# CFS RETAIL PROPERTY TRUST
# (ARSN 090 150 280)

# FINANCIAL REPORT
# FOR THE YEAR ENDED 30 JUNE 2011

## Contents

# CFS RETAIL PROPERTY TRUST
# DIRECTORS' REPORT

The Directors of Commonwealth Managed Investments Limited (CMIL), the Responsible Entity for CFS Retail Property Trust, present their report together with the financial statements of CFS Retail Property Trust for the financial year ended 30 June 2011.

## 1.1 Directors

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

**(i) Chairman – Non-Executive Director**

R M Haddock

**(ii) Non-Executive Directors**

J F Kropp

N J Milne

**(iii) Executive Directors**

G A Petersen

M J Venter (Executive Director for the full financial year and appointed alternate for G A Petersen on 4 July 2011)

G Johnston (alternate for G A Petersen) (resigned 4 July 2011)

## 1.2 Principal activities

The CFS Retail Property Trust (CFX) is a registered managed investment scheme domiciled in Australia and has its principal place of business at Level 7, 52 Martin Place, Sydney, New South Wales 2000.

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

The principal activity of CFX and its controlled entities ('the Trust') is investment in retail property. There were no significant changes in the nature of the Trust's activity during the financial year.

## 1.3 Distributions

Total distributions paid/payable for the financial year ended 30 June 2011 amounted to $359.7 million, representing 12.7 cents per unit (Jun 2010: $312.2 million representing 12.5 cents per unit). The distribution paid for the six months ended 31 December 2010 was $178.0 million (6.3 cents per unit). The distribution declared but not paid for the six-months ended 30 June 2011 is $181.7 million (6.4 cents per unit).

## 1.4 Review and results of operations

### (a) Financial Results

Key financial highlights over the financial year include:

- The consolidated net profit for the financial year ended 30 June 2011 increased by 69.1% to $532.6 million (Jun 2010: $315.0 million). To reflect the Trust's results from operations, the net profit in the reported result has been adjusted for unrealised impacts, and other items, resulting in distributable income for the year ended 30 June 2011 of $350.3 million (Jun 2010: $312.2 million) as reconciled in the following table:

## 1.4 Review and results of operations (continued)

### (a) Financial Results (continued)

| | Consolidated 30 Jun 2011 $m | Consolidated 30 Jun 2010 $m |
|---|---|---|
| **Total revenue and other income** | **908.9** | **675.8** |
| **Net profit for the financial year** | **532.6** | **315.0** |
| Adjustments for unrealised and non-cash impacts[1] | | |
| - straight-lining revenue | (4.1) | (6.9) |
| - fair value adjustments from investment properties and associate | (201.4) | (49.2) |
| - other fair value adjustments to derivatives | (12.9) | 23.2 |
| - movement in fair value of unrealised performance fees | 0.2 | (2.2) |
| - non-cash convertible notes interest expense | 11.3 | 10.6 |
| - amortisation of project items | 19.8 | 14.6 |
| Adjustments for other items | 4.8 | 7.1 |
| **Distributable income** | **350.3** | **312.2** |
| Other adjustments: | | |
| - transfer from undistributed reserve[2] | 9.4 | - |
| **Distributions paid and payable** | **359.7** | **312.2** |
| **Value of Trust's total assets**[3] | **8,491.4** | **7,700.6** |
| **Net tangible asset backing per unit ($)** | 2.05 | 2.02 |

(1) Refer to note 2 for an explanation of the adjustments to net profit to arrive at distributable income for the financial year.

(2) New units issued in October 2010 and November 2010 rank equally with existing units and are therefore entitled to the full distribution for the full financial year ended 30 June 2011. Therefore the Trust has transferred an amount from undistributed reserves to deliver a distribution of 12.7 cents per unit.

(3) Details of the valuation methods applied to derive the Trust's assets and liabilities are set out in note 1.

- Distributable income increased by 12.2% to $350.3 million (Jun 2010: $312.2 million), primarily due to the positive earnings impact of completed developments such as Chadstone Shopping Centre Stage 33, Northland Shopping Centre and Chatswood Chase in the prior year, and the acquisition of four DFO retail outlet centres during the year.
- The Trust's total distribution for the financial year was $359.7 million (Jun 2010: $312.2 million), which represents a 1.6% increase in distributions per unit to 12.7 cents per unit (Jun 2010: 12.5 cents per unit).
- Net assets increased by 15.3% to $5,835.8 million (Jun 2010: $5,061.1 million), resulting in a net tangible asset backing per unit at 30 June 2011 of $2.05 (Jun 2010: $2.02). The increase in net assets resulted mainly from the $498 million equity-funded acquisition of four DFO retail outlet centres and property revaluation increments of $201.4 million.

### (b) Operations

Key operational highlights over the financial year include:

- On 29 October and 23 December 2010, the Trust settled the purchase of four DFO retail outlet centres at Essendon, Homebush, Moorabbin and South Wharf for a total of $498 million, excluding acquisition costs and settlement adjustments. The acquisition was fully funded through an equity raising.
- The Trust's development pipeline is approximately $1.1 billion, including redevelopments of Myer Melbourne, Bayside Shopping Centre and Forest Hill Chase, currently under construction. Projects in the planning stage include redevelopments of Roxburgh Park Shopping Centre, Castle Plaza Shopping Centre, Grand Plaza Shopping Centre, and Chadstone Shopping Centre Stage 35.

## 1.4 Review and results of operations (continued)

### (b) Operations (continued)

- In January 2011, severe flooding caused extensive damage to parts of south-east Queensland, including Brisbane and Toowoomba. Clifford Gardens Shopping Centre in Toowoomba was unaffected. However, three assets in the Brisbane CBD were flood affected: Myer Centre Brisbane, QueensPlaza, and Post Office Square. The Trust has lodged a claim with its insurers for $2.9 million, covering business interruption and for costs incurred to repair damage to the affected properties. At 30 June 2011, the Trust has received $1.3 million as a partial payment of the insurance claim, which has been recognised in the statement of comprehensive income. The remaining $1.6 million of the claim continues to be assessed by the insurer and represents a contingent asset as at 30 June 2011.
- The Trust has been actively marketing the sale of Altona Gate since 18 May 2011 (carrying value at 30 June 2011 is $92.2 million). If the property is sold, the proceeds will be used to retire bank debt.

### (c) Capital Management

Key capital management highlights over the financial year include:

- On 1 October 2010, the Trust raised $540 million of equity via an institutional placement. A further $9.7 million of equity was subsequently raised via a unit purchase plan, on the same terms. The proceeds were used predominately to fund the purchase of four DFO retail outlet centres in October and December 2010.
- On 2 November 2010, the Trust completed a $290 million issuance of fixed-rate medium-term notes (MTNs) with an expiry date of 2 May 2016, and a $160 million issuance of floating rate MTNs with an expiry date of 2 May 2014. The proceeds of the issues were partly used to replace $294 million of MTNs that expired on 12 November 2010. The balance of $156 million was used to repay short-term debt drawn on cash advance facilities.
- On 8 February 2011, the Trust completed a $150 million issuance of fixed-rate medium-term notes (MTNs). These MTNs are due to expire in May 2016. The proceeds, together with existing undrawn bank debt facilities, repaid $350 million of bank debt expiring on 11 February 2011.
- In February 2011, the Trust also secured more favourable pricing on $675 million of existing bank debt facilities, which were originally priced during the global financial crisis. Additionally, a $150 million facility due to expire on 31 July 2012 was extended to 31 July 2013.
- In June 2011, a $100 million bank facility, due to expire on 30 June 2011, was extended to 30 June 2016.
- At 30 June 2011, the Trust's borrowings are $2,288.6 million (Jun 2010: $2,261.6 million), of which 92.2% is hedged (Jun 2010: 87.6%). The Trust has undrawn debt facilities of $360 million (Jun 2010: $431 million).
- The Trust's principal debt covenants and corresponding results at 30 June 2011 are as follows:

| | Covenant | Actual |
|---|---|---|
| Loan to value ratio (LVR)(1) | 50% or less | 31% |
| Interest cover ratio (ICR)(2) | 1.8 times or greater | 2.8 times |

(1) LVR is calculated as total liabilities divided by total assets.

(2) ICR is calculated as earnings before interest divided by net interest expense. 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 expense.

- On 4 July 2011, subsequent to balance date, the Trust completed a $300 million issuance of senior, unsecured convertible notes, with a fixed coupon rate of 5.75% and 4 July 2016 expiry. The noteholder has the right to convert notes into units at the conversion price of $2.40 at any time prior to 23 June 2016. The notes are redeemable in cash at the option of the noteholder on 4 July 2014. Proceeds from the issue were used to fund the buy-back of $300 million of the existing $595 million convertible notes maturing in August 2014 ('2014 notes'). These notes were redeemed at par plus accrued interest, for a total cost of $305.7 million. The transaction is well in advance of the 2014 notes' investor put option date of 21 August 2012 and extends the Trust's debt maturity profile.

## 1.5 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 the Trust that occurred during the financial year other than those matters stated in this report.

## 1.6 Matters subsequent to the end of the financial year

On 4 July 2011, the Trust completed an issuance of new convertible notes and the buy-back of existing convertible notes, which is discussed at section 1.4(c) of this report.

In August 2011, the Trust executed a contract increasing its capital commitments by $135.5 million. $35.2 million is estimated to be spent within 12 months of reporting date, with the balance to be spent within five years.

The Directors are not aware of any other matter or circumstance that has arisen since 30 June 2011 that has significantly affected, or may significantly affect, the Trust's operations, the results of those operations or the state of the affairs of the Trust, in future financial years other than those matters stated in this report.

## 1.7 Likely developments and expected results of operations

Commentary on the expected results of operations is included in section 1.4 of this report. In addition, the Australian Government announced the "Securing a Clean Energy Future – the Australian Government's Climate Change Plan" on 10 July 2011. Whilst the announcement provides further details of the framework for a carbon pricing mechanism, uncertainties continue to exist regarding the impact on the Trust of the proposed legislation as it is in preliminary form and must be voted on and passed by both houses of Parliament.

The Trust's manager has taken a proactive approach to sustainability and responsible investment over the past few years and is consistently focused on improving the efficiency of the assets held in the Trust. An assessment of the impact of the proposed legislation on the Trust will be undertaken by the Trust's manager as further details become available. Refer to note 1(aa)(i) to the financial statements for further details.

The Trust will continue to maintain its objectives of identifying opportunities to increase the profitability of the Trust and its net asset value.

Further information on likely developments in the operations of the Trust and the expected results of operations has not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Trust.

## 1.8 Environmental regulation

The Trust is subject to the reporting requirements of the National Greenhouse and Energy Reporting Act 2007 (the Act) as a result of its relationship with the Commonwealth Bank of Australia (the 'Bank'). The Trust's reporting with respect to this Act will be consolidated through the Bank report.

The National Greenhouse and Energy Reporting Act 2007 requires the Trust to report its annual greenhouse gas emissions and energy use. For the measurement period 1 July 2010 to 30 June 2011, the Trust will submit its data to the Bank, for consolidation through the Bank's report to the Greenhouse and Energy Data Officer in October 2011.

The Trust is also subject to the Energy Efficiency Opportunity Act 2005 (EEOA), and submits its findings and report though the Bank via a consolidated group report, in accordance with the legislation.

## 1.9 Indemnification and insurance of officers

No insurance premiums were paid out of the assets of the Trust for insurance cover provided to either the officers of the Responsible Entity or the auditor of the Trust. Where the officers of the Responsible Entity act in accordance with the Trust's Constitution and the Corporations Act 2001, the officers remain indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust. The auditor of the Trust is not indemnified out of the assets of the Trust.

## 1.10 Responsible Entity interests and fees

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

The Responsible Entity and its associates have not held any units in the Trust either directly or indirectly during the financial year, as set out in note 15(j).

## 1.11 Interests in the Trust

No Director of the Responsible Entity held any units in the Trust at the end of the financial year, as set out in note 15(j).

No Director of the Responsible Entity has received or become entitled to receive any benefit by reason of a contract made by the Trust 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.

The movement in units on issue in the Trust during the financial year, along with the number of units on issue at the end of the financial year, is disclosed in note 13.

## 1.12 Non-audit services

The Responsible Entity may employ the Trust'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. 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:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; 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.

## 1.13 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.

## 1.14 Auditor

PricewaterhouseCoopers continues in office as the auditor of the Trust.

## 1.15 Auditor's independence declaration

A copy of the Auditor's independent declaration as required under section 307C of the Corporations Act 2001 is attached to the Directors' Report on page 7.

Richard M Haddock

**R M Haddock**

Director

Sydney

16 August 2011

# *Auditor's Independence Declaration*

As lead auditor for the audit of CFS Retail Property Trust for the year ended 30 June 2011, 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 and the entities it controlled during the period.

