CFX CO LIMITED
and its controlled entities

Financial Report

CONTENTS

CFX

Directors' report

The Directors of CFX Co Limited present their report on the consolidated entity, comprising CFX Co and its controlled entities (CFX Co) for the period 4 December 2013 to 30 June 2014.

CFX Co is stapled to CFS Retail Property Trust 1 (CFX1) to form the stapled group CFS Retail Property Trust Group (CFX or the Group). CFX Financial Statements have been prepared separately and include the results of the stapled group as a whole.

Directors

The names of the Directors of the Company at any time during the period and up to the date of this report are:

(i) Chairman – Non-Executive Director
R M Haddock AM (independent) (appointed 4 December 2013)

(ii) Non-Executive Directors
T Gerber (independent) (appointed 23 April 2014)

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

P D Kahan (appointed 23 April 2014)

J F Kropp (independent) (appointed 4 December 2013)

N J Milne OAM (independent) (appointed 4 December 2013)

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

D M Thurin (appointed 23 April 2014)

(iii) Executive Directors
A McNaughton (appointed 24 March 2014)

Company Secretary
Ms Michelle T Brady LLB, BBus, GDLP, AGIA was appointed as Company Secretary on 4 December 2013.

Information on the qualifications, experience and responsibilities of Directors' can be found on pages 16 to 19 of CFX's 2014 Annual Report.

About CFX Co and its controlled cntities

On 4 December 2013, CFX Co (known as Centre Retail Management Limited until 14 January 2014) was registered with the Australian Securities and Investments Commission (ASIC) as a public company for the purposes of implementing the internalisation of CFX.

On 24 March 2014, following stapled securityholder approval, CFX paid $475,479,000 to Commonwealth Bank of Australia (CBA) to internalise CFX's management, commence the investment management of a number of wholesale funds and mandates (Wholesale Funds) and acquire CBA's retail asset management business (together Internalisation). This restructure was effected through the following transactions:

- CFX Co acquiring Commonwealth Managed Investments Limited (CMIL) the Responsible Entity of CFX1 and other management entities from CBA
- CFS Retail Property Trust 2 (CFX2) being de-stapled from CFX1 (De-Stapling) and being acquired by CFX Co, and
- CFX Co being stapled to CFX1 to form a stapled security.

As part of the Internalisation of CFX and De-Stapling, the transfer of CFX2 units to CFX Co was regarded as a capital contribution made by the holders of CFX securityholders for the issue of CFX Co shares to them. CFX stapled securities now comprise one CFX1 unit stapled to one CFX Co share which trade together on the Australian Stock Exchange.

CFX continues to invest in a portfolio of retail assets which it does through CFX1. The expanded business post-Internalisation now includes activities which CFX Co and its controlled entities undertake which include:

- directly employing over 800 staff
- the funds management of CFX1 and the Wholesale Funds, and
- the asset management of properties owned on CFX's balance sheet (Direct Portfolio), Wholesale Funds and other external parties.

Principal activities

On 4 December 2013, Centre Retail Management Limited registered with the Australian Securities and Investments Commission (ASIC) as a public company. On 14 January 2014, Centre Retail Management Limited was renamed CFX Co Limited. Its registered office is at Ground Floor, Tower 1, 201 Sussex Street, Sydney, New South Wales 2000.

Dividends

No dividends were declared for the period 4 December 2013 to 30 June 2014.

Operating and financial review

As noted above, CFX Co was established to acquire a number of entities to facilitate the Internalisation. CFX1's principal activities comprise investment in a portfolio of retail assets held within the Group's Direct Portfolio. With the majority of income being generated from passive rental income, CFX1 has a tax flow-through status as a trust. To preserve the tax flow-through status of CFX1, CFX Co was created to undertake other business activities required as a result of Internalisation.

The operations of CFX Co are new to CFX and its securityholders, with its primary operations commencing on 24 March 2014. The primary revenue sources of CFX Co include fees generated through funds and asset management.

Funds management
CFX Funds Management Limited (CFXFM Co) is an entity wholly-owned by CFX Co within which the majority of funds management operations take place. Revenue in the form of funds management fees is generated by the investment management of CFX1 and the Wholesale Funds. Typically, funds management fees are calculated as a percentage of each fund's Gross Asset Value (GAV) ranging from 0.25% to 0.60% per annum. CFX Co will charge management fees to CFX1 on a cost recovery basis. The Wholesale Funds business is primarily comprised of two wholesale closed-end funds and one direct property mandate. This business has approximately $1.7 billion in retail assets under management.

