0.3
Valuation (\$m)	117.1
Valuation date	Nov-13
Capitalisation rate (%)	8.25
Discount rate (%)	9.25
Terminal yield (%)	8.50
Book value (including WIP [^]) (\$m)	117.0
NABERS Energy rating	4.0-star
NABERS Water rating	2.5-star

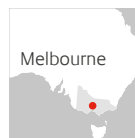
[¥] Twelve months to Jun-15 and includes vacancies and holdovers.

* Excluding car park, storage, ATMs, sundry and office tenancy areas but including kiosk areas.

[^] Work in progress.

DFO ESSENDON

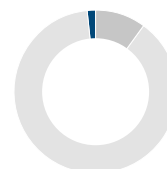
DFO Essendon is a single-level retail outlet centre located approximately 13 km north-west of Melbourne's CBD. The centre comprises four mini-majors and more than 110 tenants including Brooks Bros, Calvin Klein, Coach Factory, G-Star Raw, Hugo Boss, Orotan, Polo Ralph Lauren, JB Hi-Fi and Sheridan.



DATE ACQUIRED: Oct 10
CFX OWNERSHIP: 100%
CENTRE TYPE: Retail outlet

Tenant distribution (by GLA)

■ Mini-majors **10.2%**
■ Specialty stores **89.3%**
■ Non-retail **0.5%**



Specialty store lease expiry profile (by GLA)

FY15[¥] **11.1%**
FY16 **44.5%**
FY17 **15.0%**
FY18 **13.5%**
BEYOND **15.9%**

DFO Essendon

Strathmore, VIC

Total retail area (GLA) (sqm)*	19,687
Number of car spaces	2,137
Vacancy (%)	–
Valuation (\$m)	141.5
Valuation date	Jun-14
Capitalisation rate (%)	7.50
Discount rate (%)	9.50
Terminal yield (%)	7.75
Book value (including WIP [^]) (\$m)	141.5
NABERS Energy rating~	n.a.
NABERS Water rating~	n.a.

[¥] Twelve months to Jun-15 and includes vacancies and holdovers.

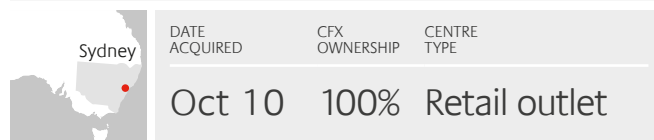
* Excluding car park, storage, ATMs, sundry and office tenancy areas but including kiosk areas.

[^] Work in progress.

~ Not rateable as there is no NABERS tool for this type of asset.

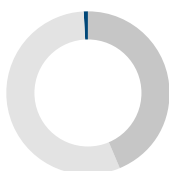
DFO HOMEBUSH

DFO Homebush is a two-level retail outlet centre located approximately 15 km west of Sydney's CBD. The centre comprises over 120 international and local retailers including Gucci, Burberry, Armani Outlet, Zegna, Polo Ralph Lauren, Coach, Oroton Factory and Witchery.



Tenant distribution (by GLA)

■ Mini-majors **43.7%**
■ Specialty stores **55.6%**
■ Non-retail **0.7%**



Specialty store lease expiry profile (by GLA)

FY15*	FY16	FY17	FY18	BEYOND
2.6%	0.0%	7.8%	16.3%	73.3%

DFO Homebush	Homebush, NSW
Total retail area (GLA) (sqm)*	29,652
Number of car spaces	2,013
Vacancy (%)	–
Valuation (\$m)	250.0
Valuation date	Dec-13
Capitalisation rate (%)	6.75
Discount rate (%)	9.00
Terminal yield (%)	7.00
Book value (including WIP^A) (\$m)	270.9
NABERS Energy rating~	n.a.
NABERS Water rating~	n.a.

* Twelve months to Jun-15 and includes vacancies and holdovers.

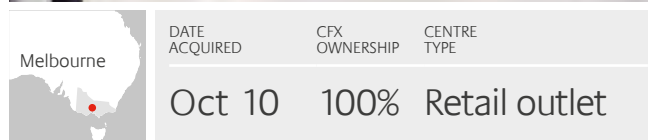
^ Excluding car park, storage, ATMs, sundry and office tenancy areas but including kiosk areas.

^ Work in progress.

~ Not rateable as there is no NABERS tool for this type of asset.

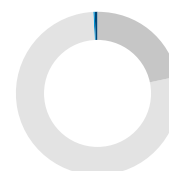
DFO MOORABBIN

DFO Moorabbin is a single-level retail outlet centre located approximately 21 km south-east of Melbourne's CBD. The centre comprises eight mini-majors and over 130 specialty stores including Forever New, Tommy Hilfiger, Oroton Factory and Sheridan.



Tenant distribution (by GLA)

■ Mini-majors **21.9%**
■ Specialty stores **77.5%**
■ Other retail **0.1%**
■ Non-retail **0.5%**



Specialty store lease expiry profile (by GLA)

FY15*	FY16	FY17	FY18	BEYOND
22.6%	19.2%	24.3%	16.1%	17.8%

DFO Moorabbin	Cheltenham, VIC
Total retail area (GLA) (sqm)*	24,474
Number of car spaces	1,373
Vacancy (%)	–
Valuation (\$m)	100.0
Valuation date	Jun-14
Capitalisation rate (%)	8.00
Discount rate (%)	9.50
Terminal yield (%)	8.50
Book value (including WIP^A) (\$m)	100.0
NABERS Energy rating~	n.a.
NABERS Water rating~	n.a.

* Twelve months to Jun-15 and includes vacancies and holdovers.

^ Excluding car park, storage, ATMs, sundry and office tenancy areas but including kiosk areas.

^ Work in progress.

~ Not rateable as there is no NABERS tool for this type of asset.

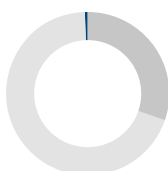
DFO SOUTH WHARF

DFO South Wharf is a two-level retail outlet centre located on the south-western fringe of Melbourne's CBD, adjacent to Docklands. The centre comprises more than 150 tenants including Armani Outlet, Karen Millen, Country Road, Mimco, Forever New and JB Hi-Fi.



Tenant distribution (by GLA)

■ Mini-majors **30.3%**
 ■ Specialty stores **69.4%**
 ■ Non-retail **0.3%**



Specialty store lease expiry profile (by GLA)

FY15*	FY16	FY17	FY18	BEYOND
53.2%	12.4%	6.9%	18.1%	9.4%

DFO South Wharf	South Wharf, VIC
Total retail area (GLA) (sqm)*	30,077
Number of car spaces	3,002
Vacancy (%)	–
Valuation (\$m)	272.4
Valuation date	Jun-14
Capitalisation rate (%)	7.00
Discount rate (%)	9.50
Terminal yield (%)	7.25
Book value (including WIP [^]) (\$m)	272.4
NABERS Energy rating~	n.a.
NABERS Water rating~	n.a.

* 50%: Dec-10; 25%: May-14.

[^] Twelve months to Jun-15 and includes vacancies and holdovers.

* Excluding car park, storage, ATMs, sundry and office tenancy areas but including kiosk areas.

[^] Work in progress.

~ Not rateable as there is no NABERS tool for this type of asset.

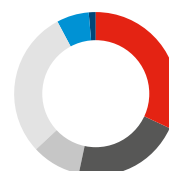
EASTLANDS SHOPPING CENTRE

Eastlands Shopping Centre is a two-level regional shopping centre located approximately 4 km east of Hobart's CBD. The centre is anchored by Coles, Kmart, Woolworths, Big W, Village Cinemas and JB Hi-Fi, and includes more than 90 specialty stores.



Tenant distribution (by GLA)

■ Discount department stores **32.0%**
 ■ Supermarkets **21.6%**
 ■ Mini-majors **9.5%**
 ■ Specialty stores **29.3%**
 ■ Other retail **6.4%**
 ■ Non-retail **1.2%**



Specialty store lease expiry profile (by GLA)

FY15*	FY16	FY17	FY18	BEYOND
48.3%	15.0%	6.5%	8.5%	21.7%

Eastlands Shopping Centre	Rosny Park, TAS
Total retail area (GLA) (sqm)*	33,069
Number of car spaces	1,446
Vacancy (%)	1.1
Valuation (\$m)	161.2
Valuation date	Nov-13
Capitalisation rate (%)	7.25
Discount rate (%)	9.50
Terminal yield (%)	7.50
Book value (including WIP [^]) (\$m)	165.2
NABERS Energy rating	4.5-star
NABERS Water rating	3.0-star

[^] Twelve months to Jun-15 and includes vacancies and holdovers.

* Excluding car park, storage, ATMs, sundry and office tenancy areas but including kiosk areas.

[^] Work in progress.

ELIZABETH SHOPPING CENTRE

Elizabeth Shopping Centre is a single-level regional shopping centre located approximately 24 km north of Adelaide's CBD. The centre is anchored by Big W, Coles, Target, Woolworths, Rebel Sport, Reading Cinemas, JB Hi-Fi and Best & Less, and includes more than 190 specialty stores.



	DATE ACQUIRED	CFX OWNERSHIP	CENTRE TYPE
	Jul 98 ⁺	100%	Regional

Tenant distribution (by GLA)

■ Department stores	7.2%
■ Discount department stores	21.7%
■ Supermarkets	10.8%
■ Mini-majors	11.4%
■ Specialty stores	23.7%
■ Other retail	12.3%
■ Non-retail	12.9%



Specialty store lease expiry profile (by GLA)

FY15 [¥]	27.4%
FY16	27.9%
FY17	19.5%
FY18	15.1%
BEYOND	10.1%

Elizabeth Shopping Centre

	Elizabeth, SA
Total retail area (GLA) (sqm)*	68,590
Number of car spaces	3,228
Vacancy (%)	0.3
Valuation (\$m)	357.5
Valuation date	Jun-14
Capitalisation rate (%)	7.00
Discount rate (%)	8.75
Terminal yield (%)	7.25
Book value (including WIP [^]) (\$m)	357.5
NABERS Energy rating	2.5-star
NABERS Water rating	2.5-star

⁺ CFX acquired 50% in Jul-98 and 50% in Jan-05.

[¥] Twelve months to Jun-15 and includes vacancies and holdovers.

* Excluding car park, storage, ATMs, sundry and office tenancy areas but including kiosk areas.

[^] Work in progress.

THE ENTERTAINMENT QUARTER

The Entertainment Quarter is an entertainment precinct, located approximately 3 km south-east of the Sydney CBD, adjacent to Australia's premier film making facility in Moore Park. It is anchored by the Australian Film, Radio and Television School (AFTRS), Hoyts Cinema and Strike Bowling, and includes more than 30 specialty stores, leisure and entertainment facilities, and a major commercial car park.



	DATE ACQUIRED	CFX OWNERSHIP	CENTRE TYPE
	Jun 04	50%	Other

Tenant distribution (by GLA)

■ Mini-majors	4.3%
■ Specialty stores	8.2%
■ Other retail	35.7%
■ Non-retail	51.8%



Specialty store lease expiry profile (by GLA)

FY15 [¥]	56.5%
FY16	4.0%
FY17	19.5%
FY18	0.0%
BEYOND	20.0%

The Entertainment Quarter

	Moore Park, NSW
Total retail area (GLA) (sqm)*	23,832
Number of car spaces	2,008
Vacancy (%)	–
Valuation (\$m)	34.5
Valuation date	Jun-14
Capitalisation rate (%)	7.88
Discount rate (%)	9.00
Terminal yield (%)	8.88
Book value (including WIP [^]) (\$m)	35.2
NABERS Energy rating~	n.a.
NABERS Water rating~	n.a.

[¥] Twelve months to Jun-15 and includes vacancies and holdovers.

* Excluding car park, storage, ATMs, sundry and office tenancy areas but including kiosk areas.

[^] Work in progress.

~ Not rateable as there is no NABERS tool for this type of asset.

EMPORIUM MELBOURNE

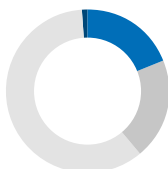
This newly built eight-level building was opened in April 2014 as Emporium Melbourne, in the heart of the CBD, delivering an experience integrating fashion, culture, food and art. It comprises Topshop over three levels, Australia's first Uniqlo store over four levels, and over 200 international and specialty stores.



Melbourne	DATE ACQUIRED	CFX OWNERSHIP	CENTRE TYPE
	Jul 07	50%	CBD-regional

Tenant distribution (by GLA)

■ Department stores **19.0%**
 ■ Mini-majors **20.1%**
 ■ Specialty stores **59.9%**
 ■ Non-retail **1.0%**



FOREST HILL CHASE

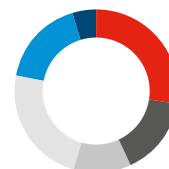
Forest Hill Chase is a three-level regional shopping centre located approximately 18 km east of Melbourne's CBD. The centre is anchored by Coles, Woolworths, Big W, Target, Rebel Sport, JB Hi-Fi, Hoyts Cinemas, Aldi, AMF Bowling, Best & Less and Harris Scarfe, and includes more than 170 specialty stores.



Melbourne	DATE ACQUIRED	CFX OWNERSHIP	CENTRE TYPE
	Jan 05	100%	Regional

Tenant distribution (by GLA)

■ Discount department stores **27.5%**
 ■ Supermarkets **15.6%**
 ■ Mini-majors **11.5%**
 ■ Specialty stores **23.6%**
 ■ Other retail **17.2%**
 ■ Non-retail **4.6%**



Specialty store lease expiry profile (by GLA)

FY15 [¥]		26.0%
FY16		13.9%
FY17		16.4%
FY18		14.9%
BEYOND		28.8%

Emporium Melbourne	Melbourne, VIC
Total retail area (GLA) (sqm)*	44,915
Valuation (\$m)	442.0
Valuation date	Jun-14
Capitalisation rate (%)	5.50
Discount rate (%)	8.50
Terminal yield (%)	5.75
Book value (including WIP [^]) (\$m)	442.0
NABERS Energy rating~	n.a.
NABERS Water rating~	n.a.

* Excluding car park, storage, ATMs, sundry and office tenancy areas but including kiosk areas.

[^] Work in progress.

~ Not rateable due to development.

Forest Hill Chase	Forest Hill, VIC
Total retail area (GLA) (sqm)*	59,937
Number of car spaces	3,427
Vacancy (%)	1.2
Valuation (\$m)	270.0
Valuation date	May-14
Capitalisation rate (%)	7.25
Discount rate (%)	8.75
Terminal yield (%)	7.50
Book value (including WIP [^]) (\$m)	270.3
NABERS Energy rating	3.5-star
NABERS Water rating	2.0-star

[¥] Twelve months to Jun-15 and includes vacancies and holdovers.

* Excluding car park, storage, ATMs, sundry and office tenancy areas but including kiosk areas.

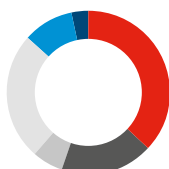
[^] Work in progress.

GRAND PLAZA SHOPPING CENTRE

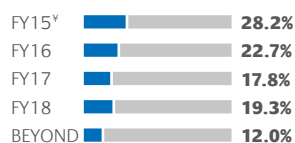
Grand Plaza Shopping Centre is a single-level regional shopping centre located approximately 22 km south of Brisbane's CBD. The centre is anchored by Target, Big W, Woolworths, Coles, Kmart, Aldi, Best & Less and Event Cinemas, and includes more than 150 specialty stores.



Tenant distribution (by GLA)



Specialty store lease expiry profile (by GLA)



Grand Plaza Shopping Centre	Browns Plains, QLD
Total retail area (GLA) (sqm)*	53,083
Number of car spaces	2,501
Vacancy (%)	–
Valuation (\$m)	173.0
Valuation date	Jun-14
Capitalisation rate (%)	6.75
Discount rate (%)	9.00
Terminal yield (%)	7.00
Book value (including WIP [^]) (\$m)	174.0
NABERS Energy rating	3.5-star
NABERS Water rating	4.0-star

+ CFX acquired 100% in Oct-02 and sold 50% in Dec-07.

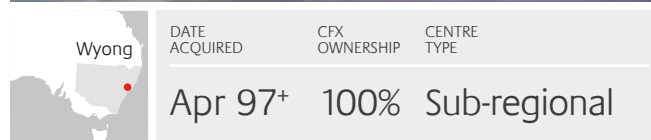
¥ Twelve months to Jun-15 and includes vacancies and holdovers.

* Excluding car park, storage, ATMs, sundry and office tenancy areas but including kiosk areas.

^ Work in progress.

LAKE HAVEN SHOPPING CENTRE

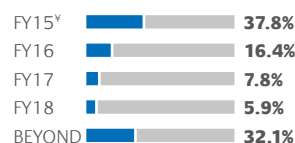
Lake Haven Shopping Centre is a single-level sub-regional shopping centre and business park located approximately 10 km north-east of Wyong. The centre is anchored by Kmart, Woolworths, Coles and Best & Less, and includes more than 120 specialty stores.



Tenant distribution (by GLA)



Specialty store lease expiry profile (by GLA)



Lake Haven Shopping Centre	Lake Haven, NSW
Total retail area (GLA) (sqm)*	40,371
Number of car spaces	1,542
Vacancy (%)	–
Valuation (\$m)	251.4
Valuation date	Nov-13
Capitalisation rate (%)	7.50
Discount rate (%)	9.00
Terminal yield (%)	7.75
Book value (including WIP [^]) (\$m)	253.2
NABERS Energy rating	2.5-star
NABERS Water rating	4.0-star

+ Centre: Apr-97; Homemaker: Jul-98.

¥ Twelve months to Jun-15 and includes vacancies and holdovers.

* Excluding car park, storage, ATMs, sundry and office tenancy areas but including kiosk areas.

^ Work in progress.

MYER BOURKE STREET

Myer Bourke Street has been operated by Myer as a department store since at least 1914. Reconstruction and revitalisation of this nine-level building in the heart of Melbourne's CBD, was completed in 2010 and officially launched in March 2011. Multi-level walkways connect this store to Emporium Melbourne.



DATE ACQUIRED	CFX OWNERSHIP	CENTRE TYPE
Jul 07	33%	CBD-regional

Tenant distribution (by GLA)

■ Department stores **100.0%**



Myer Bourke Street	Melbourne, VIC
Total retail area (GLA) (sqm)*	38,729
Valuation (\$m)	114.5
Valuation date	Dec-13
Capitalisation rate (%)	6.00
Discount rate (%)	8.50
Terminal yield (%)	6.15
Book value (including WIP^A) (\$m)	114.5
NABERS Energy rating~	n.a.
NABERS Water rating~	n.a.

* Excluding car park, storage, ATMs, sundry and office tenancy areas but including kiosk areas.

^ Work in progress.

~ Not rateable as there is no NABERS tool for this type of asset.

THE MYER CENTRE BRISBANE

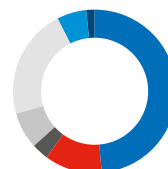
The Myer Centre Brisbane is a six-level CBD-regional shopping centre located in the heart of Brisbane's CBD. The centre is anchored by Myer, Target, Event Cinemas, Coles Central and Lincraft, and includes more than 180 specialty stores.



DATE ACQUIRED	CFX OWNERSHIP	CENTRE TYPE
Nov 98+	50%	CBD-regional

Tenant distribution (by GLA)

■ Department stores **48.7%**
 ■ Discount department stores **11.5%**
 ■ Supermarkets **3.2%**
 ■ Mini-majors **7.4%**
 ■ Specialty stores **21.7%**
 ■ Other retail **5.9%**
 ■ Non-retail **1.6%**



Specialty store lease expiry profile (by GLA)	FY15 [¥]	FY16	FY17	FY18	BEYOND
	26.1%	24.2%	14.5%	14.4%	20.8%

The Myer Centre Brisbane	Brisbane, QLD
Total retail area (GLA) (sqm)*	63,178
Number of car spaces	1,482
Vacancy (%)	0.2
Valuation (\$m)	374.0
Valuation date	Nov-13
Capitalisation rate (%)	6.25
Discount rate (%)	8.75
Terminal yield (%)	6.38
Book value (including WIP^A) (\$m)	375.0
NABERS Energy rating	2.0-star
NABERS Water rating	2.5-star

+ CFX acquired a 100% interest in Nov-98 and sold 50% in Mar-12.

¥ Twelve months to Jun-15 and includes vacancies and holdovers.

* Excluding car park, storage, ATMs, sundry and office tenancy areas but including kiosk areas.

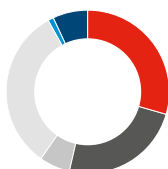
^ Work in progress.

NORTHGATE SHOPPING CENTRE

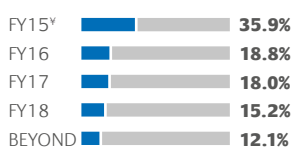
Northgate Shopping Centre is a single-level sub-regional shopping centre located approximately 8 km north-west of the Hobart CBD. The centre is anchored by Target, Coles and Best & Less, and includes more than 60 specialty stores.



Tenant distribution (by GLA)



Specialty store lease expiry profile (by GLA)



Northgate Shopping Centre	Glenorchy, TAS
Total retail area (GLA) (sqm)*	19,284
Number of car spaces	855
Vacancy (%)	0.5
Valuation (\$m)	90.6
Valuation date	May-14
Capitalisation rate (%)	8.25
Discount rate (%)	10.00
Terminal yield (%)	8.50
Book value (including WIP^A) (\$m)	90.6
NABERS Energy rating	3.5-star
NABERS Water rating	Not rated

* Twelve months to Jun-15 and includes vacancies and holdovers.

* Excluding car park, storage, ATMs, sundry and office tenancy areas but including kiosk areas.

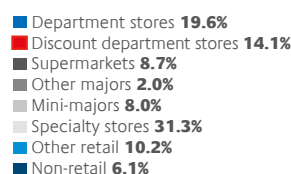
^ Work in progress.

NORTHLAND SHOPPING CENTRE

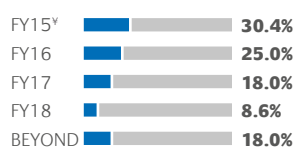
Northland Shopping Centre is a two-level regional shopping centre located approximately 11 km north of Melbourne's CBD. The centre is anchored by Myer, Kmart, Target, Coles, Woolworths, Toys "R" Us, Rebel Sport, Lincraft, JB Hi-Fi and Hoyts Cinema, and includes more than 300 specialty stores.



Tenant distribution (by GLA)



Specialty store lease expiry profile (by GLA)



Northland Shopping Centre	Preston, VIC
Total retail area (GLA) (sqm)*	91,758
Number of car spaces	4,690
Vacancy (%)	0.3
Valuation (\$m)	477.5
Valuation date	Jun-14
Capitalisation rate (%)	5.80
Discount rate (%)	8.35
Terminal yield (%)	5.85
Book value (including WIP^A) (\$m)	477.5
NABERS Energy rating	3.5-star
NABERS Water rating	4.0-star

* Twelve months to Jun-15 and includes vacancies and holdovers.

* Excluding car park, storage, ATMs, sundry and office tenancy areas but including kiosk areas.

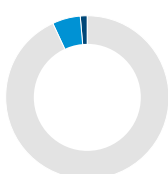
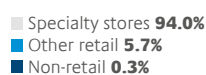
^ Work in progress.

POST OFFICE SQUARE

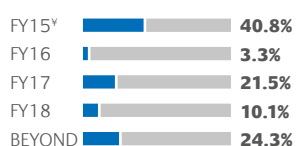
Post Office Square is a mixed-use complex located in the heart of Brisbane's CBD. The property incorporates a six-level basement car park and a single-level retail arcade including more than 20 specialty stores.



Tenant distribution (by GLA)



Specialty store lease expiry profile (by GLA)



Post Office Square	Brisbane, QLD
Total retail area (GLA) (sqm)*	1,750
Number of car spaces	316
Vacancy (%)	22.9
Valuation (\$m)	71.0
Valuation date	Nov-13
Capitalisation rate (%)	8.00
Discount rate (%)	9.50
Terminal yield (%)	8.50
Book value (including WIP [^]) (\$m)	71.1
NABERS Energy rating [~]	n.a.
NABERS Water rating [~]	n.a.

[¥] Twelve months to Jun-15 and includes vacancies and holdovers.

* Excluding car park, storage, ATMs, sundry and office tenancy areas but including kiosk areas.

[^] Work in progress.

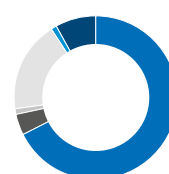
[~] Not rateable as there is no NABERS tool for this type of asset.

QUEENSPLAZA

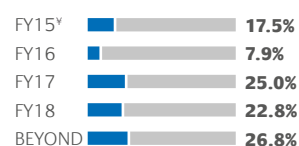
QueensPlaza is a three-level CBD-regional shopping centre located in the heart of Brisbane's CBD. The centre is anchored by David Jones and Coles Central and features luxury retailers including Chanel, Louis Vuitton, Salvatore Ferragamo and Tiffany & Co., and more than 70 specialty stores.



Tenant distribution (by GLA)



Specialty store lease expiry profile (by GLA)



QueensPlaza	Brisbane, QLD
Total retail area (GLA) (sqm)*	35,944
Number of car spaces	600
Vacancy (%)	–
Valuation (\$m)	635.0
Valuation date	May-14
Capitalisation rate (%)	5.50
Discount rate (%)	8.25
Terminal yield (%)	5.75
Book value (including WIP [^]) (\$m)	635.0
NABERS Energy rating	2.0-star
NABERS Water rating	1.5-star

[¥] Twelve months to Jun-15 and includes vacancies and holdovers.

* Excluding car park, storage, ATMs, sundry and office tenancy areas but including kiosk areas.

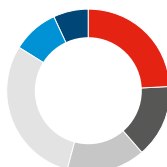
[^] Work in progress.

ROCKINGHAM SHOPPING CENTRE

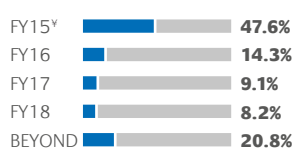
Rockingham Shopping Centre is a single-level regional shopping centre located approximately 40 km south-west of Perth's CBD. The centre is anchored by Kmart, Target, Woolworths, Coles, Ace Cinemas, Best & Less, JB Hi-Fi and Rebel Sport, and includes more than 200 specialty stores.



Tenant distribution (by GLA)



Specialty store lease expiry profile (by GLA)



Rockingham Shopping Centre	Rockingham, WA
Total retail area (GLA) (sqm)*	60,225
Number of car spaces	3,229
Vacancy (%)	0.1
Valuation (\$m)	273.5
Valuation date	Jun-14
Capitalisation rate (%)	6.25
Discount rate (%)	8.75
Terminal yield (%)	6.50
Book value (including WIP [^]) (\$m)	273.5
NABERS Energy rating	3.5-star
NABERS Water rating	2.0-star

+ CFX acquired 12.5% in Oct-02, 4.2% in May-05 and 33.3% in Dec-07.
[¥] Twelve months to Jun-15 and includes vacancies and holdovers.

* Excluding car park, storage, ATMs, sundry and office tenancy areas but including kiosk areas.

[^] Work in progress.

ROXBURGH PARK SHOPPING CENTRE

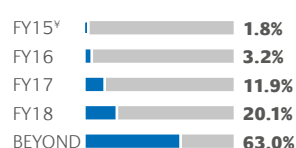
Roxburgh Park Shopping Centre is a single-level sub-regional shopping centre located approximately 20 km north of Melbourne's CBD. The centre is anchored by Woolworths, a large format Coles and Aldi, and includes more than 60 specialty stores.



Tenant distribution (by GLA)



Specialty store lease expiry profile (by GLA)



Roxburgh Park Shopping Centre	Roxburgh Park, VIC
Total retail area (GLA) (sqm)*	24,552
Number of car spaces	1,112
Vacancy (%)	–
Valuation (\$m)	94.4
Valuation date	Jun-14
Capitalisation rate (%)	7.75
Discount rate (%)	8.75
Terminal yield (%)	8.00
Book value (including WIP [^]) (\$m)	94.4
NABERS Energy rating~	n.a.
NABERS Water rating~	n.a.

+ Land: Dec-97; Opened: Dec-99.

[¥] Twelve months to Jun-15 and includes vacancies and holdovers.

* Excluding car park, storage, ATMs, sundry and office tenancy areas but including kiosk areas.

[^] Work in progress.

~ Not rateable due to development.

RUNAWAY BAY SHOPPING VILLAGE

Runaway Bay Shopping Village is a single-level regional shopping centre located approximately 8 km north of the Gold Coast CBD. The centre is anchored by Woolworths, Coles, Aldi, Big W, Target, Best & Less, and includes more than 130 specialty stores.



DATE ACQUIRED	CFX OWNERSHIP	CENTRE TYPE
Oct 02	50%	Regional

Tenant distribution (by GLA)

- Discount department stores **32.0%**
- Supermarkets **23.0%**
- Mini-majors **14.4%**
- Specialty stores **20.3%**
- Other retail **3.1%**
- Non-retail **7.2%**



Specialty store lease expiry profile (by GLA)

FY15 [¥]	FY16	FY17	FY18	BEYOND
41.3%	15.2%	7.5%	11.3%	24.7%

Runaway Bay Shopping Village	Runaway Bay, QLD
Total retail area (GLA) (sqm)*	42,478
Number of car spaces	2,160
Vacancy (%)	0.9
Valuation (\$m)	119.3
Valuation date	Jun-14
Capitalisation rate (%)	7.25
Discount rate (%)	9.00
Terminal yield (%)	7.50
Book value (including WIP [^]) (\$m)	119.3
NABERS Energy rating	2.5-star
NABERS Water rating	4.5-star

[¥] Twelve months to Jun-15 and includes vacancies and holdovers.

* Excluding car park, storage, ATMs, sundry and office tenancy areas but including kiosk areas.

[^] Work in progress.

15 BOWES STREET, WODEN

15 Bowes Street is located in the suburb of Woden, approximately 10 km south of the Canberra CBD. The property comprises eight levels, which is largely office accommodation.



DATE ACQUIRED	CFX OWNERSHIP	CENTRE TYPE
Oct 02	100%	Office

Tenant distribution (by NLA)

- Non-retail **100.0%**



Lease expiry profile (by NLA)

FY15 [¥]	FY16	FY17	FY18	BEYOND
54.8%	0.0%	0.0%	45.2%	0.0%

15 Bowes Street, Woden	Woden, ACT
Total office area (NLA) (sqm)	9,108
Number of car spaces	11
Vacancy (%)	–
Valuation (\$m)	11.0
Valuation date	May-14
Capitalisation rate (%)	12.50
Discount rate (%)	12.00
Terminal yield (%)	12.75
Book value (including WIP [^]) (\$m)	11.0
NABERS Energy rating	3.5-star
NABERS Water rating	2.0-star

[¥] Twelve months to Jun-15 and includes vacancies and holdovers.

[^] Work in progress.

How we govern

Putting the rights and interests of CFX's investors first in our decisions

FY14 was a year of significant change and transition in the Group's structure and governance.

During the year, CMIL considered and implemented a proposal received from Commonwealth Bank of Australia (CBA) to internalise the management of CFX, acquire CBA's retail property asset management business and commence investment management of a number of wholesale property funds and mandates (the Wholesale Funds) (together Internalisation). The rights and interests of CFX investors were paramount during the consideration of the Internalisation proposal.

Upon implementation of the Internalisation on 24 March 2014, a newly incorporated entity CFX Co Limited (ACN 167 287 363) (CFX Co) became the holding company of the internalised CFX. CFX Co listed and was stapled to CFS Retail Property Trust 1 (ARSN 090 150 280) (CFX1). CMIL remains the Responsible Entity of CFX1 and is a wholly-owned subsidiary of CFX Co. Since Internalisation, the boards of CMIL and CFX Co have governed the stapled Group (collectively the Board).

The Internalisation eliminated the potential conflicts perceived with an externally-managed model. Securityholders now have the right to vote on remuneration matters and upon the election of Non-executive Directors. As a result of the structural changes CFX's governance processes have been reviewed to ensure best practice is maintained. The continuity of senior management and the Independent Directors of the Board assisted CFX to continue to provide superior and stable risk-adjusted returns to securityholders whilst operating within a robust governance framework. The addition of new Directors with complementary skills has further enhanced CFX's commitment to governance.

CFX's governance arrangements in FY14 were consistent with the 2nd edition of the Corporate Governance Principles and Recommendations (Principles) published by the ASX Corporate Governance Council. A statement of compliance with the Principles is provided on pages 71 to 74. For FY15, CFX will report against the 3rd edition of the Principles.

PRINCIPLE 1

Lay solid foundations for management and oversight

Companies should establish and disclose the respective roles and responsibilities of board and management and how their performance is monitored and evaluated.

The Board of CMIL and CFX Co

The Board has adopted a Charter that sets out the roles and responsibilities of the Board of Directors. This can be found in the 'About us' section of CFX's website cfsgam.com.au/cfx

The Board Charter provides that the Board is responsible for and has the following powers reserved to it:

- setting the Group's values and standards of conduct having regard to the interests of the Group's securityholders, employees, customers, suppliers and the communities in which it operates and, generally, safeguarding the reputation of the Group
- approving and monitoring implementation of the Group's strategy, business performance objectives and financial performance objectives
- approving the Group's dividend and distribution policy and the amount, nature and timing of dividends and distributions to be paid
- overseeing the establishment and monitoring the effectiveness of systems of risk management by approving risk management policies, operational risk policies and procedures and systems of internal control
- approving material strategic and business matters recommended by management, in accordance with the Group's delegation framework (such as major capital expenditure, acquisitions, divestments, restructuring and funding)
- appointing, rewarding, determining the duration of the appointment, and monitoring the performance of the Managing Director and CEO (CEO) on the recommendation of the Remuneration and Organisation Committee
- considering and approving the remuneration policy of the Group, including short-term and long-term incentives plans on the recommendation of the Remuneration and Organisation Committee
- determining the level of remuneration paid to the Board members within the limits of the CFX Co constitution and approved from time to time by securityholders on the recommendation of the Remuneration and Organisation Committee
- evaluating the composition, processes and performance of the Board and evaluating the performance of its Directors, including the Chairman, and
- approving the Board succession plan based on the recommendation of the Nominations Committee.

The CMIL board had a charter in place prior to Internalisation which acknowledged that the CMIL board held a duty to act in the best interests of securityholders of the managed investment schemes for which CMIL is Responsible Entity, consistent with its legal obligations. Given the externally managed model that was in place, this included in situations where those interests may conflict with the interests of CBA in its capacity as the former manager.

Relationship of the Board with management

The Board Charter defines the role of management as being responsible for implementing the Group's strategy and achieving the Group's business performance objectives and financial objectives, and for carrying out the day-to-day management and control of the Group's affairs.

The CEO and senior management must operate in accordance with the Board's approved policies and delegated limits of authority, as described in the delegations framework, which was approved by the Board in May 2014 for the internalised Group. Prior to Internalisation, the CMIL board had in place formal delegations within the broader CBA framework. The personnel responsible for carrying out the operational activities of CFX were employees of CBA.

Evaluating performance of senior management

Throughout the financial year, there has been in place a performance evaluation system that includes the setting of annual key performance indicators for each employee that are measurable and quantifiable, and are assessed on a semi-annual basis. During the financial year, CFX employees participated in a performance evaluation in accordance with this process.

CFX is in a transitional period with respect to performance-linked remuneration. FY14 arrangements do not reflect the ongoing remuneration framework to apply from 1 July 2014. Incentives that applied to employees including Executive Key Management Personnel (KMP) during their employment with CBA and up to the date of Internalisation, are required to be recognised and paid by CFX, with CBA having made funds available to CFX in respect of these payments.

In FY15, a revised approach to Executive KMP incentive arrangements will apply to improve alignment of variable remuneration with CFX's business strategy, financial goals, people management and securityholder returns under the internalised management model.

On an annual basis, the Remuneration and Organisation Committee, and subsequently the Board, will formally review the performance of the CEO. The assessment criteria include both qualitative and quantitative measures and include profit performance, other financial measures, achievement of strategic priorities, risk management measures and people measures.

The performance measures established for the CEO will cascade to the Executive KMP and the other senior executives who comprise the Executive Committee.

An integral part of the performance structure is the requirement for ongoing professional development of CFX's employees. This includes training programs on a wide range of matters including CFX policy, risk management, compliance and market and industry knowledge.

Further details on performance measures and the assessment criteria for the CEO and the Executive KMP (including equity-based plans) are set out in the Remuneration Report which forms part of the Directors' Report (refer pages 83 to 96).

The manager

Prior to Internalisation, Colonial First State Property Retail Pty Limited (the Manager), a wholly-owned subsidiary of CBA, was the appointed external Manager of CFX. This appointment was made in accordance with the Corporations Act 2001 (Cth) (Act), which empowers the Responsible Entity to engage agents to act on its behalf. The Responsible Entity, however, remained responsible for the actions of its agents.

The appointment of the external Manager was effected by a Management Agreement whereby the Manager was delegated to undertake all of the operational management duties of the Responsible Entity, except those that require the holding of an Australian Financial Services Licence. The Manager provided regular reporting to the Responsible Entity, including an annual certification of its ongoing capacity to continue to meet its obligations in accordance with the Management Agreement.