Peter van Dongen
Partner
PricewaterhouseCoopers

16 August 2011
Sydney

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# CFS RETAIL PROPERTY TRUST
## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
**For the year ended 30 June 2011**

| | Note | Consolidated 30 Jun 2011 $m | Consolidated 30 Jun 2010 $m |
|---|---|---|---|
| **Revenue** | | | |
| Rental and other property income | 3 | 695.2 | 611.1 |
| Interest income | | 1.1 | 0.6 |
| Dividend income | | 0.2 | 1.6 |
| Alignment fee income | 15(i) | 7.9 | 9.6 |
| | | 704.4 | 622.9 |
| **Other income** | | | |
| Share of net profit from associate before fair value adjustments | | 3.1 | 3.7 |
| Share of associate's loss from fair value adjustments | | (1.6) | (1.3) |
| Share of net profit accounted for using the equity method | 9(a) | 1.5 | 2.4 |
| | | | |
| Fair value adjustments to investment properties | | 203.0 | 50.5 |
| **Total revenue and other income** | | **908.9** | **675.8** |
| | | | |
| **Expenses** | | | |
| Net interest expense on derivatives | | 13.5 | 21.5 |
| Other fair value adjustments to derivatives | | (12.9) | 23.2 |
| Net loss on derivatives | | 0.6 | 44.7 |
| | | | |
| Rates, taxes and other outgoings | | 177.5 | 154.0 |
| Repairs and maintenance | | 14.4 | 10.8 |
| Bad and doubtful debts expense | | 1.5 | (0.2) |
| Borrowing costs | | 133.6 | 107.3 |
| Responsible Entity's base fee | 15(d)(i) | 35.5 | 34.0 |
| Responsible Entity's performance fee | 15(d)(ii) | 9.8 | 7.1 |
| Auditor's remuneration | 19 | 0.7 | 0.4 |
| Other expenses | | 2.7 | 2.7 |
| **Total expenses** | | **376.3** | **360.8** |
| **Net profit for the financial year** | | **532.6** | **315.0** |
| | | | |
| Other comprehensive income | | - | - |
| **Total comprehensive income for the financial year** | | **532.6** | **315.0** |
| | | | |
| Basic earnings per unit (cents) | 18 | 19.35 | 12.65 |
| Diluted earnings per unit (cents) | 18 | 18.63 | 12.40 |

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

# CFS RETAIL PROPERTY TRUST
## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
**As at 30 June 2011**

| | Note | Consolidated 30 Jun 2011 $m | Consolidated 30 Jun 2010 $m |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | | 5.4 | 2.2 |
| Receivables | 5 | 59.5 | 79.6 |
| Derivatives | | 14.7 | 37.7 |
| Non-current assets held for sale – investment property | 7 | 92.2 | 21.2 |
| Other assets | 6 | 4.6 | 4.5 |
| **Total current assets** | | **176.4** | **145.2** |
| **Non-current assets** | | | |
| Investment properties | 7 | 8,276.3 | 7,515.1 |
| Investments in associates | 9 | 38.7 | 40.3 |
| **Total non-current assets** | | **8,315.0** | **7,555.4** |
| **Total assets** | | **8,491.4** | **7,700.6** |
| **Current liabilities** | | | |
| Payables | 11 | 100.0 | 118.2 |
| Distribution payable | 4 | 181.7 | 158.2 |
| Responsible Entity's base fees payable | 15(d)(i) | 17.7 | 17.1 |
| Responsible Entity's performance fees payable | 15(d)(ii) | 9.6 | 4.7 |
| Fair value of Responsible Entity's performance fee liability | | 4.7 | 4.5 |
| Interest bearing liabilities | 12 | 324.9 | 740.5 |
| Derivatives | | 90.0 | 67.3 |
| **Total current liabilities** | | **728.6** | **1,110.5** |
| **Non-current liabilities** | | | |
| Interest bearing liabilities | 12 | 1,900.4 | 1,502.4 |
| Fair value of Responsible Entity's performance fee liability | | 26.6 | 26.6 |
| **Total non-current liabilities** | | **1,927.0** | **1,529.0** |
| **Total liabilities** | | **2,655.6** | **2,639.5** |
| **Net assets** | | **5,835.8** | **5,061.1** |
| **Equity** | | | |
| Contributed equity | 13 | 3,812.4 | 3,210.6 |
| Reserves | 14 | 2,023.4 | 1,850.5 |
| **Total equity** | | **5,835.8** | **5,061.1** |

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

# CFS RETAIL PROPERTY TRUST
## CONSOLIDATED STATEMENT OF CASH FLOWS
**For the year ended 30 June 2011**

| | Note | Consolidated 30 Jun 2011 $m | Consolidated 30 Jun 2010 $m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Rental and other property income received | | 797.1 | 663.9 |
| Distributions received | | 2.9 | 4.1 |
| Interest income received | | 1.1 | 0.6 |
| Interest expense on interest rate swaps | | (14.1) | (24.2) |
| Payments to suppliers | | (301.9) | (249.2) |
| Borrowing costs paid | | (143.2) | (125.1) |
| **Net cash flows from operating activities** | 16 | **341.9** | **270.1** |
| **Cash flows from investing activities** | | | |
| Payments for investment properties | | (533.0) | (73.8) |
| Payments for property developments and improvements | | (148.5) | (248.3) |
| Proceeds from disposal of investment properties | | 48.5 | 1.5 |
| Dividend received | | 1.7 | - |
| Payments for investments in associates | | - | (0.2) |
| **Net cash flows used in investing activities** | | **(631.3)** | **(320.8)** |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of units | | 549.7 | - |
| Unit issue costs paid | | (8.6) | (0.1) |
| Proceeds from interest bearing liabilities | | 2,372.0 | 1,226.5 |
| Repayment of interest bearing liabilities | | (2,345.0) | (949.5) |
| Distributions paid | | (275.5) | (228.2) |
| **Net cash flows from financing activities** | | **292.6** | **48.7** |
| **Net increase / (decrease) in cash and cash equivalents held** | | **3.2** | **(2.0)** |
| **Cash and cash equivalents at the beginning of the financial year** | | **2.2** | **4.2** |
| **Cash and cash equivalents at the end of the financial year** | | **5.4** | **2.2** |

| | |
|---|---|
| Non-cash financing and investing activities | 17 |

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

# CFS RETAIL PROPERTY TRUST

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**For the year ended 30 June 2011**

| | Note | Contributed equity $m | Reserves $m | Total $m |
|---|---|---|---|---|
| **Total equity as at 1 July 2009** | | **3,129.6** | **1,847.7** | **4,977.3** |
| **Net profit for the 2010 financial year** | | - | **315.0** | **315.0** |
| **Transactions with unitholders in their capacity as unitholders** | | | | |
| Issue of units | 13 | 81.1 | - | 81.1 |
| Unit issue costs | 13 | (0.1) | - | (0.1) |
| Distributions paid and payable | 4 | - | (312.2) | (312.2) |
| **Total equity as at 30 June 2010** | | **3,210.6** | **1,850.5** | **5,061.1** |
| **Net profit for the 2011 financial year** | | - | **532.6** | **532.6** |
| **Transactions with unitholders in their capacity as unitholders** | | | | |
| Issue of units | 13 | 610.4 | - | 610.4 |
| Unit issue costs | 13 | (8.6) | - | (8.6) |
| Distributions paid and payable | 4 | - | (359.7) | (359.7) |
| **Total equity as at 30 June 2011** | | **3,812.4** | **2,023.4** | **5,835.8** |

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

## 1. Summary of significant accounting policies

This consolidated financial report is for CFS Retail Property Trust (the 'parent entity' or CFX) and its controlled entities (together the 'Trust'). The principal accounting policies adopted in the preparation of the financial statements are set out below.

### (a) Basis of preparation

This general purpose financial report has been prepared in accordance with the Trust Constitution, Australian Accounting Standards, other mandatory professional reporting requirements and the Corporations Act 2001.

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 on 16 August 2011. The Directors have the power to amend and reissue the financial report.

#### 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 the adoption of the following new standards, interpretations and amendments which became mandatory in the annual reporting period commencing 1 July 2010:

- AASB 2009-5, AASB 2010-3 Further amendments to Australian Accounting Standards arising from the Annual Improvements Process
- AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash Settled Share Based Payment Transactions
- AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues
- AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project
- AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19
- AASB Interpretation 19 Extinguishing financial liabilities with equity instruments

The adoption of these standards and amendments did not result in any impact on the financial statements of the Trust.

In addition to the above, certain accounting standards and interpretations have been issued or amended but are not yet mandatory and have not been adopted by the Trust for the financial year ended 30 June 2011. The impact of the new or amended standards is set out below:

- AASB 9 Financial Instruments, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (effective 1 July 2013)

  AASB 9 simplifies the classification of financial assets into those to be carried at amortised cost and those to be carried at fair value and replaces the recognition and measurement requirements of financial assets in AASB 139. The Trust is currently assessing the impact of this standard. However, the impact is expected to be immaterial.
- Revised AASB 124 Related Party Disclosures, AASB 2009-12 Amendments to Australian Accounting Standards (effective 1 July 2011)

  The revised AASB 124 clarifies and simplifies the definition of a related party. Application of this standard will have no financial impact on any amount recognised in the financial report.
- AASB 2010-4, AASB 2010-5 Amendments to Australian Accounting Standards (effective from 1 July 2011)

No significant impact is expected on the Trust's financial performance or financial position upon adoption of these new or amended standards and interpretations from their effective dates.

## 1. Summary of significant accounting policies (continued)

### (a) Basis of preparation (continued)

**New accounting standards and interpretations (continued)**

The following pronouncements have been issued by the International Accounting Standards Board (IASB), however, an equivalent pronouncement has not yet been issued by the AASB. Therefore these have not been adopted at 30 June 2011 and the Trust is currently assessing the impact of these pronouncements.

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Involvement with Other Entities
- IFRS 13 Fair Value Measurements
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures

### (b) Parent entity financial information

The financial information for the parent entity, CFX, disclosed in note 23, has been prepared on the same basis as the consolidated financial statements, except for investments in controlled entities and associates which in the parent entity are classified as available-for-sale financial assets (refer to note 1(p)) in the statement of financial position.

### (c) Principles of consolidation

**(i) Controlled entities**

The consolidated financial statements comprise the assets and liabilities of CFX and its controlled entities at 30 June 2011 and the results of all controlled entities for the financial year.

Controlled entities are all entities (including special purpose entities) over which CFX has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether CFX or the Trust controls another entity.

Controlled entities are fully consolidated from the date on which control is transferred to the Trust and, where applicable, deconsolidated from the date 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.

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**

Certain property investments are held via joint ownership arrangements. These joint ownership arrangements include the ownership of units in a single purpose unlisted trust over which the Trust exercises significant influence but which it does not control ('associate').

The Trust has adopted the equity method of accounting for investments in associates. Under this method, the investment in associates in the statement of financial position is carried at cost plus post-acquisition changes in the Trust's share of the associate's net assets, less any impairment in value. The Trust's share of the associate's net profit after income tax expense is recognised in the consolidated statement of comprehensive income. Distributions received from the associates are recognised in the consolidated financial report as a reduction of the carrying amount of the investment.

The reporting dates of associates are the same as those of the Trust and where associates' accounting policies differ from CFX, adjustments are made so as to ensure consistency within the Trust.

**(iii) Jointly controlled assets**

The Trust recognises its share of revenues, expenses, assets and liabilities in jointly controlled assets under the appropriate headings in the consolidated statement of financial position and statement of comprehensive income (rather than as a separate line item).

## 1. Summary of significant accounting policies (continued)

### (d) Segment reporting

An operating segment is a group of assets and operations engaged in providing products and services that are subject to risks and returns that are different to those of other segments.

The Trust also determines and presents operating segments based on the information that is internally provided to the Trust's chief operating decision maker and used in making strategic decisions. The chief operating decision maker has been determined as the Fund Manager, Mr Michael Gorman, and the Managing Director Property, Mr Darren Steinberg.

### (e) Foreign currency translation

The functional and presentation currency of the Trust and parent entity is Australian dollars ($). The functional currency is the currency of the primary economic environment in which the Trust 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 on 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.

The Trust 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(r) for further details.

### (f) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Trust and the amount can be reliably measured.

Fixed rental increases in the Trust'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 the Trust provides lease incentives to tenants (refer to note 1(o)), the costs of the incentives are recognised over the lease term, on a straight-line basis, as a reduction in rental income.

Distribution and dividend revenue is recognised when the Trust 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 the Trust.

Borrowing costs incurred on interest bearing liabilities are included in note 1(v). The Responsible Entity's base fees and performance fees are set out in notes 15(d)(i) and 15(d)(ii), 1(u) respectively.

## 1. Summary of significant accounting policies (continued)

### (h) Income tax

Under current income tax legislation, the Trust is not subject to income tax, provided that unitholders are presently entitled to the income of the Trust as calculated for trust accounting purposes.

### (i) Goods and Services Tax (GST)

Revenues, expenses and assets (with the exception of receivables) 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, or as an expense.

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 component 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.

### (k) Receivables

Rental and sundry debtors are recognised at amortised cost, which, in the case of the Trust, is the original invoice amount less a provision for any uncollected debts. Collectability of rental 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 the Trust 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 14 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 rental 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 Statements of Comprehensive Income.

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 1(m).

## 1. Summary of significant accounting policies (continued)

### (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 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 Responsible Entity of the Trust assesses the fair value of each investment property to ensure that its carrying value, as determined by the independent valuation adjusted for subsequent capital expenditure, reflects fair value. 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 1(aa)(i) for the estimated yield for each property.

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 the Responsible Entity 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 the Trust does not expect to be ultimately liable for CGT in respect of the assets.

**Property under development**

Fair value measurement of property under development is only applied if the fair value is considered to be reliably measured. In order to evaluate whether the fair value of an investment property under development can be determined reliably, management considers the following factors, among others:

- 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
- 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 1(l) for investment properties that are classified as held for sale.

## 1. Summary of significant accounting policies (continued)

### (n) 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.

### (o) 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.

### (p) 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 initially recognised at cost including any costs relating to acquisition. Subsequent to initial recognition, the investments are recognised at the 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 arms 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.

### (q) Financial assets and liabilities

The Trust 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. Classification of financial assets and liabilities depends on the purpose for which the assets and liabilities were acquired.

The Trust's classification is set out below:

## 1. Summary of significant accounting policies (continued)

### (q) Financial assets and liabilities (continued)

| Financial asset/liability | Classification | Valuation 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(r) |
| Investments | Available-for-sale financial assets | Fair value | Refer to note 1(p) |
| Payables | Financial liability at amortised cost | Amortised cost | Refer to note 1(t) |
| Interest bearing liabilities | Financial liability at amortised cost | Amortised cost | Refer to note 1(v) |

**Derecognition of financial instruments**
Financial assets are recognised on the date the Trust commits to purchase or sell the asset and derecognised when the Trust no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold or all risks and rewards of ownership have transferred to an independent third party.

### (r) Derivatives

The Trust 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. The two key variables used in the valuation are the forward price curve and discount rates. Each instrument is discounted at the market interest rate appropriate to the instrument.

There is a comprehensive hedging program implemented by the Trust 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 the Capital Management Committee.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

*Interest rate swaps*
The Trust 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 the Responsible Entity 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.

*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.

# 1. Summary of significant accounting policies (continued)

## (s) Impairment of assets

All assets, including financial assets, 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.

## (t) Payables

Payables represent liabilities and accrued expenses owing by the Trust at year end which are unpaid. The amounts are unsecured and usually paid within 30 days of recognition. Payables are recognised at amortised cost, and normal commercial terms and conditions apply to payables.

A distribution payable to unitholders of the Trust is recognised for the amount of any distribution approved on or before reporting date but not distributed at reporting date.

All payables with maturities greater than 12 months after the reporting date are classified as non-current liabilities.

## (u) Performance fees

The performance fee is calculated in accordance with the Trust Constitution.

A liability is recognised for the amount of the Responsible Entity's performance fees that have become due and payable, as well as the fair value relating to the 'carry-over' outperformance at reporting date. Fair value has been determined as the present value of future cash flows, based upon assumptions relating to the probability of paying capped performance fees in future periods, and the appropriate discount rate.