Our Wholesale Funds are:

- CFSGAM Property Retail Partnership (CRP): a fully-invested closed-end fund, with $1.2 billion of retail assets and is the co-owner of four assets in CFX's Direct Portfolio.

Operating and financial review (continued)

Funds management (continued)

- A direct property mandate for Commonwealth Bank Group Super (CBGS): a diversified portfolio with $0.5 billion in assets under management.
- CFSGAM Property Enhanced Retail Fund (CERF): a closed-end fund with $0.6 billion of committed equity which is in its investment phase. CERF's investment portfolio comprises three assets totalling over $200 million.

Asset and development management

The asset management business consists of revenue generated from the provision of asset management services. CFX Co earns management fees on the $14.2 billion assets under management. The nature of this revenue is in the form of property management, leasing and development management fees generated from the asset management of retail assets. These fees are generally calculated as proportion of rental income and development costs (in relation to development management).

Costs and Group review

The cost of operating the funds and asset management businesses in an internalised structure generally relates to the direct employment of staff. On the implementation of Internalisation, CFX Co commenced the direct employment of staff who previously worked within the funds and asset management entities when they were externally managed by CBA.

Other business activities undertaken by CFX Co are those that were previously undertaken by CFX2 and include car park management and in-mall digital screen operations.

(a) Financial results and operations

Key financial and operational highlights for the period include:

- CFX Co recorded a statutory net loss of $2,291,000 for the period including one-off costs relating to Internalisation. After adjusting for one-off costs and amortisation of intangible assets, profit from ordinary operations for the period was $1,326,000. Refer to note 3 to the financial statements for an explanation of the adjustments made to determine profit from ordinary operations.
- On 17 December 2013, CFX Co acquired CMIL, the Responsible Entity for CFX1 and a number of Wholesale Funds. While CFX Co derived funds management and performance fees from this date, the management function was delegated to entities external to the CFX Co group prior to Internalisation. Therefore, the Statement of Comprehensive Income includes $16,852,000 in revenue and expenses relating to fees for the period 17 December 2013 to 23 March 2014. Fee revenue earned post-Internalisation was $38,772,000.

(b) Financial position

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

- CFX Co recognising intangible assets, as a result of Internalisation, of $439,421,000 representing the value of the property and funds management platform. The carrying amount is supported by external valuations of the property and funds management rights.
- CFX Co is capitalised by $224,101,000 equity and a $239,671,000 loan from CFX1.

(c) Business strategies and prospects for future financial years

CFX Co's strategies and prospects are incorporated with those of the Group. The Group prospects relevant to CFX Co are set out below:

- Post-Internalisation, CFX's strategy has been enhanced to reflect the expanded business with the Group now directly employing over 800 staff and having a strategic partnerships platform comprising funds and asset management mandates. CFX's focus post Internalisation is on delivering superior and stable risk-adjusted returns through:
  - disciplined investment and capital management
  - driving asset performance through intensive asset management
  - achieving operational excellence through efficient management of costs and processes and further embedding a culture of continuous improvement, and
  - developing and enhancing relationships with existing and new strategic partners.
- CFX will continue to enhance the performance of its properties through redevelopment. CFX's development pipeline is approximately $1.2 billion (CFX Direct Portfolio share $538.0 million). CFX Direct Portfolio's share of projects currently under construction have a development cost of approximately $303.0 million, with $290.0 million remaining to be spent. The major project currently underway is the $290.0 million (CFX Direct Portfolio share) next stage of redevelopment of the Chadstone Shopping Centre which received final approval and satisfied all conditions precedent in May 2014. The project will involve the expansion and redevelopment of the northern end of the centre adding approximately 20,000 sqm of retail floor area, featuring new international retailers and reinforcing Chadstone as Australia's premier shopping centre destination. The redevelopment also includes the construction of a 10-level, 17,000 sqm office building on the southern end of the site. Early works and demolition commenced in June 2014, with construction to start in September 2014 and staged openings through to completion by mid 2017.
- The material risks that could affect CFX's achievement of the financial prospects noted above include a deterioration in retail sales impacting on CFX's ability to achieve leasing forecasts, potential increases in construction and interest costs, delays in project completions, and the inability to secure sufficient funding.