Upon Internalisation, a wholly-owned subsidiary of CFX Co, CFX Funds Management Pty Ltd (CFX Funds Management), was appointed as the manager of CFX and the Wholesale Funds. As an internally-managed business, the Board governs the activities undertaken by CFX Funds Management and receives reporting on its activities as a wholly-owned subsidiary.

PRINCIPLE 2

Structure the board to add value

Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

The Composition of the Board

Prior to Internalisation, as the Responsible Entity of CFX, ultimate responsibility for corporate governance matters resided with the Directors of the CMIL board. The CMIL board was appointed by CBA and the composition of the board was reviewed annually.

Upon Internalisation on 24 March 2014, Mr Ross Griffiths and Mr Michael Venter, both of whom were senior executives of CBA at that time, resigned from the CMIL board. The Independent Non-executive Directors who oversaw the Internalisation, Mr Richard Haddock AM (Chairman), Mr James Kropp and Ms Nancy Milne OAM remained Directors of CMIL and CFX Co, ensuring continuity on the Board. On 24 March 2014, Mr Angus McNaughton was appointed as Managing Director and CEO. Mr Trevor Gerber, Ms Karen Penrose, Mr Peter Kahan and Dr David Thurin were appointed as Non-executive Directors in April 2014, followed by Mr Peter Hay in July 2014. Mr Jim Kropp notified the Board of his intention to retire with effect from September 2014, at which time the Board will comprise eight Directors with a majority of Independent Non-executive Directors.

The Directors in office at the date of this report are as follows:

DIRECTOR	DATE OF APPOINTMENT
R M Haddock (Chairman)	CMIL 1 January 2009, CFX Co 4 December 2013
T Gerber (Independent Non-executive Director)	23 April 2014
P A F Hay (Independent Non-executive Director)	25 July 2014
P Kahan (Non-executive Director, appointed by Gandel Group)	23 April 2014
J F Kropp (Independent Non-executive Director)	CMIL 22 December 2003, CFX Co 4 December 2013
A McNaughton (Managing Director and CEO)	24 March 2014
N J Milne (Independent Non-executive Director)	CMIL 1 January 2009, CFX Co 4 December 2013
K L C Penrose (Independent Non-executive Director)	23 April 2014
D Thurin (Non-executive Director, appointed by Gandel Group)	23 April 2014

Details of the Directors' experience, qualifications and committee memberships are set out on pages 18 to 19.

The Non-executive Directors have a broad range of experience, including in retail and funds management. The composition of the Board is assessed annually by the Nominations Committee. The Nominations Committee and Board will develop, and report against, a matrix setting out the mix of skills and diversity of the Board in FY15.

Board meetings

Board meetings are held bi-monthly, with additional meetings held as necessary. In FY14, there was a significant number of additional meetings of the CMIL board and a sub-committee comprising the Independent CMIL Directors in order to consider and resolve matters in connection with the Internalisation and with respect to the takeover of Commonwealth Property Office Fund for which CMIL was also Responsible Entity.

Details of the meeting attendance of Directors are set out on page 80 of the Directors' Report.

Independence

All the current Non-executive Directors who are not nominated by Gandel Group have been assessed as independent.

In determining independence the Board takes into account:

- the specific disclosures, made in accordance with the Act, by each Director in respect of any material contract or relationship
- where applicable, the related-party dealings referable to each Director, noting that those dealings are not material under accounting standards (full details of related-party dealings are set out in the notes to CFX's financial statements as required by law)
- that no Independent Director is, or is associated directly with, a substantial securityholder of CFX
- that no Independent Director has ever been employed by CFX
- that no Independent Director is, or is associated with, a supplier, professional adviser, consultant to or customer of CFX which is material under accounting standards, and
- that no Independent Director personally carries on any other role for CFX which could, or could reasonably be perceived to, materially interfere with the Director's ability to act as a Director of the Board and in the best interests of securityholders.

The Board assesses the independence of Directors annually or more frequency as required.

For its Corporate Governance Report for FY15, the Board will assess independence having regard to the criteria outlined in recommendation 2.3 of the 3rd edition of the Principles.

Board committees

Prior to Internalisation, the CMIL board had in place an Audit Committee and a Compliance Committee. Upon Internalisation, the Board reconstituted the Audit Committee and established a Risk and Compliance Committee, a Remuneration and Organisation Committee, and a Nominations Committee.

The roles and responsibilities of the Audit Committee, Risk and Compliance Committee, and Remuneration and Organisation Committee are set out later in this report.

Nomination of Directors

The Board established the Nominations Committee with effect from 24 March 2014.

The Committee operates under a charter which states that the roles and responsibilities of the Committee are to:

- review and recommend to the Board the size and composition of the Board
- develop, review and recommend a Director skills matrix to the Board
- develop succession plans for the Board
- assist the Board to identify individuals who are qualified to become Board members (including in respect of executive Directors)
- review and recommend to the Board membership of the Board, including recommendations for the appointment and re-election of Directors, and where appropriate propose candidates for consideration by the Board
- review and recommend to the Board membership of the Board committees
- assist the Board to assess Board performance, and the performance of Board committees and individual Directors
- review the time expected to be devoted by Non-executive Directors to the Group's affairs, and
- review and ensure there is in place an effective induction process for incoming Directors.

The Charter provides that the Committee must be comprised of only Independent Non-executive Directors.

The factors assessed when considering a potential candidate for appointment to the Board include:

- the skills, experience, expertise and personal qualities of the nominee having regard to the Board's skills matrix
- the capability of the nominee to devote the necessary time and commitment to the role (this involves consideration of matters such as other Board or executive appointments), and
- the independence of the nominee and potential conflicts of interest.

The Nominations Committee will meet at least annually to review the composition of the Board, to consider the Board's skills matrix and to determine any additional skills and diversity that the Board is seeking to achieve. Recommendations from the Nominations Committee are provided to the Board.

Appointment of Directors

Detailed background information and screening is required regarding a potential nominee prior to an invitation being issued to join the Board.

The identification of potential Director nominees may be assisted by the use of external search agencies.

All new Non-executive Director appointments are confirmed by letter of appointment, which sets out the obligations of the Director to comply with key policies and procedures and confirms the terms of appointment.

Upon appointment, Directors are issued with a detailed induction pack. Given the number of new appointments to the Board following Internalisation, CFX held a series of Director education workshops to familiarise Non-executive Directors with the Group. These Board workshops have included overviews of the organisational structure, asset profiles, CFX's intensive asset management processes, market conditions, CFX's regulatory framework and obligations and the Group's financial performance and budget.

Prior to Internalisation, the appointment of Independent Non-executive Directors to the CMIL board was made by CBA's Board Performance and Renewal Committee, a committee of the CBA Board, upon the recommendation of CBA's Chief Executive Officer.

The senior executives of CBA serving as CMIL Directors were appointed by CBA having regard to their level of skill, experience and knowledge and were not remunerated for their duties as Directors of CMIL.

The renewal of an appointment was considered by CBA's Board Performance and Renewal Committee.

Board performance

The Board has instituted a formal annual process to review the performance and effectiveness of the Board, its Committees and individual Directors. The Nominations Committee oversees this process.

As part of the review, each Director completes a questionnaire relating to the role, composition, procedures, and practices of the Board and its Committees. The questionnaires are confidential. The Chairman leads a discussion of the questionnaire results with the Board as a whole. The Chairman also meets one-on-one with each Director annually to discuss their individual contribution, their views on the Board's performance and their suggestions for improvement in Board processes.

The Board may periodically engage an external consultant to facilitate the Board performance review.

Given the new composition of the Board, the first self-assessment of Board performance will be conducted in accordance with this process in mid FY15.

Prior to Internalisation, the composition of the CMIL board was reviewed annually by CBA's Board Performance and Renewal Committee. This Committee had responsibility for critically reviewing governance procedures for CMIL, the relationship with the CBA Board, assessing the ongoing independence of Directors, advising on issues impacting boards, including diversity and remuneration, and ensuring that Directors had access to induction and ongoing professional development programs.

To facilitate optimal performance, the CMIL board participated in professional development programs, including those facilitated by CBA and others arranged directly by CMIL. The Board will continue an ongoing program of professional development.

Committee performance

At least annually, the Board will review the performance of the Audit Committee, the Risk and Compliance Committee, the Remuneration and Organisation Committee, and the Nominations Committee with a focus on identifying areas for improvement and to assess the quality and effectiveness of information the Board is receiving. The Board will undertake this review with respect to the performance of individual members and in relation to the Committees, as a whole.

Access to information, independent advice and indemnification

Procedures, agreed by the Board, are in place, whereby the Directors may seek independent professional advice at the expense of the Group to assist them in carrying out their duties as Directors.

Upon appointment, each Director enters into a Deed of Access, Indemnity and Insurance with CFX Co to ensure access to documents and insurance arrangements during and within a period following their retirement as a Director.

PRINCIPLE 3

Promote ethical and responsible decision making

Companies should actively promote ethical and responsible decision making.

Code of conduct

CFX has established a Code of Conduct (the Code), a copy of which can be found in the 'About us' section of CFX's website.

The Code requires the Group and its employees to act in a manner which will enhance the reputation of CFX and comply with the law at all times. The Code details expected behavioural standards and ethical expectations and outlines key legal requirements. As part of CFX's performance review process, employees are assessed against the values outlined in the Code.

Prior to Internalisation, the Directors of CMIL and CFX's senior management were required to conduct themselves in accordance with CBA's Statement of Professional Practice. This statement sets out standards of professional behaviour in areas such as conflicts of interest, professional conduct and confidentiality, and applied to all CFX personnel whilst employed by CBA.

Conflicts of interest with CFX-managed Wholesale Funds

CFX has in place conflict of interest policies and procedures to ensure that the personal interests of employees and Directors do not interfere with, and are not perceived to interfere with, the interests of the CFX Group.

Additional protocols have been established to acknowledge the potential for decisions being required to be made by the CMIL board that relate not only to certain of the Wholesale Funds but also to CFX (Potential Conflict Matters). This will ensure that any such decision in relation to the Wholesale Funds considers the best interests of the investors in those funds.

Where circumstances require, the CMIL board will establish a subcommittee comprising a number of Independent Directors of the CMIL board. The CMIL board has approved a formal charter outlining the responsibilities and duties of the subcommittee.

The subcommittee, acting solely on behalf of the relevant Wholesale Fund, will make recommendations to the CMIL board in relation to the Potential Conflict Matter.

A copy of the Conflicts Committee Charter for Wholesale Funds and Mandate Clients can be found in the 'About us' section of CFX's website.

Trading in securities and hedging

Under CFX's Share Trading Policy, trading in CFX securities by employees, Directors, and contractors is restricted to the following trading windows:

- the 30 day period beginning on the day after the release of CFX's interim results
- the 30 day period beginning on the day after the release of CFX's full year results
- the 30 day period beginning on the day after the CFX Annual General Meeting, and
- any other period designated by the Board.

The policy is subject to the overriding prohibition against trading while in possession of inside information.

Additional restrictions apply to specified persons, including Directors, senior executives and their associates whereby pre-trade approval must be obtained before they deal in CFX securities during trading windows. Additionally, each Director has agreed to provide notice to CFX of any dealings in securities within five business days of approved dealings so that CFX can comply with its obligation to notify the ASX.

The policy precludes executives from hedging or otherwise limiting their exposure to risk in relation to unvested CFX securities issued or acquired under any applicable equity arrangements.

A copy of the CFX Securities Trading Policy is available in the 'About us' section of CFX's website.

Prior to Internalisation, personnel engaged by CMIL were employees of CBA and were subject to the CBA Securities Trading Policy and Trading Policy of Colonial First State Global Asset Management. Each CMIL Director was subject to the same standards and corporate governance protocols as the Directors of CBA, including transacting in securities.

Diversity

Regulatory requirements regarding gender diversity are governed by both the Principles and the Workplace Gender Equality Act 2012 (Cth).

Prior to Internalisation, CMIL participated in CBA's diversity program as all personnel engaged in the operational activities of CFX were employees of CBA. CFX disclosures under the Workplace Gender Equality Act 2012 (Cth) were made as part of the CBA disclosures for the year ended 31 March 2014.

Upon Internalisation CFX established a Diversity Policy. A copy of the Diversity Policy can be found in the 'About us' section of CFX's website.

CFX promotes a workplace where employee differences and diversity are valued and celebrated. CFX considers that diversity is not only a social responsibility, but a lever that enables us to optimise the full potential of our people and our business. Diversity represents the recognition and respect of the individual differences that makes each person unique. Our commitment to diversity extends beyond gender and incorporates, but is not

limited to, diversity of age, ethnicity, cultural background, sexual orientation, political views, disability, parental or carer status, marital status and religious beliefs.

As at 30 June 2014, the respective proportions of women and men across the business were:

- Board: Women 25% / Men 75%
- Senior Executive Positions: Women 19% / Men 81%, and
- Across the whole organisation: Women 57% / Men 45%

For these purposes the Group defines senior executives as the direct reports of the CEO and members of the Group Executive Committee.

The Board has engaged the Remuneration and Organisation Committee to:

- review and recommend to the Board the Group's overall Human Resources strategy and key priorities, including diversity objectives
- review and monitor the Group's human resources processes, including diversity processes
- review and monitor the processes for managing the development of, and succession for, executives and other high potential employees, and
- review and report to the Board on the Group's achievements against gender diversity objectives.

The Group has established diversity initiatives which are targeted at the following areas:

- Flexible working arrangements: to support our people with their individual circumstances, flexible working arrangements (FWA) are available to all employees. Flexible options include job share, part-time arrangements, working from home and flexible start/finish times. Approximately 17% of our people are on a formalised flexible work arrangement, with women representing 90% of that number.
- Recruitment and selection: to ensure CFX recruits the best possible candidate for each role, candidates are selected on the basis of their individual merit. The selection process adheres to legislative guidelines and seeks to remove individual bias from hiring decisions. In the 12 month period to 30 June 2014, 60% of new hires were women.
- Talent management and succession planning: to support the development of all talent, and to increase the representation of women in management, CFX is committed to embedding diversity in our broader talent management programs, including leadership development. Our core leadership program, LeadFirst, focuses on building leadership alignment with our organisational values and development against our leadership capabilities. The tools utilised in the program focus on individual strengths and areas for development and the value those individual differences bring to the business. Women represent 40% of attendees through LeadFirst, and our planned 2014 program will include 11 women in the 20 attendees.

- Remuneration: the Group undertakes an annual remuneration review for employees and monitors outcomes by gender to ensure a fair outcome for all employees. The remuneration review includes a calibration process across all teams to ensure fairness and appropriateness of outcomes.

The Remuneration and Organisation Committee has a program in place for the development of measurable diversity objectives against which the Group's progress through its diversity initiatives can be reported. Measurable objectives will be in place for FY15. CFX will provide its first diversity report to the Workplace Gender Equality Agency in May 2015 and will report having regard to the 3rd edition of the Principles in FY15.

APREA Best Practice standards

APREA, the Asia Pacific Real Estate Association, is a non-profit industry association that represents both the listed and unlisted real estate sector across the Asia Pacific region. APREA has created a handbook of best practice guidelines for property companies and funds targeting improved information disclosure to investors, regulators and governments.

The APREA Best Practice Handbook sets out similar standards of governance to those of the ASX Corporate Governance Council, specifically to achieve more harmonised information disclosure within the sector and through the region, whilst recognising local jurisdictional rules.

For FY14, CFX was fully aligned with the APREA Best Practice standards.

PRINCIPLE 4

Safeguard integrity in financial reporting

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

Audit Committee

On 22 December 2003, the CMIL board established an Audit Committee.

Prior to Internalisation, the CMIL Audit Committee comprised three members, all of whom were Independent Directors.

The members of the Audit Committee in the period from 1 July 2013 to 23 March 2014 were:

- J F Kropp (Chairman)
- N J Milne, and
- R M Haddock.

Upon Internalisation, the CMIL Audit Committee was reconstituted and adopted a new charter. The Audit Committee is comprised only of Non-Executive Directors, a majority of whom are independent. The current members of the Committee are:

MEMBER

J F Kropp (Independent Committee Chairman)

K L C Penrose (Independent Deputy Committee Chairman)

T Gerber (Independent Non-executive member)

P Kahan (Non-executive member)

R M Haddock (Independent Non-executive member)

At least one member of the Audit Committee must have relevant accounting qualifications and experience and all members must have a good understanding of financial reporting. At least one member of the Audit Committee must also be a member of the Risk and Compliance Committee to assist the Committees to co-ordinate their activities. Both Mr Kropp and Ms Penrose are also members of the Risk and Compliance Committee.

The key areas of responsibility of the Audit Committee include:

- obtaining appropriate assurance in respect of the overall effectiveness of the internal control frameworks as they apply to accounting and tax, financial statements and the processing, recording and approval of financial transactions
- reviewing and discussing with management and the external auditor the areas of significant financial risk and the management of those risks
- providing an objective review of financial statements prepared by management, understanding the impact of significant accounting and reporting issues, and providing a recommendation to the Board as to whether the financial statements for the Group's entities are in order for adoption

- recommending the appointment or, if necessary, the removal of the external auditor to the Board for approval by securityholders
- assessing at least annually the independence, adequacy, and effectiveness of the external auditor and approving the auditor's terms of engagement and any non-audit fees
- reviewing the annual external audit plan and developing the proposed internal audit plan for the coming year to ensure that it addresses key areas of risk and that adequate resources have been assigned, and
- reviewing reports from management concerning capital management strategies, risks, policies, plans, controls and delegations.

At least once a year, the Audit Committee meets with the external auditor independently of management.

Appointment of auditor

PricewaterhouseCoopers is the current auditor for:

- CFX1
- CFX Co and its subsidiaries
- the managed investment schemes for which CMIL is the Responsible Entity or trustee, and
- the compliance plans of those registered managed investment schemes.

PricewaterhouseCoopers, which has been the appointed auditor since the 2008 financial year, has appointed an audit partner for the compliance plan audits who is different to the individual partners responsible for the CMIL and managed investment scheme audits.

The appointment and removal of the external auditor is regulated by the Act.

PRINCIPLE 5

Make timely and balanced disclosure

Companies should promote timely and balanced disclosure of all material matters concerning the company.

Continuous disclosure policy and procedures

The Board has in place continuous disclosure procedures designed specifically to identify matters requiring disclosure and to allow appropriate announcements to be made in a timely manner consistent with the ASX Listing Rules.

The Continuous Disclosure Policy (and its predecessor policy issued by CMIL) is designed to ensure that securityholders and the market are provided with full and timely information about CFX's activities. They form part of the protocols for managing the use and disclosure of information, and correlate with the policies described in Principle 3.

Management has a duty to promptly inform the Board of any matter that can be reasonably expected to have a material impact on the value of CFX. Prior to Internalisation, these requirements also formed part of the terms of the Management Agreement between CMIL and the Manager.

The release of price-sensitive information is made first through the ASX before release to any other party, and is the responsibility of the Company Secretary.

Upon confirmation by the ASX of the release of information to the market, the announcement is posted to CFX's website and emailed to securityholders who have elected to receive electronic communications. Presentations to analysts, brokers and the media are all subject to these disclosure practices.

The continuous and periodic disclosure requirements are embedded into the CFX Compliance Plan, which is subject to ongoing compliance monitoring and forms part of the annual external Compliance Plan audit.

To support this, a due diligence review process has been approved by the Directors, and includes verification testing of content and a review and sign-off by subject matter experts prior to the Board formally approving the release of information. This review process itself is subject to ongoing compliance monitoring and external audit testing.

The Board has specific processes to manage media and external communications, including responses to securityholder queries, to ensure compliance with its disclosure procedures.

PRINCIPLE 6

Respect the rights of shareholders

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

Communication policy

The Directors are committed to open and effective communication, ensuring that investors are informed of all significant developments concerning the Group.

Communication with securityholders is principally conducted through the website, which contains all market announcements, presentations and current financial information. The Board encourages securityholders to receive electronic communications.

The types of communication available on the website include:

- all disclosures made to the ASX
- annual reports
- investor presentations by CFX's senior management
- all correspondence from the Board Chairman or CEO sent to all securityholders
- all policies and summaries of charters
- sustainability activities and achievements
- key dates and events
- current and archived webcasts of annual and half-year results briefings, and
- detailed results information relating to the most recent reporting period.

Each six months, to coincide with the release of the annual and half-year financial statements and reports, CFX holds an analyst briefing. Facilities are available for securityholders to participate in these briefings should they wish to do so through a variety of media, including telephone conference call and webcast.

Additionally, the presentations from these briefings are available on CFX's website after confirmation of receipt from the ASX in accordance with the disclosure practices of CFX noted in Principle 5.

Management meets with investors throughout the year. Typically meetings follow the release of CFX's annual and half-year results or other material announcements and also occur at investor conferences. From time to time, Directors attend meetings with investors.

All securityholders have the right to attend CFX's Annual General Meeting. Securityholders will be provided with a Notice of Meeting and an explanatory statement of the resolutions proposed. A copy of the Notice of Meeting is lodged with the ASX and also posted on CFX's website.

The 'Investor relations' section on pages 26 to 27 summarises securityholder communications, including contact details for CFX's investor relations team.

PRINCIPLE 7

Recognise and manage risk

Companies should establish a sound system of risk oversight and management and internal controls.

Risk and Compliance Committee

On 24 March 2014, the Board established a Risk and Compliance Committee to replace the former CMIL Compliance Committee which operated under the CBA framework.

The Risk and Compliance Committee is comprised of only Non-executive Directors, a majority of whom are independent. The current members of the Committee are:

MEMBER
N J Milne (Independent Committee Chairman)
J F Kropp (Independent Non-executive member)
K L C Penrose (Independent Non-executive member)
D Thurin (Non-executive member)

The Committee has responsibility for:

- assessing the Group's risk culture and risk appetite statement
- overseeing and reviewing the enterprise risk management and compliance monitoring framework to ensure continuing identification of operational, strategic, regulatory and legal risks
- working in conjunction with the Audit Committee with respect to financial risk management, tax risk management, internal controls and financial/corporate reporting
- reviewing and recommending that the Board adopt policies with respect to business continuity and disaster recovery, outsourcing and procurement, conflicts of interests, workplace health and safety and regulatory compliance
- overseeing monitoring of compliance with Group policy and the Group's legal obligations, and
- reviewing the adequacy of the Groups' insurance program.

Prior to Internalisation, the CMIL Compliance Committee undertook monitoring for the CMIL board of the Responsible Entity's compliance with the CFX Compliance Plan and the Act and reported to the CMIL board. The Committee acted under a charter approved by the Board, which set out its duties, responsibilities and reporting requirements.

The CMIL Compliance Committee, which acted up until 23 March 2014, consisted of six members, four of whom were independent:

- H McHutchison (Independent Non-executive Chairman)
- P Dortkamp (Independent Non-executive member)
- P James (Independent Non-executive member)
- D Robinson (Independent Non-executive member)
- P Taylor (CBA executive member)
- M I Venter (CBA executive member)

Risk management and internal controls

CFX has in place a risk management framework and has implemented policies and internal controls to ensure that CFX's assets are protected and material risks are identified and appropriately managed.

The CEO and senior management are accountable for developing and promoting the appropriate management of risk and the ongoing maintenance of the control environment.

The Group is currently undertaking a review of its risk management framework to reflect the changes associated with Internalisation. This includes re-assessment of the CFX risk appetite statement, the annual program of assurance and the structure of internal audit activities. The review is being overseen by the Risk and Compliance Committee.

CFX identifies key areas of risk having an influence on the operation of CFX and the markets in which CFX operates. These include the following areas:

- Asset risk: CFX invests in quality retail assets. The assets are generally located in geographically significant markets to provide tenancy capacity and development opportunities to enhance the assets over time. CFX also seeks long-term tenancy arrangements with its anchor tenants to limit vacancy impacts.
- Gearing: CFX presently maintains a target gearing range of 25% to 35%. CFX is currently geared at 30.9%. Total liabilities as a proportion of total assets must not exceed 50%.
- People and safety: CFX is committed to providing a fair, safe, challenging and rewarding workplace, and recognises the importance of attracting and retaining high quality people. There are a range of policies and systems in place to enable the achievement of these goals, including:
 - » equal employment opportunity
 - » workplace health and safety, and
 - » recruitment, performance, remuneration and development of our people.
- Financial risks, specifically:
 - » macroeconomic conditions (broader economic and monetary policy conditions)
 - » refinancing and capital expenditure (cost of capital to fund development and financing arrangements)
 - » hedging (the majority of the borrowings in CFX are hedged to counteract the potential for loss arising from movement in interest and currency exchange rates over the period of time the borrowings are in place), and
 - » market volatility (impacts on valuation of assets, financing arrangements, and the price of CFX securities).
- Property and operational risks (risk to assets, development and redevelopment projects and risks associated with contractors and service providers), and
- Environmental risks, including those arising from government policy.

Mitigation planning and monitoring is achieved through a range of methods. These include:

- the construction of terms of contract where service providers are engaged, and the active management of those contracts
- reviews to ensure that changes to statutory, government policy and sustainability risk are communicated to the business in a timely manner to plan for expected operating activity amendments
- financial risk is managed through a dedicated finance function (fund finance teams, financial control and reporting, capital strategy management, and forecasting and analytics)
- documented procedure manuals, monitoring, auditing and use of appropriate insurance for property and safety risks across CFX assets, and
- reporting to the Board on risk implications of the above risks as well as new and emerging risks, organisational change and major initiatives occurs through the Risk and Compliance Committee and, where appropriate, the Audit Committee.

The risk management structure is further supported by CFX's Compliance Plan, which identifies and manages the statutory risk applicable to CFX, its control methodologies and the monitoring obligations of CFX. The Compliance Plan is available in the 'About us' section of CFX's website.

Compliance framework

Throughout the reporting period there has been a dedicated risk management and compliance team in place that is responsible for reviewing and monitoring the efficiency of compliance and risk management systems on an ongoing basis, and ensuring that appropriate compliance and risk mitigation measures are in place.

The Group's compliance framework is consistent with the Australian Standard for Compliance Programs (AS/NZS 3806:2006) and Australian Securities and Investments Commission (ASIC) regulatory guidance for meeting general obligations and licence conditions. The compliance framework is integrated with the risk management framework.

Integrity in financial reporting

As part of the overall process to manage risk, the Board is provided with declarations that are required to be made in accordance with section 295A of the Act. When receiving a declaration, the Board is provided with assurance from the Chief Financial Officer (CFO) or equivalent¹ and the CEO that the declaration is based on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial risks. Additional information may be found in the Financial Report under the section 'Directors' declaration' on page 148.

Internal audit

The Audit Committee is currently assessing options for the structure of an internal audit function for CFX. Prior to Internalisation, CBA's internal audit function reviewed the operations of CMIL and reported to the CMIL Audit Committee with respect to its findings.

¹ CFX created a role of CFO at the time of Internalisation. A CFO was appointed in May 2014, and is due to commence employment with CFX in November 2014. The Group Financial Controller has acted in this role in the interim period.

PRINCIPLE 8

Remunerate fairly and responsibly

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

Remuneration and Organisation Committee

The Board established a Remuneration and Organisation Committee with effect from 24 March 2014. Prior to Internalisation, CMIL did not have a remuneration committee as it did not employ any personnel directly.

The Remuneration and Organisation Committee is comprised only of Non-executive Directors, a majority of whom are independent. The current members of the Committee are:

MEMBER
N J Milne (Independent Committee Chairman)
T Gerber (Independent Non-executive member)
R M Haddock (Independent Non-executive member)
P Kahan (Non-executive member)

In the area of remuneration, the key responsibilities of the Committee are to:

- review and recommend to the Board major changes and developments in the Group's remuneration, reward, recruitment, retention and termination policies
- review and recommend to the Board arrangements under these policies for the CEO and other senior management, including contractual terms, annual remuneration and participation and performance hurdles applicable to any short or long term incentive plans
- recommend to the Board the design of any new equity or cash-based incentive plans
- review and approve the proposed terms of, and authorise the making of, offers to eligible employees of the Group, including determining the eligibility criteria applying in respect of an offer, in respect of a financial year
- recommend to the Board the application of any "clawback" arrangements in the Group's remuneration arrangements (including incentive plans if applicable)
- review and recommend to the Board any termination payments to executive Directors and other senior management ensuring any termination benefits are justified and appropriate
- review and recommend to the Board the remuneration arrangements for the Chairman and the Non-executive Directors of the Board, and
- review and recommend to the Board minimum shareholding guidelines or policies for Non-executive Directors.

In discharging its responsibilities, the primary objectives of the Remuneration and Organisation Committee are to:

- ensure the Group's remuneration structures are equitable and aligned with the long-term interests of the Group and its securityholders
- attract and retain skilled executives, and
- structure short and long term incentives that are challenging and linked to the creation of sustainable securityholder returns.

The Committee also has regard to, and notifies the Board as appropriate of, all legal and regulatory requirements, including any securityholder approvals which are required in respect of remuneration matters.

Remuneration policy

In the year in which CFX's management was internalised, the Remuneration and Organisation Committee reviewed and approved the remuneration framework to apply in FY14 (for the part-year from 24 March to 30 June, post Internalisation) and a revised remuneration framework to apply in FY15. Revised remuneration arrangements are designed to attract and retain key talent, recognise performance and demonstrate a direct link in CFX's short-term and long-term incentive structures between the Group's performance and individual outcomes.

Further detail in relation to the remuneration of Directors and KMP is set out in CFX's first Remuneration Report included on pages 83 to 96.

CFX has in place a written agreement with each Director and senior executive setting out the terms of their appointment.

Expense reimbursement

Directors are entitled to be reimbursed for reasonable expenses incurred in the performance of their duties.

Statement of compliance

Principle 1: Lay solid foundations for management and oversight

Companies should establish and disclose the respective roles and responsibilities of board and management.		Pages 60–61
1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.		Y
1.2 Companies should disclose the process for evaluating the performance of senior executives.		Y
1.3 Companies should provide the information indicated in the guide to reporting on Principle 1.		Y

Principle 2: Structure the board to add value

Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.		Pages 62–64
2.1 A majority of the board should be independent directors.		Y
2.2 The chair should be an independent director.		Y
2.3 The roles of chair and chief executive officer should not be exercised by the same individual.		Y
2.4 The board should establish a nomination committee.		Y
2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.		Y
2.6 Companies should provide the information indicated in the guide to reporting on Principle 2.		Y

Principle 3: Promote ethical and responsible decision making

Companies should actively promote ethical and responsible decision making.		Pages 64–66
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: - the practices necessary to maintain confidence in the company's integrity - the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders, and - the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Y
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	Y
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity.	Y
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Y
3.5	Companies should provide the information indicated in the guide to reporting on Principle 3.	Y

Principle 4: Safeguard integrity in financial reporting

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.	Pages 66–67
4.1 The board should establish an audit committee.	Y
4.2 The audit committee should be structured so that it: • consists only of non-executive directors • consists of a majority of independent directors • is chaired by an independent chair, who is not chair of the board, and • has at least three members.	Y
4.3 The audit committee should have a formal charter.	Y
4.4 Companies should provide the information indicated in the guide to reporting on Principle 4.	Y

Principle 5: Make timely and balanced disclosure

Companies should promote timely and balanced disclosure of all material matters concerning the company.	Page 67
5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Y
5.2 Companies should provide the information indicated in the guide to reporting on Principle 5.	Y

Principle 6: Respect the rights of securityholders

Companies should respect the rights of securityholders and facilitate the effective exercise of those rights.	Page 68
6.1 Companies should design a communications policy for promoting effective communication with securityholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Y
6.2 Companies should provide the information indicated in the guide to reporting on Principle 6.	Y

Principle 7: Recognise and manage risk

Companies should establish a sound system of risk oversight and management and internal controls.		Pages 68–69
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Y
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Y
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Y
7.4	Companies should provide the information indicated in the guide to reporting on Principle 7.	Y

Principle 8: Remunerate fairly and responsibly

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.		Page 70
8.1	The board should establish a remuneration committee.	Y
8.2	The remuneration committee should be structured so that it: • consists of a majority of independent directors • is chaired by an independent chair, and • has at least three members.	Y
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Y
8.4	Companies should provide the information indicated in the guide to reporting on Principle 8.	Y

Financial Report

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Directors' Report

The Directors of Commonwealth Managed Investments Limited, the Responsible Entity (the 'RE') for CFS Retail Property Trust 1 (the 'Trust'), present their report together with the financial report of the Trust and its controlled entities (the consolidated entity) for the financial year ended 30 June 2014. The consolidated entity together with CFX Co Limited (CFX Co) and its controlled entities form the stapled entity, CFS Retail Property Trust Group (CFX or the 'Group').

Directors

The names of the Directors of the RE at any time during the financial year and up to the date of this report are:

(i) Chairman – Non-executive Director

R M Haddock AM (independent)

(ii) Non-executive Directors

T Gerber (independent) (appointed 23 April 2014)

R E Griffiths (resigned 24 March 2014)

P A F Hay (independent) (appointed 25 July 2014)

P D Kahan (appointed 23 April 2014)

J F Kropp (independent)

N J Milne OAM (independent)

K L C Penrose (independent) (appointed 23 April 2014)

D M Thurin (appointed 23 April 2014)

(iii) Executive Directors

A McNaughton (appointed 24 March 2014)

M J Venter (resigned 24 March 2014)

Company Secretary

M T Brady LLB, BBus, GDLP, AGIA was appointed as Company Secretary of the RE on 27 March 2013.

Information on the qualifications, experience and responsibilities of Directors' profiles on pages 16 to 19 of the 2014 Annual Report.

Internalisation

On 24 March 2014, following stapled securityholder approval, CFX paid \$475.5 million (\$467.8 million excluding a \$7.7 million receivable for QV Retail management) to the Commonwealth Bank of Australia (CBA) to internalise CFX's management, commence the investment management of a number of wholesale funds and mandates (Wholesale Funds) and acquire CBA's retail asset management business (Internalisation). This restructure was effected through the following transactions:

- a newly formed entity CFX Co acquired the RE and asset management entities owned by CBA. CFX Co paid \$460 million (\$452.3 million excluding a \$7.7 million receivable for QV Retail management) and an additional \$15.5 million for the net tangible assets of the RE and the asset management entities. CFX Co was funded by the Trust making a capital distribution to its unitholders which was reinvested in CFX Co, and by the Trust making a loan to CFX Co
- CFS Retail Property Trust 2 (CFX2) de-stapled from the Trust and was acquired by CFX Co, and
- CFX Co stapled to the Trust.

The transaction was funded by a \$280 million institutional placement by the Trust in December 2013 to issue new equity (refer to note 14 to the financial statements), a security purchase plan which raised a further \$15 million of equity in January 2014, and the remainder through existing undrawn cash advance facilities.

Previously, CFX comprised of the Trust and CFX2, the units of which were stapled to form CFX stapled securities. From 24 March 2014, CFX comprises the Trust and CFX Co, with CFX Co having acquired CFX2. The units of the trust are stapled to CFX Co shares to form CFX stapled securities. CFX stapled securities trade as one security on the Australian Securities Exchange (ASX).

Principal activities

The Trust is a registered managed investment scheme domiciled in Australia and has its principal place of business at Level 4, Tower 1, 201 Sussex Street, Sydney, New South Wales 2000. Post-Internalisation the Group operates a fund and asset management business.

The Responsible Entity is incorporated and domiciled in Australia and has its registered office at Ground Floor, Tower 1, 201 Sussex Street, Sydney, New South Wales 2000.

Apart from changes resulting from Internalisation, there were no other significant changes in the nature of CFX's activity during the financial year.

Distributions

Total distributions paid/payable to stapled securityholders for the financial year ended 30 June 2014 amounted to \$409.9 million, representing 13.6 cents per stapled security (Jun 2013: \$384.6 million, representing 13.6 cents per stapled security).

(a) Distributions for the six months ended 31 December 2013

The distribution paid for the six months ended 31 December 2013 was \$204.7 million (6.8 cents per stapled security).

(b) Distributions for the six months ended 30 June 2014

The distribution declared but not paid for the six months ended 30 June 2014 is \$205.2 million (representing 6.8 cents per stapled security).

Operating and financial review

Internalisation has resulted in the largest change to the Group's structure since inception, transforming CFX from an externally managed A-REIT to a fully integrated retail property group. The internalisation has expanded the Group's operations, introducing a fund and asset management business and the direct employment of over 800 people. These additional activities are undertaken by entities within CFX Co. CFX's primary focus, however, remains the investment in a diversified portfolio of predominantly regional, large sub-regional, and retail outlet centres in Australia, with these operations undertaken by the Trust.

Operating and financial review (continued)

CFX's total revenue is produced principally from the rental income generated from its portfolio of assets held on balance sheet (Direct Portfolio). To maximise rental outcomes over the longer term, CFX is focused on keeping its centres fully occupied and increasing retail sales across the portfolio by driving greater patronage from customers. CFX attempts to maximise customer visits by enhancing the appeal of our centres, which includes reweighting the mix of tenants where there is strength in underlying consumer demand. Increasing customer traffic and retail sales also assists in maximising occupancy across the portfolio and reducing the probability of tenants leaving on expiry of their leases.