Refer to note 15(d)(ii) for further details on performance fees and note 1(aa)(ii) for details of significant estimates and assumptions used in the determination of the fair value of the performance fee.

## (v) Interest bearing liabilities

Interest bearing liabilities are recognised initially at cost, being the fair value of the consideration received net of transaction costs associated with the borrowing. Subsequent to initial recognition, interest bearing liabilities 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.

The fair value of the liability portion of the Trust'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 units 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 financial facilities which expire after one year are classified as non-current.

**Borrowing costs**

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 get 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 the Trust's outstanding borrowings during the financial year.

## 1. Summary of significant accounting policies (continued)

### (w) Contributed equity

Units on issue are classified as equity and recognised at the value of the consideration received by the Trust. Incremental costs directly attributable to the issue of new units are recognised in equity as a deduction, net of tax, from the proceeds.

### (x) Distributions

In accordance with the Trust Constitution, the Trust distributes income adjusted for unrealised and other amounts, as determined by the Directors, to unitholders on a semi-annual basis.

Refer to note 1(t) for the accounting policy for the distribution payable to unitholders at reporting date.

### (y) Earnings per unit

Basic earnings per unit is calculated as net profit for the financial year divided by the weighted average number of units on issue. Alternative basic earnings per unit is calculated as net profit for the financial year before fair value adjustments to investment properties, associates, derivatives, performance fees, non-cash convertible notes interest expense, straight-lining of rent increases and amortisation of project items, adjusted for other items, divided by the weighted average number of units.

Diluted earnings per unit is calculated by adjusting the basic earnings per unit to take into account the effect of interest and other borrowing costs associated with dilutive potential ordinary units and the weighted average number of additional ordinary units that would have been outstanding assuming the conversion of all dilutive potential ordinary units, namely convertible notes converted into units. The alternative diluted earnings per unit equals the diluted earnings per unit adjusted for fair value adjustments to investment properties, associates, derivatives, performance fees, straight-lining of rent increases, amortisation of project items, and adjustments for other items.

### (z) 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). Accordingly amounts in the financial report have been rounded to the nearest tenth of a million dollars ($m), unless stated otherwise.

### (aa) Critical accounting estimates and judgements

The preparation of the financial statements requires the Responsible Entity to make judgements, estimates and assumptions that affect the amounts reported in the financial statements. The Responsible Entity bases its judgements and estimates on historical experience and other various factors it believes 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.

The areas where a higher degree of judgement or complexity arises, or areas where assumptions and estimates are significant to the Trust's financial statements, are detailed below:

#### (i) Valuation of investment properties

Critical judgements are made by the Responsible Entity in respect of the fair values of investment properties (including properties under development and properties classified as 'held for sale'). As referred to note 1(m), the fair values of these investments are reviewed regularly by the Responsible Entity with reference to external independent property valuations, recent offers and market conditions existing at reporting date.

At reporting date, the key assumptions used by the Trust in determining fair value for the Trust's investment properties are outlined below:

| | 30 Jun 2011 | 30 Jun 2010 |
|---|---|---|
| Weighted average discount rate | 9.0% | 9.0% |
| Weighted average terminal yield | 6.8% | 6.8% |
| Weighted average capitalisation rate | 6.6% | 6.6% |
| Expected vacancy period range | 2-4 months | 2-4 months |
| Rental growth rate range | 3.1%-4.6% | 3.1%-4.4% |

# 1. Summary of significant accounting policies (continued)

## (aa) Critical accounting estimates and judgements (continued)

### (i) Valuation of investment properties (continued)

All of the above key assumptions have been taken from the last independent valuation report for the assets in the portfolio.

The Trust continues to obtain independent valuations of properties at least annually (with the latest valuation details set out in note 7). The critical assumptions underlying the Responsible Entity's estimates of fair values relate to the receipt of contractual rents, expected future market rentals, maintenance requirements and discount rates that reflect current market uncertainties. If there is any change in these assumptions or regional or national economic conditions, the fair value of investment properties may differ.

The introduction of a carbon pricing mechanism has the potential to impact the assumptions used for investment property valuations. Until legislation has been passed and the Trust's assessment of the impact of a carbon pricing mechanism is complete, the Trust has not incorporated the potential impact of any carbon price mechanism in the property valuations at 30 June 2011.

### (ii) Valuation of performance fees

The Responsible Entity of the Trust is entitled to a performance fee when the Trust's total return (distributions and unit price performance) outperforms the UBS Retail 200 Property Accumulation Index, which removes the effect of the Trust on the index.

Although the amount of the performance fee to be paid in each six-month period is capped, any outperformance in prior periods may be 'carried-over' and used in the calculation of the performance fee in future periods. The fair value of the 'carry-over' outperformance has been determined as the present value of future cash flows, based upon assumptions relating to the probability of paying capped performance fees in future periods and an appropriate discount rate. Therefore, the actual future performance fee may differ from the fair value of the 'carry-over' outperformance included in these financial statements if any of these assumptions change.

The performance fee entitlement is determined on the Trust's cumulative performance since the last period in which a performance fee was accrued (being the date of last reset). The maximum fee entitlement for a six-month performance fee period absorbs 1.167 percentage points of outperformance.

Assuming no gross asset value growth and no change in outperformance, the capped cash flow for the six months to 30 June 2011 would continue over the next 46 performance periods until the current outperformance is 'fully deteriorated' through the deduction of 1.167 percentage points each six-month period. For the purposes of measurement, a probability factor has been assigned to each of these cash flows and ranges from 1.00 in periods in the near term to 0.25 in later periods. These cash flows have been discounted at the approximate weighted average cost of capital of the Trust.

### (iii) Valuation of derivatives

The fair value of derivatives is based on certain assumptions about future events and involves significant estimates. Volatility in global financial markets makes it difficult to estimate with certainty the present value of the estimated future cash flows. The fair value of derivatives reported at 30 June 2011 may differ if there is volatility in market rates, indexes, equity prices of foreign exchange rates in future periods.

## 2. Segment information

The Trust operates in one segment, being retail property in Australia.

This operating segment, as described in note 1(d), has been determined based on internal reports provided to the Fund Manager, Mr Michael Gorman and the Managing Director Property, Mr Darren Steinberg, being the Trust's chief operating decision maker.

The Fund Manager assesses the performance of the operating segment based on distributable income and distribution per unit. A reconciliation of the net profit to distributable income and to distributions paid and payable (used in calculating the distribution per unit) is set out below. It shows the impact reflected in the reported results from unrealised amounts and one-off amounts, whilst the distributable income reflects the consistent results from operations.

| | Consolidated 30 Jun 2011 $m | Consolidated 30 Jun 2010 $m |
|---|---|---|
| **Total revenue and other income** | **908.9** | **675.9** |
| **Net profit for the financial year** | **532.6** | **315.0** |
| Adjustments for unrealised and non-cash impacts | | |
| - straight-lining revenue(A) | (4.1) | (6.9) |
| - fair value adjustments from investment properties and associate(B) | (201.4) | (49.2) |
| - other fair value adjustments to derivatives(C) | (12.9) | 23.2 |
| - movement in fair value of unrealised performance fees(D) | 0.2 | (2.2) |
| - non-cash convertible notes interest expense(E) | 11.3 | 10.6 |
| - amortisation of project items(F) | 19.8 | 14.6 |
| Adjustments for other items(G) | 4.8 | 7.1 |
| **Distributable income** | **350.3** | **312.2** |
| Other adjustments | | |
| - transfer from undistributed reserve(H) | 9.4 | - |
| **Distributions paid and payable** | **359.7** | **312.2** |

The material adjustments to the net profit to arrive at distributable income for the financial year shown in the financial report are described below.

(A) 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 that has been realised during the financial year ended 30 June 2011.

(B) Movements in the fair value of investment properties are required by Australian Accounting Standards for valuation purposes, but are unrealised non-cash amounts. Similarly, movements in the value of the underlying assets of the Trust's investments in associates are required by Australian Accounting Standards, but do not reflect the cash distributions received from these investments. Therefore these amounts have been excluded to better reflect distributable income that has been realised during the financial year ended 30 June 2011.

(C) Fair value movements in derivatives comprise mark-to-market movements required by Australian Accounting Standards for valuation purposes, but are unrealised non-cash amounts. These movements have been excluded to better reflect distributable income that has been realised during the financial year ended 30 June 2011.

(D) 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 that has been realised during the year.

(E) The difference between the actual coupon paid on the Trust'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 that has been realised during the year.

(F) 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 realised from ordinary operations.

(G) These items relate primarily to development projects and have been excluded to better reflect distributable income from ordinary operations.

(H) New units issued in October 2010 and November 2010 rank equally with existing units and are therefore entitled to the full distribution for the full financial year ended 30 June 2011. Therefore the Trust has transferred an amount from undistributed reserves to deliver a distribution of 12.7 cents per unit.

## 2. Segment information (continued)

The information provided to the Fund Manager in respect of total assets and total liabilities is measured in a manner consistent with the accounting policies disclosed in note 1 of these financial statements and is presented in the same manner as the statement of financial position.

The operating segment derives all its revenue in Australia, primarily from rental income of retail space from a large number of tenants. No single tenant or group under common control contributed to more than 10% of the Trust's revenues.

## 3. Rental and other property income

| | Consolidated 30 Jun 2011 $m | Consolidated 30 Jun 2010 $m |
|---|---|---|
| Rental and other property income (excluding straight-lining rental income) | 691.1 | 604.2 |
| Straight-lining adjustment | 4.1 | 6.9 |
| **Total rental and other property income** | **695.2** | **611.1** |

## 4. Unitholders' distribution

Distributions paid and payable by the Trust during the financial year are:

| | 30 Jun 2011 | | 30 Jun 2010 | |
|---|---|---|---|---|
| | $m | cents/unit | $m | cents/unit |
| Distribution paid – February | 178.0 | 6.3 | 154.0 | 6.2 |
| Distribution payable – August | 181.7 | 6.4 | 158.2 | 6.3 |
| **Total distributions paid and payable** | **359.7** | **12.7** | **312.2** | **12.5** |

## 5. Receivables

| | | Note | Consolidated 30 Jun 2011 $m | Consolidated 30 Jun 2010 $m |
|---|---|---|---|---|
| **Current** | | | | |
| Rental debtors[1] | | | 6.5 | 3.9 |
| Less: Provision for doubtful debts | | 20(c) | (2.8) | (2.7) |
| | | | 3.7 | 1.2 |
| Distribution receivable from associates | | | 0.8 | 0.6 |
| Receivables from related entities | - managing agent | 15(k) | 30.5 | 53.3 |
| | - alignment fee income | 15(i) | 3.9 | 4.8 |
| | - dividend income | | - | 1.6 |
| Accrued income | | | 10.7 | 8.8 |
| Other | | | 9.9 | 9.3 |
| **Total receivables** | | | **59.5** | **79.6** |

(1) Refer to note 20(c) for aged analysis of trade receivables.

## 6. Other assets

| | 30 Jun 2011 | 30 Jun 2010 |
|---|---|---|
| **Current** | | |
| Prepayments | 4.6 | 4.4 |
| Interest receivable | - | 0.1 |
| **Total other assets** | **4.6** | **4.5** |

## 7. Investment properties

| | Owner-ship % | Original purchase date | Latest independent valuation date | Independent valuation (A) $m | Additions/(Disposals) since valuation/acquisition (A) $m | Book value 30 Jun 11 $m | Book value 30 Jun 10 $m |
|---|---|---|---|---|---|---|---|
| **Current** | | | | | | | |
| **VIC** | | | | | | | |
| Altona Gate Shopping Centre, Altona[B] | 100 | Mar-94 | Nov-10 | 92.0 | 0.2 | 92.2 | - |
| **SA** | | | | | | | |
| Elizabeth Shopping Centre, Adelaide[c] | 100 | Jul-98 & Jan-03 | May-10 | - | - | - | 21.2 |
| **Non-current asset held for sale - investment property** | | | | | | **92.2** | **21.2** |
| **Non-current** | | | | | | | |
| **ACT** | | | | | | | |
| Bowes Street, Woden | 100 | Oct-02 | Jun-11 | 13.5 | - | 13.5 | 16.5 |
| **NSW** | | | | | | | |
| Chatswood Chase, Sydney | 100 | Oct-03 & Aug-07 | May-11 | 800.0 | 1.4 | 801.4 | 755.0 |
| DFO Homebush, Homebush[D] | 100 | Oct-10 | Jun-11 | 143.9 | 0.1 | 144.0 | - |
| Lake Haven Shopping Centre, Wyong | 100 | Apr-97 & Jul-98 | Nov-10 | 238.0 | 0.2 | 238.2 | 240.0 |
| **QLD** | | | | | | | |
| Clifford Gardens Shopping Centre, Toowoomba | 100 | Oct-02 | Jun-11 | 150.0 | - | 150.0 | 139.9 |
| Grand Plaza Shopping Centre, Browns Plains | 50 | Oct-02 | Jun-11 | 165.0 | - | 165.0 | 165.6 |
| Myer Centre, Brisbane | 100 | Nov-98 | Nov-10 | 710.0 | 3.6 | 713.6 | 700.6 |
| Post Office Square, Brisbane | 100 | Dec-05 | Nov-10 | 74.5 | 0.2 | 74.7 | 73.1 |
| QueensPlaza, Brisbane | 100 | Jul-01 | May-11 | 522.0 | 0.1 | 522.1 | 480.0 |
| Runaway Bay Shopping Centre, Runaway Bay[E] | 50 | Oct-02 | Jun-11 | 112.7 | - | 112.7 | 100.1 |
| **SA** | | | | | | | |
| Castle Plaza Shopping Centre, Edwardstown | 100 | Oct-02 | Nov-10 | 138.2 | 0.5 | 138.7 | 127.7 |
| Elizabeth Shopping Centre, Elizabeth | 100 | Jul-98 & Jan-03 | Jun-11 | 368.6 | - | 368.6 | 363.0 |
| **TAS** | | | | | | | |
| Eastlands Shopping Centre, Rosny Park | 100 | Mar-94 | Dec-10 | 161.0 | - | 161.0 | 160.0 |
| Northgate Shopping Centre, Glenorchy | 100 | Sep-09 | May-11 | 92.5 | 0.2 | 92.7 | 88.1 |
| **VIC** | | | | | | | |
| Altona Gate Shopping Centre, Altona | 100 | Mar-94 | May-10 | - | - | - | 96.6 |
| Bayside Shopping Centre, Frankston | 100 | Mar-94 & Feb-97 | Jun-11 | 563.6 | - | 563.6 | 514.3 |
| Brimbank Central Shopping Centre, Deer Park | 100 | Oct-02 | Jun-11 | 128.0 | - | 128.0 | 141.0 |
| Broadmeadows Shopping Centre, Broadmeadows | 100 | Mar-94 & Dec-04 | Jun-11 | 321.5 | - | 321.5 | 314.5 |
| Chadstone Shopping Centre, Chadstone | 50 | Mar-94 | Dec-10 | 1,535.0 | (1.7) | 1,533.3 | 1,500.0 |
| Corio Shopping Centre, Corio | 100 | Oct-02 | Nov-10 | 118.0 | (0.2) | 117.8 | 117.4 |
| DFO Essendon, Essendon[D],[F] | 100 | Oct-10 | Jun-11 | 129.5 | - | 129.5 | - |
| DFO Moorabbin, Moorabbin[D],[G] | 100 | Oct-10 | Jun-11 | 92.6 | - | 92.6 | - |
| DFO South Wharf, Melbourne[D],[H] | 50 | Dec-10 | Jun-11 | 163.1 | - | 163.1 | - |
| Forest Hill Chase, Forest Hill[I] | 100 | Jan-05 | Jun-11 | 266.5 | - | 266.5 | 256.5 |
| Myer Melbourne – Bourke Street, Melbourne[J] | 33.33 | Aug-07 | Dec-10 | 105.7 | 5.1 | 110.8 | 94.3 |
| Myer Melbourne – Lonsdale Street, Melbourne[J] | 50 | Aug-07 | Dec-10 | 283.5 | - | 283.5 | 251.0 |
| Northland Shopping Centre, Preston | 50 | Mar-94 | Dec-10 | 455.0 | (1.2) | 453.8 | 445.0 |
| Rosebud Plaza Shopping Centre, Rosebud | 100 | Jul-98 | Nov-10 | 96.8 | 0.4 | 97.2 | 95.0 |
| Roxburgh Park Shopping Centre, Roxburgh Park | 100 | Dec-97 | Jun-11 | 41.8 | - | 41.8 | 40.8 |
| **WA** | | | | | | | |
| Rockingham Shopping Centre, Rockingham | 50 | Oct-02, May-05 & Dec-07 | Jun-11 | 232.3 | - | 232.3 | 213.6 |
| **Investment properties (excluding capital works in progress)** | | | | | | **8,231.5** | **7,489.6** |