CFX

Directors' report

CONTINUED

Operating and financial review (continued)

Costs and Group review (continued)

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

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

Directors' meetings

The following Board[1] meetings including meetings of Committees of the Board of Directors, held during the financial period and the number of those meetings attended by each of the Directors are shown below:

DIRECTOR	BOARD		AUDIT COMMITTEE		REMUNERATION AND ORGANISATION COMMITTEE		RISK AND COMPLIANCE COMMITTEE		NOMINATIONS COMMITTEE[2]	
	A	B	A	B	A	B	A	B	A	B
R M Haddock	8	8	1	1	3	3	-	-	-	-
T Gerber	2	2	2	2	3	3	-	-	-	-
P D Kahan	2	2	2	2	3	3	-	-	-	-
J F Kropp	8	8	2	2	-	-	1	1	-	-
N J Milne	8	7	-	-	3	3	1	1	-	-
K L C Penrose	2	2	2	2	-	-	1	1	-	-
D M Thurin	2	2	-	-	-	-	1	1	-	-
A McNaughton	3	3	-	-	-	-	-	-	-	-

A = Number of meetings held during the time the director held office or was a member of the committee during the year
B = Number of meetings attended
(1) 'Board' refers to the board of CFX Co for the period 4 December 2014 (being the date of incorporation) to 30 June 2014. From 24 March 2014 the Directors of CFX Co and CMIL were the same and Board meetings were held concurrently
(2) The Nominations Committee was formed upon Internalisation. The Committee did not meet in the period from 24 March 2014 to 30 June 2014

Directors' interests

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

Mr Hay owns 10,000 CFX stapled securities.

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

The movement in stapled securities on issue in CFX Co during the period, along with the number of stapled securities on issue at the end of the period, is disclosed in note 11 to the financial statements.

Significant changes in the state of affairs

This is the first reporting period in which CFX Co has been operating and reporting as a public company. For details of the state of affairs and activities undertaken by CFX Co during the period, refer to the operating and financial review section.

Matters subsequent to reporting date

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

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

Matters subsequent to reporting date (continued)

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

Environmental regulation

The operations of the Company are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory and the Directors are not aware of any breach of environmental requirements applicable to the Company.

Indemnification and insurance of officers

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

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

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

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

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

Non-audit services

CFX Co may employ the 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 15 to the financial statements. The Directors, in accordance with advice received from the Audit Committee, are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 and did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

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

Auditor

PricewaterhouseCoopers has been appointed auditor of the Company.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 21.

CFX

Directors' Report

Remuneration and Organisation Committee Chairman's letter

Dear securityholder,

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

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

Remuneration arrangements for FY14

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

For further detail on the transitional arrangements for FY14 see pages 9 to 12.

Revised arrangements for FY15

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

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

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

For further detail on the revised remuneration framework for FY15 see pages 13 to 18.

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

We hope that you find this report useful and informative.

Yours sincerely,

Nancy Milne

Nancy Milne OAM
Remuneration and Organisation Committee Chairman
21 August 2014

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

Remuneration Report

1. Introduction

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

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

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

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

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

2. Remuneration governance

2.1. Remuneration and Organisation Committee

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

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

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

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

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

2.2. Non-executive Director fee policy

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

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

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

CFX

Directors' Report
CONTINUED

2. Remuneration governance (continued)

2.2. Non-executive Director fee policy (continued)

The current fees (excluding superannuation) are as follows:

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

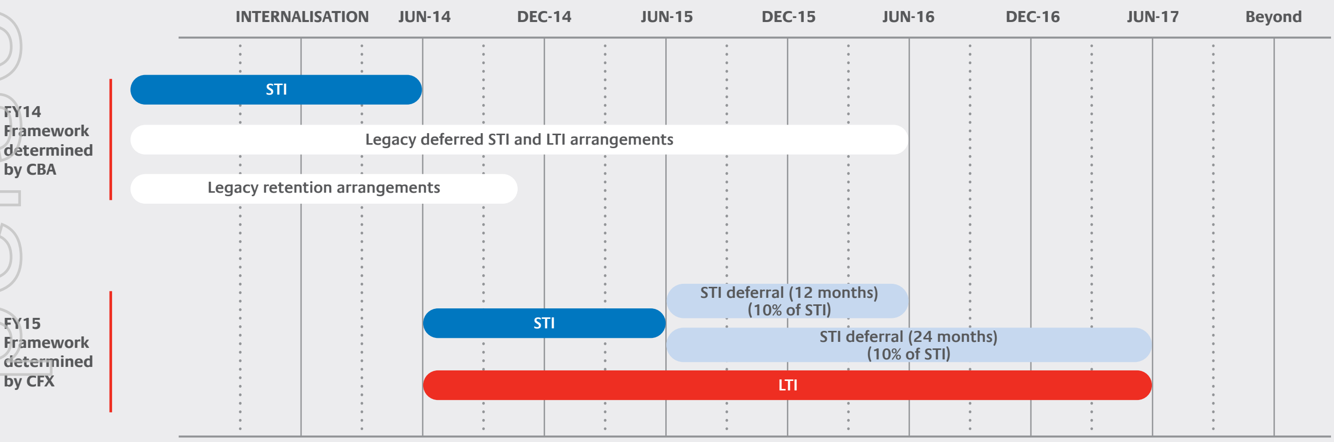
The Chairman of the Board does not receive additional fees for participating in Board sub-committees. The table on page 19 details the individual statutory fees for each Non-executive Director.