CFX periodically acquires centres that improve the long-term earnings prospects of the portfolio and sells centres where it believes capital might best be deployed elsewhere. CFX targets a modest gearing level of 25% to 35%. This allows CFX to take on some leverage which can enhance income returns for equity investors. Keeping gearing modest provides CFX with the flexibility to fund development expansions and acquisitions.

(a) Financial results and operations

Key financial and operational highlights over the financial year include:

- The consolidated statutory profit for the financial year ended 30 June 2014 increased by 35.6% to \$400.1 million (Jun 2013: \$295.0 million). The increase primarily reflects the net differences in the revaluation of investment properties and derivatives between the two years.
- Net property income increased by 2.2% to \$549.0 million (Jun 2013: \$537.2 million). The increase primarily reflects the benefit of cessation of property management fees from the internalisation date of 24 March 2014. On a like-for-like basis net property income was up 0.7%. CFX has maintained close to full portfolio occupancy of 99.7% (Jun 2013: 99.4%).
- Interest expense was \$112.0 million in the current financial year (Jun 2013: \$112.0 million). The impact of increased borrowings to fund internalisation and developments was offset by a fall in floating interest rates over the year. CFX's weighted average interest rate reduced to 5.4% at 30 June 2014 from 5.6% at 30 June 2013. Refer to note 3(a) to the financial statements for a reconciliation of interest expense to the statement of comprehensive income.
- Statutory profit was positively impacted by a net revaluation gain on investment properties of \$70.2 million (Jun 2013: \$61.2 million loss), including major positive movements for QueensPlaza, Brisbane, \$63.4 million, and Chatswood Chase, Sydney, \$32.9 million, each reflecting solid income growth and a 25 basis points tightening of capitalisation rates. A \$25.6 million revaluation increase was recorded for DFO Homebush, reflecting a 50 basis point tightening of the capitalisation rate. This reflects comparable market evidence and the positive impact of developments works undertaken. These positive movements were partially offset by some revaluation losses resulting from challenging leasing conditions and centre-specific issues for Bayside Shopping Centre (\$27.3 million), Forest Hill Chase (\$14.7 million) and Broadmeadows Shopping Centre (\$14.0 million).
- Included within net profit is an unrealised net loss on the fair value of interest rate swaps of \$23.0 million (Jun 2013: \$3.5 million), reflecting the decrease in interest rates over the period. The swaps have been effective in meeting the objective of providing CFX with greater certainty of financing costs.
- Consolidated net profit has been adjusted for fair value adjustments, certain unrealised and non-cash items, and other items that are non-recurring or capital in nature, to determine distributable income for the financial year ended 30 June 2014 of \$400.4 million (Jun 2013: \$384.6 million). Distributable income is a key earnings measure used by management to assess CFX's performance. A reconciliation of net profit to distributable income is set out in the following table:

Directors' Report

CONTINUED

Operating and financial review (continued)

(a) Financial results and operations (continued)

	CONSOLIDATED 30 JUN 2014 \$M	CONSOLIDATED 30 JUN 2013 \$M
Statutory net profit for the year	400.1	295.0
Adjustments ⁽¹⁾ :		
– straight-lining revenue	1.6	(2.4)
– fair value (gains)/losses from investment properties and equity accounted investments	(70.8)	63.1
– fair value adjustments to derivatives	23.0	3.5
– movement in fair value of unrealised performance fees	2.0	(5.5)
– non-cash convertible notes interest expense	1.2	2.0
– internalisation costs	13.5	–
– amortisation of intangibles, net of tax	0.5	–
– amortisation of project items	19.6	20.0
– other items	9.7	8.9
Distributable income	400.4	384.6
Other adjustments		
– transfer from undistributed reserve ⁽²⁾	9.8	–
– amount retained	(0.3)	–
Distributions paid and payable	409.9	384.6

(1) Refer to note 3 to the financial statements for an explanation of the adjustments to net profit to determine distributable income for the year.

(2) New stapled securities issued on 24 December 2013 ranked equally with existing stapled securities and were therefore entitled to the full distribution for the half year to 31 December 2013. Therefore an amount was transferred from undistributed reserves to deliver a distribution of 6.8 cents per stapled security for that half-year period.

- The 4.1% increase in distributable income is predominantly due to the impact of internalisation, reflecting both the Groups diversified revenue stream and savings resulting from the replacement of external management fees with an internalised cost structure.
- CFX improved the quality of the Direct Portfolio by selectively divesting assets for reinvestment into higher quality assets. This was achieved through the following transactions:
 - The sale of Rosebud Plaza Shopping Centre in November 2013 for \$100 million. The sale represented a slight premium to book value.
 - The acquisition of a further 25% interest in DFO South Wharf in May 2014 for \$87.6 million.
 - The conditional sale of the leasehold interest in The Entertainment Quarter, Sydney in June 2014 for \$40 million (CFX share), representing a 22.7% premium to prior book value. The sale remains conditional on the approval of the ground lessor and the relevant NSW State Government authority.

(b) Financial position

Key features of CFX's financial position at reporting date include:

- Total assets increased by 9.7% to \$9,461.9 million (Jun 2013: \$8,629.1 million), primarily due to assets acquired from internalisation, additional capital expenditure, and net revaluation gains on investment properties.
- Net assets increased by 5.9% to \$6,101.7 million (Jun 2013: \$5,764.4 million), largely reflecting \$351.9 million equity raised through institutional placement, a securityholder purchase plan, and the distribution reinvestment plan. The equity proceeds were used to fund the internalisation of management which resulted in CFX recording intangible assets of \$363.9 million. As a result, net tangible asset backing per stapled security at 30 June 2014 is \$1.90 (Jun 2013: \$2.04). Net asset value per stapled security at 30 June 2014 is \$2.02 (Jun 2013: \$2.04).
- CFX's gearing is 30.9% (Jun 2013: 28.8%), comfortably within the target range of 25% to 35%. The increase in gearing reflects the debt funding portion of the internalisation and capital expenditure. CFX completed or significantly progressed the following redevelopments:
 - DFO Homebush - the \$100 million redevelopment completed ahead of schedule in March 2014, fully leased. The redevelopment involved significant expansion and remodelling of the existing centre and introduced a number of luxury and premium apparel retailers and additional homemaker retailers. The project also delivered a new food court, upgraded parents' rooms and toilets, and an expanded and reworked car park facility with over 2,000 spaces.

Operating and financial review (continued)

(b) Financial position (continued)

- Emporium Melbourne – the \$590 million (CFX share) development partially opened in April 2014 and was fully completed in August 2014. The centre has a premium tenant mix, and includes a 1,100 seat café court. The development is expected to have a stabilised yield on cost of approximately 5%.
- CFX negotiated \$1.6 billion of financial facilities, improving the underlying fundamentals of the balance sheet. As a result of its continued active capital management, the weighted average duration of CFX's debt increased to 3.5 years at 30 June 2014 from 3.1 years at 30 June 2013. At 30 June 2014, borrowings are 87.1% hedged (Jun 2013: 81.3%).
- At 30 June 2014, CFX has \$393.0 million undrawn cash advance facilities expiring beyond one year with which to fund its \$292.7 million current debt obligations. Undrawn facilities in excess of current debt obligations will be used to fund CFX's development pipeline and working capital requirements.
- CFX's most restrictive debt covenants (which apply to the Trust) and corresponding results at 30 June 2014 are as follows:

	COVENANT	ACTUAL
Loan to value ratio (LVR) ⁽¹⁾	50% or less	36%
Interest cover ratio (ICR) ⁽²⁾	1.8 times or greater	3.4 times

- (1) LVR is calculated for the Trust as total liabilities divided by total assets. This calculation excludes the liabilities and assets pertaining to CFX Co.
- (2) ICR is calculated as earnings before interest divided by net interest expense for the Trust. For the purposes of this calculation, earnings represents net profit excluding all fair value adjustments, straight-lining revenue, borrowing costs and net interest expense on interest rate swaps. Interest expense is the sum of borrowing costs, net interest expense on interest rate swaps, and capitalised interest, less non-cash convertible notes interest and adjustments for convertible notes buy-back expense.

(c) Business strategies and prospects for future financial years

- Post Internalisation, CFX's strategy has been enhanced to reflect the expanded business with the Group now directly employing over 800 people and having a strategic partnerships business comprising funds and asset management mandates. CFX's focus post Internalisation is on:
 - Delivering superior and stable risk-adjusted investment returns through disciplined investment and capital management
 - Driving asset performance through intensive asset management
 - Achieving operational excellence through efficient management of costs and processes and further embedding a culture of continuous improvement, and
 - Developing and enhancing relationships with existing and new strategic partners.
- CFX will continue to enhance the performance of its properties through redevelopment. CFX's development pipeline is approximately \$1.2 billion, with developments targeting an average yield on first year income of 6.5% to 8.0%. Projects currently under construction have a

development cost of approximately \$303 million (CFX Direct Portfolio share), with \$290 million remaining to be spent. The major project currently underway is the \$290 million (CFX Direct Portfolio share) next stage of redevelopment of Chadstone Shopping Centre which received final approval and satisfied all conditions precedent in May 2014. The project will involve the expansion and redevelopment of the northern end of the centre adding approximately 20,000 sqm of retail floor area, featuring new international retailers and reinforcing Chadstone as Australia's premier shopping centre destination. The redevelopment also includes the construction of a 10 level, 17,000 sqm office building on the southern end of the site. Early works and demolition commenced in June 2014, with construction to start in September 2014 and staged openings through to completion by June 2017.

- CFX provides distribution guidance of 13.8 cents per security for the 2015 financial year, which excludes the impact of the sale of The Entertainment Quarter (conditional contract has been exchanged) and other potential non-core asset sales and assuming there is no unforeseen material deterioration to existing economic conditions. Non-core assets are generally higher yielding, and the sale of any non-core assets will likely result in some short-term dilution of earnings, the magnitude of which is highly dependent on the use of proceeds of any such sale.
- The material risks that could affect CFX's achievement of the financial prospects noted above include a further deterioration in retail sales impacting on CFX's ability to achieve leasing forecasts, potential increases in construction and interest costs, delays in project completions, and the inability to secure sufficient funding.

CFX seeks to mitigate these risks via:

- employing a highly motivated and experienced property management team with appropriate specialisation in retail leasing and development
- active capital management ensuring debt diversity by both source and duration. This includes ensuring debt expiring in the short to medium term is refinanced well in advance of expiry date and maintaining diversity to achieve an even mix of bank debt, domestic MTN's and other sources. During the 2015 financial year, CFX will actively look to refinance \$292.7 million in current debt obligations and \$192.3 million debt expiring in the 2016 financial year
- the maintenance of a strong balance sheet and credit rating. CFX will continue to target gearing of 25% to 35%, enabling flexibility for acquisition opportunities and delivery of its development pipeline and
- the targeting of 65% to 85% of borrowings at fixed rates of interest, thereby providing greater certainty of financing costs.
- A new corporate brand is currently being developed and is expected to be launched later in 2014.

Directors' Report

CONTINUED

Operating and financial review (continued)

(c) Business strategies and prospects for future financial years (continued)

The following Board¹ meetings including meetings of Committees of the Board of Directors, held during the financial year and the number of those meetings attended by each of the Directors are shown below:

DIRECTOR	BOARD MEETINGS		AUDIT COMMITTEE ⁽²⁾		REMUNERATION AND ORGANISATION COMMITTEE		RISK AND COMPLIANCE COMMITTEE		NOMINATIONS COMMITTEE ⁽³⁾	
	A	B	A	B	A	B	A	B	A	B
R M Haddock ⁽⁴⁾	42	41	8	8	3	3	–	–	–	–
T Gerber	2	2	2	2	3	3	–	–	–	–
R E Griffiths ⁽⁵⁾	39	36	–	–	–	–	–	–	–	–
P D Kahan	2	2	2	2	3	3	–	–	–	–
J F Kropp ⁽⁴⁾	42	41	9	9	–	–	1	1	–	–
N J Milne ⁽⁴⁾	42	40	7	7	3	3	1	1	–	–
K L C Penrose	2	2	2	2	–	–	1	1	–	–
D M Thurin	2	2	–	–	–	–	1	1	–	–
A McNaughton	3	3	–	–	–	–	–	–	–	–
M J Venter ⁽⁵⁾	39	32	–	–	–	–	–	–	–	–

A = Number of meetings held during the time the director held office or was a member of the committee during the year

B = Number of meetings attended

(1) 'Board' refers to the board of the RE for the financial year ended 30 June 2014 and the board of CFX Co for the period 24 March 2014 to 30 June 2014. From 24 March 2014 the Directors of the RE and CFX Co were the same and Board meetings were held concurrently.

(2) The Audit Committee was reconstituted under a new charter upon Internalisation. The number of meetings reflects meetings for the full financial year.

(3) The Nominations Committee was formed upon Internalisation. The Committee did not meet in the period between 24 March 2014 and 30 June 2014.

(4) In addition to the above Board meetings there were a number of Independent Board Committee (IBC) meetings held during the year to discuss the Internalisation proposal.

(5) Due to their positions as senior executives of the Commonwealth Bank of Australia (CBA), Mr Griffiths and Mr Venter did not attend a number of RE board meetings in the period from 24 July 2013 to 23 March 2014 in order to avoid a conflict of interest with the Internalisation matters being considered by the RE board in that period. Mr Griffiths and Mr Venter attended RE board meetings dealing with ordinary items of business.

Directors' interests

Dr Thurin has control over 16,894,070 CFX stapled securities registered in the name of Cenarth Pty Ltd as trustee for The Cenarth Trust and Jadeglen Investments Pty Ltd.

Mr Hay owns 10,000 CFX stapled securities.

No Director of CFX has received or become entitled to receive any benefit by reason of a contract made by CFX, or a related entity, with a Director, or with a firm of which a Director is a member, or with an entity in which a Director has a substantial interest, other than remuneration in their capacity as Director of CFX.

The movement in stapled securities on issue in CFX during the financial year, along with the number of stapled securities on issue at the end of the financial year, is disclosed in note 14 to the financial statements.

Significant changes in the state of affairs

In the opinion of the Directors, there were no significant changes in the state of the affairs of CFX that occurred during the financial year other than those matters stated in this report.

Matters subsequent to the end of the financial year

On 25 July 2014, Mr Peter Hay was appointed as an independent non-executive Director to the Boards of the RE and CFX Co.

CFX announced the appointment of Mr Richard Jamieson to the position of Chief Financial Officer on 12 May 2014. Mr Jamieson is expected to commence with the Group in November 2014 and will be one of the Group's Key Management Personnel.

Since the end of the financial year, the Directors are not aware of any matter or circumstance not otherwise dealt with in this financial report that has significantly affected or may significantly affect CFX's operations, the results of those operations or CFX's state of affairs in future financial years.

Environmental regulation

CFX is subject to the reporting obligations under the National Greenhouse and Energy Reporting Act 2007. This Act requires CFX to report annual greenhouse gas emissions, energy use and production for all assets under management for each financial year. In prior financial years, CFX met this obligation by providing data to the Commonwealth Bank of Australia (CBA), and will now directly report to the Department of the Environment for the current financial year. CFX monitors its other environmental legal obligations and is compliant for the reporting period.

Indemnification and insurance of officers

CFX provides a Deed of Access, Indemnity and Insurance (Deed) in favour of:

- each of the officers of CFX and its wholly owned subsidiary companies; or
- any corporation of which the officer is appointed or nominated as an officer by CFX or its wholly owned subsidiaries.

The Deed indemnifies these persons on a full indemnity basis to the extent permitted by law for losses, liabilities, costs and expenses incurred as an officer of CFX, its wholly owned subsidiaries or such other entities.

Subject to specified exclusions, the liabilities insured are for costs that may be incurred in defending legal proceedings that may be brought against officers in their capacity as officers of CFX, its subsidiary companies or such other entities, and other payments arising from liabilities incurred by the officers in connection with such proceedings.

During the financial year, CFX paid insurance premiums to insure the officers of CFX and its subsidiary companies. The insurance does not provide any cover for the independent auditor of CFX. In accordance with commercial practice, the terms of the insurance policies prohibit disclosure of the nature of the liabilities insured against and the amount of the premiums payable under those insurance policies.

Responsible Entity fees

Fees paid and payable to the Responsible Entity during the financial year are disclosed in note 15 to the financial statements.

Non-audit services

The Responsible Entity may employ CFX's auditor on assignments in addition to its statutory audit duties. Details of the amount paid or payable to the auditor for audit and non-audit services are set out in note 19 to the financial statements. The Directors, in accordance with advice received from the Audit Committee, are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 and did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- the Audit committee has responsibility to review all non-audit services to ensure that they do not impact the impartiality and objectivity of the auditor;
- all non-audit services engaged by the Group have been reviewed by the Audit Committee; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Rounding of amounts

The Trust is of a kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission (ASIC) relating to the 'rounding off' of amounts in the Directors' report. Accordingly, amounts in the Directors' report have been rounded off to the nearest tenth of a million dollars (\$m) in accordance with that Class Order, unless stated otherwise.

Auditor

PricewaterhouseCoopers continues in office as the auditor of CFX.

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 97.

Directors' Report

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Remuneration and Organisation Committee Chairman's letter

Dear securityholder,

On behalf of the Board and as Chairman of the Remuneration and Organisation Committee, I am pleased to provide you with the FY14 Remuneration Report, our first since CFX commenced operations under an internalised management model. This Remuneration Report outlines the remuneration arrangements for FY14 (post Internalisation)¹, along with the revised remuneration framework for FY15.

The immediate focus of the Remuneration and Organisation Committee (Committee) has been to oversee the establishment of transitional remuneration arrangements for FY14 and to develop revised remuneration arrangements for FY15 as summarised below and further detailed within the report.

Remuneration arrangements for FY14

During the year the Committee reviewed the overall remuneration framework that was in place, reviewed performance and associated incentive outcomes for FY14, and adopted a revised remuneration framework to apply in FY15. In doing so, we have transitioned employees to the new internalised business, with key individuals retained, and closed out legacy remuneration arrangements with the former manager, CBA.

For further detail on the transitional arrangements for FY14 see pages 85 to 88.

Revised arrangements for FY15

Our approach to remuneration is to provide competitive rewards that engage our people to deliver superior and sustainable performance for securityholders. We have revised the FY15 arrangements to further strengthen the alignment between our remuneration and performance. The key elements of the FY15 remuneration arrangements are:

1. a revised short-term incentive (STI) plan, including a minimum Group financial performance threshold before any payments are made, and the introduction of partial STI deferral into security rights to enhance alignment with securityholders, and
2. a revised long term incentive (LTI) plan consisting of equity grants subject to performance assessment against our longer term performance goals.

Under these FY15 remuneration arrangements a substantial portion of Executive Key Management Personnel (Executive KMP) remuneration is at risk and linked to both short-term and long-term performance. In the case of the Managing Director and CEO's target remuneration, two-thirds of remuneration is at risk, while for other Executive KMP more than half is at risk. We believe that these remuneration arrangements will support a focus on performance achievement.

For further detail on the revised remuneration framework for FY15 see pages 89 to 94.

We are committed to the ongoing monitoring and formal review of our remuneration arrangements to ensure that they continue to align with CFX's business strategy, including our financial goals, risk management, people management and securityholder returns.

We hope that you find this report useful and informative.

Yours sincerely,



Nancy Milne OAM

Remuneration and Organisation Committee Chairman

21 August 2014

¹ On 24 March 2014, CFS Retail Property Trust Group (CFX or the Group) completed the transaction to internalise the Group's management, commence the investment management of a number of wholesale property funds and mandates (Wholesale Funds) and acquire a retail asset management business from Commonwealth Bank of Australia (CBA) (together Internalisation).

Remuneration Report

1. Introduction

The Remuneration Report forms part of the Directors' Report and has been prepared and audited in accordance with the Corporations Act (section 300A and section 308(3C)).

In line with statutory requirements, the Remuneration Report focuses on our remuneration approach for Key Management Personnel (KMP) post Internalisation. KMP are defined in AASB 124 as those individuals having authority and responsibility for planning, directing and controlling the activities of the Group. KMP are separated into two groups, Non-executive Directors and Executive KMP.

KMP	ROLE	COMMENCEMENT DATE AS KMP
Non-executive Directors		
Richard Haddock AM	Chairman Independent Non-executive Director	24 March 2014
Trevor Gerber	Independent Non-executive Director	23 April 2014
Peter Kahan	Non-executive Director	23 April 2014
James Kropp ²	Independent Non-executive Director	24 March 2014
Nancy Milne OAM	Independent Non-executive Director	24 March 2014
Karen Penrose	Independent Non-executive Director	23 April 2014
David Thurin	Non-executive Director	23 April 2014
Executive KMP		
Angus McNaughton	Managing Director and CEO	24 March 2014
Michael Gorman	Deputy CEO and Chief Investment Officer	24 March 2014
David Marcun	Chief Operating Officer and Head of Asset Management	24 March 2014

Further to the above, Peter Hay was appointed to the Board on 25 July 2014, and Richard Jamieson has been appointed to the role of Chief Financial Officer, with an anticipated start date in November 2014. Richard Jamieson will be an Executive KMP in FY15.

2. Remuneration governance

2.1. Remuneration and Organisation Committee

The Committee is responsible for reviewing and recommending to the Board CFX's remuneration policy. The Committee provides recommendations to the Board on arrangements for senior management (including Executive KMP), on contractual terms, annual remuneration and participation in any STI or LTI plans. Additionally, the Committee reviews and recommends to the Board the performance measures and hurdles (along with associated payments) for Executive KMP and other senior management.

During the year the Committee reviewed the overall remuneration arrangements that were in place, reviewed performance and associated incentive outcomes for FY14, and adopted a revised remuneration framework to apply in FY15.

The Committee is also responsible for reviewing and recommending to the Board the fee arrangements for the Chairman and the Non-executive Directors of the Board. Non-executive Director fee arrangements were established pre-Internalisation and the maximum limit of \$1,900,000 (including superannuation) was approved by securityholders at the Extraordinary General Meeting on 7 March 2014.

The members of the Committee for FY14 (post Internalisation) were:

- Nancy Milne OAM (Chairman)
- Trevor Gerber
- Richard Haddock AM, and
- Peter Kahan.

2.2. Non-executive Director fee policy

The total sum of Non-executive Director fees is set with reference to the maximum limit of \$1,900,000 (including superannuation) approved by securityholders at the Extraordinary General Meeting on 7 March 2014. Non-executive Directors do not receive any performance-based remuneration.

The Non-executive Directors consider that alignment of the interests of CFX securityholders with those of the Board and management is paramount. In order to achieve alignment with our securityholders, each Independent Non-executive Director has expressed an intention to acquire CFX securities from their own resources (anticipated to build to a value of \$50,000).

Non-executive Director fees are set with reference to companies with similar market capitalisation to CFX and listed entities in the ASX200 A-REIT index. In establishing the specific quantum, CFX references the median of the market, and takes into account the required skills, competencies and time commitment required of Non-executive Directors. Fees are reviewed annually to ensure they remain competitive.

² James Kropp intends to retire from the Board in September 2014.

Directors' Report

CONTINUED

2. Remuneration governance (continued)

2.2. Non-executive Director fee policy (continued)

The current fees (excluding superannuation) are as follows:

COMMITTEE	CHAIR	MEMBER
Board	\$350,000	\$150,000
Audit	\$35,000	\$18,750
Remuneration and Organisation	\$28,000	\$14,000
Risk and Compliance	\$22,000	\$11,000
Nominations	No additional fee	No additional fee

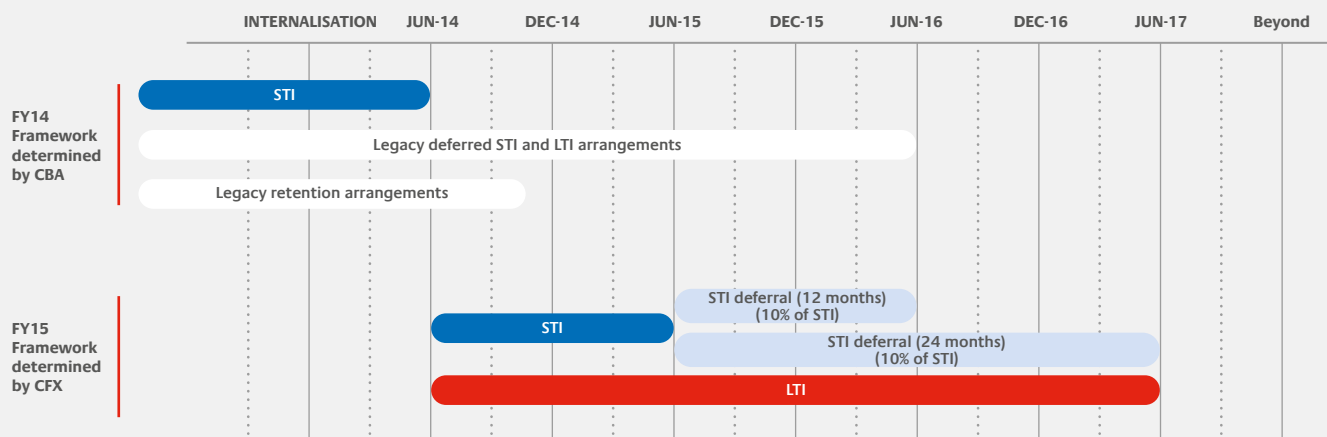
The Chairman of the Board does not receive additional fees for participating in Board sub-committees. The table on page 95 details the individual statutory fees for each Non-executive Director.

2.3. Use of remuneration consultants

During the year CFX appointed EY as its remuneration adviser. EY assisted the Group on remuneration-related matters, including attendance at Committee meetings and advice on legislative and regulatory remuneration-related matters. CFX did not receive a remuneration recommendation from EY or any other external remuneration consultant during the year. Final decision-making regarding remuneration is conducted by the Committee and the Board.

3. Overview of Executive KMP remuneration

For the post-Internalisation period between 24 March 2014 and 30 June 2014, Executive KMP were remunerated under a transitional remuneration framework. As such, FY14 arrangements do not reflect the ongoing remuneration framework to apply from 1 July 2014. In FY15, a revised approach to Executive KMP incentive arrangements will apply to improve alignment of variable remuneration with CFX's business strategy including our financial goals, risk management, people management and securityholder returns under the internalised management model. An overview of the incentive arrangements for FY14 and FY15, in addition to fixed remuneration, is detailed below:



A more detailed description of our approach to Executive KMP remuneration in FY14 and FY15 is outlined in subsequent sections.

4. FY14 Executive KMP remuneration framework

Due to the Internalisation of CFX, FY14 was a period of transition for remuneration. The principles for determining Executive KMP remuneration post Internalisation were to:

- retain key talent post Internalisation
- ensure appropriate reward for both pre and post Internalisation contribution and performance
- maintain consistency (to the extent possible) of pre Internalisation remuneration arrangements, and
- meet required contractual obligations of existing remuneration arrangements.

The components of FY14 remuneration and their payment method and desired outcome are as follows:

COMPONENT	PAYMENT	DESIRED OUTCOME
Fixed remuneration	Base salary and superannuation	Reward for individual skills and role competencies
Short-term incentive (STI)	Cash and equity payment	Reward for successful execution of transition activities, financial performance, risk management and key business performance objectives including individual behaviours Encourage immediate equity ownership
Long-term incentive (LTI)	Cash payment	Retention of key talent

A summary of each component of Executive KMP remuneration is outlined below.

4.1. Fixed remuneration

Fixed remuneration consists of base salary and superannuation. Superannuation is paid to the statutory concessional contribution limit. Fixed remuneration levels for FY14 were reviewed prior to Internalisation and were determined taking into account a variety of factors including:

- complexity of the role
- skills and competencies required for the role
- experience of the individual
- market remuneration levels
- succession planning and role in achieving Internalisation, and
- the impact of Internalisation on the role.

The market for remuneration benchmarking has been defined as companies with similar market capitalisation to CFX and listed entities in the ASX200 A-REIT index. By considering and benchmarking against these comparator groups, CFX is well positioned to attract and retain Executive KMP talent inside or outside our direct industry. Market data is considered as an input to decision making and does not solely determine the remuneration levels for our Executive KMP.

4.2. FY14 Short-term incentive (STI) post Internalisation

The purpose of the STI is to emphasise and reward participants for the achievement of key business performance objectives. The Board in its assessment of STIs has taken into account the overall performance pre, during and post Internalisation, as well as contracted minimum payments as defined at Internalisation. While the FY14 STI incentives were based on cash payments, in order to encourage immediate equity ownership the Board, with the agreement of Executive KMP, has decided to pay approximately 30% of the STI payable for the period post Internalisation in equity, subject to a 12-month trading restriction.

A summary of the key elements of the STI is contained overleaf.

Directors' Report

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4. FY14 Executive KMP remuneration framework (continued)

The following table outlines the key features of the STI plan.

ELEMENT	DESCRIPTION
What is the form of the payment?	The STI is paid in a combination of cash and securities. Approximately 30% of the STI for the period post Internalisation is paid in securities and is subject to a 12-month trading restriction
What are the performance measures?	The STI performance measures vary by individual and contain a mix of financial and non-financial measures, and performance through the transaction and transition of the business
Why are these performance measures appropriate?	The measures are considered appropriate as they reflect a balanced view of the priorities for our internalised business in FY14. Financial performance was balanced against non-financial activities which supported the Group's objectives, including the smooth transition to an internalised business
How have these measures been assessed?	The Board evaluated the performance of the Executive KMP taking into account financial results, feedback from the business and investors, and other key mechanisms such as achievement relative to business plans. The Board reviewed and approved all incentive payments for Executive KMP
Why is this assessment appropriate?	The Board is the objective and independent governing body of the Group, and it is therefore appropriate for it to assess Executive KMP performance and determine remuneration outcomes

A summary of performance outcomes for FY14 is outlined overleaf.

4.3. FY14 STI performance summary

The Group entered a period of transition post completion of Internalisation on 24 March 2014. Although our fundamental operations and focus have remained unchanged, we have evolved our strategy to better align with our internalised management model. The Board had the obligation to determine the appropriate STI payment for the full year of FY14 (not solely the period post Internalisation) and considered performance pre, during and post Internalisation, taking into account financial and non-financial performance, and recognising the challenge in maintaining performance through the Internalisation. The following table outlines a summary of FY14 performance outcomes.

PERFORMANCE MEASURE	OUTCOME FOR FY14
Transition and transaction activities	- The Internalisation was successfully executed - There has been overwhelming support from investors for the Internalisation - The transition to an internalised structure has been successfully managed, characterised by the smooth retention and transition of key staff. Staff morale and the business focus remained high during and post the transaction, and - Other transition and strategic objectives have been achieved (e.g. transition of integrated financial management processes, information technology systems and governance).
Financial performance	- Distribution of 13.6 cents per security is in line with the stated target range of between 13.3 – 13.6 cents per security (based on certain asset sales scenarios) - Achieved a total shareholder return of 9.1% over the year to FY14, outperforming the retail peers³ by 0.6% - The Direct Portfolio occupancy has improved to 99.7% - Key developments have progressed: DFO Homebush opened fully leased and ahead of target returns. Stage 1 of Emporium Melbourne opened, with the overall project fully leased. As previously advised, the project has not met its original return targets, but the asset is expected to perform well over time due to the final tenancy mix and overall quality of the development. The \$580 million redevelopment of Chadstone Shopping Centre was approved and works have commenced - Continued the strategy of improving the quality of the portfolio by recycling non-core assets such as Rosebud Plaza and the conditional sale of The Entertainment Quarter, into acquisition and development opportunities such as DFO South Wharf (additional 25% interest) and Chadstone Shopping Centre (development), and - A strong balance sheet has been maintained with CFX retaining its S&P credit rating of “A/stable” and gearing within the target range.
Non-financial performance	- Relationships with the strategic partnerships have been strengthened, with the successful execution of fund and mandate strategies, including the targeted acquisition and disposal of assets - Exceeded internal continuous improvement targets, leading to internal process and systems improvements, and - Strong outcomes with regard to responsible investment including being ranked third globally for listed entities by Global Real Estate Sustainability Benchmark.

The performance above has resulted in the following STI payments to Executive KMP for the period 24 March to 30 June 2014.

EXECUTIVE KMP	STI TOTAL QUANTUM \$ ⁴	STI CASH VS EQUITY		% OF STI ACHIEVED	% OF STI FORFEITED
		STI PAID IN CASH \$	STI PAID IN SECURITIES ⁵ \$		
Angus McNaughton	299,271	199,271	100,000	85%	15%
Michael Gorman	238,875	163,875	75,000	90%	10%
David Marcun	175,500	125,500	50,000	90%	10%

³ UBS Retail 200 Property Accumulation Index.

⁴ For the period 1 July 2013 to 23 March 2014 the following STI payments were made in cash Angus McNaughton: \$805,729, Michael Gorman: \$643,125 and David Marcun: \$472,500.

⁵ Securities will be acquired on market at market price post release of the full year accounts. The number of securities will depend on CFX's security price at the date of acquisition.

Directors' Report

CONTINUED

4. FY14 Executive KMP remuneration framework (continued)

4.3. FY14 STI performance summary (continued)

A summary of earnings, security price and distribution information is shown below. The earnings and distribution information is presented for the full year (not the post internalisation period only).

PERFORMANCE AREA	FY14
Earnings (Distributable Income)(\$m)	400.4
Security price (\$)(beginning)	1.98 (open 1 July 2013)
Security price (\$)(end)	2.04 (close Monday 30 June 2014)
Distributions (cents per security)	13.6 cents

4.4. Legacy longer term and retention payments

As part of the Internalisation, CFX will administer incentive and retention arrangements established by CBA. Post Internalisation, no further grants are to be made under these legacy arrangements. The arrangements outlined below are funded by CBA and are provided to the employee at no cost to CFX securityholders. The following is a summary of the arrangements:

- STI deferral: The Deputy CEO and Chief Investment Officer participated in an STI arrangement which incorporated an element of deferral. These deferred components are due to be settled in FY15 and FY16.
- LTI payments: All Executive KMP participated in an LTI plan. LTI payments will be made to Executive KMP in March 2015 and September 2016.
- Retention arrangements: CBA previously implemented retention arrangements for Executive KMP and other senior management. All outstanding retention payments are due to be paid in FY15.

5. FY15 Executive KMP remuneration framework

The Committee is pleased to provide you with details of the FY15 remuneration framework which will apply to our Executive KMP. As outlined previously, the revised arrangements will support our internalised business and performance focus.

5.1. Remuneration principles

The remuneration framework has been developed to support our business drivers (outlined below), with reference to the following principles:

- supporting alignment between securityholder interests and our business strategy
- ongoing competitiveness against companies of a similar size and within our industry
- supporting our values and behaviours
- retention of key talent
- supporting sound risk management, and
- encouraging equity ownership, and ongoing evolution of our existing structures to reflect the requirements and expectations of our securityholders.

These principles are underpinned by the three components of the remuneration framework, which are:

- Fixed remuneration (base salary and superannuation)
- An STI plan measuring performance over the financial year, with a portion deferred into security rights for periods of 12 and 24 months, and
- A revised LTI plan measuring sustained performance against the two key measures of shareholder value over three financial years, granted in equity.

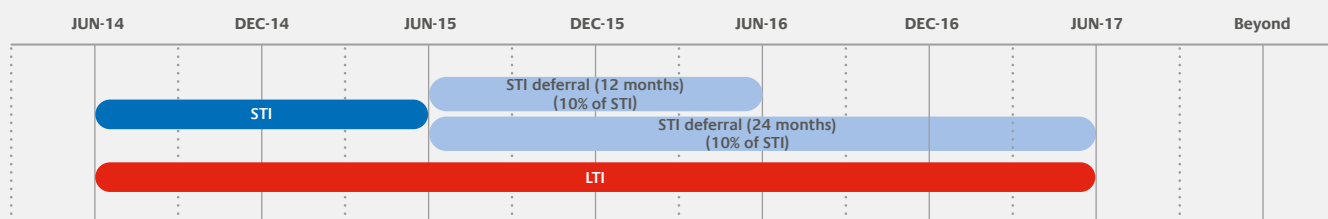
OUR STRATEGIC DRIVER	HOW WE MEASURE PERFORMANCE	STI MEASURE	LTI MEASURE
Financial performance	• Total Return which measures the efficient management and use of capital to generate income and capital growth • Total Securityholder Return performance relative to comparable A-REIT peers to drive securityholder returns • Driving Net Property Income from the assets and delivering stable and growing operational earnings to securityholders	✓	✓
Disciplined investment and capital management	• Effective execution of our capital management strategy including proactive management of financing costs and risks • Effective strategy and transaction execution, and capital deployment	✓	✓
Intensive asset management	• Improvement in asset quality and optimal rental income generation • Effective execution of projects and developments	✓	
Operational excellence	• Assessment of exhibited behaviours against our values to ensure integrity in our performance • Balanced scorecard approach to measure continuous improvement, operational efficiency, talent retention, a high performance culture, safety, leadership and risk management	✓	✓
Strategic partnerships	• Proactive engagement, management and development of our strategic partnerships • Effective execution of fund / mandate investment strategies	✓	✓

Directors' Report

CONTINUED

5. FY15 Executive KMP remuneration framework (continued)

The framework established for FY15 is as follows:



Variable remuneration is subject to the Executive Clawback Policy to support the ongoing financial soundness, risk management and performance focus of the organisation. The Executive Clawback Policy details the ability for the Board to claw back unvested remuneration, or offset against future grants of remuneration, in the event of material misstatement or misconduct. The Executive Clawback Policy is available upon request.