(A) Valuation excludes additions and disposals subsequent to the last independent valuation. Additions/(Disposals) since valuation includes the cost of properties purchased and the carrying amount of properties sold. It also includes capital expenditure and payments for incentives and leasing fees, net of amortisation since valuation. For a summary of significant estimates and assumptions used in valuations, refer to note 1(aa).

(B) The Trust has been actively marketing the sale of this asset since 18 May 2011.

(C) On 2 September 2010, the Trust settled the sale of the medical facility adjacent to Elizabeth Shopping Centre for $26.5 million.

(D) DFO Essendon, DFO Homebush and DFO Moorabbin were purchased on 29 October 2010. DFO South Wharf was purchased on 23 December 2010. Total purchase price for these assets was $498.0 million.

(E) On 17 December 2010, the Trust purchased Runaway Bay Tavern, adjacent to Runaway Bay Shopping Village for $8.7 million.

(F) The title to this property is leasehold with 38 years remaining on the ground lease.

(G) The title to this property is leasehold with 24 years remaining on the ground lease.

(H) The title to this property is leasehold with 99 years remaining on the ground lease.

(I) During the financial year, the Trust sold 23 sundry properties adjacent to the Forest Hill Chase for $21.8 million.

(J) The titles to these properties are leasehold with 296 years remaining on the ground leases.

## 7. Investment properties (continued)

| | Book value 30 Jun 11 $m | Book value 30 Jun 10 $m |
|---|---|---|
| **Investment properties (excluding capital works in progress) brought forward** | **8,231.5** | **7,489.6** |
| **Capital works in progress**[K] | | |
| **NSW** | | |
| DFO Homebush, Homebush | 0.2 | - |
| Lake Haven Shopping Centre, Wyong | 0.4 | 0.5 |
| **QLD** | | |
| Grand Plaza Shopping Centre, Browns Plains | 1.1 | 3.0 |
| Runaway Bay Shopping Centre, Runaway Bay | - | 0.2 |
| **SA** | | |
| Castle Plaza Shopping Centre, Edwardstown | 8.1 | 3.7 |
| **TAS** | | |
| Eastlands Shopping Centre, Rosny Park | 1.7 | 0.6 |
| **VIC** | | |
| Bayside Shopping Centre, Frankston | - | 2.5 |
| Brimbank Central Shopping Centre, Deer Park | - | 0.6 |
| Broadmeadows Shopping Centre, Broadmeadows | 1.5 | 0.3 |
| Chadstone Shopping Centre, Chadstone | 1.1 | 0.4 |
| Corio Shopping Centre, Corio | 0.3 | - |
| Forest Hill Chase, Forest Hill | - | 2.5 |
| Myer Melbourne - Lonsdale St, Melbourne | 18.7 | - |
| Northland Shopping Centre, Preston | 0.1 | 0.1 |
| Roxburgh Park Shopping Centre, Roxburgh Park | 4.8 | 4.2 |
| **Total capital works in progress** | **38.0** | **18.6** |
| Sundry properties at cost | 6.8 | 6.9 |
| **Total investment properties** | **8,276.3** | **7,515.1** |

(K) Capital works in progress, where excluded from investment property valuations, are carried at cost where the Responsible Entity 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.

## 7. Investment properties (continued)

### (a) Details of valuers

| Property | Valuer | Qualifications | Company |
|---|---|---|---|
| Altona Gate Shopping Centre, VIC | S O'Sullivan | AAPI | M3 Property |
| Bayside Shopping Centre, VIC | M Cleary | AAPI | Urbis |
| | S Saeed | AAPI | Urbis |
| Bowes Street, Woden, ACT | G Sirel | FAPI | CB Richard Ellis |
| Brimbank Central Shopping Centre, VIC | M Schuh | AAPI | Knight Frank |
| Broadmeadows Shopping Centre, VIC | S Fox | AAPI | Savills |
| | E Rosvoll | AAPI | Savills |
| Castle Plaza Shopping Centre, SA | T Gornall | AAPI | Colliers International |
| Chadstone Shopping Centre, VIC | B Sweeney | FAPI | Jones Lang LaSalle |
| | P Grogan | AAPI | Jones Lang LaSalle |
| Chatswood Chase, Sydney, NSW | A Johnston | AAPI | Savills |
| | C Paul | AAPI | Savills |
| Clifford Gardens Shopping Centre, QLD | L Devine | AAPI | Savills |
| Corio Shopping Centre, VIC | S Thomas | AAPI | CB Richard Ellis |
| | A Tilden | AAPI | CB Richard Ellis |
| DFO Homebush, Homebush, NSW | K Sweetman | AAPI | CB Richard Ellis |
| | P Satara | AAPI | CB Richard Ellis |
| DFO Essendon, Essendon, VIC | S Thomas | AAPI | CB Richard Ellis |
| | S Nishimatsu | AAPI | CB Richard Ellis |
| DFO Moorabbin, Moorabbin, VIC | S Thomas | AAPI | CB Richard Ellis |
| | S Nishimatsu | AAPI | CB Richard Ellis |
| DFO South Wharf, Melbourne, VIC | S Thomas | AAPI | CB Richard Ellis |
| | A Lett | AAPI | CB Richard Ellis |
| Eastlands Shopping Centre, TAS | M Schuh | AAPI | Knight Frank |
| Elizabeth Shopping Centre, SA | T Gornall | AAPI | Colliers International |
| Forest Hill Chase, VIC | B Sweeney | FAPI | Jones Lang LaSalle |
| | P Grogan | AAPI | Jones Lang LaSalle |
| Grand Plaza Shopping Centre, QLD | T Irving | AAPI | CB Richard Ellis |
| Lake Haven Shopping Centre, NSW | I D McLennan | AAPI | Jones Lang LaSalle |
| | D Walsh | AAPI | Jones Lang LaSalle |
| Myer Centre Brisbane, QLD | P Kwan | AAPI | Knight Frank |
| | S McInnes | AAPI | Knight Frank |
| Myer Melbourne, VIC | B Sweeney | FAPI | Jones Lang LaSalle |
| | P Grogan | AAPI | Jones Lang LaSalle |
| Northgate Shopping Centre, TAS | M Schuh | AAPI | Knight Frank |
| Northland Shopping Centre, VIC | S Thomas | AAPI | CB Richard Ellis |
| | S Huang | AAPI | CB Richard Ellis |
| Post Office Square, QLD | H Crampton | AAPI | Colliers International |
| | C Chapman | AAPI | Colliers International |
| QueensPlaza, QLD | T Irving | AAPI | CB Richard Ellis |
| | L Loors | AAPI | CB Richard Ellis |
| Rockingham Shopping Centre, WA | J Fenner | AAPI | CB Richard Ellis |
| Rosebud Plaza Shopping Centre, VIC | S Andrew | FAPI | Colliers International |
| Roxburgh Park Shopping Centre, VIC | M Cleary | AAPI | Urbis |
| | S Saeed | AAPI | Urbis |
| Runaway Bay Shopping Village, QLD | J Burdekin | FAPI | Jones Lang LaSalle |
| | D Marriott | AAPI | Jones Lang LaSalle |

## 7. Investment properties (continued)

### (b) Reconciliations
### (i) Investment properties

A reconciliation of the carrying amount of investment properties at the beginning and end of the financial year is as follows:

| | Note | Consolidated 30 Jun 2011 $m | Consolidated 30 Jun 2010 $m |
|---|---|---|---|
| Opening balance | | 7,515.1 | 7,156.2 |
| Additions - capital expenditure | | 110.1 | 217.8 |
| Additions - interest capitalised(1) | | 26.0 | 33.5 |
| Additions - asset acquisitions | | 533.0 | 73.8 |
| Disposals | | (22.0) | (1.5) |
| Investment property reclassified as non-current assets held for sale | 7(b)(ii) | (92.2) | (21.2) |
| Revaluations | | 198.4 | 50.5 |
| Leasing fees and incentives deferred, net of amortisation expense | | 3.8 | (0.9) |
| Movement in straight-lined rental income asset | | 4.1 | 6.9 |
| **Closing balance** | | **8,276.3** | **7,515.1** |

(1) Borrowing costs incurred in the construction of qualifying assets have been capitalised at a weighted average rate of 5.53% (Jun 2010: 5.76%).

### (ii) Non-current assets held for sale – investment property

A reconciliation of the carrying amount of investment properties classified as non-current assets held for sale at the beginning and end of the financial year is as follows:

| | | | |
|---|---|---|---|
| Opening balance | | 21.2 | - |
| Reclassification from investment properties | 7(b)(i) | 92.2 | 21.2 |
| Additions - capital expenditure | | 0.7 | - |
| Revaluation | | 4.6 | - |
| Disposals | | (26.5) | - |
| **Closing balance** | | **92.2** | **21.2** |

### (c) Capital commitments

Estimated capital expenditure contracted for at reporting date, but not provided for:

| | | |
|---|---|---|
| Not later than one year | 15.6 | 27.2 |
| Later than one year and not later than five years | 6.1 | 10.7 |
| **Total capital commitments** | **21.7** | **37.9** |

### (d) Operating lease commitments

Estimated operating lease expenditure contracted for at reporting date, but not provided for in the financial statements:

| | | |
|---|---|---|
| Not later than one year | 3.4 | 0.3 |
| Later than one year and not later than five years | 12.7 | 0.1 |
| Later than five years | 88.9 | - |
| **Total operating lease commitments** | **105.0** | **0.4** |

### (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:

| | | |
|---|---|---|
| Not later than one year | 533.1 | 465.2 |
| Later than one year and not later than five years | 1,466.2 | 1,380.9 |
| Later than five years | 1,009.4 | 911.5 |
| **Total operating lease receivables** | **3,008.7** | **2,757.6** |

## 8. Investments

The Trust holds a redeemable preference share and redeemable property preference shares in an unlisted company, CFSP Asset Management Pty Ltd.

| | Consolidated 30 Jun 2011 $ | Consolidated 30 Jun 2010 $ |
|---|---|---|
| Unlisted company | | |
| - redeemable preference share | 1 | 1 |
| - redeemable property preference shares | 27 | 27 |
| **Total investments** | **28** | **28** |

## 9. Investment in associate

| | Ownership 2011 % | Ownership 2010 % | Consolidated 30 Jun 2011 $m | Consolidated 30 Jun 2010 $m |
|---|---|---|---|---|
| **Non-current** | | | | |
| Bent Street Trust(1) | 50 | 50 | 38.7 | 40.3 |
| **Total investment in associate** | | | **38.7** | **40.3** |

(1) The Trust owns 50% of the units in the Bent Street Trust, which in turn owns 100% of leasehold of The Entertainment Quarter, Sydney, NSW. The Trust therefore indirectly owns 50% of the property. At 30 June 2011, the property was independently valued at $76.0 million (100%) (Jun 2010: $78.6 million) excluding capital works in progress. The valuation was performed by M Cleary (AAPI) and P Fanous (AAPI) of Urbis. It has been determined that the Trust's 50% interest in the Trust does not represent control and the Trust'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 35 years.

The associate is domiciled in Australia, and its principal activity is investment in retail property.