Further detail of the FY15 remuneration framework is outlined in the sections below.

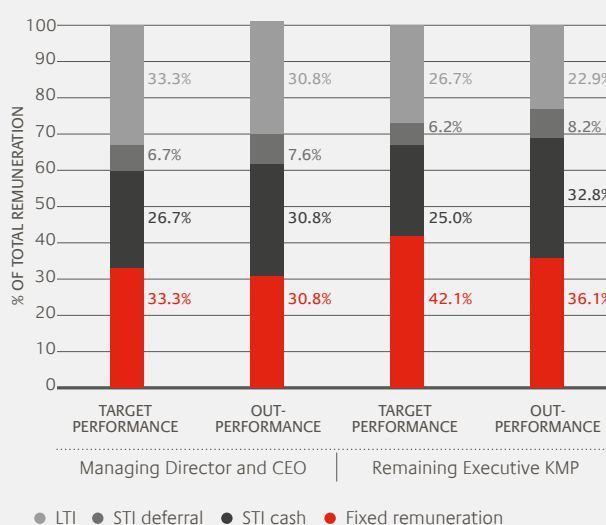
5.2. Remuneration quantum and mix

Our remuneration quantum and mix for FY15 were established at the time of Internalisation and have been determined with reference to the factors and market benchmarking comparator groups outlined in section 5.1. Outlined below is the FY15 fixed remuneration, STI and LTI quantum for Executive KMP. For the Managing Director and CEO and the Deputy CEO and Chief Investment Officer the amounts are as disclosed in the Explanatory Memorandum (amounts for the Chief Operating Officer and Head of Asset Management were not disclosed in the Explanatory Memorandum).

NAME	ROLE	FIXED REMUNERATION	STI		LTI GRANT
		\$	TARGET \$	MAXIMUM \$	\$
Angus McNaughton	Managing Director and CEO	1,200,000	1,200,000	1,500,000	1,200,000
Michael Gorman	Deputy CEO and Chief Investment Officer	700,000	585,000	900,000	400,000
David Marcun	Chief Operating Officer and Head of Asset Management	720,000	468,000	720,000	500,000

Our remuneration mix reflects our approach to balancing our short and long-term performance as well as encouraging equity ownership, through partial deferral of STI outcomes above \$50,000 (delivered in equity) and the introduction of an equity-based LTI. We aim to be competitive, balanced and performance-focused when reviewing and establishing our remuneration mix.

The following chart details the remuneration mix (i.e. the proportion of fixed remuneration, STI and LTI) for the Managing Director and CEO, and an average across the remaining Executive KMP. When outperformance is achieved, the remuneration mix is weighted more towards variable remuneration, particularly the STI component.



5.3. Fixed remuneration

Fixed remuneration consists of base salary and superannuation. Fixed remuneration for Executive KMP was reviewed prior to Internalisation and no changes will be made for FY15.

5.4. Short-term incentive plan

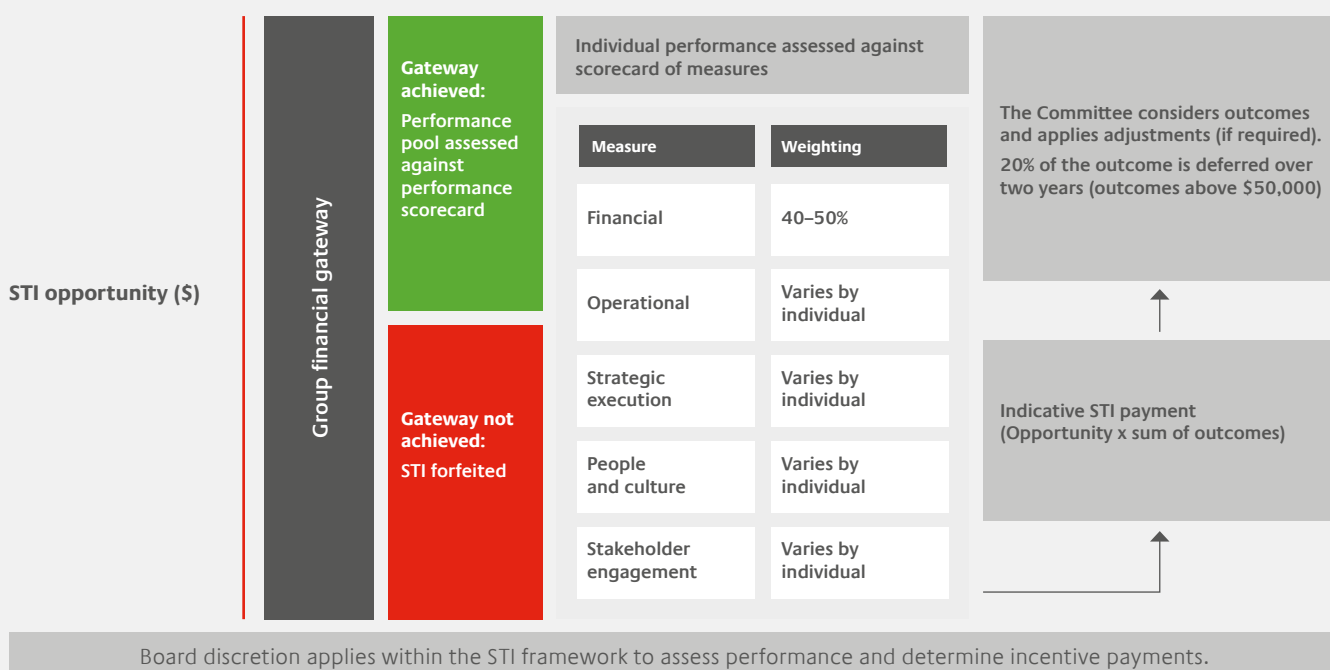
The revised STI framework that will apply from FY15 focuses on:

- driving balanced performance through both financial and non-financial performance measurement
- supporting financial outcomes, strategic measures, leadership and behavioural measures and risk management
- alignment with securityholders' interests and ensuring achievement of minimum performance through use of a Group financial gateway, and
- encouraging equity ownership.

Group financial gateway

In order for any STI payments to be made, a minimum level of Group financial performance is required other than in exceptional circumstances. This minimum level of financial performance is referred to as a gateway. The minimum level of financial performance for FY15 will be a Distributable Income per security being at least 97.5% of target. If the Group financial gateway is achieved, STI payments are subject to an individual performance scorecard and assessment by the Committee. If the Group financial gateway is not achieved, STI payments will not be made (except in exceptional circumstances and at the discretion of the Board).

The diagram below summarises the key features of the plan:



Directors' Report

CONTINUED

5. FY15 Executive KMP remuneration framework (continued)

The following table outlines the features of the STI plan:

ELEMENT	DESCRIPTION	WHY DOES THE COMMITTEE VIEW THIS AS AN IMPORTANT FEATURE?
What is the Group financial gateway?	A minimum level of Group financial performance is required before payment will be made to participants (subject to Board discretion which will only be exercised in exceptional circumstances). For FY15, the Group financial gateway will be a minimum level of 97.5% of target Distributable Income per security.	The financial gateway performance measure supports alignment with securityholders and establishes a minimum level of performance before payment of any STI. Distributable Income per security is used as the performance measure for the gateway as this measure represents core business profitability.
What performance measures will be used?	A range of financial and non-financial performance measures will be used to assess performance. - Group financial measures include Distributable Income per security and Net Property Income. Financial measures will have a weighting range of 40–50% within the scorecard. - Examples of non-financial measures include: - Operational: continuous improvement, operational efficiency, risk management, compliance and sustainability - People: leadership, diversity, culture and safety - Strategy: execution of strategy, and - Stakeholder management. Non-financial measures are customised by role and will have a minimum weighting of 50% within the scorecard.	The selected financial measures support our growth and profitability. Distributable Income per security and Net Property Income represent key management performance measures and focus on profitability, reflecting the performance of our operations as a driver of securityholder value. The targets for these measures incorporate growth on prior year and focus on sustainable financial profitability, which aligns to our overall objective of delivering superior and stable risk-adjusted returns. Non-financial measures focus on CFX's achievement of strategic goals, as well as engaging with external stakeholders and our people, and our risk management framework. These factors will drive future growth and financial performance.
What are the details of the deferral?	20% of the STI outcome (provided total STI quantum is above \$50,000) will be deferred into equity rights, with 50% of the deferred amount vesting after one year and 50% vesting after two years.	Deferral into equity aligns our remuneration with ongoing securityholder value and encourages equity ownership for our Executive KMP.
What Board assessment and discretion can apply?	The Committee will make STI payment recommendations to the Board, taking into account performance and other factors it may deem relevant at the end of the performance period.	The Board and the Committee are provided with the opportunity to conduct an additional assessment considering any unforeseen events, environmental influences and other factors it may deem appropriate at the end of the performance period. The STI is subject to the Executive Clawback Policy to support the ongoing financial soundness, risk management and performance focus of the organisation.

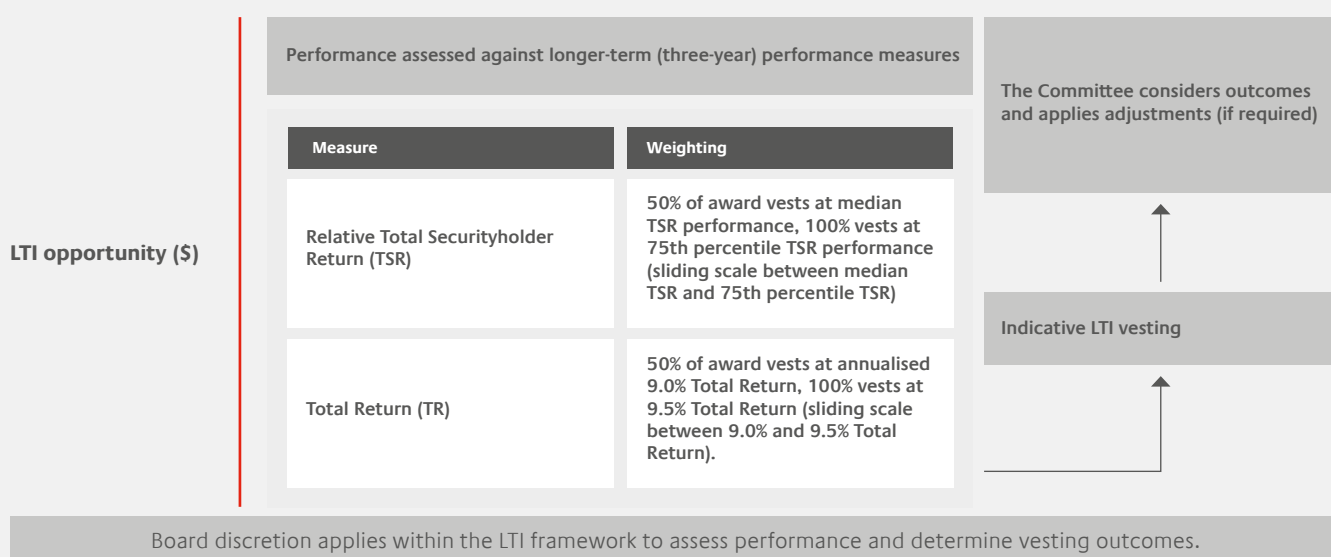
5.5. Long-term incentive plan

The revised LTI that will apply from FY15 focuses on:

- aligning our longer-term Executive KMP remuneration to longer-term securityholder returns
- supporting our longer-term focus on efficient use of capital, and
- encouraging equity ownership.

Performance rights will be granted to participants at the commencement of the three-year performance period. At the conclusion of the performance period, performance against two financial measures will be assessed and awards may vest subject to the achievement of these performance conditions.

The diagram below summarises the key features of the plan:



Directors' Report

CONTINUED

The following table outlines the features of the LTI plan:

ELEMENT	DESCRIPTION	WHY DOES THE COMMITTEE VIEW THIS AS AN IMPORTANT FEATURE?
How is the LTI delivered?	Performance rights will be granted to participants at the commencement of the performance period. Each performance right will convert to one ordinary CFX security (subject to satisfaction of the performance measures).	Participants are focused on maintaining and improving the CFX security price, which aligns to our business objective of delivering superior and stable risk-adjusted returns for securityholders. The absence of distributions and voting rights during the vesting period reflects best practice governance.
What are the performance measures?	There are two performance measures, each with a 50% weighting, applying to our LTI grants, being Total Securityholder Return (TSR) and Total Return (TR). • TSR: measures CFX's security price movement and distributions over the performance period, relative to a group of peers. • TR: measures the percentage change in net tangible asset backing per security (NTA) over the performance period, together with the distributions paid to securityholders. The Board will assess NTA and adjust for intangible asset changes as appropriate.	TSR and TR combine to form a view of both relative and absolute performance. • TSR measures our relative security price growth and distributions. • TR is an absolute measure that assesses the efficient use of our capital to generate income and capital growth for securityholders.
What are our performance benchmarks?	The performance benchmarks depend on the measure: • TSR: performance will be benchmarked to a group of our peers. The group of peers has been selected to apply for FY15 LTI grants based on the nature of operations, risk profile and company size. The companies in the group are: 1. BWP Trust 2. Charter Hall Retail REIT 3. DEXUS Property Group 4. Federation Centres 5. GPT Group 6. Investa Office Fund 7. Scentre Group 8. Shopping Centres Australasia Property Group • TR: TR targets are set with reference to CFX's cost of equity. The TR targets for FY15 are 9.0% for minimum performance and 9.5% at maximum.	Benchmarking our performance is important to establish reasonable expectations of minimum and outperformance levels. Performance against our peers ultimately reflects the return our securityholders have received compared to alternative investments. CFX's TSR will be assessed relative to the TSR at the median of the peer group and the 75th percentile of the peer group. If CFX's TSR is equal to the median, 50% of the award will vest. If CFX's TSR is equal to or above the 75th percentile, 100% of the award will vest. If CFX's TSR is between these two points, a sliding scale of vesting will apply. Establishing long-term performance targets with reference to our cost of equity supports the objective of delivering superior and stable, risk-adjusted returns for our securityholders.
What Board assessment and discretion can apply?	The Committee will make LTI vesting outcome recommendations to the Board, taking into account performance and other factors it may deem relevant at the end of the performance period.	The Board and the Committee are provided with the opportunity to conduct an additional assessment considering any unforeseen events and environmental influences. The Board and Committee will consider factors such as our absolute TSR performance, corporate actions within the peer group and changes to the cost of equity over the period. The LTI is subject to the Executive Clawback Policy to support the ongoing financial soundness, risk management and performance focus of the organisation.

6. Executive KMP service contracts

The below key terms are incorporated in our Executive KMP contracts. All contracts are open ended with no fixed term. No severance payments are made upon termination.

NAME	ROLE	NOTICE PERIOD (EMPLOYER INITIATED)	NOTICE PERIOD (EMPLOYEE INITIATED)	SEVERANCE PAYMENTS
Angus McNaughton	Managing Director and CEO	12 months	6 months	NA
Michael Gorman	Deputy CEO and Chief Investment Officer	6 months	6 months	NA
David Marcun	Chief Operating Officer and Head of Asset Management	12 months	6 months	NA

7. Statutory remuneration outcomes

The table below outlines the individual statutory remuneration for KMP for the period from 24 March to 30 June 2014.

NON-EXECUTIVE DIRECTORS	CASH SALARY AND FEES ⁶ \$	NON- MONETARY BENEFITS \$	SUPERANNUATION ⁶ \$	SHORT-TERM INCENTIVE		ANNUAL AND LONG-SERVICE LEAVE ⁹ \$	OTHER LONG-TERM INCENTIVES \$	TOTAL \$
				SETTLED IN CASH ⁷ \$	SETTLED IN SECURITIES ⁸ \$			
Richard Haddock AM	95,579	–	4,854	–	–	–	–	100,433
Trevor Gerber	34,676	–	3,208	–	–	–	–	37,884
Peter Kahan	38,143 ¹⁰	–	0	–	–	–	–	38,143
James Kropp	53,524	–	4,854	–	–	–	–	58,378
Nancy Milne OAM	50,445	–	9,025	–	–	–	–	59,470
Karen Penrose	34,107	–	3,155	–	–	–	–	37,262
Dr David Thurin	30,549	–	2,826	–	–	–	–	33,375
Executive KMP								
Angus McNaughton	321,013	–	6,685	199,271	100,000	21,459	–	648,428
Michael Gorman	185,886	–	5,270	163,875	75,000	12,326	–	442,357
David Marcun	188,229	–	6,771	125,500	50,000	17,243	–	387,743

6 Represents amounts paid or payable for the period 24 March 2014 to 30 June 2014.

7 Represents STI outcomes payable in cash in September 2014 in recognition of performance for the period 24 March 2014 to 30 June 2014.

8 Represents STI outcomes to be settled in equity in recognition of performance for the period 24 March 2014 to 30 June 2014. Securities will be acquired on market at market price post release of the full year accounts. The number of securities will depend on CFX's security price at the date of acquisition.

9 Represents net movement of annual leave and long service leave entitlement balances (i.e. amount accrued less leave taken) for the period 24 March 2014 to 30 June 2014.

10 Represents fees payable to Gandel Group (including GST) in respect of Peter Kahan's directorship.

Directors' Report

CONTINUED

8. Key management personnel transactions

The table below outlines the movement in CFX stapled securities held directly, indirectly or beneficially by each KMP, including their related parties, for the period from 24 March to 30 June 2014.

No loans have been made to KMP and there are no options or rights outstanding or exercised during the year.

KMP	HELD AT 24 MARCH 2014	RECEIVED ON EXERCISE OF OPTIONS/RIGHTS	OTHER CHANGES	HELD AT 30 JUNE 2014	BALANCE HELD NOMINALLY (Y/N)
Non-executive KMP					
Richard Haddock AM	–	–	–	–	–
Trevor Gerber	–	–	–	–	–
Peter Kahan	–	–	–	–	–
James Kropp	–	–	–	–	–
Nancy Milne OAM	–	–	–	–	–
Karen Penrose	–	–	–	–	–
David Thurin	16,894,070 ¹¹	–	–	16,894,070	N
Executive KMP					
Angus McNaughton	–	–	–	–	–
Michael Gorman	27,000 ¹²	–	–	–	N
David Marcun	–	–	–	–	–

End of Remuneration Report.

This Directors' report is signed in accordance with the resolution of the Directors of Commonwealth Managed Investments Limited.



R M Haddock AM
Chairman

Melbourne
21 August 2014

¹¹ David Thurin holds 187,500 fully paid ordinary securities through Jade Glen Investments Pty Ltd and controls 16,706,570 fully paid ordinary securities through Cenarth Pty Ltd as trustee for The Cenarth Trust.

¹² Michael Gorman holds 27,000 fully paid ordinary securities through Ardnagrena Superannuation Fund.



Auditor's Independence Declaration

As lead auditor for the audit of CFS Retail Property Trust 1 for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of CFS Retail Property Trust 1 and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'TJO Peel'.

TJO Peel
Partner
PricewaterhouseCoopers

21 August 2014
Melbourne

PricewaterhouseCoopers, ABN 52 780 433 757

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Consolidated statement of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2014

	NOTE	CONSOLIDATED 30 JUN 2014 \$M	CONSOLIDATED 30 JUN 2013 \$M
Revenue			
Property revenue		733.8	725.1
Management fee revenue from strategic partnerships		14.8	–
Alignment fee revenue	15(d)(vii)	9.2	11.1
		757.8	736.2
Other income			
Share of net profit from equity accounted investment before fair value adjustments		3.6	3.4
Share of equity accounted investment's gain/(loss) from fair value adjustments		0.6	(1.9)
Share of net profit accounted for using the equity method		4.2	1.5
Fair value gain on investment properties	8(b)	70.2	–
Dividend income	15(c)(iv)	1.4	1.5
Interest and other income		1.1	0.8
Total revenue and other income		834.7	740.0
Expenses			
Net interest expense on derivatives		9.7	3.2
Fair value adjustments to derivatives		23.0	3.5
Net loss on derivatives		32.7	6.7
Fair value loss on investment properties	8(b)	–	61.2
Property expenses		220.7	219.3
Borrowing costs		103.5	110.8
Responsible Entity's base fee	15(d)(ii)	28.5	38.5
Responsible Entity's performance fee	15(d)(iii)	7.3	4.8
Internalisation costs	2(c)	13.5	–
Employee benefits expenses	5	19.1	–
Other management and administration expenses		8.4	3.8
Amortisation of intangibles	10	0.7	–
Total expenses		434.4	445.1
Profit before tax for the financial year		400.3	294.9
Income tax (expense)/benefit	6(a)	(0.2)	0.1
Net profit for the financial year		400.1	295.0
Other comprehensive income		0.7	–
Total comprehensive income for the financial year		400.8	295.0
Net profit for the financial year attributable to stapled securityholders as:			
Securityholders of CFX1		399.4	295.2
Securityholders of other entities stapled to CFX1		0.7	(0.2)
Net profit for the financial year		400.1	295.0
Total comprehensive income for the year attributable to stapled securityholders as:			
Securityholders of CFX1		400.1	295.2
Securityholders of other entities stapled to CFX1		0.7	(0.2)
Total comprehensive income for the financial year		400.8	295.0
		30 JUN 2014	30 JUN 2013
Earnings per security attributable to securityholders of CFX1:			
Basic earnings per security (cents)	18	13.61	10.44
Diluted earnings per security (cents)	18	13.58	10.27
Earnings per security attributable to securityholders of CFS Retail Property Trust Group:			
Basic earnings per security (cents)	18	13.63	10.43
Diluted earnings per security (cents)	18	13.60	10.26

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

CFX

Consolidated statement of financial position

AS AT 30 JUNE 2014

	NOTE	CONSOLIDATED 30 JUN 2014 \$M	CONSOLIDATED 30 JUN 2013 \$M
Current assets			
Cash and cash equivalents		91.1	12.4
Receivables	7	60.1	46.6
Derivatives	20(ii)	1.4	–
Equity accounted investments	9	35.2	–
Other current assets		8.5	5.6
Total current assets		196.3	64.6
Non-current assets			
Investment properties	8	8,830.4	8,526.6
Equity accounted investments	9	1.2	33.6
Derivatives	20(ii)	–	4.2
Plant and equipment		6.0	–
Intangible assets	10	363.9	–
Deferred tax assets	6(c)	63.3	0.1
Other non-current assets		0.8	–
Total non-current assets		9,265.6	8,564.5
Total assets		9,461.9	8,629.1
Current liabilities			
Payables and other creditors	11	131.1	114.0
Distribution payable	4	205.2	192.3
Responsible Entity's base management fees payable		–	19.2
Responsible Entity's performance fees payable	15(d)(iii)	5.3	5.1
Fair value of Responsible Entity's performance fee liability		–	4.8
Provisions	12	35.6	–
Interest bearing liabilities	13	292.7	393.9
Derivatives		7.3	2.1
Total current liabilities		677.2	731.4
Non-current liabilities			
Payables and other creditors	11	1.5	–
Provisions	12	15.9	–
Interest bearing liabilities	13	2,611.4	2,077.7
Fair value of Responsible Entity's performance fee liability		–	24.4
Derivatives		54.2	31.2
Total non-current liabilities		2,683.0	2,133.3
Total liabilities		3,360.2	2,864.7
Net assets		6,101.7	5,764.4
Equity			
Capital and reserves attributable to stapled securityholders as:			
Securityholders of CFX1			
Contributed equity	14	3,914.9	3,787.3
Undistributed reserves		1,961.9	1,971.7
Total capital and reserves attributable to securityholders of CFX1		5,876.8	5,759.0
Securityholders of other entities stapled to CFX1			
Contributed equity	14	224.1	5.6
Undistributed reserves		0.8	(0.2)
Total capital and reserves attributable to securityholders of other entities stapled to CFX1		224.9	5.4
Total equity		6,101.7	5,764.4

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2014

	NOTE	CONSOLIDATED 30 JUN 2014 \$M	CONSOLIDATED 30 JUN 2013 \$M
Cash flows from operating activities			
Receipts in the course of operations		923.7	814.7
Payments in the course of operations		(408.6)	(325.5)
Distributions and dividends received from investments		3.6	4.7
Interest income received		1.0	0.8
Interest (expense)/income on interest rate swaps		(9.0)	0.2
Borrowing costs paid		(135.9)	(132.5)
Internalisation costs paid		(9.5)	–
Net cash flows from operating activities	16	365.3	362.4
Cash flows from investing activities			
Payments for property developments and improvements		(249.6)	(225.8)
Payments for investment properties		(92.4)	–
Proceeds from disposal of investment properties		104.9	–
Payments for plant and equipment		(0.3)	–
Payments for other investments		(0.3)	–
Payment for business acquisition	2(b)	(437.0)	–
Net cash flows used in investing activities		(674.7)	(225.8)
Cash flows from financing activities			
Stapled securities issued		295.0	–
Stapled security issue costs paid		(5.7)	–
Stapled securities bought back and cancelled		–	(0.9)
Proceeds from interest bearing liabilities		2,336.0	1,815.1
Repayment of interest bearing liabilities		(1,897.1)	(1,566.6)
Distributions paid		(340.1)	(379.2)
Net cash flows from/(used in) financing activities		388.1	(131.6)
Net increase in cash and cash equivalents held		78.7	5.0
Cash and cash equivalents at the beginning of the financial year		12.4	7.4
Cash and cash equivalents at the end of the financial year		91.1	12.4
Non-cash financing and investing activities	17	60.4	–

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

X3D

Consolidated statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2014

	NOTE	ATTRIBUTABLE TO SECURITYHOLDERS OF CFX1			ATTRIBUTABLE TO SECURITYHOLDERS OF OTHER ENTITIES STAPLED TO CFX1			
		CONTRIBUTED EQUITY \$M	RESERVES \$M	TOTAL \$M	CONTRIBUTED EQUITY \$M	RESERVES \$M	TOTAL \$M	TOTAL EQUITY \$M
Total equity as at 1 July 2012		3,788.2	2,061.1	5,849.3	5.6	-	5.6	5,854.9
Net profit for the financial year		-	295.2	295.2	-	(0.2)	(0.2)	295.0
Other comprehensive income		-	-	-	-	-	-	-
Total comprehensive income for the financial year		-	295.2	295.2	-	(0.2)	(0.2)	295.0
Transactions with securityholders in their capacity as securityholders:								
Stapled securities bought back and cancelled	14	(0.9)	-	(0.9)	-	-	-	(0.9)
Distributions paid and payable	4	-	(384.6)	(384.6)	-	-	-	(384.6)
Total equity as at 30 June 2013		3,787.3	1,971.7	5,759.0	5.6	(0.2)	5.4	5,764.4
Net profit/(loss) for the financial year		-	399.4	399.4	-	0.7	0.7	400.1
Other comprehensive income		-	0.7	0.7	-	-	-	0.7
Total comprehensive income for the financial year		-	400.1	400.1	-	0.7	0.7	400.8
Transactions with securityholders in their capacity as securityholders:								
Issue of stapled securities		351.7	-	351.7	0.2	-	0.2	351.9
Stapled securities issue costs	14	(5.3)	-	(5.3)	(0.2)	-	(0.2)	(5.5)
CFX1 capital distribution reinvested as equity in CFX Co	14	(218.8)	-	(218.8)	218.8	-	218.8	-
De-stapling of CFX2	14	-	-	-	(5.8)	0.3	(5.5)	(5.5)
Acquisition of CFX2 by CFX Co	14	-	-	-	5.5	-	5.5	5.5
Distributions paid and payable	4	-	(409.9)	(409.9)	-	-	-	(409.9)
Total equity as at 30 June 2014		3,914.9	1,961.9	5,876.8	224.1	0.8	224.9	6,101.7

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

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

1. Summary of significant accounting policies

This consolidated financial report is for CFS Retail Property Trust Group (CFX). CFX comprises CFS Retail Property Trust 1 (CFX1 or the 'Trust'), its controlled entities, and CFX Co Limited (CFX Co or the 'Company') and its controlled entities. The units of CFX1 are stapled to the shares of CFX Co and listed on the Australian Securities Exchange (ASX). The principal accounting policies adopted in the preparation of the financial statements are set out below and have been consistently applied to all years presented.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with the Trust Constitution, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, other mandatory professional reporting requirements and the Corporations Act 2001. CFX is a for-profit entity for the purpose of preparing this financial report.

This financial report has also been prepared in accordance with the historical cost convention, except for financial assets and liabilities (including derivatives) at fair value through profit and loss and investment properties.

The financial report is presented in Australian dollars (\$) and was approved by the Board of Directors (the 'Board') on 21 August 2014. The Directors have the power to amend and reissue the financial report.

Although CFX has a net current deficiency (current liabilities exceed current assets) at reporting date, CFX has sufficient current undrawn borrowing facilities (refer to note 13) and operating cash flows to meet this deficit. The financial report is therefore prepared on a going concern basis.

Accounting for CFX

On 24 March 2014, the management of CFX was internalised and the CFX corporate structure changed as a result of the following transactions:

- a newly formed entity CFX Co Limited (CFX Co) acquired Commonwealth Managed Investments Limited (CMIL) and asset management entities owned by the Commonwealth Bank of Australia (CBA). CFX Co was funded by CFX1 making a capital distribution to its securityholders which was reinvested in CFX Co, and by CFX1 making a loan to CFX Co
- CFX2 de-stapled from CFX1 and was acquired by CFX Co, and
- CFX Co stapled to CFX1.

As the stapling transaction and capitalisation of CFX Co has been funded by CFX1 issuing equity and debt, CFX1 is deemed to be the acquirer and parent entity of CFX Co, in accordance with Australian Accounting Standards. CFX1 is deemed to control CFX Co from the stapling date. The results and equity attributable to CFX Co, which is not held directly or indirectly by CFX1, are shown separately in the financial statements as non-controlling interests.

For the comparative year and the period up to 23 March 2014, CFX1 was stapled to and deemed to control CFX2. The results and equity attributable to CFX2, which has never been held directly or indirectly by CFX1, are also shown in the financial statements as non-controlling interests. From 24 March 2014, CFX2 is controlled by, and included in the consolidated results of, CFX Co.

Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

New accounting standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, apart from policies affected by the adoption of the following new standards which became mandatory in the annual reporting period commencing 1 July 2013:

- AASB 10 Consolidated Financial Statements
- AASB 11 Joint Arrangements
- AASB 12 Disclosure of Interests in Other Entities
- AASB 13 Fair Value Measurement
- AASB 119 Employee Benefits
- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements
- AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards
- AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
- AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle
- AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures.

The adoption of these standards did not materially impact any of the amounts recognised in the financial statements of CFX but introduced new disclosures for the annual report. The changes to CFX's accounting policies resulting from adoption of the new standards are as follows.

i. Controlled entities

Under the new control principles established by AASB 10, CFX is deemed to control those entities for which it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Controlled entities are fully consolidated from the date on which control is transferred to CFX and, where applicable, deconsolidated from the date on which control ceases.

Adoption of AASB 10 did not result in any changes in determining which entities CFX controls.

1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

New accounting standards and interpretations (continued)

ii. Joint arrangements

Under AASB 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement. CFX has assessed the nature of its joint arrangements and determined that it has both joint operations and joint ventures.

JOINTLY CONTROLLED ASSETS

CFX's interests in jointly controlled assets qualify as joint operations under AASB 11, and CFX continues to account for its share of, and direct right to, revenues, expenses, assets and liabilities under the appropriate headings in the consolidated statement of financial position and the consolidated statement of comprehensive income (rather than as a separate line item). Adoption of AASB 11 has not resulted in any changes to CFX's accounting for its interests in jointly controlled assets. Refer to note 8 for details of jointly controlled assets.

JOINT VENTURE ENTITIES

Investments in joint venture entities are accounted for in the consolidated statement of financial position using the equity method. Under this method, the joint venture investment in the statement of financial position is carried at cost plus post-acquisition changes in CFX's share of the entity's net assets, less any impairment in value. CFX's share of the entity's net profit after income tax expense is recognised in the consolidated statement of comprehensive income. Distributions received from joint venture entities are recognised in the consolidated financial report as a reduction in the carrying amount of the investment. Under AASB 11, CFX accounts for its investment in the Bent Street Trust as a joint venture entity. The application of this new standard has not changed the recognition and measurement of this entity.

iii. Fair value measurement

AASB 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards. The standard does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other Australian Accounting Standards.

Previously, the fair value measurement of financial assets and liabilities (including derivatives) was measured on the basis that financial assets and liabilities would be settled or extinguished with the counterparty. AASB 13 has clarified that fair value is an exit price notion, and as such, the fair value of financial assets and liabilities should be determined based on a transfer value to a third party market participant. As a result, the fair value of derivative assets and liabilities has changed immaterially on transition to AASB 13, largely due to incorporating credit risk into the valuation. Under AASB 13, the change to the fair value of the derivative assets and liabilities is applied prospectively, with no restatement of comparative amounts.

AASB 13 has also introduced additional disclosure requirements for financial and non-financial investments at fair value (refer to note 8 and note 20).

Accounting standards not yet mandatory

In addition to the above, certain accounting standards and interpretations relevant to CFX have been issued or amended but are not yet mandatory and have not been adopted by CFX for the annual reporting period commencing 1 July 2013. The impact of the new or amended standards, along with the effective date, is set out below:

- AASB 9 Financial Instruments (effective 1 July 2017)
- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2013) (effective 1 July 2015)
- AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (effective 1 July 2014)
- AASB 2013-3 Amendments to Australian Accounting Standards – Recoverable Amount Disclosures for Non-Financial Assets (effective 1 July 2014)
- AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting (July 2013) (effective 1 July 2014)
- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality, and Financial Instruments (December 2013) (effective 1 July 2017)

AASB 9 Financial Instruments (effective 1 July 2017), AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2013) (effective 1 July 2015), Amendments to Australian Accounting Standards – Conceptual Framework, Materiality, and Financial Instruments (December 2013) (effective 1 July 2017)

AASB 9 contains new requirements for classification, measurement and de-recognition of financial assets and liabilities, replacing the recognition and measurement requirements in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. As CFX currently classifies its financial assets either at amortised cost or fair value through the profit and loss, no impact relating to financial assets is expected on CFX's financial performance or financial position on adoption of this standard. AASB 9 also changes the accounting for financial liabilities that an entity chooses to account for at fair value through profit or loss, using the fair value option. For such liabilities, changes in fair value related to changes in own credit risk are presented separately in other comprehensive income, and will not be recycled to profit or loss in future periods. All other fair value changes are presented in the income statement. CFX continues to assess the impact of this standard. AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures amended the application date of AASB 9 from 1 July 2013 to 1 July 2017 and consequently makes minor amendments to other standards which impact, or are impacted by AASB 9.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Accounting standards not yet mandatory (continued)

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (effective 1 July 2014)

AASB 2012-3 amended AASB 7 Financial Instruments: Disclosures and AASB 132 Financial Instruments: Presentation, respectively, by revising and clarifying the criteria where financial instruments can be offset in the financial statements. These standards are unlikely to affect the accounting for any of CFX's current offsetting arrangements but may require additional disclosures in relation to these arrangements.

AASB 2013-3 Amendments to Australian Accounting Standards – Recoverable Amount Disclosures for Non-Financial Assets (effective 1 July 2014)

AASB 2013-3 amended the disclosures required by AASB 136 Impairment of Assets which removes the requirement to disclose the recoverable amount of all cash generating units (CGU) that contain goodwill or identifiable assets with indefinite lives if there has been no impairment; the disclosure was introduced with AASB 13 and became applicable from 1 January 2013. It also requires disclosure of the recoverable amount of an asset or CGU when an impairment loss has been recognised or reversed and detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognised or reversed. These standards are unlikely to affect the accounting for any of CFX's non-financial assets but may require additional disclosures in relation to these assets.

AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting (July 2013) (effective 1 July 2014)

AASB 2013-4 made limited scope amendments to AASB 139 Financial Instruments: Recognition and measurement. The AASB requires an entity to stop hedge accounting when a novation occurs, because the original hedging instrument envisaged in the hedge documentation has changed. The amendment allows for the continuation of hedge accounting provided certain conditions are met. These standards are unlikely to have a material impact on CFX's financial performance and financial position unless CFX elects to novate its derivatives in the financial year.

(b) Parent entity financial information

The financial information for the parent entity, CFX1, disclosed in note 23, has been prepared on the same basis as the consolidated financial statements, except for investments in controlled entities and equity accounted investments which in the parent entity are classified as available-for-sale financial assets (refer to note 1(r)) in the statement of financial position.

(c) Principles of consolidation

i. Controlled entities

The consolidated financial statements comprise the assets and liabilities of all controlled entities at 30 June 2014 and the results of all controlled entities for the financial year. CFX and its controlled entities are collectively referred to in this financial report as CFX.

Controlled entities are all entities (including structured entities) over which CFX is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Controlled entities are fully consolidated from the date on which control is transferred to CFX and, where applicable, deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of controlled entities, and the balances and effects of transactions between all controlled entities are eliminated in full.

In accordance with AASB 3 Business Combinations, CFX1 is deemed to control CFX Co from the stapling date of 24 March 2014. CFX1 is considered to be the acquirer of CFX Co as the stapling transaction and capitalisation of CFX Co was funded by CFX1 issuing equity and debt. The results and equity attributable to CFX Co (that is, the amounts shown as attributable to securityholders of other entities stapled to CFX1) are shown prior to the elimination of transactions between CFX1 and CFX Co since this best reflects the transfer of value caused by these transactions between the respective securityholders.

For the comparative year and the period up to 23 March 2014, CFX1 was stapled to and deemed to control CFX2. The results and equity attributable to CFX2, which has never been held directly or indirectly by CFX1, are also shown separately in the financial statements as non-controlling interests. From 24 March 2014, CFX2 is controlled by, and included in the consolidated results of CFX Co. The financial statements of controlled entities are prepared for the same reporting period as those of the parent entity, using consistent accounting policies.

ii. Associates

Associates are entities over which CFX has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Refer to note 9(b) for further details on associates.

Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. Under this method, the equity accounted investments in the statement of financial position are carried at cost plus post acquisition changes in CFX's share of the equity accounted investment's net assets, less any impairment in value. CFX's share of the equity accounted investment's net profit after income tax expense is recognised in the consolidated statement of comprehensive income. Distributions received from the equity accounted investments are recognised in the consolidated financial report as a reduction of the carrying amount of the investment.

The reporting dates of equity accounted investments are the same as those of CFX.

1. Summary of significant accounting policies (continued)

(c) Principles of consolidation (continued)

iii. Joint arrangements

Under AASB 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. CFX has both joint operations and joint ventures.

JOINT OPERATIONS

CFX recognises its share of revenues, expenses, assets and liabilities in joint operations under the appropriate headings in the consolidated statement of financial position and statement of comprehensive income (rather than as a separate line item). Refer to note 8 for further details on joint operations.

JOINT VENTURE ENTITIES

Interests in joint ventures are accounted for using the equity method of accounting, after initially being recognised at cost.

(d) Segment reporting

An operating segment is a group of assets and operations that engages in business activities from which it may earn revenues and incur expenses that are different to those of other segments.

CFX also determines and presents operating segments based on the information that is internally provided to CFX's chief operating decision makers (CODMs) and used in making strategic decisions. The CODMs have been determined as the Managing Director and Chief Executive Officer, Mr Angus McNaughton, the Deputy Chief Executive Officer and Chief Investment Officer, Mr Michael Gorman, and the Head of Asset Management and Chief Operating Officer, Mr David Marcun.

(e) Foreign currency translation

The functional and presentation currency of CFX and the parent entity is Australian dollars (\$). The functional currency is the currency of the primary economic environment in which CFX operates.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Australian dollars at the exchange rates ruling at reporting date.

All foreign exchange differences in the consolidated financial report are recognised as a revenue or expense in the statement of comprehensive income in the period in which they arise, with the exception of differences in non-monetary assets measured at fair value. These are taken directly to the foreign currency translation reserve until the disposal of the net investment, at which time they are recognised in the statement of comprehensive income.

CFX has US dollar (USD) denominated debt and corresponding highly effective cross-currency swaps which hedge the changes in the fair value of the debt relating to changes in the USD/AUD exchange rate and the benchmark USD interest rate. These swaps qualify for hedge accounting. Refer to note 1(t) for further details.

(f) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to CFX and the amount can be reliably measured.

Fixed rental increases in CFX's leases are recognised on a straight-line basis over the term of the lease. Rent not received at reporting date is reflected in the statement of financial position as a receivable or, if paid in advance, as rent in advance. Contingent rental income is recognised as income in the reporting period in which it is earned.

When CFX provides lease incentives to tenants (refer to note 1(q)), the costs of the incentives are recognised over the lease term, on a straight-line basis, as a reduction in rental income.

Management fee revenue relates to income received for the management of externally-owned properties, wholesale property funds and property mandates. Management fee revenue is recorded on an accruals basis.

Distribution and dividend revenue is recognised when CFX has the right to receive payment, being the date when they are declared. Interest income is recognised on an accruals basis using the effective interest method.

A gain or loss on disposal of assets is calculated as the difference between the carrying amount of the asset at the date of disposal and the net proceeds from disposal, and is included in the statement of comprehensive income in the year of disposal. Where revenue is obtained from the sale of properties or assets, it is recognised when the significant risks and rewards have transferred to the buyer. This will normally take place on exchange of unconditional contracts.

If revenue is not received at reporting date, it is included in the statement of financial position as a receivable and carried at amortised cost.

(g) Expenditure

All expenses are recognised in the consolidated statement of comprehensive income on an accruals basis.

Property expenditure includes rates, taxes and other outgoings incurred in relation to investment properties, where such expenses are the responsibility of CFX.

Borrowing costs incurred on interest bearing liabilities are explained in note 1(x). The Responsible Entity's base and performance fees incurred prior to internalisation are set out in notes 15(d)(ii) and 15(d)(iii) respectively.

(h) Income tax

Income tax expense/benefit for the financial year is the tax payable/receivable on the current year's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current and deferred tax is recognised through profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly through equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

1. Summary of significant accounting policies (continued)

(h) Income tax (continued)

Deferred tax assets and liabilities are recognised for all deductible temporary differences and unused tax credits and unused tax losses carried forward to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences and the carry-forward amount of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

i. CFX1

Under current income tax legislation, CFX1 and its controlled entities (with the exception of entities stapled to CFX1) are not subject to income tax, provided that stapled securityholders are presently entitled to the income as calculated for trust accounting purposes.

ii. CFX Co and its controlled entities

All entities consolidated within the CFX Group that are subject to income tax are wholly-owned subsidiaries of CFX Co. These entities form a tax consolidated group and are taxed as a single entity.

(i) Goods and Services Tax (GST)

Revenues, expenses, assets and liabilities (with the exception of receivables and payables) are recognised net of the amount of GST, unless the GST is not recoverable from the taxation authority. Where GST is not recoverable, it is recognised as part of the cost of acquisition, an expense, or equity.

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included in the statement of financial position as receivable or payable.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority are presented as operating cash flows.

(j) Cash and cash equivalents

Cash and cash equivalents includes cash at bank and short-term money market deposits with maturities of three months or less that are readily converted to cash. Bank overdrafts are classified as interest bearing liabilities in the statement of financial position.

(k) Receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost, which, in the case of CFX, is the original invoice amount less a provision for any uncollected debts. Collectability of debtors is reviewed on an ongoing basis, and bad debts are written off when identified by reducing the amount of the receivable in the statement of financial position. A specific provision is made for any doubtful debts where objective evidence exists that CFX will not be able to collect the amounts due according to the original terms of the receivables. Indicators that debts may be uncollectable include default in payment (more than 90 days overdue), significant financial difficulties of the debtor and the probability that the debtor will be placed in administration or bankruptcy. The debtor's circumstances relating to the default in payment are considered, and in some cases alternative payment arrangements may apply. If the debtor defaults on the terms of these arrangements, the debt will be recognised as doubtful.

The amount of the doubtful debt provision is calculated as the difference between the original debt amount and the present value of the estimated future cash flows. The amount of the provision is recognised in the statement of comprehensive income as a bad and doubtful debts expense.

Where a debtor for which a provision for doubtful debt had been recognised becomes uncollectable in a subsequent period, it is written off against the doubtful debt provision. Subsequent recoveries of amounts previously written off are credited against the bad and doubtful debts expense in the statement of comprehensive income.

All other receivables are recognised at fair value where there is a present entitlement.

Normal commercial terms and conditions apply to receivables.

All receivables with maturities greater than 12 months after reporting date are classified as non-current assets.

(l) Non-current assets classified as held for sale

For a non-current asset to be classified as held for sale, its carrying value must be expected to be recovered principally through a sale transaction rather than through continuing use. It must also be available for immediate use in its present condition, and its sale must be highly probable.

Non-current assets which are classified as held for sale are measured at the lower of their carrying amount or fair value less costs to sell, except for investment properties, which are measured at fair value as set out in note 8. Non-current assets classified as held for sale are presented separately in the statement of financial position.

(m) Investment properties

Investment properties are direct property investments held for long-term rental yields and comprise either freehold or leasehold land, buildings, leasehold improvements and property that is under development for future use as investment property.

Investment properties are initially recognised at cost plus associated costs of acquisition, including stamp duty. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is the amount for which the investment property could be exchanged between knowledgeable, willing parties in an arm's

1. Summary of significant accounting policies (continued)

(m) Investment properties (continued)

length transaction. Gains and losses arising from changes in the fair value of investment properties are recognised in the statement of comprehensive income.

Investment properties are independently valued at intervals of not more than one year, and all valuations are performed by registered valuers.

At each reporting date, the fair value of each investment property as determined by the independent valuation is adjusted for subsequent capital expenditure. In determining fair value, the valuation methods of capitalisation of net income and discounted cash flows have been used. These are based upon assumptions and judgement in relation to future rental income, anticipated maintenance costs, and appropriate discount rates, and make reference to market evidence of transaction prices for similar properties. Refer to note 8(c) for the key assumptions used by CFX in determining fair value of its investment properties.

The reported fair value of investment property reflects market conditions at the end of the reporting period. While this represents the best estimates as at the reporting date, actual sale prices achieved may be higher or lower than the most recent valuation. This is particularly relevant in periods of market illiquidity or uncertainty.

Land and buildings (including integral plant and equipment) that comprise investment property are not depreciated. The carrying amount of investment properties may include the costs of acquisition, additions, refurbishments, redevelopments, improvements, lease incentives, assets relating to fixed increases in operating lease rental in future periods and borrowing costs incurred during the construction period of qualifying assets. Capital works in progress, where excluded from investment property valuations, are carried at cost where CFX is satisfied that cost is a reasonable approximation of fair value. On completion, the cost of capital works in progress is transferred to the book value of the specific property and subsequently considered as part of the valuation process.

Investment properties are derecognised when disposed of. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the date of disposal and the net proceeds from disposal. It is included in the statement of comprehensive income in the same reporting period as the year in which disposal occurs.

Where investment properties have been revalued, the potential effect of the Capital Gains Tax (CGT) on disposal has not been taken into account in the determination of the revalued carrying amount because CFX does not expect to be ultimately liable for CGT in respect of the assets.

i. Property under development

Property under development is classified as investment property and stated at fair value. In determining fair value, the following factors, among others, are considered:

- the stage of completion

- whether the project/property is standard (typical for the market) or non-standard
- the level of reliability of cash inflows after completion in line with the highest and best use of the asset
- the development risk specific to the property
- past experience with similar developments
- status of development/construction permits, and
- the provisions of the construction contract.

Refer to note (r) for investment properties classified as held for sale.

ii. Government grants

Government grants received as reimbursements of capital expenditure under the Green Building Fund are included as adjustments to carrying amounts of investment properties.

(n) Intangible assets

i. Goodwill

Goodwill represents the excess of the cost of the internalisation transaction over the fair value of the acquired identifiable assets at the date of acquisition. Goodwill is not subject to amortisation but instead is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less impairment loss, if any.

ii. Management rights

Management rights reflect the right to provide asset and fund management services in accordance with management agreements and are recognised as a result of a business combination. Management rights recognised as part of a business acquisition are recorded initially at their fair value at the date of acquisition and management rights with finite life are subsequently amortised on a straight-line basis depending on the timing of the projected cash flows under the management agreement. Management rights deemed to have an indefinite life, reflecting those management agreements without termination dates, are not subject to amortisation but balances are tested for impairment annually.

(o) Plant and equipment

Plant and equipment is carried at historical cost less depreciation and any impairment in value. Historical cost includes expenditure that is directly attributable to the asset's acquisition and preparation for its intended use. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits will flow to CFX.

Depreciation of plant and equipment is calculated using the straight-line method to allocate cost, net of residual value, over the expected useful life of the asset from the time the asset is ready for its intended use. The estimated useful life of the assets is as follows:

IT	3 years
Furniture, fixtures and fittings	1 to 10 years
Office equipment	1 to 10 years

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

1. Summary of significant accounting policies (continued)

(o) Plant and equipment (continued)

An asset's residual value and useful life is reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down to its recoverable amount if its carrying amount exceeds its estimated recoverable amount.

(p) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

The minimum lease payments of operating leases, which exclude contingent payments, are recognised as an expense in the statement of comprehensive income on a straight-line basis over the period of the lease.

Lease income from operating leases where CFX is the lessor is recognised in income on a straight-line basis over the lease term (refer to note 1(f)).

(q) Lease incentives

Lease incentives may take the form of cash, rent-free periods, contributions to certain lessees' costs, relocation costs and lessee or lessor owned fit-outs and improvements. These incentives are capitalised as part of the carrying value of the investment properties and amortised on a straight-line basis over the term of the lease as a reduction of rental income. The carrying amount of the lease incentives is reflected in the fair value of investment properties.

(s) Financial assets and liabilities

CFX classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial liabilities are carried at amortised cost, except for foreign currency denominated notes which are carried at fair value. Classification of financial assets and liabilities depends on the purpose for which the assets and liabilities were acquired.

CFX's classification is set out below:

FINANCIAL ASSET/LIABILITY	CLASSIFICATION	CARRYING VALUE BASIS	
Cash	Fair value through profit and loss	Fair value	Refer to note 1(j)
Receivables	Loans and receivables	Amortised cost	Refer to note 1(k)
Derivatives	Fair value through profit and loss	Fair value	Refer to note 1(t)
Investments	Available-for-sale financial assets	Fair value	Refer to note 1(r)
Payables	Financial liability at amortised cost	Amortised cost	Refer to note 1(v)
Foreign currency denominated notes	Fair value through profit and loss	Fair value	Refer to notes 1(t) and 1(x)
Interest bearing liabilities (except for foreign currency denominated notes)	Financial liability at amortised cost	Amortised cost	Refer to note 1(x)

(r) Available-for-sale financial assets

Other investments included on the balance sheet are available-for-sale financial assets. Available-for-sale financial assets are non-derivatives that are either designated in this financial asset category or not classified in any other financial asset categories. Investments are designated as available-for-sale if they do not have fixed maturities, fixed or determinable payments and management intends to hold them for the medium-to-long term.

These investments are carried at fair value.

The fair values of investments that have an active market are determined by reference to quoted market prices. For investments with no active market, fair values are determined using valuation techniques which keep judgemental inputs to a minimum, including the fair value of underlying assets, recent arm's length transactions and reference to market value of similar investments.

Gains and losses on available-for-sale investments are recognised in the investment revaluation reserve in the statement of financial position and included in other comprehensive income in the statement of comprehensive income until the investment is sold or impaired.

When available-for-sale financial assets are sold or impaired, cumulative gains recognised in the investment revaluation reserve are recognised in the statement of comprehensive income. Cumulative losses are recognised in the investment revaluation reserve to the extent that they reverse previously recorded gains, and when previously recorded gains have been reversed in full, any impairment loss below original cost (when significant and prolonged) is recognised in the statement of comprehensive income.

Available-for-sale financial assets are classified as non-current assets unless management intends to dispose of the investments within 12 months of reporting date.

1. Summary of significant accounting policies (continued)

(s) Financial assets and liabilities (continued)

i. Derecognition of financial instruments

Financial assets and financial liabilities are derecognised when CFX no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold or all the risks and rewards of ownership have transferred to an independent third party or CFX's obligations are extinguished.

(t) Derivatives

CFX is exposed to changes in interest rates and foreign exchange rates and uses derivatives including interest rate swaps, forward rate agreements and cross-currency swaps to hedge these risks.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value at each reporting date. The gain or loss on remeasurement to fair value is recognised in the statement of comprehensive income. Fair value at reporting date is calculated to be the present value of the estimated future cash flows of these instruments. Data inputs that CFX relies upon when valuing derivatives and foreign currency denominated notes relate to interest rates, volatility, counterparty credit risk and foreign exchange rates. Each instrument is discounted at the market interest rate appropriate to the instrument. For further details regarding the fair value measurement of derivatives, refer to note 20(i).

There is a comprehensive hedging program implemented by CFX that is used to manage interest and exchange rate risk. Derivatives are not entered into for speculative purposes, and the hedging policies are approved and monitored by an executive Capital Management Committee (CMC).

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

i. Interest rate swaps

CFX enters into interest rate swap agreements that are used to convert certain variable interest rate borrowings to fixed interest rates or vice versa. The swaps are entered into with the objective of hedging the risk of adverse interest rate fluctuations. While CFX has determined that these arrangements are economically effective, they have not satisfied the documentation, designation and effectiveness tests required by Australian Accounting Standards. As a result, they do not qualify for hedge accounting, and gains or losses arising from changes in fair value are recognised immediately in the statement of comprehensive income.

ii. Cross-currency swaps

Foreign currency denominated notes have been swapped back to Australian dollars via principal and interest cross-currency swaps. These swaps qualify for hedge accounting, as they have met the documentation, designation and effectiveness tests. Having satisfied these tests, these swaps are designated as fair value hedges of the underlying foreign currency exposures. Changes in the fair value of derivatives that qualify as fair value hedges are recorded in the statement of comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(u) Impairment of assets

All non-financial assets, excluding investment properties (refer to note 1(m)) and intangible assets (refer to note 1(n)), are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where an indicator or objective evidence of impairment exists, an estimate of the asset's recoverable amount is made. An impairment loss is recognised in the statement of comprehensive income for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

(v) Payables and other creditors

Payables and other creditors represent liabilities and accrued expenses owing by CFX at year end which are unpaid. The amounts are unsecured and usually paid within 30 days of recognition with the exception of employee benefits (refer to note 1(w)). Payables other than employee benefits are recognised at amortised cost, and normal commercial terms and conditions apply. Refer to note 1(z) for payables related to distributions.

All payables with maturities greater than 12 months after the reporting date are classified as non-current liabilities.

(w) Employee benefits

i. Short-term benefits

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

ii. Incentive plans

The Group recognises a liability and an expense for employee incentives. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation. Some employees are eligible to participate in short term and long term (deferred settlement basis) incentive plans. Short term and long term incentives are accrued in full in the year of performance. Those incentives settled on a deferred basis accrue interest at market rates.

iii. Retirement benefit obligations

Contributions to the defined contribution fund of the employee's choice are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payment is available.

iv. Other long-term employee benefit obligations

The non-current portion of liabilities for long service leave, annual leave and other employee incentives, are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Where applicable, consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

1. Summary of significant accounting policies (continued)

(w) Employee benefits (continued)

iv. Other long-term employee benefit obligations (continued)

discounted using market yields at the end of the reporting period of government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

(x) Interest bearing liabilities

Interest bearing liabilities are recognised initially at fair value, being the consideration received net of transaction costs associated with the borrowing. Subsequent to initial recognition, interest bearing liabilities, other than foreign currency denominated notes, are recognised at amortised cost using the effective interest method. Under the effective interest method, any transaction fees, costs, discounts and premiums directly related to the borrowings are recognised in the statement of comprehensive income over the expected life of the borrowings.

Foreign currency denominated notes, which qualify for hedge accounting, are carried at fair value. Changes in fair value are recorded in the statement of comprehensive income.

The fair value of the liability portion of CFX's convertible notes is determined using a market interest rate for an equivalent non-convertible bond at the date of issue. This amount is recorded as a liability until extinguished on conversion or maturity of the notes. The remainder of the proceeds is allocated to the conversion option and recognised in contributed equity as stapled securities on issue.

Interest bearing liabilities are classified as current liabilities where the liability has been drawn under a financing facility which expires within one year. Amounts drawn under financing facilities which expire after one year are classified as non-current.

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, and amortisation of ancillary costs incurred in connection with the arrangement of borrowings. Borrowing costs are expensed as incurred, unless they relate to a qualifying asset, and recognised in interest bearing liabilities in the statement of financial position. A qualifying asset is an asset which generally takes more than 12 months to be ready for its intended purpose. In these circumstances, borrowing costs incurred for the construction of a qualifying asset are capitalised to the cost of the asset for the period of time that is required to complete and prepare the asset. The capitalisation rate used to determine the amount of borrowing costs capitalised is the weighted average interest rate applicable to CFX's outstanding borrowings during the financial year.

(y) Contributed equity

Stapled securities on issue are classified as equity and recognised at the value of the consideration received by CFX. Incremental costs directly attributable to the issue of new stapled securities are recognised in equity as a deduction, net of tax, from the proceeds. Where CFX reacquires its own issued stapled securities, the consideration paid, including any directly attributable transaction costs, is deducted from equity.

(z) Distributions, distribution payable and dividends

In accordance with the CFX1 Constitution, CFX distributes income adjusted for unrealised and other amounts, as determined by the Directors, to securityholders on a semi-annual basis.

A distribution payable to securityholders of CFX is recognised for the amount of any distribution approved on or before reporting date but not distributed at reporting date.

(aa) Earnings per stapled security

Basic earnings per security is calculated as net profit for the financial year divided by the weighted average number of securities on issue.

Diluted earnings per security is calculated by adjusting the basic earnings per security to take into account the effect of interest and other borrowing costs associated with dilutive potential ordinary securities and the weighted average number of additional ordinary securities that would have been outstanding assuming the conversion of all dilutive potential ordinary securities, namely convertible notes converted into securities.

(bb) Business combinations

Business combinations are accounted for using the acquisition method of accounting. The acquisition method involves recognising at acquisition date, separately from goodwill, all identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree.

The consideration transferred in a business combination is measured at fair value and is calculated as the sum of the acquisition date fair values of all assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition related costs directly attributable to the business combination are expensed in the current period and recorded in the statement of comprehensive income.

Upon acquisition of a business, CFX assesses the financial assets and liabilities assumed to determine appropriate classification and designation in accordance with the contractual terms, economic conditions, CFX's operation or accounting policies and other pertinent conditions as at the acquisition date.

Refer to note 2 for the disclosures related to business combination transactions in the current year.

(cc) Rounding of amounts

CFX is an entity of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission (ASIC). Accordingly, amounts in the financial report have been rounded to the nearest tenth of a million dollars (\$m), unless stated otherwise.

(dd) Critical accounting estimates and judgements

The preparation of the financial statements requires CFX to make judgements, estimates and assumptions that affect the amounts reported in the financial statements. CFX bases its judgements and estimates on historical experience and other various factors it considers to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the result of which form the basis of the carrying values of assets and liabilities. As a result, actual results could differ from those estimates.

1. Summary of significant accounting policies (continued)

(dd) Critical accounting estimates and judgements (continued)

The areas where a higher degree of judgement or complexity arises, or areas where assumptions and estimates are significant to CFX's financial statements, are detailed below:

i. Valuation of investment properties

Details of the valuation of investment properties (including properties under development and properties classified as 'held for sale') are presented in note 8.

ii. Valuation of derivatives and foreign currency denominated notes

The fair value of derivatives and foreign currency denominated notes is based on certain assumptions about future events and involves significant estimates. CFX determines the fair value of derivatives and USD denominated debt using a generally accepted pricing model based on a discounted cash flow analysis which uses assumptions supported by observable market rates. Whilst certain derivatives are not quoted in an active market, CFX's valuation technique makes the maximum use of market inputs and relies as little as possible on entity specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Data inputs that CFX relies upon when valuing derivatives and foreign currency denominated notes relate to interest rates, volatility, counterparty credit risk and foreign exchange rates. The fair value of derivatives and USD denominated debt reported at 30 June 2014 would be subject to volatility in interest rates or foreign exchange rates in future periods.

Periodically, CFX calibrates the valuation technique for USD denominated debt, and tests it for validity using prices from any observable current market transactions in the same instrument (ie without modification) or based on any available observable market data. The determination of fair value of derivatives and foreign currency denominated notes is described further in note 20(i).

iii. Impairment testing of goodwill and intangibles

CFX tests whether goodwill and intangibles with an indefinite life have suffered any impairment on an annual basis in accordance with the accounting policy in note 1(n). Determining whether goodwill or intangibles are impaired requires an estimation of the fair value less costs to sell of the cash generating units (CGU) to which they have been allocated. The fair value less costs to sell calculations require an estimate of future cash flows expected to arise from each CGU and a suitable discount rate in order to calculate the net present value. Details of assumptions used are described in more detail in note 10.

iv. Recognition of deferred tax assets

A deferred tax asset was recognised with respect to the termination of funds management contracts (refer to note 2) as CFX considers, based on forecasts, it is probable CFX will earn sufficient taxable income to utilise these tax deductions in future periods. Unrecognised deferred tax assets relating to the transaction amount to \$20.0 million. These temporary differences will be reviewed on an annual basis and may be recognised at a later date if considered likely to be recovered.

2. Internalisation

On 24 March 2014, following securityholder approval, CFX paid \$475.5 million (\$467.8 million excluding a \$7.7 million receivable for QV Retail management) to the Commonwealth Bank of Australia (CBA) to acquire CMIL and CBA's retail property asset management business and to terminate funds management contracts for CFX and a number of wholesale property funds and mandates. This internalised CFX's management and also enabled CFX to undertake the management of a number of wholesale property funds and property mandates. This internalisation was effected through the following transactions:

- a newly formed entity CFX Co Limited (CFX Co) acquired CMIL and asset management entities owned by CBA. CFX Co paid to CBA \$460 million (\$452.3 million excluding a \$7.7 million receivable for QV Retail management), and an additional \$15.5 million for the net tangible assets of CMIL and the asset management entities. CFX Co was funded by CFX1 making a capital distribution to its securityholders which was reinvested in CFX Co, and by CFX1 making a loan to CFX Co
- CFX2 de-stapled from CFX1 and was acquired by CFX Co, and
- CFX Co stapled to CFX1.

The transaction was funded by a \$280 million institutional placement by CFX1 to issue new equity (refer to note 14), a security purchase plan which raised a further \$15 million of equity in January 2014, and the remainder through existing undrawn cash advance facilities.

(a) Business combination accounting

CFX acquired 100% of the issued capital of the following entities and their subsidiaries:

- Commonwealth Managed Investments Limited
- CFX Funds Management Pty Limited
- Colonial First State Property Management Pty Limited
- Commonwealth Property Pty Limited
- Colonial First State Management Pty Limited, and
- Colonial First State Property Management Trust.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

2. Internalisation (continued)

(a) Business combination accounting (continued)

The acquisition of these entities has been accounted for as a business combination. Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	30 JUN 2014 \$M
Purchase consideration (refer to (b) below):	
Cash paid	475.5
Less: payment to terminate performance fee liability for CFX1	(31.2)
Total purchase consideration	444.3

The assets and liabilities recognised as a result of the acquisition are as follows:

	FAIR VALUE \$M
Cash	38.5
Trade and other receivables	73.6
Receivable for QV Retail management ⁽¹⁾	7.7
Other assets	6.1
Property, plant and equipment	6.5
Deferred tax assets	63.3
Intangible assets: management rights	110.1
Trade creditors and other payables	(70.4)
Provision for employee benefits	(45.2)
Other provisions	(0.4)
Net identifiable assets acquired	189.8
Add: goodwill	254.5
Net assets acquired	444.3

(1) The property management agreement for QV Retail has been terminated for the consideration to CFX of \$7.7 million.

Goodwill arises from the payments made to internalise (CFX related) property management and funds management business.

There were no business combinations in the year ended 30 June 2013.

For the period from 24 March 2014 to 30 June 2014, the acquired business contributed revenues of \$14.8 million. CFX's consolidated profit includes a profit attributable to CFX Co of \$0.7 million. As some of the entities that formed part of the internalisation of management were newly formed for the purposes of the transaction, it is impractical to provide meaningful information as to the revenues and operating results that would have been generated for the full year had the transaction occurred on 1 July 2013.

(b) Purchase consideration – cash outflow

	30 JUN 2014 \$M
Outflow of cash to acquire subsidiaries, net of cash acquired	
Cash consideration	475.5
Less: Cash balances acquired	(38.5)
Outflow of cash – investing activities	437.0

(c) Acquisition-related costs

Acquisition-related costs of \$13.5 million are included in the statement of comprehensive income.

3. Segment information

CFX's operating segments have been determined based on internal reports provided to the Managing Director and Chief Executive Officer, Mr Angus McNaughton, the Deputy Chief Executive Officer and Chief Investment Officer, Mr Michael Gorman, and the Head of Asset Management and Chief Operating Officer, Mr David Marcun, being CFX's chief operating decision makers (CODMs).

CFX's operating segments are as follows:

- (i) Property Investment: This segment comprises net property income derived from investment in retail property.
- (ii) Strategic Partnerships: This segment comprises fee income from management of externally-owned properties and management of wholesale property funds and property mandates.

Other income and expenses are unallocated.

CFX operates in Australia and all revenue is derived in Australia. No single tenant or group under common control contributed to more than 10% of CFX's revenues.

The chief operating decision makers assess the performance of the segments based on distributable income and distribution per stapled security. Distributable income is an earnings measure, calculated as statutory net profit, adjusted for fair value adjustments, certain unrealised and non-cash items, and other items that are non-recurring or capital in nature.

(a) Segment results

	CONSOLIDATED 30 JUN 2014 \$M	CONSOLIDATED 30 JUN 2013 \$M
Property investment		
Property revenue	733.8	725.1
Add/(less): straight-lining revenue ⁽¹⁾	1.6	(2.4)
Share of net profit from equity accounted investments before fair value adjustments	3.6	3.4
Dividend income	1.4	1.5
Property expenses	(220.7)	(219.3)
Amortisation of project items ⁽¹⁾	19.6	20.0
Other items ⁽¹⁾	9.7	8.9
Net property income	549.0	537.2
Strategic partnerships		
Management fee revenue	14.8	–
Strategic partnership revenue	14.8	–
Unallocated		
Alignment fee income	9.2	11.1
Other revenue	1.1	0.8
Interest expense ^{(1),(2)}	(112.0)	(112.0)
Management and performance fees ^{(1),(3)}	(33.8)	(48.8)
Employee benefits expenses	(19.1)	–
Other management and administration expenses	(8.4)	(3.8)
Income tax (expense)/benefit ^{(1),(4)}	(0.4)	0.1
Total unallocated	(163.4)	(152.6)
Distributable income	400.4	384.6
Other adjustments		
– transfer from undistributed reserve ⁽⁵⁾	9.8	–
– amounts retained	(0.3)	–
Distributions paid and payable	409.9	384.6
Distribution per stapled security (cents)	13.6	13.6

(1) Refer to the relevant footnotes in note 3(b) for the explanations of adjusting items.

(2) Interest expense is equal to borrowing costs of \$103.5 million (Jun 2013: \$110.8 million) plus net interest expense on derivatives of \$9.7 million (Jun 2013: \$3.2 million) less the non-cash convertible notes expense of \$1.2 million (Jun 2013: \$2.0 million).

(3) Excludes the movement in fair value of performance fees of \$2.0 million increase (Jun 2013: \$5.5 million decrease).

(4) Excludes the tax benefit relating to amortisation of intangibles of \$0.2 million (Jun 2013: nil).

(5) New stapled securities issued in December 2013 ranked equally with existing stapled securities and were therefore entitled to the full distribution for the half-year to 31 December 2013. Therefore an amount was transferred from undistributed reserves to deliver a distribution of 6.8 cents per stapled security for that half-year period.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

3. Segment information (continued)

(a) Segment results (continued)

Net property income for the current financial year includes the benefit of lower property expenses for the period 24 March 2014 to 30 June 2014 resulting from the internalisation of management.

(b) Reconciliation of distributable income to net profit

	CONSOLIDATED 30 JUN 2014 \$M	CONSOLIDATED 30 JUN 2013 \$M
Distributable income	400.4	384.6
Straight-lining revenue ⁽¹⁾	(1.6)	2.4
Fair value gains/(losses) on investment properties and equity accounted investments ⁽²⁾	70.8	(63.1)
Fair value adjustments to derivatives ⁽³⁾	(23.0)	(3.5)
Movement in fair value of unrealised performance fees ⁽⁴⁾	(2.0)	5.5
Non-cash convertible notes interest expense ⁽⁵⁾	(1.2)	(2.0)
Internalisation costs ⁽⁶⁾	(13.5)	–
Amortisation of intangibles, net of tax ⁽⁷⁾	(0.5)	–
Amortisation of project items ⁽⁸⁾	(19.6)	(20.0)
Other items ⁽⁹⁾	(9.7)	(8.9)
Statutory net profit for the financial year	400.1	295.0

The material adjustments to the net profit to arrive at distributable income for the financial year shown in the financial report are described below.

- (1) Straight-lining rental revenue, which is required by Australian Accounting Standards, is an unrealised non-cash amount. Therefore it has been excluded to better reflect distributable income from ordinary operations.
- (2) Net profit includes movements in the fair value of investment properties in accordance with Australian Accounting Standards. Similarly, movements in the value of the underlying investment properties of CFX's equity accounted investments are required by Australian Accounting Standards, but do not reflect the cash distributions received from these investments. Fair value movements have been excluded to better reflect distributable income from ordinary operations.
- (3) Fair value movements in derivatives comprise mark-to-market movements required by Australian Accounting Standards for valuation purposes, including realised and unrealised amounts. These movements have been excluded to better reflect distributable income from ordinary operations.
- (4) Fair value movements in the carry-over of unrealised performance fees are required by Australian Accounting Standards for valuation purposes, but are unrealised non-cash amounts. These movements have therefore been excluded to better reflect distributable income from ordinary operations.
- (5) The difference between the actual coupon paid on CFX's convertible notes and the interest expense calculated at the market rate for an equivalent non-convertible bond is required to be recognised by Australian Accounting Standards. As it represents a non-cash amount, it has been excluded to better reflect distributable income from ordinary operations.
- (6) CFX has incurred costs in relation to the internalisation of management (refer to note 2). These are one-off costs and have been excluded to better reflect distributable income from ordinary operations.
- (7) Net profit includes amortisation of intangible assets and a corresponding tax benefit. This amount has been excluded to better reflect distributable income from ordinary operations.
- (8) Certain payments such as lease incentives, leasing fees and legal fees relating to development projects are capitalised in investment properties. Amortisation of these items is recognised as an expense in accordance with Australian Accounting Standards. This amortisation has been excluded to better reflect distributable income from ordinary operations.
- (9) These items relate primarily to development projects and have been excluded to better reflect distributable income from ordinary operations.

(c) Segment assets and liabilities

The property investment segment reported to the CODMs includes investment properties held directly and those that are included in equity accounted investments. The property investment values are measured in a manner consistent with the statement of financial position. Total investment property at 30 June 2014 is \$8,865.6 million (Jun 2013: \$8,560.2 million). A reconciliation of the investment property segment to total assets in the statement of financial position is provided below:

	CONSOLIDATED 30 JUN 2014 \$M	CONSOLIDATED 30 JUN 2013 \$M
Investment properties per statement of financial position	8,830.4	8,526.6
Investment properties included in equity accounted investments	35.2	33.6
Total investment property segment	8,865.6	8,560.2

3. Segment information (continued)

(c) Segment assets and liabilities (continued)

	CONSOLIDATED 30 JUN 2014 \$M	CONSOLIDATED 30 JUN 2013 \$M
Cash and cash equivalents	91.1	12.4
Receivables	60.1	46.6
Derivatives	1.4	4.2
Other current assets	8.5	5.6
Equity accounted investments	1.2	–
Plant and equipment	6.0	–
Intangible assets	363.9	–
Deferred tax assets	63.3	0.1
Other non-current assets	0.8	–
Total assets	9,461.9	8,629.1

No other assets or liabilities are allocated to specific segments.

4. Stapled securityholders' distributions

Distributions paid and payable by CFX during the financial year and previous financial year are:

	30 JUN 2014		30 JUN 2013	
	\$M	CENTS PER STAPLED SECURITY	\$M	CENTS PER STAPLED SECURITY
Distribution paid – February	204.7	6.8	192.3	6.8
Distribution payable – August	205.2	6.8	192.3	6.8
Total distributions paid and payable⁽¹⁾	409.9	13.6	384.6	13.6

(1) Excludes \$218.8 million capital distribution from CFX1 reinvested in CFX Co (refer to note 14).

5. Employee benefits expenses

	CONSOLIDATED 30 JUN 2014 \$M	CONSOLIDATED 30 JUN 2013 \$M
Salaries and wages	15.6	–
Other employee benefits expenses	3.5	–
Total employee benefits expenses	19.1	–

6. Income tax

(a) Income tax expense

Current income tax expense	(4.3)	–
Deferred income tax benefit	4.1	0.1
Income tax (expense)/benefit	(0.2)	0.1
Deferred income tax benefit included in income tax benefit comprises:		
Increase in deferred tax assets	4.1	0.1
Total deferred tax benefit	4.1	0.1

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

6. Income tax (continued)

(b) Reconciliation between income tax expense and prima facie tax benefit

	CONSOLIDATED 30 JUN 2014 \$M	CONSOLIDATED 30 JUN 2013 \$M
Profit before tax for the financial year	400.3	295.0
Less: Profit attributed to entities not subject to tax ⁽¹⁾	(399.4)	(295.2)
	0.9	(0.2)
Prima facie income tax (expense)/benefit at 30%	(0.3)	0.1
Tax effect of amounts not deductible/(taxable) in calculating income tax expense:		
Share of after tax profits from equity-accounted investments	0.1	–
Income tax (expense)/benefit	(0.2)	0.1

(1) Net profit attributable to CFX1 and consolidation adjustments.