### (a) Equity accounting information

The Trust's share of its associate's financial information is:

| | | |
|---|---|---|
| Assets | 41.5 | 41.6 |
| Liabilities | 2.8 | 1.3 |
| Revenue | 9.0 | 9.6 |
| Net profit after tax expense | 1.5 | 2.4 |

### (b) Share of associate's commitments and contingencies

The Trust's share of its associate's capital expenditure commitments which have been approved but not provided for at reporting date, operating lease commitments and contingencies are set out below:

| | | |
|---|---|---|
| Capital commitments | - | - |
| Lease commitments payable | 63.7 | 61.9 |
| Lease commitments receivable | 55.3 | 59.9 |
| Contingent liabilities | - | - |

## 10. Interest in jointly controlled properties

The Trust has a 50% participating interest in the Chadstone, DFO South Wharf, Northland, Runaway Bay, Rockingham, Grand Plaza and Myer Melbourne-Lonsdale Street jointly controlled properties and is entitled to 50% of their output. The Trust also has a 33.33% interest in Myer Melbourne-Bourke Street and is entitled to 33.33% of its output. The Trust's interests in the assets and liabilities of the jointly controlled properties are included in the statement of financial position in accordance with accounting policy note 1(c)(iii) under the following classifications:

## 10. Interest in jointly controlled properties (continued)

### As at 30 June 2011

| | Chadstone $m | DFO South Wharf $m | Northland $m | Runaway Bay $m | Rocking-ham $m | Grand Plaza $m | Myer Melbourne -Lonsdale St $m | Myer Melbourne – Bourke St $m |
|---|---|---|---|---|---|---|---|---|
| Current assets | 4.8 | 3.1 | 2.2 | 0.5 | 2.1 | 1.2 | 5.0 | 1.2 |
| Non-current assets | 1,534.4 | 163.1 | 453.8 | 112.7 | 232.3 | 166.1 | 302.2 | 110.8 |
| **Total assets** | **1,539.2** | **166.2** | **456.0** | **113.2** | **234.4** | **167.3** | **307.2** | **112.0** |
| Current liabilities | 3.6 | 4.1 | 2.5 | 1.2 | 1.8 | 0.6 | 3.3 | 1.1 |
| **Total liabilities** | **3.6** | **4.1** | **2.5** | **1.2** | **1.8** | **0.6** | **3.3** | **1.1** |
| **Share of revenues, expenses and results** | | | | | | | | |
| Revenue | 98.8 | 8.8 | 36.1 | 10.8 | 19.6 | 15.6 | 7.9 | 4.0 |
| Expenses | 20.9 | 1.8 | 10.4 | 2.8 | 6.3 | 4.3 | 1.0 | 0.9 |
| **Net profit** | **77.9** | **7.0** | **25.7** | **8.0** | **13.3** | **11.3** | **6.9** | **3.1** |

### As at 30 June 2010

| | Chadstone $m | DFO South Wharf $m | Northland $m | Runaway Bay $m | Rocking-ham $m | Grand Plaza $m | Myer Melbourne -Lonsdale St $m | Myer Melbourne – Bourke St $m |
|---|---|---|---|---|---|---|---|---|
| Current assets | 6.0 | - | 3.3 | 0.6 | 1.7 | 0.4 | 1.5 | 1.1 |
| Non-current assets | 1,500.4 | - | 445.2 | 100.3 | 213.7 | 168.5 | 251.0 | 94.3 |
| **Total assets** | **1,506.4** | **-** | **448.5** | **100.9** | **215.4** | **168.9** | **252.5** | **95.4** |
| Current liabilities | 7.4 | - | 6.2 | 0.5 | 4.2 | 1.4 | 0.5 | 15.4 |
| **Total liabilities** | **7.4** | **-** | **6.2** | **0.5** | **4.2** | **1.4** | **0.5** | **15.4** |
| **Share of revenues, expenses and results** | | | | | | | | |
| Revenue | 83.7 | - | 32.3 | 9.9 | 18.2 | 14.8 | 6.9 | 2.3 |
| Expenses | 19.0 | - | 8.5 | 2.7 | 5.6 | 3.9 | 0.2 | 1.0 |
| **Net profit** | **64.7** | **-** | **23.8** | **7.2** | **12.6** | **10.9** | **6.7** | **1.3** |

### (a) Share of jointly controlled properties' commitments and contingencies[1]

The Trust's share of its jointly controlled properties' capital expenditure commitments which have been approved but not provided for at 30 June 2011, operating lease receivables, operating lease commitments and contingencies are set out below.

| | Consolidated 30 Jun 2011 $m | Consolidated 30 Jun 2010 $m |
|---|---|---|
| Capital commitments | 17.1 | 34.2 |
| Lease receivables | 1,064.9 | 952.5 |
| Lease commitments | 0.2 | 0.1 |
| Contingent liabilities | 2.5 | 0.5 |

(1) These commitments and contingencies are included in the figures disclosed in notes 7(c), 7(d), 7(e) and 22(a).

## 11. Payables

| | Consolidated 30 Jun 2011 $m | Consolidated 30 Jun 2010 $m |
|---|---|---|
| Accrued property expenses | 19.6 | 36.1 |
| Rents received in advance | 18.1 | 12.2 |
| Accrued interest expense | 28.0 | 26.1 |
| Accrued capital expenditure | 24.4 | 34.3 |
| Security deposits | 8.0 | 6.0 |
| Other | 1.9 | 3.5 |
| **Total payables** | **100.0** | **118.2** |

## 12. Interest bearing liabilities

| | Consolidated 30 Jun 2011 $m | Consolidated 30 Jun 2010 $m |
|---|---|---|
| **Current – unsecured** | | |
| Cash advance facilities | 224.9 | 446.5 |
| Short-term notes | 100.0 | - |
| Medium-term notes | - | 294.0 |
| **Total current interest bearing liabilities** | **324.9** | **740.5** |
| **Non-current – unsecured** | | |
| Cash advance facilities | 186.7 | 340.0 |
| Medium-term notes | 1,136.6 | 597.9 |
| Convertible notes(1) | 577.1 | 564.5 |
| **Total non-current interest bearing liabilities** | **1,900.4** | **1,502.4** |
| **Total interest bearing liabilities** | **2,225.3** | **2,242.9** |

(1) On 21 August 2007, the Trust executed a $600 million issuance of senior, unsecured convertible notes, redeemable at the option of the noteholder on 21 August 2012. The noteholder has the right to convert notes into units at the conversion price of $2.6668 per unit at any time prior to 12 August 2014. Unless previously redeemed or converted to ordinary units, the notes will be redeemed on the final maturity date of 21 August 2014. The notes were issued to fund the Trust's purchase of its share of Myer Melbourne, future extensive redevelopment of the asset and to retire existing short-term debt. The notes are listed on the Singapore Exchange.

The face value of remaining notes on issue at 30 June 2011 is $595 million.

### (a) Reconciliation of convertible notes

A reconciliation of the carrying amounts of the convertible notes at the beginning and end of the financial year is set out below:

| | 2011 | 2010 |
|---|---|---|
| Opening balance | 564.5 | 552.7 |
| Change in unamortised issue costs | 1.3 | 1.2 |
| | 565.8 | 553.9 |
| Interest expense at market rate(1) | 41.5 | 40.7 |
| Less: Accumulated coupon paid and payable | (30.2) | (30.1) |
| **Closing balance of convertible notes** | **577.1** | **564.5** |

(1) The difference of $11.3 million (Jun 2010: $10.6 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. As a result, on 21 August 2012, the carrying amount of the liability will be equal to the face value of the notes less any amounts converted to units.

### (b) New convertible notes issue and partial buy-back

On 4 July 2011, subsequent to balance date, the Trust 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 units at the conversion price of $2.40 at any time prior to 23 June 2016. The notes are redeemable at the option of the noteholder on 4 July 2014. Proceeds from the issue were used to fund the buy-back of notes with a face value of $300 million of the existing $595 million convertible notes maturing in August 2014 ('2014 notes'). These notes were bought back at par plus accrued interest, for a total cost of $305.7 million.

The fair value of the liability portion of the convertible notes, $296.6 million, has been determined using a market interest rate for an equivalent non-convertible bond at the date of issue. This amount, less issue costs, is to be recorded as a liability until extinguished on conversion or maturity of the notes. The remainder of the proceeds, $3.4 million, is deemed to represent the value of the conversion option and will be recognised as equity in the following year's financial statements.

## 12. Interest bearing liabilities (continued)

### (b) New convertible notes issue and partial buy-back (continued)

Similarly, a calculation is performed to determine the proportion of the buy-back consideration of $305.7 million to offset against the existing carrying amount of the notes and against equity. The portion of the consideration to be set off against the carrying amount of the notes liability is $303.5 million and has been determined using a market interest rate for an equivalent non-convertible bond at the date of repurchase. The remainder of the consideration, $2.2 million, will be allocated against equity. The face value of remaining 2014 notes on issue following the partial buy-back is $295 million.

### (c) Financing facilities

The Trust has the following facilities available:

| | | 30 June 2011 | | | 30 June 2010 | | |
|---|---|---|---|---|---|---|---|
| | Expiry | Drawn (A) | Facility limit | Undrawn line of credit | Drawn (A) | Facility limit | Undrawn line of credit |
| | | $m | $m | $m | $m | $m | $m |
| Short-term notes | 15 Aug 2011(B) | 50.0 | - | - | - | - | - |
| | 25 Aug 2011(B) | 50.0 | - | - | - | - | - |
| Medium-term notes (MTNs) | 12 Nov 10 | - | - | - | 294.0 | 294.0 | - |
| | 2 Sep 12 | 225.0 | 225.0 | - | 225.0 | 225.0 | - |
| | 2 May 14 | 160.0 | 160.0 | - | - | - | - |
| | 22 Dec 14 | 100.0 | 100.0 | - | 100.0 | 100.0 | - |
| | 2 May 16 | 440.0 | 440.0 | - | - | - | - |
| US medium-term notes (US MTNs) | 7 Feb 14 | 31.0 | 31.0 | - | 39.7 | 39.7 | - |
| | 7 Feb 17 | 151.2 | 151.2 | - | 192.4 | 192.4 | - |
| | 7 Feb 19 | 32.7 | 32.7 | - | 41.9 | 41.9 | - |
| Cash advance facilities | 11 Feb 11 | - | - | - | 347.0 | 350.0 | 3.0 |
| | 30 Jun 11 | - | - | - | 100.0 | 100.0 | - |
| | 31 Dec 11 | 125.0 | 125.0 | - | 125.0 | 125.0 | - |
| | 27 Feb 12 | 100.0 | 100.0 | - | 100.0 | 100.0 | - |
| | 31 Jul 12 | - | - | - | - | 150.0 | 150.0 |
| | 8 Feb 13 | - | 50.0 | 50.0 | 50.0 | 50.0 | - |
| | 31 Jul 13(B) | 100.0 | 150.0 | - | - | - | - |
| | 7 Jan 15(B) | 75.0 | 300.0 | 175.0 | 62.0 | 300.0 | 238.0 |
| | 10 Feb 15 | - | 50.0 | 50.0 | 10.0 | 50.0 | 40.0 |
| | 30 June 16 | 15.0 | 100.0 | 85.0 | - | - | - |
| Convertible notes | 21 Aug 12(c) | 595.0 | 595.0 | - | 595.0 | 595.0 | - |
| **Total** | | 2,249.9 | 2,609.9 | 360.0 | 2,282.0 | 2,713.0 | 431.0 |

(A) In accordance with AASB 139 Financial Instruments: Recognition and Measurement, interest bearing liabilities are carried at amortised cost, net of deferred borrowing costs of $10.7 million (Jun 2010: $13.9 million) and other adjustments to convertible notes of $13.9 million (Jun 2010: $25.2 million). However, for the purpose of this reconciliation, the actual drawn amounts are used and not adjusted to amortised cost.

(B) The short-term notes programs are backed by the cash advance facilities expiring 31 July 2013 and 7 January 2015. There is therefore no undrawn amount for these facilities.

(C) This is the investor put option date. The final maturity date is 21 August 2014.

On 2 November 2010, the Trust completed a $290 million issuance of fixed rate MTNs with an expiry date of 2 May 2016, and a $160 million issuance of floating rate MTNs with an expiry date of 2 May 2014. The proceeds of the issues were partly used to replace $294 million of MTNs that expired on 12 November 2010. The balance of $156 million was used to repay short-term debt drawn on cash advance facilities.

## 12. Interest bearing liabilities (continued)

### (c) Financing facilities (continued)

On 8 February 2011, the Trust issued a further $150 million of fixed-rate medium-term notes due to expire on 2 May 2016. The proceeds, together with existing undrawn bank debt facilities, repaid $350 million of bank debt expiring on 11 February 2011.

In February 2011, the Trust also secured more favourable pricing on $675 million of existing bank debt facilities, which were originally priced during the global financial crisis. Additionally, a $150 million facility due to expire on 31 July 2012 was extended to 31 July 2013.

In June 2011, the Trust also extended a $100 million bank facility, due to expire on 30 June 2011, to 30 June 2016.

The facilities are senior unsecured. The Trust has a long-term credit rating of A from Standard & Poor's. Refer to note 20 for details of the Trust's debt covenants and the fair value of the liabilities.

## 13. Contributed equity

| | Note | 30 Jun 2011 No. of units '000 | 30 Jun 2010 No. of units '000 | 30 Jun 2011 $m | 30 Jun 2010 $m |
|---|---|---|---|---|---|
| Opening balance | | 2,510,728 | 2,464,949 | 3,210.6 | 3,129.6 |
| Issue of units - DRP | | - | 45,779 | - | 81.1 |
| Issue of units | b(i) | 290,323 | - | 540.0 | - |
| Issue of units | b(i) | 5,236 | - | 9.7 | - |
| Issue of units – DRP | b(ii) | 19,342 | - | 36.0 | - |
| Issue of units – DRP | b(iii) | 13,963 | - | 24.7 | - |
| Costs for issue of units | | - | - | (8.6) | (0.1) |
| **Total contributed equity** | | **2,839,592** | **2,510,728** | **3,812.4** | **3,210.6** |

### (a) Rights and restrictions over units
Each unit ranks equally with all other units for the purpose of distributions and on termination of the Trust.

### (b) Placement of units
(i) On 1 October 2010, the Trust raised $540.0 million by issuing 290,322,581 units at $1.86 per unit via an institutional placement. On 26 November 2010, a further $9.7 million was raised by issuing 5,235,959 units at $1.86 per unit via a unit purchase plan on the same terms as the institutional placement. The total proceeds of $549.7 million were used to fund the purchase of the four DFO centres (refer to note 7), with the surplus used to retire debt.

(ii) On 26 August 2010, 19,342,319 units were issued at $1.86 per unit pursuant to a distribution reinvestment plan for a total value of $36.0 million.

(iii) On 24 February 2011, 13,963,381 units were issued at $1.77 per unit pursuant to a distribution reinvestment plan for a total value of $24.7 million.

### (c) Distribution reinvestment plan
For the distribution period ended 31 December 2010, the Trust had a distribution reinvestment plan under which holders of ordinary units could elect to have all or part of their distribution entitlements satisfied by the issue of ordinary units rather than by being paid in cash. Units were issued under this plan at the weighted average market price of the 10 trading days commencing on the second trading day after the record date.

There is no distribution reinvestment plan available for the distribution period ended 30 June 2011.