(c) Deferred tax assets

The deferred tax assets balance comprises temporary differences attributable to:

Provisions	17.3	0.1
Plant and equipment	2.1	–
Tax losses	10.5	–
Termination of funds management contracts	38.6	–
Intangible assets	(5.3)	–
Net deferred tax asset recognised in income tax expense/benefit	63.2	0.1
Stapled security issue costs	0.1	–
Deferred tax asset recognised in equity	0.1	–
Total net deferred tax assets	63.3	0.1
Net deferred tax assets expected to be recovered within 12 months	18.1	0.1
Net deferred tax assets expected to be recovered after more than 12 months	45.2	–

Movement in temporary differences

	PROVISIONS \$M	INTANGIBLE ASSETS \$M	OTHER \$M	TERMINATION OF FUNDS MANAGEMENT CONTRACTS \$M	TAX LOSSES \$M	TOTAL \$M
At 1 July 2012	–	–	–	–	–	–
Charged:						
– to profit	0.1	–	–	–	–	0.1
At 30 June 2013	0.1	–	–	–	–	0.1
Acquired through business combination	13.3	(5.5)	2.1	53.3	0.1	63.3
Business related costs ⁽¹⁾	–	–	–	(14.7)	14.7	–
Charged:						
– to profit	3.9	0.2	–	–	(4.3)	(0.2)
– directly to equity	–	–	0.1	–	–	0.1
At 30 June 2014	17.3	(5.3)	2.2	38.6	10.5	63.3

(1) CFX is entitled to tax deductions resulting from the termination of funds management contracts (refer to note 2a). A deferred tax asset of \$53.3 million was recognised as management believes, based on forecasts, it is probable CFX will earn sufficient taxable income in future periods to utilise the tax deductions. Unrecognised deferred tax assets relating to the transaction amount to \$20.0 million. These temporary differences will be reviewed on an annual basis and may be recognised at a later date if considered likely to be recovered.

7. Receivables

	NOTE	CONSOLIDATED 30 JUN 2014 \$M	CONSOLIDATED 30 JUN 2013 \$M
Current			
Rental debtors	20(c)	9.4	11.2
Less: Provision for doubtful debts	20(c)	(5.1)	(6.0)
		4.3	5.2
Receivables from related entities – managing agent		–	16.2
– alignment fee income		–	5.5
Accrued income		13.2	7.5
Security deposits receivable		8.6	5.7
Performance fees receivable ⁽¹⁾		14.0	–
Receivable from CBA for loss of QV management ⁽¹⁾		7.7	–
Other		12.3	6.5
Total receivables		60.1	46.6

(1) These receivables were included in assets acquired in the internalisation transaction.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

8. Investment properties

	OWNERSHIP %	ORIGINAL PURCHASE DATE	LATEST INDEPENDENT VALUATION DATE	INDEPENDENT VALUATION \$M	CARRYING VALUE ⁽¹⁾ 30 JUN 14 \$M	CARRYING VALUE 30 JUN 13 \$M
Non-current						
Altona Gate Shopping Centre, Altona, VIC	100	Mar-94	Nov-13	73.9	78.5	76.5
Bayside Shopping Centre, Frankston, VIC	100	Mar-94 & Feb-97	Jun-14	561.2	561.2	583.5
Bowes Street, Woden, ACT ⁽²⁾	100	Oct-02	May-14	11.0	11.0	12.6
Brimbank Shopping Centre, Deer Park, VIC	100	Oct-02	Jun-14	156.4	156.4	160.0
Broadmeadows Shopping Centre, Broadmeadows, VIC	100	Mar-94 & Dec-04	Jun-14	316.0	316.0	325.0
Castle Plaza Shopping Centre, Edwardstown, SA	100	Oct-02	Nov-13	145.0	151.8	151.4
Chadstone Shopping Centre, Chadstone	50	Mar-94	Dec-13	1,675.0	1,682.3	1,667.0
Chatswood Chase Sydney, Chatswood, NSW	100	Oct-03 & Aug-07	May-14	889.5	889.7	845.2
Clifford Gardens Shopping Centre, Toowoomba, QLD	100	Oct-02	Jun-14	168.6	168.6	160.9
Corio Shopping Centre, Corio, VIC	100	Oct-02	Nov-13	117.1	117.0	121.4
DFO Essendon, Essendon, VIC ⁽³⁾	100	Oct-10	Jun-14	141.5	141.5	134.0
DFO Homebush, Homebush, NSW ⁽⁵⁾	100	Oct-10	Dec-13	250.0	270.9	187.0
DFO Moorabbin, Moorabbin, VIC ⁽⁴⁾	100	Oct-10	Jun-14	100.0	100.0	102.0
DFO South Wharf, Melbourne, VIC ⁽⁶⁾	75	Dec-10 & May-14	Jun-14	272.4	272.4	177.5
Eastlands Shopping Centre, Rosny Park, TAS	100	Mar-94	Nov-13	161.2	165.2	170.2
Elizabeth Shopping Centre, Elizabeth, SA	100	Jul-98 & Jan-03	Jun-14	357.5	357.5	361.0
Forest Hill Chase, Forest Hill, VIC	100	Jan-05	May-14	270.0	270.3	281.7
Grand Plaza Shopping Centre, Browns Plains, QLD	50	Oct-02	Jun-14	173.0	174.0	171.8
Lake Haven Shopping Centre, Wyong, NSW	100	Apr-97 & Jul-98	Nov-13	251.4	253.2	249.5
Myer Centre Brisbane, Brisbane	50	Nov-98	Nov-13	374.0	375.0	370.4
Post Office Square, Brisbane, QLD ⁽⁷⁾	100	Dec-05	Nov-13	71.0	71.1	73.2
Myer Bourke Street, Melbourne, VIC ⁽⁸⁾	33.33	Aug-07	Dec-13	114.3	114.5	111.7
Emporium Melbourne, Melbourne, VIC ⁽⁸⁾	50	Aug-07	Jun-14	442.0	442.0	325.0
QueensPlaza, Brisbane, QLD	100	Jul-01	May-14	635.0	635.0	570.2
Northgate Shopping Centre, Glenorchy, TAS	100	Sep-09	May-14	90.1	90.6	88.8
Northland Shopping Centre, Preston, VIC	50	Mar-94	Jun-14	477.5	477.5	463.6
Rockingham Shopping Centre, Rockingham, WA	50	Oct-02, May-05 & Dec-07	Jun-14	273.5	273.5	266.9
Rosebud Plaza Shopping Centre, Rosebud, VIC ⁽⁹⁾	100	Jul-98	–	–	–	98.3
Roxburgh Park Shopping Centre, Roxburgh Park, VIC	100	Dec-97	Jun-14	94.4	94.4	95.0
Runaway Bay Shopping Village, Runaway Bay, QLD	50	Oct-02	Jun-14	119.3	119.3	118.9
Sundry properties ⁽¹⁰⁾					–	6.4
Total investment properties					8,830.4	8,526.6

(1) Carrying value equals independent valuation, adjusted for subsequent capital expenditure and amortisation of lease incentives. Carrying value may also include capital works in progress excluded from valuations.

(2) The title to this property is leasehold with 83 years remaining on the ground lease.

(3) The title to this property is leasehold with 34 years remaining on the ground lease.

(4) The title to this property is leasehold with 20 years remaining on the ground lease.

(5) DFO Homebush carrying value includes development costs of \$20.9 million since last independent valuation. The development project was completed in June 2014.

(6) On 9 May 2014, CFX acquired a further 25% interest in DFO South Wharf for \$87.6 million. The title to this property is leasehold with 97 years remaining on the ground lease.

(7) The title to this property is leasehold with 45 years remaining on the ground lease.

(8) The titles to these properties are leasehold with 292 years remaining on the ground leases.

(9) On 29 November 2013, Rosebud Plaza Shopping Centre was sold for \$100 million.

(10) On 3 December 2013, sundry properties were sold for \$4.5 million.

8. Investment properties (continued)

(a) Details of valuers

PROPERTY	VALUER	QUALIFICATIONS	COMPANY
Altona Gate Shopping Centre, Vic	S O'Sullivan	AAP	m3property
Bayside Shopping Centre, Vic	B Sweeney	FAP	Jones Lang LaSalle
Bowes Street, Woden, ACT	G Cummins	FAP	Knight Frank
Brimbank Shopping Centre, Vic	M Cleary	AAP	Urbis
Broadmeadows Shopping Centre, Vic	B Sweeney	FAP	Jones Lang LaSalle
Castle Plaza Shopping Centre, SA	S Fox	AAP	Savills
Chadstone Shopping Centre, Vic	B Sweeney	FAP	Jones Lang LaSalle
Chatswood Chase Sydney, NSW	Paul Satara	AAP	CBRE
Clifford Gardens Shopping Centre, Qld	I Hill	AAP	Urbis
Corio Shopping Centre, Vic	M Cleary	AAP	Urbis
DFO Essendon, Vic	S Fox	AAP	Savills
DFO Homebush, NSW	A Johnston	AAP	Savills
DFO Moorabbin, Vic	S Fox	AAP	Savills
DFO South Wharf, Vic	S Fox	AAP	Savills
Eastlands Shopping Centre, Tas	M Cleary	AAP	Urbis
Elizabeth Shopping Centre, SA	C Gurney	FAP	CBRE
Forest Hill Chase, Vic	S Thomas	AAP	CBRE
Grand Plaza Shopping Centre, Qld	L Devine	AAP	Savills
Lake Haven Shopping Centre, NSW	A Johnston	AAP	Savills
Myer Centre Brisbane, Qld	P Kwan	AAP	Knight Frank
Myer Bourke Street, Vic	M Schuh	AAP	Knight Frank
Emporium Melbourne, Vic	S Fox	AAP	Savills
Northgate Shopping Centre, Tas	S O'Sullivan	AAP	m3property
Northland Shopping Centre, Vic	M Schuh	AAP	Knight Frank
Post Office Square, Qld	L Devine	AAP	Savills
QueensPlaza, Qld	T Irving	AAP	CBRE
Rockingham Shopping Centre, WA	J Fenner	AAP	CBRE
Roxburgh Park Shopping Centre, Vic	S Andrew	FAP	Colliers
Runaway Bay Shopping Village, Qld	P Kwan	AAP	Knight Frank

(b) Reconciliation

A reconciliation of the carrying amount of investment properties at the beginning and end of the financial year is as follows:

	CONSOLIDATED 30 JUN 2014 \$M	CONSOLIDATED 30 JUN 2013 \$M
Opening balance	8,526.6	8,327.9
Additions – capital expenditure	209.1	224.1
Additions – interest capitalised ⁽¹⁾	35.9	30.0
Additions – asset acquisitions	87.6	-
Disposals	(104.9)	-
Fair value adjustments to investment properties	70.2	(61.2)
Leasing fees and incentives deferred, net of amortisation expense	7.5	3.4
Movement in straight-lined rental income asset	(1.6)	2.4
Closing balance	8,830.4	8,526.6

(1) Borrowing costs incurred in the construction of qualifying assets have been capitalised at a weighted average rate of 5.5% (Jun 2013: 5.6%).

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

8. Investment properties (continued)

(c) Fair value measurement, valuation techniques and inputs

CFX has classified fair value measurements into the following hierarchy as required by AASB 13 Fair Value Measurement:

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.

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Investment properties, which are all classified as retail⁽¹⁾, are considered level 3 of the fair value hierarchy. CFX's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

CFX determines fair value for each investment property by reference to independent valuations undertaken by registered valuers at intervals of not more than one year. Carrying value is equal to the most recent independent valuation, adjusted for subsequent capital expenditure. The independent valuer typically uses the following valuation techniques:

- **Capitalisation of net income method:** An assessment is made of fully leased annual net income based on contracted rents, market rents, operating costs and future income on vacant space. The adopted fully leased annual net income is capitalised in perpetuity from the valuation date at an appropriate capitalisation rate. The capitalisation rate reflects the nature, location and tenancy profile of the property together with current market investment criteria, as evidenced by current sales evidence. Various adjustments are made to the calculated result, including estimated future incentives, capital expenditure, and reversions to market rent, to determine fair value.
- **Discounted cash flows (DCF) method:** Projected cash flows for a selected investment period (usually 10 years) are derived from contracted rents, market rents, operating costs, lease incentives, lease fees, capital expenditure and future income on vacant space. The cash flows assume the property is sold at the end of the investment period for a terminal value. This terminal value is calculated by capitalising in perpetuity assumed rents at the end of the investment period by an appropriate terminal yield. Fair value is determined to be the present value of these projected cash flows, which is calculated by applying an appropriate discount rate to the cash flows. The discount rate is a market assessment of the risk associated with the cash flows, and the nature, location and tenancy profile of the property relative to returns from alternative investments, CPI rates and liquidity risk.
- **Residual value method:** Used for properties undergoing development. The value of the asset on completion is calculated using the capitalisation of net income and DCF methods as described above, based on the forecast income profile on completion. The estimated cost to complete of the development, including construction costs and associated expenditures, finance costs, and an allowance for developer's risk and profit is deducted from the value of the asset on completion to derive the current value.
- **Direct comparison:** The sales comparison approach utilises recent sales of comparable properties, adjusted for any differences including the nature, location and lease profile, to indicate the fair value of a property. Where there is a lack of recent sales, adjustments are made to previous comparable sales to reflect changes in economic conditions.

The capitalisation of income and DCF methods require assumptions for inputs that are not based on observable market data. At reporting date, the key unobservable inputs used by CFX in determining fair value of its investment properties are summarised below:

UNOBSERVABLE INPUTS	RANGE OF INPUTS	WEIGHTED AVERAGE INPUTS	SENSITIVITY
Capitalisation rate ⁽¹⁾	5.3%–12.5%	6.4%	The higher the discount rate, terminal yield, capitalisation rate and expected vacancy period, the lower the fair value
Discount rate ⁽²⁾	8.0%–12.0%	8.6%	
Terminal yield ⁽³⁾	5.5%–12.8%	6.6%	
Expected vacancy period	2–9 months ⁽⁴⁾	–	The higher the rental growth rate, the higher the fair value
Rental growth rate	3.1%–4.7%	–	

(1) The capitalisation rate is the required annual yield of net market income used to determine the value of the property. The rate is determined with regards to comparable market transactions.

(2) The discount rate is a required annual rate of return used to convert a forecast cashflow of an asset into a present value. Theoretically it should reflect the required rate of return of the property given its risk profile relative to competing uses of capital. The rate is determined with regards to comparable market transactions.

(3) The terminal yield is the capitalisation rate used to convert forecast annual income into a forecast asset value at the end of the holding period when carrying out a discounted cash flow calculation. The rate is determined with regards to comparable market transactions and the expected risk of the asset at the end of the cashflow period.

(4) Range related to expected vacancy period includes all properties with the exception of Bowes St which has an expected vacancy period of 12 months.

All of the above key assumptions have been taken from the latest independent valuation reports.

For all investment properties the current use equates to the highest and best use.

8. Investment properties (continued)

(d) Valuation process

All CFX investment properties are independently valued at intervals of not more than one year. Independent valuations are performed by appropriately qualified valuers who are authorised by law to carry out such valuations, and have at least five years property valuations experience (including at least two years within Australia). Valuers are selected from a pre-approved panel of major property consultancy firms.

CFX's practice is to have investment properties independently valued in May, June, November or December. Therefore, at reporting date, all investment properties have been independently valued within the last seven months. For all properties not independently valued in the last two months, management undertakes a desktop review to determine whether there is an indication that carrying value does not materially reflect fair value, and whether a new independent valuation should be commissioned.

Primarily, desktop reviews are performed using a simplified capitalisation rate formula. Calculations are based on the most recent independent valuation adjusted for changes to management's income forecasts and changes in the investment market. Key assumptions underpinning management income forecasts include current and forecast leases, vacancy rates and tenant downtime. Any broader movements in market investment yields are discussed with the independent valuer and accounted for in the adopted capitalisation rate. The final calculations and assumptions are reviewed by the Managing Director and Chief Executive Officer (CEO) and the Deputy Chief Executive Officer and Chief Investment Officer (CIO).

Desktop reviews determine whether or not to undertake an independent valuation. The calculation from the review is compared to the carrying value of the asset. Depending on the variance between outcome of the desktop review and the carrying value the following action is taken:

VARIANCE	ACTION
≥ than 10% for an individual asset	An external independent valuation will be commissioned for that reporting period
≥ than 5% but ≤ than 10% for an individual asset	The CEO and CIO will determine whether or not to undertake an external valuation. Reasons for this decision must be documented and reported to the Board.
≤ than 5% for an individual asset	No action is taken

The valuation policy is governed by an executive Valuation Committee which reports to the Board as required. The policy is reviewed periodically by the executive Valuation Committee to take into account any regulatory changes, changes in market conditions, and any other requirements that would need to be adopted in the valuation process.

(e) Operating lease receivables

The investment properties are leased to tenants under operating leases with rentals payable monthly. Future minimum rental revenue receivables under non-cancellable operating leases of investment properties are as follows:

	CONSOLIDATED 30 JUN 2014 \$M	CONSOLIDATED 30 JUN 2013 \$M
Not later than one year	519.9	538.5
Later than one year and not later than five years	1,254.3	1,333.7
Later than five years	791.6	945.3
Total operating lease receivables	2,565.8	2,817.5

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

9. Equity accounted investments

	OWNERSHIP 2014 %	2013 %	CONSOLIDATED 30 JUN 2014 \$M	CONSOLIDATED 30 JUN 2013 \$M
Current				
Bent Street Trust ^(a)	50	50	35.2	–
			35.2	–
Non-current				
Bent Street Trust ^(a)	50	50	–	33.6
CFSP Asset Management Pty Ltd ^(b)	50	12.5	1.2	–
			1.2	33.6
Total equity accounted investments			36.4	33.6

(a) Equity accounted joint venture entity – Bent Street Trust

CFX owns 50% of the units in the Bent Street Trust jointly with Direct Property Investment Fund B (DPIF-B). The Bent Street Trust in turn owns 100% of leasehold of The Entertainment Quarter, Sydney, NSW. CFX therefore indirectly owns 50% of the property. At 30 June 2014, the property was independently valued at \$69.0 million (100%) (Jun 2013: \$66.3 million) excluding capital works in progress. The valuation was performed by D McLennan (FAPI) of Colliers.

It has been determined that CFX's 50% interest in the Bent Street Trust does not represent control and CFX's equity accounted investment includes its share of the non-property assets and liabilities of the Bent Street Trust. The remaining term on the ground lease is 32 years. The equity accounted investment is domiciled in Australia, and its principal activity is investment in retail property.

On 4 June 2014, CFX and DPIF-B exchanged contracts with a third party for the conditional sale of the leasehold interest in The Entertainment Quarter, Sydney. The sale remains conditional on the approval of the ground lessor and the relevant NSW State Government consent authority. Settlement is expected within 12 months, at which time the units in the Bent Street Trust are expected to be redeemed. Accordingly, the investment has been reclassified to current.

The tables below provide summarised financial information for the Bent Street Trust. The information disclosed reflects the amounts presented in the financial statements of the Bent Street Trust and not CFX's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications in accounting policy.

9. Equity accounted investments (continued)

(a) Equity accounted joint venture entity – Bent Street Trust (continued)

Bent Street Trust

	CONSOLIDATED 30 JUN 2014 \$M	CONSOLIDATED 30 JUN 2013 \$M
Summarised balance sheet		
Current assets		
Cash and cash equivalents	0.4	0.1
Other current assets	74.4	3.7
Total current assets	74.8	3.8
Non-current assets	–	67.6
Current liabilities		
Other current liabilities	4.4	4.2
Total current liabilities	4.4	4.2
Net assets	70.4	67.2
Reconciliation to carrying amounts:		
Opening net assets 1 July	67.2	70.9
Profit for the financial year	7.4	3.1
Income distributions paid	(6.0)	(6.8)
Capital distributions	(5.2)	–
Distributions re-invested	7.0	–
Closing net assets	70.4	67.2
Summarised statement of comprehensive income		
Revenue	19.2	19.4
Profit for the financial year	7.4	3.1
Other comprehensive income	–	–
Total comprehensive income	7.4	3.1
Distributions received from the Bent Street Trust	2.2	3.2

(b) Equity accounted associate – CFSP Asset Management Pty Ltd

Pre-internalisation, CFX held one ordinary share, representing 12.5% of the voting rights, and redeemable property preference shares in an unlisted company, CFSP Asset Management Pty Ltd (CFSPAM). Other property trusts, for which CMIL is the Responsible Entity, also hold an investment in CFSPAM. Voting rights are only attached to ordinary shares.

Upon internalisation of management on 24 March 2014, CFX acquired a further three ordinary shares bringing CFX's share of voting rights to 50%. While significant, this holding is not sufficient for CFX to control the financial and operating decisions of CFSPAM. Key decisions are enacted by Board resolutions, passed by a majority of ordinary shares. The remaining 50% of voting shares are held by wholesale funds which in turn are owned by institutional investors. Therefore, CFX is deemed to have significant influence, but not control, over CFSPAM and equity accounts its investment from this date.

CFX's share of its equity accounted associate's financial information is:

CFSP Asset Management Pty Ltd

	CONSOLIDATED 30 JUN 2014 \$M	CONSOLIDATED 30 JUN 2013 \$M
Carrying amount	1.2	–
Profit	0.5	–
Other comprehensive income	–	–
Total comprehensive income	0.5	–

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

9. Equity accounted investments (continued)

(c) Share of equity accounted investment's commitments and contingencies

CFX's share of its equity accounted investment's capital expenditure commitments which have been approved but not provided for at reporting date, operating lease commitments and contingencies are set out below:

	CONSOLIDATED 30 JUN 2014 \$M	CONSOLIDATED 30 JUN 2013 \$M
Lease commitments payable	40.4	37.0
Lease commitments receivable	43.5	48.0
Capital commitments	–	–
Contingent liabilities	–	–

10. Intangible assets

YEAR ENDED 30 JUNE 2014	GOODWILL \$M	FINITE LIFE MANAGEMENT RIGHTS \$M	INDEFINITE LIFE MANAGEMENT RIGHTS \$M	TOTAL \$M
Opening carrying value	–	–	–	–
Acquisition of business	254.5	13.0	97.1	364.6
Amortisation charge	–	(0.7)	–	(0.7)
Carrying value	254.5	12.3	97.1	363.9

(a) Management rights

The management rights, which reflect the right to provide asset and fund management services in accordance with the management agreements, are recognised as a result of a business combination (see note 2 for details). They are recognised at their fair value at the date of internalisation and certain management rights considered to have a finite life are subsequently amortised on a straight-line basis depending on the timing of the projected cash flows under the management agreements. Finite intangibles are determined based on termination dates reflected in the management agreements.

Certain management rights, primarily those associated with strategic partners who co-own assets with CFX and that have management agreements without termination dates are considered to have indefinite useful lives. Indefinite life intangibles are tested for impairment annually.

The recoverable amount of indefinite life intangibles at 30 June 2014 is determined based on fair value less costs to sell. This is done using a discounted cash flow valuation of the external asset and funds management business which is based on the following key assumptions:

Cash flows are based on forecast future EBIT for management fees for the 4 year period to 30 June 2018. Cash flows were discounted using post-tax discount rates of 9.0% to 13.5% and growth rates of 1.5% to 3.5%. Discount rates have been determined with reference to a peer group covering the real property and funds management industry and on similar quality, long term property management agreements.

Sensitivities to discount rates have been tested and CFX have determined that any reasonably possible change in assumptions may result in the carrying amount being in excess of the recoverable amount. For example, if the discount rates were to be increased by 25bps, the value of indefinite life intangibles would be reduced by \$4.4 million.

(b) Amortisation methods and useful lives

The Group amortises intangible assets with a finite life using the straight-line method over periods ranging from 2.5 to 6.25 years.

See note 1(n) for the other accounting policies relevant to intangible assets for the Group's policy regarding impairments.

(c) Impairment tests for goodwill

Goodwill is tested for impairment annually and is attributed to the property investment cash generating unit. Goodwill relates to the internalised management of CFX owned properties and effectively represents the incremental value created in relation to the CFX investment properties by replacing property management fees with an internalised cost structure (asset management business). The recoverable amount has been determined using the fair value less cost to sell approach.

In order to value the incremental value of the internal cost structure and to support goodwill, a discounted cash flow valuation of the asset management business as it relates to the CFX properties has been undertaken. It is based on the following key assumptions:

10. Intangible assets (continued)

(c) Impairment tests for goodwill (continued)

Cash flows are based on forecast future EBIT for asset management fees as they attribute to CFX properties for the 4 year period to 30 June 2018. The cash flows are adjusted to exclude operating costs that a market participant would not be expected to incur. Cash flows were discounted using post-tax discount rates of 9.0% to 9.5% and growth rates of 3.0% to 3.5%. Discount rates have been determined with reference to a peer group covering the real property and funds management industry and on similar quality, long term property management agreements.

Sensitivities to discount rates have been tested and CFX has determined that no reasonably possible changes would give rise to impairment.

11. Payables and other creditors

	CONSOLIDATED 30 JUN 2014 \$M	CONSOLIDATED 30 JUN 2013 \$M
Current		
Employee entitlements	7.0	–
Trade creditors	27.2	17.5
Performance fees payable ⁽¹⁾	13.9	–
Rents received in advance	12.6	10.8
Accrued interest expense	26.3	25.7
Accrued capital expenditure	31.9	48.3
Security deposits	10.3	8.3
Other	1.9	3.4
Total current payables	131.1	114.0
Non-current		
Other	1.5	–
Total non-current payables	1.5	–

(1) Performance fees payable were included in net assets acquired in the internalisation transaction.

12. Provisions

	CONSOLIDATED 30 JUN 2014 \$M	CONSOLIDATED 30 JUN 2013 \$M
Current provisions		
Employee entitlements ⁽¹⁾	35.6	–
Total current provisions	35.6	–
Non-current provisions		
Employee entitlements ⁽¹⁾	15.9	–
Total non-current provisions	15.9	–
Reconciliation of provisions		
Employee entitlements		
Carrying amount at the beginning of the financial year	–	–
Acquired through business combination	45.2	–
Additional provision recognised	11.2	–
Amounts used during the year	(4.9)	–
Carrying amount at the end of the financial year	51.5	–

(1) A significant proportion of these balances were included in net assets acquired in the internalisation transaction.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

13. Interest bearing liabilities

	NOTES	CONSOLIDATED 30 JUN 2014 \$M	CONSOLIDATED 30 JUN 2013 \$M
Current – unsecured			
Medium-term notes		99.9	259.9
US medium-term notes		–	34.0
Short-term notes		100.0	100.0
Convertible notes – issued 21 August 2007	(a)	92.3	–
Convertible notes – issued 4 July 2011	(b)	0.5	–
Total current interest bearing liabilities		292.7	393.9
Non-current – unsecured			
Cash advance facilities		1,300.3	665.3
Medium-term notes		689.0	688.8
US medium-term notes		324.7	335.9
Convertible notes – issued 21 August 2007	(a)	–	92.1
Convertible notes – issued 4 July 2011	(b)	297.4	295.6
Total non-current interest bearing liabilities		2,611.4	2,077.7
Total interest bearing liabilities		2,904.1	2,471.6

(a) Convertible notes issued 21 August 2007

On 21 August 2007, CFX executed a \$600 million issuance of senior, unsecured convertible notes, which were redeemable at the option of the noteholder on 21 August 2012. Following the exercise of put options by noteholders, redemptions and buy-backs in earlier years, the face value of remaining notes on issue at 30 June 2014 was \$92.3 million which will be repaid on the final maturity date of 21 August 2014.

A reconciliation of the carrying amounts of the convertible notes issued on 21 August 2007 at the beginning and end of the financial year is set out below:

Opening balance	92.1	288.7
Less: Liability component of notes bought back	–	(198.5)
Change in unamortised issue costs	0.2	1.1
	92.3	91.3
Interest expense at market rate ⁽¹⁾	–	2.9
Less: Accumulated coupon paid and payable ⁽¹⁾	–	(2.1)
Closing balance of convertible notes issued 21 August 2007	92.3	92.1

- (1) For the period prior to the noteholder put option date of 21 August 2012, the difference between interest expense calculated at the market rate for an equivalent non-convertible bond and the coupon rate paid is included in borrowing costs expense in the statement of comprehensive income and added to the carrying amount of the convertible notes liability in the statement of financial position. Following the put option date, the interest expense is equal to the coupon paid.

13. Interest bearing liabilities (continued)

(b) Convertible notes issued 4 July 2011

On 4 July 2011, CFX completed a \$300 million issuance of senior, unsecured convertible notes, with a fixed coupon rate of 5.75% and a final maturity date of 4 July 2016. The noteholder has the right to convert notes into stapled securities at the conversion price of \$2.40 at any time prior to 23 June 2016. The notes, which are listed on the Singapore Exchange, were redeemable at the option of the noteholder on 4 July 2014. The last day for lodgement of put notices was 4 June 2014. At that date, \$0.5 million of put notices had been received. On 4 July 2014, subsequent to balance date, the \$0.5 million was settled. The remaining notes with a face value of \$299.5 million, unless converted to stapled securities at the noteholder's option, will be redeemed on the final maturity date of 4 July 2016.

A reconciliation of the carrying amounts of the convertible notes issued on 4 July 2011 at the beginning and end of the financial year is set out below:

	CONSOLIDATED 30 JUN 2014 \$M	CONSOLIDATED 30 JUN 2013 \$M
Opening balance	295.6	293.4
Change in unamortised issue costs	1.1	1.0
	296.7	294.4
Interest expense at market rate ⁽¹⁾	18.5	18.4
Less: Accumulated coupon paid and payable	(17.3)	(17.2)
Closing balance of convertible notes issued 4 July 2011	297.9	295.6

(1) The difference of \$1.2 million (Jun 2013: \$1.2 million) between interest expense calculated at the market rate for an equivalent non-convertible bond and the coupon rate paid is included in borrowing costs expense in the statement of comprehensive income and added to the carrying amount of the convertible notes liability in the statement of financial position.

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FOR THE YEAR ENDED 30 JUNE 2014

13. Interest bearing liabilities (continued)

(c) Financing facilities

CFX has the following facilities available:

		30 JUN 2014			30 JUN 2013		
		DRAWN ⁽¹⁾ \$M	FACILITY LIMIT \$M	UNDRAWN LINE OF CREDIT \$M	DRAWN ⁽¹⁾ \$M	FACILITY LIMIT \$M	UNDRAWN LINE OF CREDIT \$M
Short-term notes ⁽²⁾		50.0	–	–	50.0	–	–
		50.0	–	–	50.0	–	–
Medium-term							
Notes (MTNs)	2 May 14	–	–	–	260.0	260.0	–
	22 Dec 14	100.0	100.0	–	100.0	100.0	–
	2 May 16	440.0	440.0	–	440.0	440.0	–
	19 Dec 19	250.0	250.0	–	150.0	150.0	–
US medium-term notes (US MTNs)	7 Feb 14	–	–	–	33.9	33.9	–
	7 Feb 17	167.4	167.4	–	176.0	176.0	–
	7 Feb 19	37.4	37.4	–	39.1	39.1	–
	12 Jul 22	40.0	40.0	–	40.0	40.0	–
	12 Jul 24	61.2	61.2	–	62.2	62.2	–
	12 Jul 27	19.3	19.3	–	19.5	19.5	–
Cash advance facilities	19 Sep 14	–	–	–	125.0	125.0	–
	17 Nov 14	–	–	–	100.0	100.0	–
	7 Jan 15 ⁽²⁾	–	–	–	90.0	300.0	160.0
	31 Aug 15	85.0	100.0	15.0	95.0	100.0	5.0
	16 Nov 16	100.0	100.0	–	60.0	100.0	40.0
	31 May 17	–	100.0	100.0	–	100.0	100.0
	31 May 17	67.0	100.0	33.0	100.0	100.0	–
	2 Sep 17	–	–	–	–	125.0	125.0
	11 Mar 18	230.0	250.0	20.0	–	–	–
	1 May 18	250.0	250.0	–	–	–	–
	31 May 18	125.0	125.0	–	–	–	–
	19 Jun 18	–	–	–	–	100.0	100.0
	31 Jul 18 ⁽²⁾	100.0	150.0	–	100.0	150.0	–
	8 Aug 18	100.0	100.0	–	–	–	–
	16 Aug 18 ⁽²⁾	250.0	300.0	–	–	–	–
	25 Nov 19	–	225.0	225.0	–	–	–
Convertible notes	21 Aug 14	92.3	92.3	–	92.3	92.3	–
	4 Jul 16 ⁽³⁾	300.0	300.0	–	300.0	300.0	–
Total		2,914.6	3,307.6	393.0	2,483.0	3,013.0	530.0

(1) In accordance with AASB 139 Financial Instruments: Recognition and Measurement, interest bearing liabilities are carried net of deferred borrowing costs of \$10.5 million (Jun 2013: \$10.2 million) and other adjustments to convertible notes of nil (Jun 2013: \$1.2 million). However, for the purpose of this reconciliation, the actual drawn amounts are used.

(2) The short-term notes programs are backed by the cash advance facilities expiring 31 July 2018 and 16 August 2018 (Jun 2013: 7 Jan 2015 and 31 Jul 2018). The undrawn amounts for these facilities are therefore adjusted to reflect this.

(3) This is the final maturity date. On 4 July 2014, the put option date, \$0.5 million was redeemed at noteholder's option.

13. Interest bearing liabilities (continued)

(c) Financing facilities (continued)

CFX completed the following key capital management activities during the year:

- In August 2013, CFX renegotiated a \$300 million cash advance facility, extending expiry from January 2015 to August 2018, and a \$100 million cash advance facility, extending expiry from November 2014 to August 2018.
- In November 2013, CFX negotiated a \$225 million cash advance facility which replaced \$100 million and \$125 million cash advance facilities which were due to expire in September 2017 and June 2018 respectively. The new facility is due to expire in November 2019.
- In December 2013, CFX extended a \$125 million cash advance facility which was due to expire in September 2014. This facility is now due to expire in May 2018.
- In January 2014, CFX executed a \$250 million cash advance facility which is due to expire in March 2018.
- In May 2014, CFX negotiated a \$250 million cash advance facility which replaced \$260 million medium-term notes which expired in May 2014. The new facility is due to expire in May 2018.
- In May 2014, CFX issued a further \$100 million of medium-term notes with expiry in December 2019.
- In June 2014, CFX renegotiated two \$100 million cash advance facilities, extending expiries from October 2015 and June 2016 to May 2017.

All facilities are senior unsecured. CFX has maintained its long-term credit rating of 'A' from Standard & Poor's.

Refer to note 20 for details of CFX's debt covenants and the fair value of the liabilities.

14. Contributed equity

	NUMBER OF STAPLED SECURITIES '000	CFX1 \$M	OTHER ENTITIES STAPLED TO CFX1 \$M	TOTAL \$M
Opening balance 1 July 2012	2,828,962	3,788.2	5.6	3,793.8
On-market buy-back and cancellation ^(b)	(466)	(0.9)	–	(0.9)
Total contributed equity at 30 June 2013	2,828,496	3,787.3	5.6	3,792.9
Opening balance 1 July 2013	2,828,496	3,787.3	5.6	3,792.9
Issue of stapled securities – DRP ^(c)	29,791	56.9	–	56.9
Issue of stapled securities – institutional placement ^(c)	151,351	279.8	0.2	280.0
Issue of stapled securities – Security Purchase Plan ^(c)	8,413	15.0	–	15.0
Costs for issue of stapled securities	–	(5.3)	(0.2)	(5.5)
Capital distribution and issue of stapled securities in CFX Co ^(d)	–	(218.8)	218.8	–
De-stapling of CFX2	–	–	(5.8)	(5.8)
Acquisition of CFX2 by CFX Co	–	–	5.5	5.5
Total contributed equity at 30 June 2014	3,018,051	3,914.9	224.1	4,139.0

(a) Rights and restrictions over stapled securities

Each stapled security ranks equally with all other securities for the purpose of distributions and on termination of CFX.

(b) Stapled securities buy-back

On 10 April 2012, CFX commenced a one-year on-market buy-back program of up to \$150 million CFX stapled securities. The program ceased on 25 March 2013. The total number of stapled securities bought back and cancelled was 11.1 million at a cost of \$20.7 million.

(c) Placement of stapled securities

On 28 August 2013, 29,791,031 stapled securities were issued at \$1.91 per stapled security pursuant to a distribution reinvestment plan (DRP) for a total value of \$56.9 million.

On 24 December 2013, 151,351,352 stapled securities were issued at \$1.85 per stapled security pursuant to an institutional equity placement for a total value of \$280.0 million.

On 31 January 2014, 8,412,768 stapled securities were issued at \$1.78 per stapled security pursuant to a security purchase plan for a total value of \$15.0 million.

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FOR THE YEAR ENDED 30 JUNE 2014

14. Contributed equity (continued)

(d) Capital distribution, reinvestment and de-stapling of CFX2

On 24 March 2014, to facilitate the internalisation transaction, CFX1 paid a \$218.8 million capital distribution to unitholders which was reinvested in CFX Co. CFX1 unitholders were issued one share in CFX Co for every CFX1 unit held.

The de-stapling of CFX1 and CFX2 was achieved by CFX Co issuing shares to acquire 100% of the share capital of CFX2 at its net asset value of \$5.5 million. CFX1 units and CFX Co shares were then stapled to trade as one security on the Australian Securities Exchange (ASX).

(e) Distribution reinvestment plan (DRP)

There was no distribution reinvestment plan for the period ended 31 December 2013. A distribution reinvestment plan is in place for the period ended 30 June 2014, with the issue price being calculated as a 2% discount to CFX's weighted average market price for the 10 trading days commencing on the second trading day after the record date. On 29 August 2014, 32.3 million new stapled securities will be issued under the DRP at \$2.01 per stapled security, and will raise \$64.9 million.

15. Related parties

(a) Key Management Personnel remuneration

Prior to 24 March 2014, Key Management Personnel were not remunerated directly by CFX. Non-executive and executive directors were either remunerated by the Responsible Entity or were employed as executives of the Commonwealth Bank of Australia (CBA). Other Key Management Personnel were also employed and paid by CBA. Consequently, no compensation as defined in AASB 124 Related Parties was paid by CFX to its Key Management Personnel, prior to the completion of the internalisation transaction on 24 March 2014.

The amounts below represent the total remuneration paid by CFX to its Key Management Personnel for the period from 24 March 2014, post the internalisation transaction. Detailed remuneration disclosures are provided in the Remuneration Report in the Directors' Report.

	24 MARCH 2014 TO 30 JUN 2014 \$'000
Short-term employment benefits	1,796
Post-employment benefits	47
Total Key Management Personnel compensation	1,843

(b) Corporate structure

CFX comprises CFS Retail Property Trust 1 (CFX1) and CFX Co Limited (CFX Co). The shares in CFX Co are stapled to units in CFX1 and trade as one stapled security on the Australian Securities Exchange (ASX). Commonwealth Managed Investments Limited (CMIL), the Responsible Entity of CFX1, is a wholly-owned subsidiary of CFX Co. The Directors and other Key Management Personnel of CFX Co are the same as those for CFX1.

Wholly-owned entities

CFX's principal wholly-owned entities at 30 June 2014 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares and units that are held directly by CFX Co, and the proportion of interests held equals the voting rights held by CFX Co. The country of incorporation or registration is also their principal place of business, being Australia. All principal subsidiaries are 100% owned by CFX Co:

- Colonial First State Property Management Trust (CFSPMT)
- Colonial First State Property Management Pty Limited (CFSPMPL)
- Colonial First State Management Pty Limited (CFSMPL)
- CFS Retail Property Trust 2 (CFX2)
- CFX Funds Management Pty Limited (CFXFM)
- Commonwealth Managed Investments Limited (CMIL)
- Commonwealth Property Pty Limited (CPPL).

15. Related parties (continued)

(b) Corporate structure (continued)

Responsible Entity

CMIL is also the Responsible Entity/Trustee of the following funds:

- Direct Property Investment Fund – A (DPIF-A)
- Direct Property Investment Fund – B (DPIF-B)
- Diversified Property Pool (DPP)
- CFSGAM Property Enhanced Retail Fund (CERF)
- International Private Equity Real Estate Fund (IPERE)
- Australian Investments Trust (AIT)
- Commonwealth International Real Estate Trust (CIRET).

Therefore, these funds are related parties of CFX.

(c) Related party transactions

The section below details related party transactions of the Group for the year ended 30 June 2014.

(i) Related party stapled security holdings

Directors, employees and associates of the Group may hold investments in CFX. Such investments are purchased on normal commercial terms and are at arm's length. The number of stapled securities held by Directors of CMIL and CFX Co (including entities controlled, jointly controlled or significantly influenced by them) are as follows:

	NUMBER OF FULLY PAID STAPLED SECURITIES 30 JUN 2014
Cenarth Pty Ltd as trustee for The Cenarth Trust ⁽¹⁾	16,706,570
Jadeglen Investments Pty Ltd ⁽¹⁾	187,500

(1) Dr D Thurin, who was appointed as Director of CMIL from 23 April 2014, has control over the stapled securities registered in the name of Cenarth Pty Ltd as trustee for The Cenarth Trust and is also a director, the company secretary and a shareholder of Jadeglen Investments Pty Ltd.

(ii) Asset management fee revenue

Colonial First State Property Management Trust (CFSPMT), a wholly-owned entity of CFX Co, derives revenue from its management of retail assets owned by the related parties listed in note 15(b). Total asset management fee revenue received from these funds for the period 24 March 2014 to 30 June 2014 was \$2,825,000. There is no amount receivable at reporting date.

(iii) Funds management fee revenue

CFXFM, a wholly-owned entity of CFX Co, is the Manager/Investment Manager of the following related party entities:

- Direct Property Investment Fund – A (DPIF-A)
- Direct Property Investment Fund – B (DPIF-B)
- CFSGAM Property Enhanced Retail Fund (CERF)
- Diversified Property Pool (DPP)
- International Private Equity Real Estate Fund (IPERE)
- Australian Investments Trust (AIT).

CFXFM derives revenue from the management of these entities. Total funds management revenue earned from these funds for the period 24 March 2014 to 30 June 2014 was \$1,910,000. The amount receivable at reporting date is \$1,754,000.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

15. Related parties (continued)

(c) Related party transactions (continued)

(iv) Investments in unlisted companies

CFX holds ordinary shares and redeemable property preference shares in an unlisted company, CFSP Asset Management Pty Ltd (CFSPAM), as disclosed in note 9. Other listed and unlisted property trusts, for which CMIL is the Responsible Entity, also hold an investment in CFSPAM. For the financial year ended 30 June 2014, rent and outgoings paid/payable by CFSPAM as tenant of centres to CFX was \$11,965,000 (Jun 2013: \$16,405,000). Dividends, payable to CFX, declared by CFSPAM for the financial year were \$1,372,000 (Jun 2013: \$1,502,000). The amount of dividends receivable by CFX at 30 June 2014 was nil (Jun 2013: nil).

CFX holds units in unlisted property trusts CFSGAM Property Enhanced Retail Fund (CERF) and Australian Investments Trust (AIT). CFX Funds Management Pty Limited, a wholly-owned entity of CFX, is the manager of both trusts. For the period 24 March 2014 to 30 June 2014, distributions received from CERF and AIT were \$6,444 and nil, respectively.

(v) Property jointly owned by trusts

Direct Property Investment Fund - B (DPIF-B), whose Responsible Entity is CMIL, has a 50% interest in Runaway Bay Shopping Village, Rockingham Shopping Centre and Grand Plaza Shopping Centre.

DPIF-B has a 50% interest in the units of Bent Street Trust, which holds 100% of the leasehold of The Entertainment Quarter. CFX and DPIF-B, therefore, jointly own The Entertainment Quarter via Bent Street Trust.

These properties are governed according to joint owner agreements on commercial terms.

(vi) Alignment fee expense

Colonial First State Property Management Trust (CFSPMT), a wholly-owned entity of CFX Co from 24 March 2014, derives revenue from its management of retail assets. A number of wholesale funds, for which CMIL is the Responsible Entity, are entitled to an alignment fee, being a share of their assets' contribution (as a percentage of those participating) towards CFSPMT's distributable income. Total alignment fee expense paid to these funds for the period 24 March 2014 to 30 June 2014 was \$525,000. The amount payable at reporting date, which includes liabilities included in the net assets acquired from CBA (refer to note 2), is \$1,739,000.

(d) Related party transactions pre-internalisation

Prior to 24 March 2014, Commonwealth Managed Investments Limited (CMIL), the Responsible Entity of CFX1, had appointed Colonial First State Property Retail Pty Ltd (CFSPRPL) as the Manager of the Trust. Both CMIL and CFSPRPL were ultimately wholly-owned subsidiaries of Commonwealth Bank of Australia (CBA). CBA was therefore a related party of CFX for the period 1 July 2013 to 23 March 2014.

The section below details transactions with parties only considered to be related parties pre-internalisation on 24 March 2014. Transactions with parties maintaining status as a related party at reporting date have been included in section (c) above.

i. Internalisation

On 24 March 2014, following stapled securityholder approval, CFX successfully completed the internalisation transaction (refer to note 2). CFX paid CBA \$475.5 million to acquire CMIL and the CBA's retail property asset management business and to terminate funds management contracts for CFX and a number of wholesale property funds and mandates.

ii. Base fees

Prior to internalisation, the Responsible Entity was paid a base management fee equal to 0.45% per annum of the gross asset value of CFX1 less any derivative assets, calculated and payable half-yearly in arrears. The fee for the period 1 January 2014 to 23 March 2014 was based on gross assets as at 23 March 2014. For the period 1 July 2013 to 23 March 2014, the Responsible Entity's base fee was \$28,536,000 (Jun 2013: \$38,532,000).

iii. Performance fees

Prior to internalisation, the Responsible Entity was entitled to a performance fee if CFX's total return (distributions and stapled security price performance) exceeded the benchmark provided by Standard & Poor's (S&P). The benchmark was the UBS Retail 200 Property Accumulation Index, customised to remove the effect of CFX on the index. The 20-day volume weighted average price (VWAP) was used in both CFX's price and in the customised index. The performance fee entitlement was determined on CFX's cumulative performance since the last period in which a performance fee was accrued (the date of last reset). Maximum fee entitlement for a six-month performance period absorbed 1.167% of outperformance.

The performance fee was calculated and payable, if entitled, each half-year at December and June. The performance fee rate was calculated as 5% of the first 1% of outperformance and 15% of outperformance in excess of 1%. This rate was multiplied by CFX1's gross asset value. The fee was capped at 0.15% per annum of CFX1's gross asset value up to \$3.5 billion and 0.1% per annum of gross asset value above \$3.5 billion.

Although the amount of the performance fee to be paid each period was capped, the 'carry-over' outperformance could be used to generate performance fee entitlement in future periods. The fair value of the outperformance was calculated by assigning probabilities to the likelihood of paying capped performance fees in future periods, and discounting these estimated cash flows to the reporting date.

Total performance fee expense for the year was \$7,258,000 (Jun 2013: \$4,813,000). This included capped performance fees of \$5,258,000 for the six-month period to 31 December 2013 (Jun 2013: \$10,313,000) and an increase in the fair value of carry-over outperformance of \$2,000,000 (Jun 2013: \$5,500,000 decrease). CFX did not achieve absolute positive performance for the 31 December 2013 period, and, as required under the terms of the Constitution, the capped performance fees of \$5,258,000 remain payable at 30 June 2014. These fees will be paid in August 2014.

15. Related parties (continued)

(d) Related party transactions pre-internalisation (continued)

iii. Performance fees (continued)

Performance fees no longer accrue from the internalisation date of 24 March 2014 (refer to note 2). The payment of \$475.5 million to CBA included the extinguishment of CFX's fair value performance fee liability of \$31,200,000, carried at the internalisation date.

A reconciliation of the performance fee expense is provided below.

	2014 FINANCIAL YEAR TOTAL RETURN	2013 FINANCIAL YEAR TOTAL RETURN
Determination of performance fee for the six months to 31 December		
Performance since date of last reset⁽¹⁾:		
CFS Retail Property Trust Group ⁽¹⁾ (%)	(2.6)	0.8
Retail Property Accumulation Index ⁽¹⁾ (%)	(6.0)	12.8
Relative out/(under) performance (percentage points)	3.4	(12.0)
Opening 'carry-over' outperformance (percentage points)	28.7	45.6
Current out/(under) performance (percentage points)	3.4	(12.0)
'Carry-over' outperformance (percentage points)	32.1	33.6
'Carry-over' absorbed to fund maximum performance fee for the half-year (percentage points)	(1.2)	(1.2)
Closing 'carry-over' outperformance (percentage points)	30.9	32.4
	\$M	\$M
Performance fee for the six months to 31 December	5.3	5.2
Determination of performance fee for the six months to 30 June⁽²⁾		
Performance since date of last reset⁽¹⁾:		
CFS Retail Property Trust Group ⁽¹⁾ (%)	–	4.5
Retail Property Accumulation Index ⁽¹⁾ (%)	–	7.0
Relative underperformance (percentage points)	–	(2.5)
Opening 'carry-over' outperformance (percentage points)	–	32.4
Current underperformance (percentage points)	–	(2.5)
'Carry-over' outperformance (percentage points)	–	29.9
'Carry-over' absorbed to fund maximum performance fee for the half-year (percentage points)	–	(1.2)
Closing 'carry-over' outperformance (percentage points)	–	28.7
	\$M	\$M
Performance fee for the six months to 30 June	–	5.1
Total capped performance fees for the year ⁽³⁾	5.3	10.3
Movement in fair value of 'carry-over' outperformance ⁽⁴⁾	2.0	(5.5)
Total performance fee recognised in the statement of comprehensive income⁽⁴⁾	7.3	4.8

(1) Calculated in accordance with the customised index provided by Standard & Poor's. The 20-day volume weighted average price (VWAP) is used in both the CFX price and in the UBS Retail 200 Property Accumulation Index (which excludes CFX). In accordance with the performance fee methodology, the performance fee is determined on CFX's performance since the last period in which a performance fee was accrued (the date of the last reset).

(2) This reconciliation is for the comparative period. As a result of internalisation, no performance fees accrued after 31 December 2013.

(3) Performance fees were capped at 0.15% of CFX1's gross asset value per six-month period, based on performance since the date of last reset and up to \$3.5 billion and capped at 0.1% of CFX1's gross asset value above \$3.5 billion.

(4) Although the amount of the performance fee to be paid each period was capped, the 'carry-over' outperformance was used to absorb performance fee entitlement in future periods. The fair value of the outperformance had been calculated by assigning probabilities to the likelihood of paying capped performance fees in future periods, and discounting these estimated cash flows to reporting date.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

15. Related parties (continued)

(d) Related party transactions pre-internalisation (continued)

iv. Rental income

Rents received from CBA during the period 1 July 2013 to 23 March 2014 amounted to \$4,866,240 (Jun 2013: \$5,696,000). There was no doubtful debt expense recognised from rents due from CBA (Jun 2013: nil). All leases were based on normal commercial terms and conditions.

v. Bank accounts

During the year, CFX had cash deposited in bank accounts operated by CBA. Interest received during the period 1 July 2013 to 23 March 2014 in relation to these accounts amounted to \$505,000 (Jun 2013: \$806,000). These accounts were provided on normal commercial terms and conditions.

vi. Interest bearing liabilities

During the year, CFX had borrowing facilities with CBA, which were arranged prior to internalisation. These facilities were provided on normal commercial terms and conditions. Interest paid in respect of these borrowings for the period 1 July 2013 to 23 March 2014 was \$9,712,000 (Jun 2013: \$11,895,000).

Prior to internalisation, CFX had entered into interest rate swaps with CBA to fix interest payable on \$125,000,000 of CFX's borrowings (Jun 2013: \$100,000,000). The interest rate payable for these swaps ranged from 4.06% to 4.87% (Jun 2013: 4.06%) and maturity ranges from 7 April 2015 to 22 January 2018 (Jun 2013: 7 April 2015). CFX had also entered into interest rate swaps with CBA through which fixed rates are swapped to floating rates for \$33,000,000 (Jun 2013: \$33,000,000) of CFX's borrowings. The swaps maturity date is 22 December 2014 (Jun 2013: 22 December 2014). Interest of \$425,000 (Jun 2013: \$512,000) was paid for the period 1 July 2013 to 24 March 2014 in relation to this swap.

CFX had also entered into a number of forward dated interest rate swaps with CBA to fix interest payable on \$200,000,000 (Jun 2013: \$225,000,000) of CFX's future borrowings. The weighted average interest rate payable for these swaps is 5.31% (Jun 2013: 5.26%) and maturity ranges from 22 January 2018 to 2 December 2019 (Jun 2013: 22 January 2018 to 2 December 2019).

CFX hedged US\$100,000,000 (Jun 2013: US\$100,000,000) of its exposure to foreign exchange risk via cross-currency swaps with CBA. Maturity ranges from 7 February 2017 to 7 February 2019 (Jun 2013: 7 February 2017 to 7 February 2019). All swaps are on normal commercial terms and conditions.

15. Related parties (continued)

(d) Related party transactions pre-internalisation (continued)

vii. Alignment fee income

Prior to internalisation, CFSPMT was a wholly-owned entity of CBA and CFX was entitled to an alignment fee, being a share of its assets' contribution (as a percentage of those participating) towards CFSPMT's distributable income. Total alignment fee income of CFX for the period 1 July 2013 to 23 March 2014 was \$9,239,472 (Jun 2013: \$11,053,000).

viii. Other related party transactions

IDENTITY OF RELATED PARTY	NATURE OF RELATIONSHIP	TYPE OF TRANSACTION	TERMS AND CONDITIONS	PERIOD 1 JULY 2013 TO 23 MARCH 2014 \$'000	12 MONTHS TO 30 JUN 2013 \$'000
Colonial First State Property Management Pty Ltd	Property, leasing and development manager of CFX	Centre management, leasing and development fees paid/payable by CFX to Colonial First State Property Management Pty Ltd	Arm's length in accordance with the Explanatory Memorandum dated 30 July 2002	44,604	61,218
Colonial First State Property Management Pty Ltd	Property Manager of CFX	Rent and outgoings paid/payable by Colonial First State Property Management Pty Ltd to CFX as a tenant of offices at Chadstone Shopping Centre	Arm's length in accordance with executed leases and independent valuations	1,311	1,725
Colonial First State Property Management Pty Ltd	Centre Manager of CFX	Rent outgoings paid/payable by Colonial First State Property Management Pty Ltd as tenant of centres to CFX	Arm's length in accordance with executed leases and independent valuations	2,809	3,411
Colonial First State Property Management Pty Ltd	Property Manager of CFX	Centre management expenses paid/payable by CFX to Colonial First State Property Management Pty Ltd	Reimbursement of expenses incurred by Colonial First State Property Management Pty Ltd for centre management expenses incurred; the majority of these expenses are recovered in outgoings from tenants	13,492	15,855

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

16. Notes to the statement of cash flows

Reconciliation of net profit for the financial year to net cash provided by operating activities:

	CONSOLIDATED 30 JUN 2014 \$M	CONSOLIDATED 30 JUN 2013 \$M
Net profit for the financial year	400.1	295.0
Straight-lining revenue	1.6	(2.4)
Decrease in payables ⁽¹⁾	(44.7)	(3.4)
Decrease in receivables and other assets ⁽¹⁾	65.6	6.2
Charge to provision for doubtful debts	(0.9)	2.1
Interest capitalised	(35.9)	(30.0)
Fair value adjustments to investment properties	(70.2)	61.2
Share of net profit from equity accounted investments	(4.2)	(1.5)
Distributions received from equity accounted investments	2.2	3.2
Other fair value adjustments to derivatives	23.0	3.5
Amortisation of leasing fees and incentives	26.0	26.5
Other depreciation and amortisation	1.5	–
Non-cash convertible notes interest expense	1.2	2.0
Net cash provided by operating activities	365.3	362.4

(1) Adjusted for balances acquired through the internalisation transaction (see note 2).

(a) Reconciliation of cash

Cash and cash equivalents at reporting date comprises cash at bank.

(b) Financing arrangements

Refer to note 13(c) for details of CFX's financing facilities. CFX has no other lines of credit.

17. Non-cash financing and investing activities

Distributions (income and capital) reinvested in equity accounted investment	3.5	–
Stapled securityholders distributions reinvested	56.9	–
Total non-cash financing and investing activities	60.4	–

Distributions satisfied by the issue of units under distribution reinvestment plan are shown in note 14.

18. Earnings per security

Refer to note 1(aa) for details regarding the calculation of basic and diluted earnings per security.

Summary of earnings per security

	30 JUN 2014 CENTS	30 JUN 2013 CENTS
Basic earnings per security of CFX1	13.61	10.44
Diluted earnings per security of CFX1	13.58	10.27
Basic earnings per security of CFX Group	13.63	10.43
Diluted earnings per security of CFX Group	13.60	10.26

18. Earnings per security (continued)

Reconciliation of earnings used in calculating earnings per security

	30 JUN 2014 \$M	30 JUN 2013 \$M
Earnings used in calculating basic earnings per security of CFX1	399.4	295.2
Adjusted for:		
Borrowing costs attributable to convertible notes	24.4	27.5
Less: Amount capitalised in qualifying assets	(3.6)	(14.9)
Earnings used in calculating diluted earnings per security of CFX1	420.2	307.8
Earnings used in calculating basic earnings per security of CFX Group	400.1	295.0
Adjusted for:		
Borrowing costs attributable to convertible notes	24.4	27.5
Less: Amount capitalised in qualifying assets	(3.6)	(14.9)
Earnings used in calculating diluted earnings per security of CFX Group	420.9	307.6

Reconciliation of weighted average number of securities

	NUMBER OF SECURITIES '000 30 JUN 2014	NUMBER OF SECURITIES '000 30 JUN 2013
Weighted average number of securities used as the denominator in calculating basic earnings per security	2,935,404	2,828,515
Adjustment for potential dilution from convertible notes ⁽¹⁾	159,599	170,002
Weighted average number of securities and potential securities used as the denominator in calculating the diluted earnings per security	3,095,003	2,998,517

(1) The number of securities to be issued upon conversion is calculated based on the assumption that \$92.3 million (Jun 2013: \$92.3 million) of convertible notes issued on 21 August 2007 will be converted into securities at the price of \$2.6668 and \$300.0 million (Jun 2013: \$300.0 million) of convertible notes issued on 4 July 2012 will be converted into securities at the price of \$2.40.

19. Auditor's remuneration

Amounts received or due and receivable by the auditor of CFX, PricewaterhouseCoopers:

	CONSOLIDATED 30 JUN 2014 \$'000	CONSOLIDATED 30 JUN 2013 \$'000
Audit services		
Statutory audit and review of financial reports	1,065	581
Regulatory required audits	53	20
Other assurance services	469	136
Non audit services	142	–
Total auditor's remuneration	1,729	737

20. Capital and financial risk management

CFX's overall risk management program focuses on ensuring compliance with the CFX1 and CFX Co Constitutions.

Capital and financial risk management is carried out through the Group Treasury function. Group Treasury identifies, evaluates and hedges financial risks in consultation with senior management and reports directly to an executive Capital Management Committee (CMC) and the Audit Committee (AC). The CMC is charged with overseeing the capital and financial risk management function under policies approved by the Directors of CMIL and CFX Co (the 'Board') and in accordance with the CFX1 Constitution and compliance plan and the CFX Co Constitution.

On an annual basis, CFX's capital management strategy is reviewed and adjusted where necessary by Group Treasury in conjunction with senior management and presented to the CMC and the Board for approval. This strategy includes the debt and hedging strategy overview for CFX.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

20. Capital and financial risk management (continued)

CFX's objective when managing its capital requirements is to maintain an optimal capital structure to reduce the cost of capital, considering the balance between risks and returns to investors, while ensuring that CFX:

- complies with capital requirements of the Constitutions, regulatory authorities and lenders
- maintains a strong credit rating, and
- continues to operate as a going concern.

(a) Debt covenants

Throughout the capital management process, CFX considers any likely impact its actions may have on the financial strength ratings determined by independent ratings agencies. CFX aims to retain the financial strength rating of 'A' from Standard & Poor's (S&P). Any change to these ratings may have an impact on CFX's ability to access funding and the cost at which it can be secured. CFX performed a review of debt covenants as at 30 June 2014, and no breaches were identified.

As at 30 June 2014, CFX's most restrictive debt covenants are:

	COVENANT	ACTUAL 30 JUN 2014	ACTUAL 30 JUN 2013
Loan to value ratio LVR ⁽¹⁾	50% or less	36%	33%
Interest cover ratio ICR ⁽²⁾	1.8 times or greater	3.4 times	3.3 times

(1) LVR is calculated for CFX1 as total liabilities divided by total assets. This calculation excludes the liabilities and assets pertaining to CFX Co.

(2) ICR is calculated as earnings before interest divided by net interest expense for CFX1. For the purposes of this calculation, earnings represents net profit excluding all fair value adjustments, straight-lining revenue, borrowing costs and net interest expense on interest rate swaps. Interest expense is the sum of borrowing costs, net interest expense on interest rate swaps, and capitalised interest, less non-cash convertible notes interest and adjustments for convertible notes buy-back expense.

CFX may alter its capital mix by drawing upon existing credit facilities, issuing new securities, offering a distribution reinvestment plan, underwriting the distribution reinvestment plan, divesting assets to repay borrowings, or undertaking security buy-back programs.

(b) Financial risk management

The financial risks arising from CFX's activities are credit risk, liquidity risk, foreign exchange risk, interest rate risk and other price risk. CFX uses different risk management methods to measure exposure to these risks including ageing analysis and selection of appropriately rated counterparties to manage credit risk, financial modelling of future rolling cash flow forecasts for liquidity risk, and sensitivity analysis in the case of interest rate and other price risks (refer to note 20(h)). CFX uses derivatives such as interest rate swaps and foreign exchange contracts to hedge interest rate and foreign exchange risks.

It is, and has been throughout the financial year under review, CFX's policy that derivatives are used for hedging purposes only and not as speculative or trading instruments.

CFX's principal financial instruments, other than derivatives, comprise short-term notes, medium-term notes, US senior fixed notes, convertible notes and cash advance facilities with varying terms. The main purpose of these financial instruments is to raise finance for CFX's operations.

(c) Credit risk

Credit risk represents the financial loss that would be recognised if counterparties failed to perform as contracted. Credit risk primarily arises from trade and other receivables and derivatives. The maximum exposure to credit risk at 30 June 2014 is the carrying amount of financial assets recognised in the statement of financial position.

CFX manages this risk by:

- investing and transacting derivatives with:
 - multiple counterparties that have an S&P long-term corporate credit rating of 'A-' or higher or Moody's equivalent A3 rating (where ratings agencies assign different ratings to an entity, the lower rating will be applied to the counterparty), and
 - counterparties holding an Australian Financial Services Licence (AFSL) and \$10 million of tier one capital or which are an Authorised Deposit-taking Institution (ADI)
- an annual review by the CMC of the approved panel of counterparties with any addition to the panel receiving CMC endorsement
- regularly reviewing the allocation of counterparty credit limits between counterparties by the CMC
- analysing the creditworthiness of individual tenants when providing leases and transacting with high quality tenants predominantly with a stable credit history
- obtaining security in the form of rent deposits or bank guarantees (where appropriate). This can be called upon in the event of default under the terms of the lease, and
- regularly monitoring receivables on an ongoing basis.

20. Capital and financial risk management (continued)

(c) Credit risk (continued)

As rent is payable in advance on the first day of each calendar month, all rent debtors are past due. There are no rent debtors that would have otherwise been impaired if terms had not been renegotiated.

All other receivables, including management fees, have not yet been billed and as such, are considered neither past due, nor impaired.

CFX's ageing analysis of rent debtors is as follows:

	CONSOLIDATED 30 JUN 2014 RENT DEBTORS \$M	CONSOLIDATED 30 JUN 2014 PROVISION FOR DOUBTFUL DEBTS \$M	CONSOLIDATED 30 JUN 2013 RENT DEBTORS \$M	CONSOLIDATED 30 JUN 2013 PROVISION FOR DOUBTFUL DEBTS \$M
0–30 days	2.3	0.3	3.3	0.4
31–60 days	1.2	0.3	1.6	0.5
61–90 days	1.5	0.5	0.7	0.5
90+ days	4.4	4.0	5.6	4.6
Total	9.4	5.1	11.2	6.0

Total bad debts written off for the financial year were \$2.2 million (Jun 2013: \$0.4 million), being 0.30% of property revenue (Jun 2013: 0.06%).

As at reporting date, credit risk on rent debtors is considered low, as there is no concentration of material risk from any individual tenant.

(d) Liquidity risk

Liquidity risk refers to the risk that CFX will not have sufficient funds to settle a transaction on the due date.

CFX manages liquidity risk by:

- prudent monitoring of cash levels
- the use of a detailed fund model which allows for continuous monitoring of forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities
- maintaining access to funding through committed credit facilities (refer to note 13(c)), and
- raising funds through the issue of new securities.

CFX had access to the following undrawn facilities at reporting date:

	NOTE	CONSOLIDATED 30 JUN 2014 \$M	CONSOLIDATED 30 JUN 2013 \$M
Floating rate			
Expiring within one year		–	–
Expiring beyond one year		393.0	530.0
Total undrawn facilities	13(c)	393.0	530.0

A key component of liquidity risk is refinancing risk, which arises when CFX is required to refinance existing debt positions or undertake new debt. A change in CFX's credit rating or unfavourable credit market conditions, including increased interest rate and credit margins, may impact the availability and acceptable pricing of required finance for CFX's operations. Refinancing risk is managed by CFX by diversifying the sources of debt, spreading the maturities of borrowings and undertaking interest rate swap arrangements. The impact on CFX's credit rating is considered when analysing potential transactions.

For details of CFX's active management of liquidity risk over the financial year, refer to note 13(c). CFX has successfully managed its exposure to all facilities that are due to expire in the short-to-medium term.

CFX classifies its short-term notes as a current liability. The short-term notes programs are backed by the cash advance facilities expiring 31 July 2018 and 15 August 2018. Therefore, CFX is able to draw upon these facilities in the event that short-term notes cannot be reissued.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

20. Capital and financial risk management (continued)

(d) Liquidity risk (continued)

Although CFX (and the parent entity) has a net current deficit (current liabilities exceed current assets) at reporting date, CFX has sufficient non-current undrawn cash advance facilities (refer to note 13) and operating cash flows to meet this deficit. The financial report is therefore prepared on a going concern basis.

As part of CFX's risk monitoring process with regard to debt covenant requirements, management undertakes quarterly 'stress testing'. The basis of this testing is to determine the impact against the base case used in the fund model on CFX's LVR when subjected to certain market 'shock' scenarios, such as a 10%-30% decrease in asset values, or the impact on CFX's ICR as a result of a similar 10%-30% decrease in market rental income levels assuming 30% of leases are renewed. The results of the 'stress testing' are used to evaluate and manage the risk profile of CFX with regard to its debt covenant obligations. In each scenario, the tests have not resulted in any breaches of CFX's debt covenant obligations.

i. Maturities of financial liabilities

The following table shows CFX's financial liabilities and net and gross settled derivative financial liabilities in relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. Derivatives that are held at fair value as financial assets at balance date are not included as an offset to the financial liabilities in this analysis. The amounts in the table are the contractual undiscounted cash flows including interest payments for the remaining period of the contract. Drawn debt amounts are assumed to be paid at the expiry date of the facility. Future cash flows on floating rate debt and interest rate swaps have been estimated assuming interest rates prevailing at reporting date remain constant for each instrument. Future payments on USD denominated debt and the offsetting receipts from cross-currency swaps are estimated assuming the exchange rate at reporting date remains constant for the remaining periods of the instruments. Convertible notes with a face value of \$0.5 million were redeemed on the put option date of 4 July 2014. The remaining convertible notes are assumed to be held to final maturity date rather than converted to stapled securities.

Funding obligations will be met either by drawing upon existing undrawn facilities, issuing new securities, or by establishing new lines of credit as required.

The weighted average debt maturity is 3.5 years (Jun 2013: 3.1 years). The weighted average maturity on floating to fixed interest rate swaps is 3.2 years (Jun 2013: 3.1 years).

20. Capital and financial risk management (continued)

(d) Liquidity risk (continued)

i. Maturities of financial liabilities (continued)

AS AT 30 JUNE 2014	1 YEAR OR LESS \$M	1 TO 2 YEARS \$M	2 TO 5 YEARS \$M	OVER 5 YEARS \$M	TOTAL CONTRACTUAL CASH FLOWS \$M	CARRYING AMOUNT ⁽¹⁾ \$M
Non-derivatives						
Non-interest bearing						
Payables (excluding accrued interest)	138.0	25.1	–	–	163.1	163.1
Distribution payable	205.2	–	–	–	205.2	205.2
Variable rate						
Short-term notes	100.0	–	–	–	100.0	100.0
Cash advance facilities	127.0	189.9	1,145.6	–	1,462.5	1,307.6
Fixed rate						
Medium-term notes	147.5	484.4	37.5	256.3	925.7	794.7
US medium-term notes	13.9	13.9	207.9	149.7	385.4	327.7
Convertible notes	111.9	17.3	308.6	–	437.8	400.4
Total non-derivatives	843.5	730.6	1,699.6	406.0	3,679.7	3,298.7
Derivatives⁽²⁾						
Net settled (interest rate swaps)	19.0	15.4	35.2	3.1	72.7	51.0
Gross settled						
– inflow	(11.4)	(11.4)	(200.4)	(101.1)	(324.3)	–
– outflow	11.5	11.5	236.1	104.5	363.6	10.5
Total derivatives	19.1	15.5	70.9	6.5	112.0	61.5
AS AT 30 JUNE 2013						
Non-derivatives						
Non-interest bearing						
Payables (excluding accrued interest)	88.3	–	–	–	88.3	88.3
Responsible Entity's base fees payable	19.2	–	–	–	19.2	19.2
Responsible Entity's performance fees payable	5.1	–	–	–	5.1	5.1
Distribution payable	192.3	–	–	–	192.3	192.3
Fair value performance fees	5.1	8.8	8.8	20.1	42.8	29.2
Variable rate						
Short-term notes	100.0	–	–	–	100.0	100.0
Medium-term notes	271.6	–	–	–	271.6	261.9
Cash advance facilities	28.5	326.9	275.6	100.3	731.3	669.9
Fixed rate						
Medium-term notes	45.6	142.5	494.4	161.3	843.8	694.3
US medium-term notes	43.0	13.7	163.9	173.4	394.0	373.3
Convertible notes	21.9	403.2	–	–	425.1	397.9
Total non-derivatives	820.6	895.1	942.7	455.1	3,113.5	2,831.4
Derivatives⁽²⁾						
Net settled (interest rate swaps)	9.9	11.6	12.6	11.6	45.7	30.2
Gross settled						
– inflow	(40.5)	(11.2)	(156.5)	(122.2)	(330.4)	–
– outflow	50.5	14.2	201.8	147.6	414.1	3.1
Total derivatives	19.9	14.6	57.9	37.0	129.4	33.3

(1) The carrying amount of borrowings includes accrued interest.

(2) This analysis includes cash flows from derivatives that are in a mark-to-market liability position on the statement of financial position. Additionally, net cash inflows will be generated from derivatives that are in a mark-to-market asset position on the statement of financial position.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

20. Capital and financial risk management (continued)

(e) Interest rate risk

Interest rate risk is the risk that earnings are adversely affected by changes in market interest rates. CFX's exposure to market risk for changes in interest rates relates primarily to debt obligations.

CFX manages its interest cost using a mix of fixed and variable rate debt. To limit exposure to interest rate fluctuations in order to establish certainty over long-term cash flows, CFX has adopted guidelines to keep between 65% and 85% of its borrowings at fixed rates of interest. Positions are monitored regularly and hedging strategies are used to ensure that positions are maintained within the established guidelines unless otherwise endorsed by the CMC. To manage exposure to interest rate risk, CFX enters into interest rate swaps, in which CFX agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. Refer to note 20(h) for an interest rate sensitivity analysis.

As at 30 June 2014, 87.1% (Jun 2013: 81.3%) of CFX's exposure to floating interest rates on Australian dollar debt has been hedged with fixed rate debt and interest rate swap agreements that are used to convert certain variable interest rate borrowings to fixed interest rates or vice versa. This level of hedging sits slightly outside the adopted guidelines; however, CFX deems this level of hedging appropriate in anticipation of further debt draw down to fund capital expenditure and distributions over the short term. While CFX has determined that these arrangements are economically effective, they have not satisfied the documentation, designation and effectiveness tests required by accounting standards. As a result, they do not qualify for hedge accounting, and gains or losses arising from changes in fair value are recognised immediately in the statement of comprehensive income.

As at 30 June 2014, CFX had the following variable rate borrowings and interest rate swap contracts outstanding:

	CONSOLIDATED 30 JUN 2014 \$M	CONSOLIDATED 30 JUN 2013 \$M
Total drawn debt ⁽¹⁾	2,925.0	2,486.1
Fixed rate debt ⁽²⁾	(1,122.3)	(1,022.3)
Interest rate swaps	(1,425.0)	(1,000.0)
Net exposure to cash flow interest rate risk	377.7	463.8

(1) Equal to drawn debt disclosed in note 13(c), adjusted for the fair value of cross-currency swaps of \$10.4 million liability (Jun 2013: \$3.1 million liability).

(2) Face value of convertible notes and fixed rate medium-term notes excluding MTNs issued in USD and swapped to AUD floating rates using cross currency swaps.

(f) Foreign exchange risk

Foreign exchange risk is the risk that the value and cash flows of a financial commitment, asset or liability will fluctuate due to changes in foreign exchange rates. As CFX holds borrowings denominated in a foreign currency, namely USD, it is therefore exposed to this risk in the absence of effective hedging.

This risk is managed through the use of cross-currency swaps which hedge the changes in the fair value of the USD denominated debt relating to changes in foreign currency exchange rates and the benchmark USD interest rate, in accordance with the hedging objectives set out by CFX.

The hedge relationship is highly effective, as all key terms of the hedge instruments, being the consolidated notional principal of the cross-currency swaps and the consolidated underlying cash flows, coincide with the hedged item. As a result, no portion of the change in fair value of the cross-currency swap is ineffective.

At 30 June 2014, CFX has hedged 100% of the US\$249.0 million senior unsecured fixed rate notes with cross-currency swaps (Jun 2013: 100%).