### (d) Unit buy-back
There is currently no on-market buy-back scheme for the Trust's units.

## 14. Reserves

| | Consolidated 30 Jun 2011 $m | Consolidated 30 Jun 2010 $m |
|---|---|---|
| Undistributed reserve | 2,023.4 | 1,850.5 |
| **Total reserves** | **2,023.4** | **1,850.5** |

Reconciliation of the movements in the reserve at the beginning and end of the current financial year are:

| | | |
|---|---|---|
| **Undistributed reserve** | | |
| Opening balance | 1,850.5 | 1,847.7 |
| Net profit for the financial year | 532.6 | 315.0 |
| Less: Distributions paid and payable | (359.7) | (312.2) |
| **Closing balance of undistributed reserve** | **2,023.4** | **1,850.5** |

The undistributed reserve is used to record the Trust's net profit for the financial year and the distributions paid and provided for during the financial year.

## 15. Related parties

### (a) Responsible Entity and Manager

Commonwealth Managed Investments Limited (CMIL), the Responsible Entity, has appointed Colonial First State Property Retail Pty Ltd (CFSPRPL) as the Manager of the Trust. CMIL is a wholly owned subsidiary of Colonial First State Group Limited (CFSG). CFSG and CFSPRPL are wholly owned subsidiaries of Commonwealth Bank of Australia (the 'Bank'), the ultimate parent of the group, and are considered to be related parties of the Trust.

### (b) Trustee of the Trust's sub-trusts

CFS Managed Property Limited, the Trustee of the Trust's sub-trusts, is a wholly owned subsidiary of the Bank and is considered to be a related party of the Trust. CFS Managed Property Limited has not received a fee for acting as Trustee of the sub-trusts.

### (c) Details of Key Management Personnel

#### (i) Directors

The Directors of CMIL, the Responsible Entity of the CFS Retail Property Trust, are considered to be Key Management Personnel.

**Chairman – Non-Executive Director**

R M Haddock

**Non-Executive Directors**

J F Kropp

N J Milne

**Executive Directors**

G A Petersen

M J Venter (Executive Director for the full financial year and appointed alternate for G A Petersen on 4 July 2011)

G Johnston (alternate for G A Petersen) (resigned 4 July 2011)

## 15. Related parties (continued)

### (c) Details of Key Management Personnel (continued)

#### (ii) Other Key Management Personnel (continued)

In addition to the Directors noted above, the following persons were Key Management Personnel with the authority for the strategic direction and management of the Trust.

| Name | Position | Employer |
|---|---|---|
| Darren Steinberg | Managing Director Property | Commonwealth Bank of Australia |
| Michael Gorman | Fund Manager | Commonwealth Bank of Australia |

#### (iii) Remuneration of Key Management Personnel

Compensation is paid to the Responsible Entity in the form of fees and is disclosed in note 15(d). No other amounts are paid by the Trust directly or indirectly to the Key Management Personnel for services provided to the Trust.

The Directors of the Responsible Entity receive remuneration in their capacity as Directors of the Responsible Entity. Remuneration of non-executive Directors is paid directly by the Responsible Entity or related party. Executive Directors are employed as executives of the Bank, and in that capacity, part of their role is to act as a Director of the Responsible Entity. Other Key Management Personnel are employed and paid by the Bank. Consequently, no compensation as defined in AASB 124 Related Parties is paid by the Trust to its Key Management Personnel, other than that paid to the Responsible Entity.

### (d) Responsible Entity fees

#### (i) Base fees

In accordance with the Explanatory Memorandum dated 19 September 2002, CMIL is entitled to receive a base fee of 0.45% per annum of the gross asset value of the Trust less any derivative assets, calculated and payable half-yearly in arrears.

The Responsible Entity's base fee for the financial year ended 30 June 2011 is $35,498,000 (Jun 2010: $34,045,000). As at 30 June 2011, the total amount owed to the Responsible Entity in relation to base fees is $17,725,000 (Jun 2010: $17,095,000).

#### (ii) Performance fees

The Responsible Entity is entitled to a performance fee if the Trust's total return (distributions and unit price performance) exceeds the benchmark provided by Standard & Poor's. The benchmark is the UBS Retail 200 Property Accumulation Index, customised to remove the effect of the Trust on the index. The 20-day volume weighted average price (VWAP) is used in both the Trust's price and in the customised index. The performance fee entitlement is determined on the Trust'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 absorbs 1.167% of outperformance.

The performance fee is calculated and payable, if entitled, each half-year at December and June. The performance fee rate is calculated as 5% of the first 1% of outperformance and 15% of outperformance in excess of 1%. This rate is multiplied by the Trust's gross asset value. The fee is capped at 0.15% per annum of the Trust'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 is capped, the 'carry-over' outperformance may be used to generate performance fee entitlement in future periods. The fair value of the outperformance has been 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.

The performance fee for the financial year ended 30 June 2011 was $9,816,000 (Jun 2010: $7,148,000). This includes capped performance fees of $9,638,000 (Jun 2010: $9,315,000) and fair value adjustments to the 'carry-over' outperformance of $178,000 (Jun 2010: ($2,167,000)). As at 30 June 2011, the amount owed to the Responsible Entity in respect of capped performance fees is $9,638,000 (Jun 2010: $4,667,000). The Trust has recognised the fair value of 'carry-over' outperformance as $31,348,000 (Jun 2010: $31,170,000).

## 15. Related parties (continued)

### (d) Responsible Entity fees (continued)

#### (ii) Performance fees (continued)

| Determination of performance fee at 31 December | 2011 financial year Total return | 2010 financial year Total return |
|---|---|---|
| *Performance since date of last reset*[(A)]*:* | | |
| CFS Retail Property Trust[(A)] (%) | (5.7) | 14.5 |
| Retail Property Accumulation Index[(A)] (%) | 3.2 | 7.9 |
| Relative (under)/out performance (percentage points) | (8.9) | 6.6 |
| | | |
| Opening 'carry-over' outperformance (percentage points) | 55.1 | 52.5 |
| Current (under)/out performance (percentage points) | (8.9) | 6.6 |
| 'Carry-over' outperformance (percentage points) | 46.2 | 59.1 |
| 'Carry-over' absorbed to fund maximum performance fee for the half-year (percentage points) | (1.2) | (1.2) |
| **Closing 'carry-over' outperformance (percentage points)** | **45.0** | **57.9** |
| | **$m** | **$m** |
| Performance fee for the six months to 31 December | 4.8 | 4.6 |

| Determination of performance fee at 30 June | 2011 financial year Total return | 2010 financial year Total return |
|---|---|---|
| *Performance since date of last reset*[(A)]*:* | | |
| CFS Retail Property Trust[(A)] (%) | 6.5 | 3.3 |
| Retail Property Trust Accumulation Index[(A)] (%) | (2.9) | 4.9 |
| Relative out/(under) performance (percentage points) | 9.4 | (1.6) |
| | | |
| Opening 'carry-over' outperformance (percentage points) | 45.0 | 57.9 |
| Current out/(under) performance (percentage points) | 9.4 | (1.6) |
| 'Carry-over' outperformance (percentage points) | 54.4 | 56.3 |
| 'Carry-over' absorbed to fund maximum performance fee for the half-year (percentage points) | (1.2) | (1.2) |
| **Closing 'carry-over' outperformance (percentage points)** | **53.2** | **55.1** |
| | **$m** | **$m** |
| Performance fee for the six months to 30 June | 4.8 | 4.7 |
| | | |
| Total capped performance fees for the year[(B)] | 9.6 | 9.3 |
| Movement in fair value of 'carry-over' outperformance[(C)] | 0.2 | (2.2) |
| **Total performance fee recognised in the statement of comprehensive income**[(C)] | **9.8** | **7.1** |

(A) 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 Trust price and in the UBS Retail 200 Property Accumulation Index (which excludes the Trust). In accordance with the performance fee methodology, the performance fee is determined on the Trust's performance since the last period in which a performance fee was accrued (the date of the last reset).
(B) Performance fee is capped at 0.15% of the Trust'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 the Trust's gross asset value above $3.5 billion.
(C) Although the amount of the performance fee to be paid each period is capped, the 'carry-over' outperformance may be used to absorb performance fee entitlement in future periods. The fair value of the outperformance has 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.

## 15. Related parties (continued)

### (e) Investment in unlisted company

The Trust holds a redeemable preference share and redeemable property preference shares in an unlisted company, CFSP Asset Management Pty Ltd (CFSPAM), as disclosed in note 8. Other listed and unlisted property trusts, for whom CMIL is the Responsible Entity, also hold an investment in CFSPAM. For the financial year ended 30 June 2011, rent and outgoings paid/payable by CFSPAM as tenant of centres to the Trust was $17,969,000 (Jun 2010: $17,966,000). Dividends declared by CFSPAM for the financial year were nil (Jun 2010: $1,554,000). The amount of dividends receivable by the Trust at 30 June 2011 was nil (Jun 2010: $1,554,000).

### (f) Rental income

The Bank occupies 0.4% (Jun 2010: 0.5%) of the Trust's lettable area. Rents received during the financial year amounted to $4,760,000 (Jun 2010: $4,189,000). The amount outstanding at reporting date is $28,000 (Jun 2010: $51,000) and amount prepaid is $28,000 (Jun 2010: $24,000). All leases are based on normal commercial terms and conditions.

### (g) Bank accounts

As at 30 June 2011, the Trust has $5,349,000 cash deposited in bank accounts operated by the Bank (Jun 2010: $2,228,000). Interest received during the financial year in relation to these accounts amounted to $1,118,000 (Jun 2010: $603,000) with $44,000 receivable at reporting date (Jun 2010: $66,000). These accounts are provided on normal commercial terms and conditions.

### (h) Interest bearing liabilities

The Trust has borrowing facilities with the Bank. These facilities are provided on normal commercial terms and conditions. Borrowings outstanding at reporting date with the Bank are $115,000,000 (Jun 2010: $350,000,000). Interest paid and payable in respect of the borrowings for the financial year are $17,103,000 (Jun 2010: $15,686,000). No amount was prepaid by the Trust to the Bank in respect of these borrowings as at 30 June 2011 (Jun 2010: $nil).

The Trust has entered into a number of interest rate swaps with the Bank to fix interest payable on $120,000,000 of the Trust's borrowings as at 30 June 2011 (Jun 2010: $70,000,000). The weighted average rate of these swaps is 5.95% (Jun 2010: 5.94%) and maturity ranges from 4 July 2011 to 15 June 2012 (Jun 2010: 15 June 2011 to 3 July 2011). A number of interest rate swaps are in place with the Bank through which fixed rates are swapped to floating rates on $115,500,000 (Jun 2010: $119,000,000) of the Trust's borrowings. Maturity ranges from 3 September 2012 to 22 December 2014 (Jun 2010: 12 November 2010 to 22 December 2014). Interest of $2,162,000 (Jun 2010: $1,654,000) was paid during the financial year in relation to these swaps.

The Trust has also entered into a number of forward dated interest rate swaps with the Bank to fix interest payable on $475,000,000 (Jun 2010: $575,000,000) of the Trust's future borrowings. The weighted average rate of these swaps is 5.51% (Jun 2010: 5.59%) and maturity ranges from 10 July 2013 to 1 December 2019 (Jun 2010: 15 June 2012 to 1 December 2019).

The Trust hedged US$100,000,000 (Jun 2010: US$100,000,000) of its exposure to foreign exchange risk via cross-currency swaps with the Bank. Maturity ranges from 7 February 2017 to 7 February 2019 (Jun 2010: 7 February 2017 to 7 February 2019). All swaps are on normal commercial terms and conditions.

### (i) Alignment fee income

Colonial First State Property Management Pty Ltd (CFSPM), a wholly owned subsidiary of the Bank, derives revenue from its management of retail assets, including those of the Trust (refer to note 15(k)). The Trust is entitled to an alignment fee being a share of its assets' contribution towards CFSPM's distributable income. Total alignment fee income of the Trust for the financial year ended 30 June 2011 was $7,923,000 (Jun 2010: $9,603,000) and the amount receivable at reporting date is $3,906,000 (Jun 2010: $4,786,000).

### (j) Related party unitholdings

Directors, employees and associates of CMIL and entities controlled by the Bank may hold investments in the Trust. Such investments were purchased on normal commercial terms and were at arm's length. The number of units held by Directors of CMIL and CFSPRPL (including entities controlled, jointly controlled or significantly influenced by them), the Bank and other funds managed by Bank related entities are as follows:

## 15. Related parties (continued)

### (j) Related party unitholdings (continued)

| | Parent entity No. of fully paid units 30 Jun 2011 | Parent entity No. of fully paid units 30 Jun 2010 |
|---|---|---|
| Commonwealth Bank of Australia and related entities | 399,463,010 | 430,086,346 |

### (k) Other related party transactions

| Identity of related party | Nature of relationship | Type of transaction | Terms and conditions | 12 months to 30 Jun 2011 $'000 | 12 months to 30 Jun 2010 $'000 |
|---|---|---|---|---|---|
| Colonial First State Property Management Pty Ltd | Property, leasing and development manager of the Trust | Centre management, leasing and development fees paid/payable by the Trust to Colonial First State Property Management Pty Ltd | Arm's length in accordance with the Explanatory Memorandum dated 30 July 2002 | 50,936 | 49,915 |
| Colonial First State Property Management Pty Ltd | Property Manager of the Trust | Rent and outgoings paid/payable by Colonial First State Property Management Pty Ltd to the Trust as a tenant of offices at Chadstone Shopping Centre | Arm's length in accordance with executed leases and independent valuations | 1,606 | 1,553 |
| Colonial First State Property Management Pty Ltd | Centre Manager of the Trust | Rent outgoings paid/payable by Colonial First State Property Management Pty Ltd as tenant of centres to the Trust | Arm's length in accordance with executed leases and independent valuations | 2,073 | 3,162 |
| Colonial First State Property Management Pty Ltd | Property Manager of the Trust | Centre management expenses paid/payable by the Trust 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 | 16,600 | 13,294 |

## 15. Related parties (continued)

### (k) Other related party transactions (continued)

As Property Manager, CFSPM retains an amount of the Trust's net rental income in a trust account, in order to meet the operating needs of each of the Trust's investment properties. The total of these balances at 30 June 2011 was $30,504,000 (Jun 2010: $53,334,000) as disclosed in note 5.

### (l) Property jointly owned by trusts with a common Responsible Entity

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. The Trust and DPIF-B, therefore, acquired The Entertainment Quarter jointly on 30 June 2004 via Bent Street Trust.