CFX made a loss of \$7.3 million through fair value adjustments to its cross-currency swaps, offset by a corresponding gain on the underlying USD denominated debt (Jun 2013: a gain of \$15.9 million on cross-currency swaps was offset by a corresponding loss on the underlying USD denominated debt).

(g) Other price risk

For the comparative year, CFX's financial instruments included performance fees payable which were determined by reference to the performance of CFX's security price relative to the customised retail property index provided by Standard & Poor's (refer to note 15(d)(iii)). This index is influenced by a range of factors which are outside of the control of CFX. Due to the nature of this risk, financial instruments are not used to manage CFX's exposure. Sensitivity analysis (per note 20(h)) measures the impact of movement in the index on CFX's profit and equity.

20. Capital and financial risk management (continued)

(h) Summarised sensitivity analysis

The following table summarises the impact on CFX's profit and equity of a reasonably possible upwards or downwards movement in each of the risk variables below, assuming that all other variables remain constant. These movements are based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates and volatility of the retail property index. Due to unexpected market conditions, actual movements may be greater than anticipated, and therefore these ranges should not be used as a definitive indicator of future movements in the stated risk variables.

Interest rate risk represents the effect of a change in interest rates applied to the interest rate risk exposures at reporting date, including the estimated change in the value of financial instruments that are carried at fair value. Cash and floating rate debt at reporting date are multiplied by the reasonably possible change in interest rates to determine the effect on profit for the year. CFX's financial instruments whose carrying values are affected by changes in interest rates are interest rate swaps and, for the prior year, performance fees carried at fair value. In calculating the change in value of interest rate swaps, a change in interest rates at reporting date is assumed to result in a parallel shift in the forward yield curve. A change in interest rates of up to 100 basis points (1%) is considered to be reasonably possible in the current economic environment.

	INTEREST RATE RISK				OTHER PRICE RISK			
	IMPACT ON PROFIT INCREASE/(DECREASE)		IMPACT ON EQUITY INCREASE/(DECREASE)		IMPACT ON PROFIT INCREASE/(DECREASE)		IMPACT ON EQUITY INCREASE/(DECREASE)	
	+100BPS \$M	-100BPS \$M	+100BPS \$M	-100BPS \$M	+10% \$M	- 10% \$M	+ 10% \$M	- 10% \$M
30 Jun 2014								
Cash and cash equivalents	0.9	(0.9)	–	–	–	–	–	–
Borrowings	(3.8)	3.8	–	–	–	–	–	–
Derivatives ⁽¹⁾	46.0	(48.0)	–	–	–	–	–	–
	43.1	(45.1)	–	–	–	–	–	–
30 Jun 2013								
Cash and cash equivalents	0.1	(0.1)	–	–	–	–	–	–
Borrowings	(4.6)	4.6	–	–	–	–	–	–
Derivatives ⁽¹⁾	28.2	(29.5)	–	–	–	–	–	–
Payables	0.3	(0.4)	–	–	4.6	(3.2)	–	–
	24.0	(25.4)	–	–	4.6	(3.2)	–	–

(1) The unrealised fair value movement of derivatives does not have any impact on distributable income.

Notes to the financial statements

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20. Capital and financial risk management (continued)

(i) Fair value of financial assets and liabilities

i. Fair value hierarchy

CFX has adopted the classification of fair value measurements into the following hierarchy as required by AASB 13 Fair Value Measurement. Refer to note 8(c) for a definition of each of the levels of the hierarchy.

The following table presents CFX's financial assets and financial liabilities measured and recognised at fair value on a recurring basis:

	LEVEL 1		LEVEL 2		LEVEL 3		TOTAL	
	30 JUN 2014 \$M	30 JUN 2013 \$M	30 JUN 2014 \$M	30 JUN 2013 \$M	30 JUN 2014 \$M	30 JUN 2013 \$M	30 JUN 2014 \$M	30 JUN 2013 \$M
Assets								
Derivative assets								
– interest rate swaps	–	–	1.4	4.2	–	–	1.4	4.2
Total assets	–	–	1.4	4.2	–	–	1.4	4.2
Liabilities								
Derivative liabilities								
– interest rate swaps	–	–	(51.1)	(30.2)	–	–	(51.1)	(30.2)
– cross-currency swaps	–	–	(10.4)	(3.1)	–	–	(10.4)	(3.1)
US MTNs	–	–	(284.7) ⁽¹⁾	(330.7)	–	–	(284.7)	(330.7)
Fair value of Responsible Entity's performance fee liability	–	–	–	–	–	(29.2)	–	(29.2)
Total liabilities	–	–	(346.2)	(364.0)	–	(29.2)	(346.2)	(393.2)

(1) This is the carrying value of the USD denominated MTNs which are held at fair value. At reporting date, CFX has \$40 million of \$A-denominated, fixed rate US MTNs. These MTNs are carried at amortised cost.

CFX did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2014.

There were no transfers between the levels of the fair value hierarchy for the year ended 30 June 2014.

ii. Valuation techniques used to determine fair values

The level 2 derivatives that CFX has at 30 June 2014 include interest rate swaps and cross-currency swaps. The fair values of these derivatives are calculated as the present value of the estimated future cash flows based upon quoted market inputs (specifically the forward price curve of interest rates) adjusted for counterparty risk of default for assets and CFX's risk of default for liabilities. The fair values of all derivative contracts have also been confirmed with counterparties to within acceptable tolerances. The fair value of USD denominated debt is calculated as the present value of the estimated future cash flows based on the observable yield curve. The USD denominated debt is adjusted for CFX's risk of default.

CFX has no level 3 liabilities as at 30 June 2014. The level 3 liabilities at 30 June 2013 consisted of the fair value of the Responsible Entity's performance fee liability. The fair value of the liability was calculated as the present value of the estimated future cash flows, adjusted for CFX's risk of default. On 24 March 2014, the payment to CBA for internalisation (refer to note 2) extinguished this liability.

iii. Fair values of other financial instruments

The fair value of financial assets and liabilities included in the statement of financial position approximates their carrying value except for interest bearing borrowings. The fair values of interest bearing borrowings have been calculated by discounting the expected future cash flows by market swap rates applicable to the relevant term of the borrowing (for floating rate borrowings), and appropriate margins for borrowings with similar risk profiles. The carrying amounts and fair values of interest bearing borrowings for CFX are:

20. Capital and financial risk management (continued)

(i) Fair value of financial assets and liabilities (continued)

iii. Fair values of other financial instruments (continued)

	CARRYING AMOUNT 30 JUN 2014 \$M	FAIR VALUE 30 JUN 2014 \$M	CARRYING AMOUNT 30 JUN 2013 \$M	FAIR VALUE 30 JUN 2013 \$M
Medium-term notes	1,113.7	1,167.8	1,318.6	1,359.1
Convertible notes	390.1	410.6	387.7	403.0
Cash advance facilities	1,300.3	1,315.2	665.3	673.3
Short-term notes	100.0	100.0	100.0	100.0
Total interest bearing borrowings	2,904.1	2,993.6	2,471.6	2,535.4

(j) Offsetting financial assets and liabilities

Derivative assets and liabilities are not offset in the balance sheet as CFX does not have a legally enforceable right to set-off these amounts. Agreements with derivative counterparties are based on an ISDA Master Agreement. Under the terms of these arrangements, only where certain credit events occur (such as default), the net position owing/receivable to a single counterparty will be taken as owing and all the relevant arrangements terminated.

In the event of default, the derivative assets of \$1.4 million (Jun 13: \$4.2 million) are subject to set off against the derivative liabilities of \$61.5 million (Jun 2013: \$33.3 million) resulting in a net amount post set off of \$60.1 million (Jun 2013: \$29.1 million).

21. Commitments

(a) Operating lease commitments

Estimated operating lease expenditure contracted for at reporting date, but not provided for in the financial statements:

	CONSOLIDATED 30 JUN 2014 \$M	CONSOLIDATED 30 JUN 2013 \$M
Not later than one year	5.0	4.1
Later than one year and not later than five years	21.0	14.4
Later than five years	86.1	87.6
Total operating lease commitments	112.1	106.1

(b) Capital commitments

Estimated capital expenditure contracted for at reporting date, but not provided for:

	CONSOLIDATED 30 JUN 2014 \$M	CONSOLIDATED 30 JUN 2013 \$M
Not later than one year	45.0	88.3
Later than one year and not later than five years	12.8	–
Total capital commitments⁽¹⁾	57.8	88.3

(1) Capital commitments relating to jointly controlled assets are \$24.5 million (Jun 2013: \$57.7 million).

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

22. Contingencies

(a) Contingent assets

In January 2011, severe flooding caused extensive damage to parts of south-east Queensland, including Brisbane and Toowoomba. CFX had three assets in the Brisbane CBD that were flood affected: Myer Centre Brisbane, QueensPlaza and Post Office Square. CFX has lodged claims with its insurers for \$4.0 million (Jun 2013: \$4.2 million) covering business interruption and for costs incurred to repair damage to the affected properties. At 30 June 2014, CFX has received \$3.5 million (Jun 2013: \$2.5 million) as a partial payment of the insurance claims. The remaining \$0.5 million (Jun 2013: \$1.7 million) of the lodged claims continues to be assessed by the insurers and represents a contingent asset as at 30 June 2014.

(b) Contingent liabilities

As at reporting date, there were no material contingent liabilities (Jun 2013: \$nil).

23. Parent entity financial information

(a) Summary information

The individual financial statements for CFX1 (the parent entity) show the following aggregate amounts:

	30 JUN 2014 \$M	30 JUN 2013 \$M
Statement of financial position		
Current assets	196.3	448.1
Total assets	9,177.8	8,594.1
Current liabilities	364.1	732.9
Total liabilities	3,268.2	2,835.1
Equity		
Contributed equity	3,914.9	3,787.3
Undistributed reserves	1,639.3	1,681.8
Available-for-sale investment revaluation reserve	355.4	289.9
Total equity	5,909.6	5,759.0
Net profit for the financial year	366.5	361.8
Total comprehensive income	432.7	295.2

(b) Commitments and contingent liabilities of the parent entity

The parent entity's capital expenditure commitments which have been contracted but not provided for at reporting date, operating lease commitments and contingencies are set out below:

Capital commitments	33.3	33.3
Lease commitments payable	102.7	105.7
Lease commitments receivable	1,742.7	1,941.5
Contingent liabilities	–	–

24. Net tangible asset backing per stapled security

	CONSOLIDATED 30 JUN 2014	CONSOLIDATED 30 JUN 2013
Net tangible assets (\$m)	5,737.8	5,764.4
Net tangible asset backing per stapled security (\$)	1.90	2.04

Net tangible asset backing per stapled security is calculated by dividing net assets less intangible assets by the number of stapled securities on issue. The number of stapled securities used in the calculation can be found at note 14.

25. Events occurring after the reporting date

On 25 July 2014, Mr Peter Hay was appointed as an independent non-executive Director to the Boards of CMIL and CFX Co. Mr Hay owns 10,000 CFX stapled securities.

CFX announced the appointment of Mr Richard Jamieson to the position of Chief Financial Officer on 12 May 2014. Mr Jamieson is expected to commence with the Group in November 2014 and will be one of the Group's Key Management Personnel.

Since the end of the financial year, the Directors are not aware of any matter or circumstance not otherwise dealt with in this financial report that has significantly affected or may significantly affect CFX's operations, the results of those operations or CFX's state of affairs in future financial years.



Directors' declaration

In accordance with a resolution of the Directors of Commonwealth Managed Investments Limited, the Responsible Entity for CFS Retail Property Trust 1, we declare that:

- (a) in the opinion of the Directors, the financial statements and notes set out on pages 98 to 147 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of CFX and its controlled entities' financial position as at 30 June 2014 and of the performance for the financial year ended on that date, and
 - (ii) complying with Australian Accounting Standards, the Corporations Regulations 2001 and the Trust Constitution, and
- (b) in the opinion of the Directors, there are reasonable grounds to believe that CFX and its controlled entities will be able to pay their debts as and when they become due and payable, and
- (c) the Directors have been given the Declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2014.

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

Signed in accordance with the resolution of the Directors of Commonwealth Managed Investments Limited.

A handwritten signature in black ink, appearing to read 'R M Haddock'.

R M Haddock AM
Director

Melbourne
21 August 2014



Independent auditor's report to the unitholders of CFS Retail Property Trust 1

Report on the financial report

We have audited the accompanying financial report of CFS Retail Property Trust 1 (the registered scheme), which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for CFS Retail Property Trust Group (the consolidated stapled entity). The consolidated stapled entity comprises both the registered scheme and the entities it controlled at the year end or from time to time during the financial year, and CFX Co Limited and the entities it controlled at the year end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of Commonwealth Managed Investments Limited (the responsible entity) are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

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Liability limited by a scheme approved under Professional Standards Legislation.

**Auditor's opinion**

In our opinion:

- (a) the financial report of CFS Retail Property Trust 1 is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated stapled entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 83 to 96 of the directors' report for the year ended 30 June 2014. The directors of the registered scheme are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of CFS Retail Property Trust 1 for the year ended 30 June 2014 complies with section 300A of the Corporations Act 2001.

A stylized, handwritten-style signature of 'PricewaterhouseCoopers' in black ink.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'TJO Peel'.

TJO Peel
Partner

21 August 2014
Melbourne

SUBSTANTIAL HOLDINGS AS AT 20 AUGUST 2014^a

COMPANY NAME	EFFECTIVE DATE	NUMBER OF SECURITIES	% ISSUED CAPITAL
The Gandel Group Pty Limited (and its associates) ^b	7-May-14	664,618,844	22.02
UniSuper Ltd	8-Jul-14	304,951,982	10.10
Commonwealth Bank of Australia (and its subsidiaries)	7-May-14	229,362,502	7.59
Vanguard Group, Inc.	5-Jun-14	150,970,322	5.00

a Information included in the substantial holdings table is sourced from publicly disclosed company releases or the register that CMIL maintains in accordance with section 672DA of the Corporations Act, in each case as at 20 August 2014.

b The holdings in the table above do not include the interests retained by Gandel Group in the form of first rights of refusal in relation to the disposal of units pursuant to a Sale and Options over Units Agreement dated 3 October 2002.

TOP 20 SECURITYHOLDERS AS AT 20 AUGUST 2014

NAME	NUMBER OF SECURITIES	% ISSUED CAPITAL
HSBC Custody Nominees (Australia) Limited	629,501,774	20.86
National Nominees Limited	600,854,468	19.91
J P Morgan Nominees Australia Limited	371,006,464	12.29
Citicorp Nominees Pty Limited	173,460,891	5.75
Rosslynbridge Pty Ltd	100,988,180	3.35
Commonwealth Bank Of Australia	76,453,828	2.53
Allowater Pty Ltd	67,787,582	2.25
The Colonial Mutual Life Assurance Society Limited	66,088,722	2.19
Besgan No.2 Pty Ltd	61,820,112	2.05
Besgan No.3 Pty Ltd	61,820,112	2.05
Besgan No.4 Pty Ltd	61,820,112	2.05
Besgan No.1 Pty Ltd	61,820,111	2.05
BNP Paribas Noms Pty Ltd	52,924,541	1.75
Cenarth Pty Ltd	50,119,710	1.66
Braybridge Pty Ltd	47,885,240	1.59
Ledburn Proprietary Limited	40,798,509	1.35
Broadgan Pty Ltd	40,008,053	1.33
RBC Investor Services Australia Nominees Pty Limited	31,157,655	1.03
AMP Life Limited	30,445,316	1.01
Citicorp Nominees Pty Limited	21,621,088	0.72
TOTAL	2,648,382,468	87.75

SPREAD OF SECURITYHOLDERS AS AT 20 AUGUST 2014

HOLDING	NUMBER OF SECURITYHOLDERS	NUMBER OF SECURITIES	% ISSUED CAPITAL
1 to 1,000	1,999	685,456	0.02
1,001 to 5,000	4,657	14,142,832	0.47
5,001 to 10,000	4,213	31,226,598	1.04
10,001 to 50,000	5,974	117,327,030	3.89
50,001 to 100,000	336	21,791,961	0.72
100,001 and over	197	2,832,876,933	93.86
TOTAL	17,376	3,018,050,810	100.00

There were 901 securityholders each holding less than a marketable parcel of 234 securities (based on CFX's close price on 20 August 2014 of \$2.14).

CFX HISTORY OF SECURITIES ON ISSUE

DATE	ISSUE	NUMBER OF SECURITIES	PRICE \$	VALUE \$
1 April 1994	Listing	583,001,000	1.00	583,001,000
22 February 1995	Distribution reinvestment plan	18,868,627	0.83	15,660,960
18 August 1995	1 for 5 rights issue	120,374,753	0.90	108,337,278
17 October 1997	2 for 9 rights issue \$0.40 paid on application \$0.56 final instalment payable on 30 June 1999	160,503,704	0.96	154,083,556
17 July 1998	Placement	72,000,000	1.09	78,480,000
12 November 1998	1 for 4 rights issue	238,689,206	1.10	262,558,127
23 August 1999	Distribution reinvestment plan	21,138,064	1.09	23,040,490
24 February 2000	Distribution reinvestment plan	16,404,323	1.06	17,388,582
25 August 2000	Distribution reinvestment plan	26,199,375	1.08	28,295,325
26 February 2001	Distribution reinvestment plan	25,570,288	1.16	29,661,534
27 August 2001	Distribution reinvestment plan	27,449,601	1.08	29,645,569
25 February 2002	Distribution reinvestment plan	25,568,885	1.13	28,892,840
26 August 2002	Distribution reinvestment plan	9,566,458	1.21	11,575,414
8 October 2002	New ordinary issue ^a	404,383,962		
8 October 2002	Broadmeadows unit issue	6,606,525	1.21	7,993,895
29 January 2003	Institutional placement	74,074,075	1.35	100,000,001
17 March 2003	Unit purchase plan	3,942,688	1.35	5,322,629
27 February 2004	Distribution reinvestment plan	34,370,995	1.29	44,338,584
16 March 2004	Placement	35,715,000	1.44	51,429,600
27 August 2004	Distribution reinvestment plan	30,344,561	1.38	41,875,494
21 December 2004	Institutional placement	63,694,268	1.57	100,000,001
31 January 2005	Unit purchase plan	16,118,814	1.57	25,306,538
25 February 2005	Distribution reinvestment plan	28,588,059	1.55	44,311,491
26 August 2005	Distribution reinvestment plan	27,603,362	1.64	45,269,514
28 February 2006	Distribution reinvestment plan	22,981,159	1.91	43,894,014
25 August 2006	Distribution reinvestment plan	28,231,802	1.82	51,381,880
28 February 2007	Distribution reinvestment plan	20,223,739	2.17	43,885,514
6 July 2007	Institutional placement	93,023,256	2.15	200,000,000
7 August 2007	Unit purchase plan	7,427,720	2.15	15,969,598
24 August 2007	Distribution reinvestment plan	18,972,964	2.22	42,119,980

a 0.65 GAN units for each CFT unit.

CFX HISTORY OF SECURITIES ON ISSUE (CONTINUED)

DATE	ISSUE	NUMBER OF SECURITIES	PRICE \$	VALUE \$
27 February 2008	Distribution reinvestment plan	6,316,291	2.36	14,906,447
22 August 2008	Distribution reinvestment plan	12,669,757	1.84	23,312,353
15 October 2008	Institutional placement	162,500,000	2.00	325,000,000
28 October 2008	Conversion of convertible notes	749,962	2.67	2,002,399
30 October 2008	Conversion of convertible notes	1,124,943	2.67	3,003,598
26 November 2008	Unit purchase plan	1,899,250	2.00	3,798,500
27 February 2009	Distribution reinvestment plan	18,051,716	1.78	32,132,054
27 August 2009	Distribution reinvestment plan	18,744,657	1.63	30,553,791
25 February 2010	Distribution reinvestment plan	27,033,862	1.87	50,553,322
26 August 2010	Distribution reinvestment plan	19,342,319	1.86	35,976,713
1 October 2010	Institutional placement	290,322,581	1.86	540,000,001
26 November 2010	Unit purchase plan	5,235,959	1.86	9,738,884
24 February 2011	Distribution reinvestment plan	13,963,381	1.77	24,715,184
12 March 2012	Unit cancelled	(1)		
20 April 2012	On-market buy-back ^b	(3,712,298)	1.83	(6,777,143)
27 April 2012	On-market buy-back ^b	(590,804)	1.83	(1,083,394)
1 June 2012	On-market buy-back ^b	(261,855)	1.89	(494,741)
22 June 2012	On-market buy-back ^b	(3,717,008)	1.88	(7,005,240)
29 June 2012	On-market buy-back ^b	(2,348,328)	1.87	(4,393,773)
16 July 2012	On-market buy-back ^b	(54,976)	1.88	(103,465)
20 July 2012	On-market buy-back ^b	(410,982)	1.89	(776,756)
28 August 2013	Distribution reinvestment plan	29,791,031	1.91	56,900,869
24 December 2013	Institutional placement	151,351,352	1.85	280,000,001
31 January 2014	Security purchase plan	8,412,768	1.78	14,991,553
		3,018,050,810		

b On 26 March 2012, CFX announced an on-market buy-back of up to \$150 million of CFX securities. The buy-back was terminated on 25 March 2013.

CFX DISTRIBUTION HISTORY

DISTRIBUTION PERIOD ENDED	TYPE OF SECURITIES	DISTRIBUTION CPS ^a	NON-INCOME TAX ASSESSABLE			INCOME TAX ASSESSABLE			
			TAX DEFERRED ^b %	TAX FREE %	CGT CONCESSION AMOUNT ^b %	DISCOUNTED CAPITAL GAIN ^b %	OTHER CAPITAL GAIN ^b %	FRANKED DIVIDEND ^b %	FRANKING CREDITS CPS ^a
30 June 1994		1.975	18.15	4.96					
31 December 1994		3.95	14.20	5.17					
30 June 1995		3.85	23.51	5.45					
31 December 1995	Ordinary securities	3.87	24.35	6.25					
	Partly-paid securities	2.86	24.35	6.25					
30 June 1996		3.93	27.96	6.43					
31 December 1996		3.88	12.87	7.13					
30 June 1997		4.02	18.87	7.97					
31 December 1997	Ordinary securities	4.02	20.40	8.98					
	Partly-paid securities (pro-rata)	0.70	20.40	8.98					
30 June 1998	Ordinary securities	4.07	23.57	9.49					
	Partly-paid securities (pro-rata)	1.70	23.57	9.49					
31 December 1998	Ordinary securities	4.09	29.92	13.08					
	Partly-paid securities (pro-rata)	1.704	29.92	13.08					
	Placement securities (pro-rata)	3.734	29.92	13.08					
	Rights Issue securities (pro-rata)	1.111	29.92	13.08					
30 June 1999	Ordinary securities	4.21	33.74	12.95					
	Partly-paid securities (pro-rata)	1.755	33.74	12.95					
31 December 1999	Ordinary securities	4.20	31.38	13.56					
	DRP securities	2.99	31.38	13.56					
30 June 2000	Ordinary securities	4.30	31.49	13.49					
	DRP securities	3.02	31.49	13.49					
31 December 2000	Ordinary securities	4.30	25.49	14.18					
	DRP securities	3.01	25.49	14.18					
30 June 2001	Ordinary securities	4.40	26.06	14.23					
	DRP securities	3.04	26.06	14.23					
31 December 2001	Ordinary securities	4.40	37.60	**					
	DRP securities	3.04	37.60	**					
30 June 2002	Ordinary securities	4.56	39.55	**					
	DRP securities	3.17	39.55	**					

^a cps = cents per stapled security.

^b The components listed do not add to 100%. The balancing item is other assessable income.

** For all distributions paid post 30 June 2001, the tax-free portion became tax-deferred.

CFX DISTRIBUTION HISTORY (CONTINUED)

DISTRIBUTION PERIOD ENDED	TYPE OF SECURITIES	DISTRIBUTION CPS ^a	NON-INCOME TAX ASSESSABLE			INCOME TAX ASSESSABLE			
			TAX DEFERRED ^b %	TAX FREE %	CGT CONCESSION AMOUNT ^b %	DISCOUNTED CAPITAL GAIN ^b %	OTHER CAPITAL GAIN ^b %	FRANKED DIVIDEND ^b %	FRANKING CREDITS CPS ^a
31 December 2002	Ordinary securities	4.78	37.80	**					
	DRP securities	3.27	37.80	**					
30 June 2003	Ordinary securities	4.88	45.44	**					
31 December 2003	Ordinary securities	5.00	37.05	**	0.71	0.71			
30 June 2004	Ordinary securities	5.06	37.05	**	0.71	0.71			
	DRP securities	3.48	37.05	**	0.71	0.71			
31 December 2004	Ordinary securities	5.20	42.55	**					
	DRP securities	3.59	42.55	**					
30 June 2005	Ordinary securities	5.31	42.55	**					
	DRP securities	3.67	42.55	**					
31 December 2005	Ordinary securities	5.46	42.590	**	0.338	0.338	0.014	0.007	0.000
	DRP securities	3.80	42.590	**	0.338	0.338	0.014	0.007	0.000
30 June 2006	Ordinary securities	5.64	42.590	**	0.338	0.338	0.014	0.007	0.000
	DRP securities	3.83	42.590	**	0.338	0.338	0.014	0.007	0.000
31 December 2006	Ordinary securities	5.70	43.22	**	0.39	0.39		0.20	0.005
	DRP securities	4.00	43.22	**	0.39	0.39		0.20	0.003
30 June 2007	Ordinary securities	5.90	43.22	**	0.39	0.39		0.20	0.005
	DRP securities	3.98	43.22	**	0.39	0.39		0.20	0.003
31 December 2007	Ordinary securities	6.00	31.68	**		17.00		0.17	0.004
	DRP securities	4.24	31.68	**		17.00		0.17	0.003
30 June 2008	Ordinary securities	6.00	31.68	**		17.00		0.17	0.003
	DRP securities	4.12	31.68	**		17.00		0.17	0.003
31 December 2008	Ordinary and DRP securities	6.20	53.30	**				0.20	0.005
30 June 2009	Ordinary and DRP securities	6.30	53.30	**				0.20	0.006
31 December 2009	Ordinary and DRP securities	6.20	57.51	**					
30 June 2010	Ordinary and DRP securities	6.30	57.51	**					
31 December 2010	Ordinary and DRP securities	6.30	37.16	**	1.70	1.19		0.82	0.016
30 June 2011	Ordinary securities	6.40	37.16	**	1.70	1.19		0.82	0.016
31 December 2011	Ordinary securities	6.50	40.92	**		27.85		0.37	0.007
30 June 2012	Ordinary securities	6.60	40.92	**		27.85		0.37	0.007
31 December 2012	Ordinary securities	6.80	38.93	**				0.60	0.013
30 June 2013	Ordinary securities	6.80	38.93	**				0.60	0.013
31 December 2013	Ordinary securities	6.80	43.13	**		6.63		0.48	0.019
30 June 2014	Ordinary securities	6.80	43.13	**		6.63		0.48	0.019

a cps = cents per stapled security.

b The components listed do not add to 100%. The balancing item is other assessable income.

** For all distributions paid post 30 June 2001, the tax-free portion became tax-deferred.

TERM	REFERENCE IN REPORT	DEFINITION
Australian Real Estate Investment Trust	A-REIT	Previously referred to in the Australian market as listed property trusts (LPTs). The terminology was changed to be consistent with the global market conventions of real estate investment trusts (REITs).
Australian Securities Exchange	ASX	The main Australian marketplace for trading equities, government bonds and other fixed interest securities.
Board	the Board, or Board of Directors	The boards of CFX Co Limited (CFX Co) and Commonwealth Managed Investments Limited (CMIL) are collectively known as the Board.
Capitalisation rate	capitalisation rate	A market-derived rate applied to a property's net income to determine its value at a specific date.
CFSGAM Property	property division or CFSGAM Property	A former division of Colonial First State Global Asset Management, with specialist expertise in property funds and asset management.
CFS Retail Property Trust 1 ARSN 090 150 280	CFS Retail Property Trust 1 or CFX1	A managed investment scheme previously known as CFS Retail Property Trust which holds the property assets of CFX. CFX stapled securities are each comprised of one CFX Co share stapled to one CFX1 unit.
CFS Retail Property Trust 2 ARSN 156 647 853	CFS Retail Property Trust 2 or CFX2	A managed investment scheme established to allow CFX to generate additional income streams from its portfolio of shopping centre assets. As part of Internalisation, CFX2 units were destapled from CFX1 units and CFX2 was acquired by CFX Co.
CFX	CFX, the Group or CFS Retail Property Trust Group	The combined entities of CFX Co Limited and CFS Retail Property Trust 1, which together form CFS Retail Property Trust Group.
CFX Co Limited ABN 79 167 087 363	CFX Co Limited or CFX Co	CFX Co Limited, a newly incorporated company, that acquired a number of management entities from CBA as part of Internalisation. CFX stapled securities are each comprised of one CFX Co share stapled to one CFX1 unit.
Commonwealth Bank of Australia ABN 48 123 123 124	the Commonwealth Bank, Commonwealth Bank of Australia, the Bank or CBA	An Australian provider of integrated financial services and one of the largest listed companies on the Australian Securities Exchange.
Commonwealth Managed Investments Limited ABN 33 084 098 180 AFSL 235384	Commonwealth Managed Investments Limited or CMIL	The Responsible Entity of CFX1.
Director	Director	A director of CFX Co and/or CMIL.

TERM	REFERENCE IN REPORT	DEFINITION
Discount rate	discount rate	A valuation metric applied to a property's expected future cash flows to calculate the net present value of that property.
Distribution per security	distribution per security, distribution per stapled security or DPS	The proportion of CFX's earnings paid to securityholders per stapled security.
Distribution reinvestment plan or dividend and distribution reinvestment plan (as relevant)	DRP, distribution reinvestment plan or dividend and distribution reinvestment plan (as relevant)	The optional scheme to receive payment of distributions and (from the June 2014 payment) dividends in the form of CFX stapled securities.
Financial year	FY or financial year	The 12-month period from 1 July to 30 June.
Gross lettable area	gross lettable area or GLA	The total leasable area in any given shopping centre.
Group	Group, the Group, CFX, GAN, Gandel Retail Trust and CFS Gandel Retail Trust	CFX or the business under a previous name in its 20-year history.
Internalisation	Internalisation	The transaction which completed on 24 March 2014 and involved CFX acquiring a number of funds and asset management entities from CBA and no longer paying management fees to CBA. More information on the Internalisation can be found on CFX's website.
Moving annual turnover	moving annual turnover or MAT	Gross sales for all sales-reporting tenants over a 12-month period.
NABERS	NABERS	National Australian Built Environment Ratings System.
Net lettable area	net lettable area or NLA	The total possible area that a tenant can occupy in any given building, after deducting service space such as foyers, lift wells and plant room.
Net tangible asset backing per stapled security	net tangible asset backing per stapled security or NTA	The total assets of CFX excluding intangible items such as goodwill, less total liabilities, expressed per stapled security.
Responsible property investment	responsible property investment	Our commitment to integrate best practice across environment, social and governance (ESG) matters.
Securityholder	securityholder	A person or persons who hold a stapled security in CFS Retail Property Trust Group.
Stapled security	stapled security, stapled securities or securities	CFX Co shares are stapled to CFX1 units. Together they form the stapled securities of CFX.

TERM	REFERENCE IN REPORT	DEFINITION
Strategic Partnerships	Strategic Partnerships	Our Strategic Partnerships are comprised of owners of: shopping centres that we provide asset management services to (which includes co-owners of CFX assets owned on balance sheet); and investors in our wholesale property funds and mandates to whom we provide investment management and asset management services.
Term in office	term in office	The amount of time that a Board member has served and is accurate at the time of approval of the report by the Board on 20 August 2014.
We, us or our	we, us or our	Are references to CFS Retail Property Trust Group and the different legal entities within it.
Wholesale Funds	Wholesale property funds and mandates, and Wholesale Funds	Unlisted property funds and mandates to which CFX provides investment and asset management services post Internalisation, on behalf of third-party investors.

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FINANCIAL YEAR ENDED 30 JUNE	2010	2011	2012	2013	2014
Financials					
Total assets (\$m)	7,701	8,491	8,434	8,629	9,462
Total liabilities (\$m)	2,640	2,656	2,579	2,865	3,360
Net profit/(loss) (\$m)	315.0	532.6	409.2	295.0	400.1
Basic earnings per security ^a (cents)	12.65	19.35	14.42	10.44	13.63
Distributable income per security ^b (cents)	12.50	12.37 ^c	13.10	13.60	13.28 ^d
Distribution per security (cents)	12.50	12.70	13.10	13.60	13.60
Number of securities on issue (m)	2,511	2,840	2,829	2,828	3,018
Net asset backing per security (\$)	2.02	2.05	2.07	2.04	1.90
Portfolio					
Portfolio value (\$m)	7,577	8,407	8,363	8,560	8,866
Portfolio capitalisation rate ^{e,f} (%)	6.57	6.49	6.45	6.43	6.25
Portfolio occupancy rate by area (%)	99.8	99.7	99.7	99.4	99.7
Total specialty sales ^e (\$/sqm)	8,558	8,991	9,224	9,463	9,740
Debt					
Gearing ^g (%)	29.5	27.0	26.6	28.8	30.9
Debt interest rate ^h (%)	6.8	7.0	6.0	5.6	5.4
Debt duration ^f (years)	2.8	3.5	2.8	3.1	3.5
Hedged debt (%)	88	92	87	81	87
Hedged debt interest rate ^{h,i} (%)	5.7	6.1	5.4	5.1	4.8
Hedged debt duration ^{h,i} (years)	5.0	4.5	3.3	3.1	3.2
Interest cover ratio ⁱ (times)	2.7	2.8	3.2	3.3	3.4
Loan to value ratio ^j (LVR, %)	34	31	31	33	36
Other					
Tax deferred (%)	57.5	37.2	40.9	38.9	43.1

a As defined in the Financial report. Including but not limited to fair-value adjustments for investment properties, associates, derivatives and performance fees.

b Distributable income, as defined in the Financial report, per stapled security.

c Impacted by the issue of units for the acquisition of the DFO centres that ranked equally with existing units.

d Impacted by the issue of new securities in December 2013 (to part-fund Internalisation) which ranked equally with securities on issue.

e Shopping centre portfolio.

f Weighted average.

g Gearing equals borrowings as a proportion of total assets. Total assets exclude the fair value of derivatives. Borrowing is the amount drawn down.

h Including fees and margins.

i Excluding fees and margins and including all fixed rate debt.

j As defined in the Financial report.

ASX trading code CFX

CFX Co Limited (CFX Co)

ABN 79 167 087 363

CFS Retail Property Trust 1 (CFX1)

ARSN 090 150 280

Responsible Entity of CFX1

Commonwealth Managed Investments Limited (CMIL)

ABN 33 084 098 180

AFSL 235384

Registered office

Ground Floor, Tower 1, 201 Sussex Street
Sydney NSW 2000 Australia

Directors

Mr Richard Haddock AM (Chairman)

Mr Trevor Gerber

Mr Peter Hay (appointed 25 July 2014)

Mr Peter Kahan

Mr James Kropp (to retire in September 2014)

Mr Angus McNaughton (Managing Director)

Ms Nancy Milne OAM

Ms Karen Penrose

Dr David Thurin

Company Secretary

Ms Michelle Brady

CONTACT US

Security Registry

For enquiries regarding your securityholding, please contact the Security Registry.

For all correspondence, please quote your Securityholder Reference Number (SRN)/Holder Identification Number (HIN) that can be found near the top right hand corner of your holding statement.

The Security Registry will only accept correspondence or amendments to securityholdings if they are signed by the securityholder(s).

To arrange change of address, changes in registration of securities, direct credit requests or to enquire about distribution information, please contact the Security Registry on the details below.

CFS Retail Property Trust Group

C/- Link Market Services

Locked Bag A14

Sydney South NSW 1235

Telephone: 1800 500 710 (callers within Australia - 8.30am to 5.30pm Sydney time on business days)

Telephone: +61 1800 500 710 (callers outside Australia)

Email: cfs@linkmarketservices.com.au

Website: linkmarketservices.com.au

Access your securityholding online

You can view your investment details online and update your personal details through the 'Investor Service Centre' section of the Security Registry's website or through the 'Access your securityholding' section of CFX's website. You will require your SRN/HIN to access online information.

You can use the online system to:

- view current and previous holding balances and your transaction history
- choose your preferred annual report option
- confirm whether you have lodged your Tax File Number (TFN) or Australian Business Number (ABN)
- register or update your contact details and communications preferences
- check CFX's security price, and
- download a variety of securityholder instruction forms.

Key dates^a

29 August 2014	→	Payment of June 2014 distribution and issue of annual tax statement
31 October 2014	→	2014 Annual General Meeting
29 December 2014	→	Ex-distribution date for December 2014 distribution
31 December 2014	→	Record date for December 2014 distribution
18 February 2015	→	1H15 interim result announcement
26 February 2015	→	Payment of December 2014 distribution
26 June 2015	→	Ex-distribution date for June 2015 distribution
30 June 2015	→	Record date for June 2015 distribution
August 2015	→	FY15 annual result announcement
27 August 2015	→	Payment of June 2015 distribution

^a Please note that these dates are indicative only and may be subject to change.