These properties are governed according to joint venture agreements on commercial terms.

## 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 2011 $m | Consolidated 30 Jun 2010 $m |
|---|---|---|
| Net profit for the financial year | 532.6 | 315.0 |
| Straight-lining revenue | (4.1) | (6.9) |
| (Decrease)/Increase in payables | (2.6) | 22.8 |
| Decrease/(Increase) in receivables and other assets | 20.8 | (26.3) |
| Charge to provision for doubtful debts | 0.1 | (0.4) |
| Interest capitalised | (26.0) | (33.5) |
| Fair value adjustments to investment properties and associate | (201.4) | (49.2) |
| Other fair value adjustments to derivatives | (12.9) | 23.2 |
| Dividend income | (0.2) | (1.6) |
| Amortisation of leasing fees and incentives | 24.3 | 16.4 |
| Non-cash convertible notes interest expense | 11.3 | 10.6 |
| **Net cash provided by operating activities** | **341.9** | **270.1** |

### (a) Reconciliation of cash

Cash and cash equivalents at reporting date comprises cash at call and money market securities.

### (b) Financing arrangements

Refer to note 12(c) for details of the Trust's financing facilities. The Trust has no other lines of credit.

## 17. Non-cash financing and investing activities

| | | |
|---|---|---|
| Distributions reinvested | 60.7 | 81.1 |

Distributions satisfied by the issue of units under the distribution reinvestment plan are shown in note 13.

## 18. Earnings per unit

| | Consolidated 30 Jun 2011 | Consolidated 30 Jun 2010 |
|---|---|---|
| **Basic earnings per unit** | | |
| Basic earnings in cents per unit | 19.35 | 12.65 |
| Alternative basic earnings in cents per unit | 12.73 | 12.54 |
| The weighted average number of units used in the calculation of basic earnings per unit ('000) | 2,752,219 | 2,490,099 |
| **Diluted earnings per unit** | | |
| Diluted earnings in cents per unit | 18.63 | 12.40 |
| Alternative diluted earnings per unit | 12.12 | 11.91 |
| The weighted average number of units used in the calculation of diluted earnings per unit ('000) | 2,975,333 | 2,713,213 |

### (a) Weighted average number of units

| | No. of units '000 30 Jun 2011 | No. of units '000 30 Jun 2010 |
|---|---|---|
| Weighted average number of units used as the denominator in calculating basic earnings per unit | 2,752,219 | 2,490,099 |
| Adjustments for calculation of diluted earnings per unit: | | |
| Convertible notes(1) | 223,114 | 223,114 |
| Weighted average number of units and potential units used as the denominator in calculating the diluted earnings per unit | 2,975,333 | 2,713,213 |

(1) The number of units to be issued upon conversion is calculated based on the assumption that $595 million of convertible notes will be converted into units at the price of $2.6668.

### (b) Reconciliation of earnings used in calculating earnings per unit

The earnings used in the calculations of basic and alternative basic earnings per unit are as follows:

| | Consolidated 30 Jun 2011 $m | Consolidated 30 Jun 2010 $m |
|---|---|---|
| Net profit for the financial year | 532.6 | 315.0 |
| **Earnings used in calculating basic earnings per unit** | **532.6** | **315.0** |
| Adjusted for: | | |
| Fair value adjustments to investment properties and associate | (201.4) | (49.2) |
| Other fair value adjustments to derivatives | (12.9) | 23.2 |
| Movement in performance fee liability | 0.2 | (2.2) |
| Straight-lining revenue | (4.1) | (6.9) |
| Non-cash convertible notes interest expense | 11.3 | 10.6 |
| Amortisation of project items | 19.8 | 14.6 |
| Other items | 4.8 | 7.1 |
| **Earnings used in calculating alternative basic earnings per unit** | **350.3** | **312.2** |

## 18. Earnings per unit (continued)

### (b) Reconciliation of earnings used in calculating earnings per unit (continued)

The earnings used in the calculations of diluted and alternative diluted earnings per unit are as follows:

| | Consolidated 30 Jun 2011 $m | Consolidated 30 Jun 2010 $m |
|---|---|---|
| Earnings used in calculating basic earnings per unit | 532.6 | 315.0 |
| Adjusted for: | | |
| Borrowing costs attributable to convertible notes | 42.8 | 42.0 |
| Less: Amount capitalised in qualifying assets | (21.1) | (20.5) |
| **Earnings used in calculating diluted earnings per unit** | **554.3** | **336.5** |
| Adjusted for: | | |
| Fair value adjustments to investment properties and associate | (201.4) | (49.2) |
| Other fair value adjustments to derivatives | (12.9) | 23.2 |
| Movement in performance fee liability | 0.2 | (2.2) |
| Straight-lining revenue | (4.1) | (6.9) |
| Amortisation of project items | 19.8 | 14.6 |
| Other items | 4.8 | 7.1 |
| **Earnings used in calculating alternative diluted earnings per unit** | **360.7** | **323.1** |

## 19. Auditor's remuneration

Amounts received or due and receivable by the auditor of the Trust, PricewaterhouseCoopers:

| | Consolidated 30 Jun 2011 $'000 | Consolidated 30 Jun 2010 $'000 |
|---|---|---|
| **Audit services** | | |
| Statutory audit and review of financial reports | 544 | 291 |
| Regulatory required audits | 22 | 15 |
| Other assurance services | 132 | 74 |
| **Total auditor's remuneration** | **698** | **380** |

## 20. Capital and financial risk management

The Trust's overall risk management program focuses on ensuring compliance with the Trust's Constitution and seeks to maximise the returns derived for the level of risk to which the Trust is exposed.

Capital and financial risk management is carried out by the Manager through the Capital Strategy and Risk Management Group (CSRM). CSRM identifies, evaluates and hedges financial risks in consultation with the Fund Manager and reports directly to the Capital Management Committee (CMC). The CMC is charged with overseeing the capital and financial risk management function under policies approved by the Manager and Responsible Entity's Board of Directors (Board) and in accordance with the Trust Constitution and compliance plan.

On an annual basis, the Trust's capital management strategy is reviewed and adjusted where necessary by CSRM in conjunction with the Fund Manager and presented to the CMC and the Board for approval. This strategy includes the debt and hedging strategy overview for the Trust.

The Trust'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 the Trust:

- complies with capital requirements of the Constitution, regulatory authorities and lenders,
- maintains a strong credit rating, and
- continues to operate as a going concern.

## 20. Capital and financial risk management (continued)

### (a) Debt covenants

Throughout the capital management process, the Trust considers any likely impact its actions may have on the financial strength ratings set down by independent ratings agencies. The Trust 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 the Trust's ability to access funding and the cost at which it can be secured. The Trust performed a review of debt covenants as at 30 June 2011 and no breaches were identified.

As at 30 June 2011, the Trust's most restrictive debt covenants are:

| | Covenant | Actual 30 June 2011 | Actual 30 June 2010 |
|---|---|---|---|
| LVR(1) | 50% or less | 31% | 34% |
| ICR(2) | 1.8 times or greater | 2.8 times | 2.7 times |

(1) LVR is calculated as total liabilities divided by total assets.

(2) ICR is calculated as earnings before interest divided by net interest expense. For the purposes of this calculation, earnings represent 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 expense.

The Trust may alter its capital mix by drawing upon existing credit facilities, issuing new securities, offering a distribution plan, underwriting the distribution reinvestment plan, divesting assets to repay borrowings, or undertaking a security buy-back program.

### (b) Financial risk management

The financial risks arising from the Trust's activities are credit risk, liquidity risk, foreign exchange risk, interest rate risk and other price risk. The Manager 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 note 20(h)). The Trust uses derivatives such as foreign exchange contracts and interest rate swaps to hedge interest rate and foreign exchange risks.

It is, and has been throughout the financial year under review, the Trust's policy that derivatives are used for hedging purposes only and not as speculative or trading instruments.

The Trust's principal financial instruments, other than derivatives, comprise bank debt, medium-term notes, convertible notes and cash advance facilities with varying terms. The main purpose of these financial instruments is to raise finance for the Trust'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 2011 is the carrying amount of financial assets recognised in the statement of financial position.

The Trust 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 Approved Deposit 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

## 20. Capital and financial risk management (continued)

### (c) Credit risk (continued)

- 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
- regularly monitoring receivables on an ongoing basis

The Trust's ageing analysis of trade receivables is as follows:

| | Note | Consolidated 30 Jun 2011 Trade receivables $m | Consolidated 30 Jun 2011 Provision $m | Consolidated 30 Jun 2010 Trade receivables $m | Consolidated 30 Jun 2010 Provision $m |
|---|---|---|---|---|---|
| 0-30 days | | 2.8 | 0.3 | 2.2 | 1.0 |
| 31-60 days | | 0.5 | 0.2 | 0.5 | 0.5 |
| 61-90 days | | 0.6 | 0.2 | 0.4 | 0.4 |
| 90+ days | | 2.6 | 2.1 | 0.8 | 0.8 |
| **Total** | 5 | **6.5** | **2.8** | **3.9** | **2.7** |

Total bad debts written off for the financial year were $1.6 million (June 2010: $0.2 million), being 0.23% of rental and other property income (Jun 2010: 0.04%).

As rent is payable in advance on the first day of each calendar month, all trade receivables are past due. There are no other significant financial assets that would have otherwise been past due or impaired if terms had not been renegotiated. As at reporting date, credit risk on trade receivables 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 the Trust will not have sufficient funds to settle a transaction on the due date.

The Trust manages liquidity risk by:
- prudent monitoring of cash levels
- through 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 12(b))
- raising funds through the issue of new securities

The Trust had access to the following undrawn facilities at reporting date:

| | Note | Consolidated 30 Jun 2011 $m | Consolidated 30 Jun 2010 $m |
|---|---|---|---|
| **Floating rate** | | | |
| Expiring within one year | | - | 3.0 |
| Expiring beyond one year | | 360.0 | 428.0 |
| **Total undrawn facilities** | 12(c) | **360.0** | **431.0** |

A key component of liquidity risk is refinancing risk, which arises when the Trust is required to refinance existing debt positions or undertake new debt. A change in the Trust'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 the Trust's operations. Refinancing risk is managed by the Trust by diversifying the sources of debt and spreading the maturities of borrowings and interest rate swaps. The impact on the Trust's credit rating is considered when analysing potential transactions.

## 20. Capital and financial risk management (continued)

### (d) Liquidity risk (continued)

For details of the Manager's active management of the Trust's liquidity risk over the financial year, refer to note 12(c). The Trust has $100 million short-term notes (STNs) expiring in August 2011, and bank facilities of $125 million and $100 million maturing on 31 December 2011 and 27 February 2012 respectively. If required, the Trust can draw upon the $360 million of undrawn borrowing facilities to refinance these expiries. There are no other facilities expiring next financial year.

Although the Trust (and parent entity) has a net current deficiency (current liabilities exceed current assets) at reporting date, the Trust has sufficient non-current undrawn borrowing facilities and operating cash flows to meet this deficit. The financial report is therefore prepared on a going concern basis.

As part of the Trust's risk monitoring process with regard to debt covenant requirements, quarterly 'stress testing' is carried out by the Fund Manager and CSRM. The basis of this testing is to determine the impact against the base case used in the fund model on the Trust's LVR when subjected to certain market 'shock' scenarios, such as a 10%-30% decrease in asset values, or the impact on the Trust's ICR as a result of a similar 10%-30% decrease in market rental income levels. The results of the 'stress testing' are used to evaluate and manage the risk profile of the Trust with regard to its debt covenant obligations. In each scenario, the tests have not resulted in any breaches of the Trust's debt covenant obligations.

**Maturities of financial liabilities**

The table on the following page shows the Trust'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. Principal 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 and, where applicable, inflation 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 are assumed to be redeemed at face value of $595 million on 21 August 2012, rather than being converted to units.

Capped performance fees that are recognised in accordance with the performance fee methodology are assumed are to be payable within 12 months of reporting date. Future payments of performance fees relating to 'carry-over' outperformance at reporting date are estimated based upon the probabilities assigned to the likelihood of paying capped performance fees in future periods (refer to note 15(d)(ii)).

Funding obligations will be met either by drawing upon existing undrawn facilities, issuing new securities, or by establishing new lines of credit as required. Additionally, cash flow will be generated from derivative assets with a carrying amount of $14.7 million (Jun 2010: $37.7 million).

The weighted average debt maturity is 3.1 years (Jun 2010: 2.8 years). The weighted average maturity on floating to fixed interest rate swaps is 4.5 years (Jun 2010: 5.0 years).

## 20. Capital and financial risk management (continued)

### (d) Liquidity risk (continued)

**Maturities of financial liabilities (continued)**

| As at 30 June 2011 | 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 (A) $m |
|---|---|---|---|---|---|---|
| **Non-derivatives** | | | | | | |
| **Non-interest bearing** | | | | | | |
| Payables (excluding accrued interest) | 99.3 | - | - | - | 99.3 | 99.3 |
| Responsible Entity's base fees payable | 17.7 | - | - | - | 17.7 | 17.7 |
| Responsible Entity's performance fees payable | 9.6 | - | - | - | 9.6 | 9.6 |
| Distribution payable | 181.7 | - | - | - | 181.7 | 181.7 |
| Fair value performance fees | 4.9 | 8.5 | 8.5 | 44.9 | 66.8 | 31.3 |
| **Variable rate** | | | | | | |
| Short-term notes | 100.0 | - | - | - | 100.0 | 100.0 |
| Medium-term notes | 10.5 | 10.5 | 170.5 | - | 191.5 | 654.1 |
| Cash advance facilities | 246.2 | 11.2 | 200.9 | - | 458.3 | 411.6 |
| **Fixed rate** | | | | | | |
| Medium-term notes | 61.1 | 279.6 | 700.1 | 169.9 | 1,210.7 | 482.5 |
| Convertible notes | 30.2 | 610.1 | - | - | 640.3 | 577.1 |
| **Total non-derivatives** | **761.2** | **919.9** | **1,080.0** | **214.8** | **2,975.9** | **2,564.9** |
| | | | | | | |
| **Derivatives**(B) | | | | | | |
| Net settled (interest rate swaps) | 28.3 | 32.5 | 104.5 | 156.3 | 321.6 | 51.3 |
| Gross settled | | | | | | |
| - inflow | (10.0) | (10.0) | (55.0) | (169.9) | (244.9) | - |
| - outflow | 14.1 | 14.1 | 75.6 | 228.9 | 332.7 | 38.7 |
| **Total derivatives** | **32.4** | **36.6** | **125.1** | **215.3** | **409.4** | **90.0** |
| | | | | | | |
| **As at 30 June 2010** | | | | | | |
| **Non-derivatives** | | | | | | |
| **Non-interest bearing** | | | | | | |
| Payables (excluding accrued interest) | 92.1 | - | - | - | 92.1 | 92.1 |
| Responsible Entity's base fees payable | 17.1 | - | - | - | 17.1 | 17.1 |
| Responsible Entity's performance fees payable | 4.7 | - | - | - | 4.7 | 4.7 |
| Distribution payable | 158.2 | - | - | - | 158.2 | 158.2 |
| Fair value performance fees | 4.8 | 8.2 | 8.2 | 44.7 | 65.9 | 31.2 |
| **Variable rate** | | | | | | |
| Medium-term notes | 87.3 | - | - | - | 87.3 | 85.6 |
| Cash advance facilities | 489.0 | 242.9 | 135.9 | - | 867.8 | 792.7 |
| **Fixed rate** | | | | | | |
| Medium-term notes | 247.2 | 31.4 | 416.3 | 218.6 | 913.5 | 815.2 |
| Convertible notes | 30.2 | 30.2 | 610.1 | - | 670.5 | 575.5 |
| **Total non-derivatives** | **1,130.6** | **312.7** | **1,170.5** | **263.3** | **2,877.1** | **2,572.3** |
| | | | | | | |
| **Derivatives**(B) | | | | | | |
| Net settled (interest rate swaps) | 20.1 | 18.5 | 80.2 | 102.1 | 220.9 | 67.3 |
| Gross settled | | | | | | |
| - inflow | - | - | - | - | - | - |
| - outflow | - | - | - | - | - | - |
| **Total derivatives** | **20.1** | **18.5** | **80.2** | **102.1** | **220.9** | **67.3** |

(A) The carrying amount of borrowings includes accrued interest.
(B) 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.

## 20. Capital and financial risk management (continued)

### (e) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Trust's exposure to market risk for changes in interest rates relates primarily to the long-term debt obligations.

The Trust 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, the Trust has adopted guidelines to keep between 65% and 85% of its borrowings at fixed rates of interest. Positions are monitored on a daily basis and hedging strategies are used to ensure that positions are maintained within the established guidelines. To manage exposure to interest rate risk, the Trust enters into interest rate swaps, in which the Trust 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 interest rate sensitivity analysis.

As at 30 June 2011, 92.2% (June 2010: 87.6%) of the Trust'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. While the Responsible Entity 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 2011, the Trust had the following variable rate borrowings and interest rate swap contracts outstanding:

| | Consolidated 30 Jun 2011 $m | Consolidated 30 Jun 2010 $m |
|---|---|---|
| Total drawn debt(A) | 2,288.6 | 2,261.6 |
| Fixed rate debt(B) | (1,035.0) | (595.0) |
| Interest rate swaps | (1,075.0) | (1,385.0) |
| **Net exposure to cash flow interest rate risk** | **178.6** | **281.6** |

(A) Equal to drawn debt disclosed in note 12, adjusted for the fair value of cross-currency swaps of $38.7 million liability (Jun 2010: $20.3 million asset).
(B) Face value of convertible notes and fixed-rate medium-term notes.

### (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 the Trust holds borrowings denominated in foreign currencies, 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 the Trust.

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. The Trust is exposed to some foreign exchange risk, however, as a movement in the USD/AUD exchange rate will have an effect on the Trust's LVR. If the USD/AUD exchange rate were to decline to 80 cents, the key LVR ratio calculated as total liabilities over total assets would increase from 31% to 32%.

At 30 June 2011, the Trust has hedged 100% of the US$200 million senior unsecured fixed-rate notes with cross-currency swaps (Jun 2010: 100%).

## 20. Capital and financial risk management (continued)

### (f) Foreign exchange risk (continued)
The Trust made a loss of $59.0 million through fair value adjustments to its cross-currency swaps, offset by a corresponding gain on the underlying USD denominated debt (Jun 2010: a loss of $0.8 million on cross-currency swaps was offset by a corresponding gain on the underlying USD denominated debt).

### (g) Other price risk
The Trust's financial instruments include performance fees payable which are determined by reference to the performance of the Trust's unit price relative to the customised retail property index provided by Standard & Poor's (refer to note 15(d)(ii)). This index is influenced by a range of factors which are outside of the control of the Trust. Due to the nature of this risk, financial instruments are not used to manage the Trust's exposure. Sensitivity analysis (per note 20(h)) measures the impact of movement in the index on Trust profit and equity.

### (h) Summarised sensitivity analysis
The following table summarises the impact on Trust 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. The Trust's financial instruments whose carrying values are affected by changes in interest rates are interest rate swaps and 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.

Other price risk represents the estimated change in the value of performance fees payable resulting from a change in the Trust's benchmark retail property index provided by Standard & Poor's. While the index may be volatile from one six-month period to the next, for the purpose of this analysis a 10% change in the index at balance date has been assumed to be reasonably possible. The analysis assumes all other variables at balance date, including the Trust's unit price, are unchanged.

| **2011** | **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** | **-100bps** | **+100bps** | **-100bps** | **+10%** | **-10%** | **+ 10%** | **- 10%** |
| | **$m** | **$m** | **$m** | **$m** | **$m** | **$m** | **$m** | **$m** |
| Cash and cash equivalents | 0.1 | (0.1) | - | - | - | - | - | - |
| Borrowings | (1.8) | 1.8 | - | - | - | - | - | - |
| Derivatives[(A)] | 49.7 | (56.1) | - | - | - | - | - | - |
| Payables | 0.4 | (0.5) | - | - | 1.4 | (3.8) | - | - |
| | **48.4** | **(54.9)** | **-** | **-** | **1.4** | **(3.8)** | **-** | **-** |

(A) The unrealised fair value movement of derivatives does not have any impact on distribution.

## 20. Capital and financial risk management (continued)

### (h) Summarised sensitivity analysis (continued)

| **2010** | **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** |
| Cash and cash equivalents | - | - | - | - | - | - | - | - |
| Borrowings | (2.8) | 2.8 | - | - | - | - | - | - |
| Derivatives[(A)] | 55.3 | (62.0) | - | - | - | - | - | - |
| Payables | 0.5 | (0.5) | - | - | 1.4 | (0.9) | - | - |
| | **53.0** | **(59.7)** | **-** | **-** | **1.4** | **(0.9)** | **-** | **-** |

(A) The unrealised fair value movement of derivatives does not have any impact on distribution.

### (i) Fair value of financial assets and liabilities

The Trust has adopted the classification of fair value measurements into the following hierarchy as required by AASB 7: Financial Instruments: Disclosures

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 (as prices) or indirectly (derived from prices)
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable prices)

The Trust's financial assets and liabilities measured and recognised at fair value at reporting date are:

| | **Level 1** | | **Level 2** | | **Level 3** | | **Total** | |
|---|---|---|---|---|---|---|---|---|
| | **30 Jun 2011 $m** | **30 Jun 2010 $m** | **30 Jun 2011 $m** | **30 Jun 2010 $m** | **30 Jun 2011 $m** | **30 Jun 2010 $m** | **30 Jun 2011 $m** | **30 Jun 2010 $m** |
| **Assets** | | | | | | | | |
| Derivative assets | - | - | 14.7 | 37.7 | - | - | 14.7 | 37.7 |
| **Total assets** | **-** | **-** | **14.7** | **37.7** | - | - | **14.7** | **37.7** |
| **Liabilities** | | | | | | | | |
| Derivative liabilities | - | - | (90.0) | (67.3) | - | - | (90.0) | (67.3) |
| Fair value of Responsible Entity's performance fee liability | - | - | - | - | (31.3) | (31.1) | (31.3) | (31.1) |
| **Total liabilities** | **-** | **-** | **(90.0)** | **(67.3)** | **(31.3)** | **(31.1)** | **(121.3)** | **(98.4)** |

The level 2 derivatives that the Trust has at 30 June 2011 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 on the forward price curve of interest rates and compared to the counterparties' valuation for the derivative. The fair values of all derivative contracts have also been confirmed with the counterparties.

The level 3 liability that the Trust has at 30 June 2011 is the fair value of the Responsible Entity's performance fee liability. The fair value of this liability is the present value of the estimated future cash flows. The cash flows are estimated based upon significant unobservable inputs, such as probabilities assigned to the likelihood of paying capped performance fees in future periods (refer to note 1(u)).

The fair value of financial assets and liabilities included on 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.

## 20. Capital and financial risk management (continued)

### (i) Fair value of financial assets and liabilities (continued)

The carrying amounts and fair values of interest bearing borrowings for the Trust are:

| | Carrying amount 30 Jun 2011 $m | Fair value 30 Jun 2011 $m | Carrying amount 30 Jun 2010 $m | Fair value 30 Jun 2010 $m |
|---|---|---|---|---|
| Medium-term notes | 1,136.6 | 1,147.1 | 891.9 | 884.2 |
| Convertible notes | 577.1 | 601.5 | 564.5 | 592.7 |
| Cash advance facilities | 411.6 | 416.1 | 786.5 | 786.5 |
| Short-term notes | 100.0 | 100.0 | - | - |
| **Total interest bearing borrowings** | **2,225.3** | **2,264.7** | **2,242.9** | **2,263.4** |

Refer to note 1(c)(ii) for valuation of investments in associates, note 1(r) for derivatives, note 1(u) and 15(d)(ii) for performance fee liabilities, note 1(k) for receivables, note 1(t) for payables and note 1(v) for interest bearing liabilities.

## 21. Events occurring after the reporting date

In July 2011, the Trust completed an issuance of new convertible notes and the buy-back of existing convertible notes (refer to note 12(b)).

In August 2011, the Trust executed a contract increasing its capital commitments by $135.5 million. $35.2 million is estimated to be spent within 12 months of reporting date, with the balance to be spent within five years.

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

## 22. Contingencies

### (a) Contingent liabilities

As at reporting date, the Trust has contingent liabilities of $5.1 million (June 2010: $9.5 million) relating to potential litigation claims.

### (b) Contingent assets

In January 2011, severe flooding caused extensive damage to parts of south-east Queensland, including Brisbane and Toowoomba. The Trust had three assets in the Brisbane CBD that were flood affected: Myer Centre Brisbane, QueensPlaza, and Post Office Square. The Trust has lodged a claim with its insurers for $2.9 million covering business interruption and for costs incurred to repair damage to the affected properties. At 30 June 2011, the Trust has received $1.3 million as a partial payment of the insurance claim, which has been recognised in the statement of comprehensive income. The remaining $1.6 million of the claim continues to be assessed by the insurer and represents a contingent asset as at 30 June 2011.

## 23. Parent entity financial information

### (a) Summary information

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

## 23. Parent entity financial information (continued)

### (a) Summary information (continued)

| | 30 June 2011 $m | 30 June 2010 $m |
|---|---|---|
| **Statement of financial position** | | |
| Current assets | 501.4 | 377.7 |
| Total assets | 8,471.7 | 7,664.3 |
| Current liabilities | 708.9 | 1,074.2 |
| Total liabilities | 2,635.9 | 2,603.3 |
| Equity | | |
| Contributed equity | 3,812.4 | 3,210.6 |
| Undistributed reserves | 1,717.8 | 1,628.5 |
| Available-for-sale investment revaluation reserve | 305.6 | 222.0 |
| **Total equity** | **5,835.8** | **5,061.1** |
| **Net profit for the financial year** | **447.5** | **243.7** |
| **Total comprehensive income** | **532.6** | **315.0** |

### (b) Commitments and contingent liabilities of the parent entity

The parent entity's capital expenditure commitments which have been approved but not provided for at reporting date, operating lease commitments and contingencies are set out below:

| | | |
|---|---|---|
| Capital commitments | 7.2 | 3.2 |
| Lease commitments payable | 105.0 | - |
| Lease commitments receivable | 2,088.6 | 1,916.5 |
| Contingent liabilities | 2.5 | 0.5 |

## 24. Net tangible asset backing per unit

| | Consolidated 30 June 2011 | Consolidated 30 June 2010 |
|---|---|---|
| Net tangible assets ($m) | 5,835.8 | 5,061.1 |
| Net tangible asset backing per unit ($) | 2.05 | 2.02 |

Net tangible asset backing per unit is calculated by dividing the total equity attributable to unitholders of the Trust by the number of ordinary units on issue. The number of ordinary units used in the calculation can be found in note 13.

## 25. Management expense ratio (MER)

MER is the ratio of expenses pertaining to the management of the Trust to total average assets. Total average assets is the average of total assets at the beginning and end of each month.

| | Consolidated 30 Jun 2011 | Consolidated 30 Jun 2010 |
|---|---|---|
| Actual MER related expenses ($m) | 47.9 | 45.6 |
| Total average assets ($m) | 8,167.8 | 7,443.2 |
| **MER %** | **0.586** | **0.612** |

MER related expenses include the Responsible Entity's base and performance fee (excluding the movement in the fair value of performance fee liability), the auditor's remuneration, registry fees and other operating expenses as disclosed in the statement of comprehensive income.

# DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Commonwealth Managed Investments Limited, the Responsible Entity for CFS Retail Property Trust, we declare that:

(a) in the opinion of the Directors, the financial statements and notes set out on pages 8 to 50 are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Trust and its controlled entities' financial position as at 30 June 2011 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 the Trust 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 2011.

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.

Richard M Haddock

**R M Haddock**

Director

Sydney
16 August 2011

# *Independent auditor's report to the unitholders of CFS Retail Property Trust*

## *Report on the financial report*

We have audited the accompanying financial report of CFS Retail Property Trust (the registered scheme), which comprises the statement of financial position as at 30 June 2011, and 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 the CFS Retail Property Trust group (the consolidated entity). The consolidated entity comprises the registered scheme and the entities it controlled at the year's 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. These Auditing 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 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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

### *Independence*

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

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*T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com/au*

### *Matters relating to the electronic presentation of the audited financial report*

This auditor's report relates to the financial report of CFS Retail Property Trust (the registered scheme) for the year ended 30 June 2011 included on the CFS Retail Property Trust website. The directors of the Responsible Entity are responsible for the integrity of the CFS Retail Property Trust website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this website.

### *Auditor's opinion*

In our opinion:

a) the financial report of CFS Retail Property Trust is in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 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; and

b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

PricewaterhouseCoopers

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