2.3. Use of remuneration consultants

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

3. Overview of Executive KMP remuneration

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



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

4. FY14 Executive KMP remuneration framework

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

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

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

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

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

4.1. Fixed remuneration

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

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

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

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

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

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

CFX

Directors' Report

CONTINUED

4. FY14 Executive KMP remuneration framework (continued)

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

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

A summary of performance outcomes for FY14 is outlined overleaf.

4.3. FY14 STI performance summary

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

PERFORMANCE MEASURE	OUTCOME FOR FY14
Transition and transaction activities	• The Internalisation was successfully executed • There has been overwhelming support from investors for the Internalisation • The transition to an internalised structure has been successfully managed, characterised by the smooth retention and transition of key staff. Staff morale and the business focus remained high during and post the transaction, and • Other transition and strategic objectives have been achieved (e.g. transition of integrated financial management processes, information technology systems and governance).
Financial performance	• Distribution of 13.6 cents per security is in line with the stated target range of between 13.3 – 13.6 cents per security (based on certain asset sales scenarios) • Achieved a total shareholder return of 9.1% over the year to FY14, outperforming the retail peers[3] by 0.6% • The Direct Portfolio occupancy has improved to 99.7% • Key developments have progressed: DFO Homebush opened fully leased and ahead of target returns. Stage 1 of Emporium Melbourne opened, with the overall project fully leased. As previously advised, the project has not met its original return targets, but the asset is expected to perform well over time due to the final tenancy mix and overall quality of the development. The $580 million redevelopment of Chadstone Shopping Centre was approved and works have commenced • Continued the strategy of improving the quality of the portfolio by recycling non-core assets such as Rosebud Plaza and the conditional sale of The Entertainment Quarter, into acquisition and development opportunities such as DFO South Wharf (additional 25% interest) and Chadstone Shopping Centre (development), and • A strong balance sheet has been maintained with CFX retaining its S&P credit rating of “A/stable” and gearing within the target range.
Non-financial performance	• Relationships with the strategic partnerships have been strengthened, with the successful execution of fund and mandate strategies, including the targeted acquisition and disposal of assets • Exceeded internal continuous improvement targets, leading to internal process and systems improvements, and • Strong outcomes with regard to responsible investment including being ranked third globally for listed entities by Global Real Estate Sustainability Benchmark.

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

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

3 UBS Retail 200 Property Accumulation Index.
4 For the period 1 July 2013 to 23 March 2014 the following STI payments were made in cash Angus McNaughton: $805,729, Michael Gorman: $643,125 and David Marcun: $472,500.
5 Securities will be acquired on market at market price post release of the full year accounts. The number of securities will depend on CFX’s security price at the date of acquisition.

CFX

Directors' Report

CONTINUED

4. FY14 Executive KMP remuneration framework (continued)

4.3. FY14 STI performance summary (continued)

A summary of earnings, security price[6] and dividend information is shown below. Given the change in management of the business since Internalisation, only the post Internalisation period is outlined. Per statutory requirements, the information below relates to CFX Co Limited. For CFX, the full year Distributable Income is $400.4 million and the full year distribution is 13.6 cents per security.

PERFORMANCE AREA	FY14 POST INTERNALISATION
Earnings ($m)(profit from ordinary operations)	1.3
Security price ($)(beginning)[6]	1.955 (close Friday 21 March 2014)
Security price ($)(end)[6]	2.04 (close Monday 30 June 2014)
Dividends (cents per security)	Nil

4.4. Legacy longer term and retention payments

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

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

6 Trading price of CFX stapled securities.

5. FY15 Executive KMP remuneration framework

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

5.1. Remuneration principles

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

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

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

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

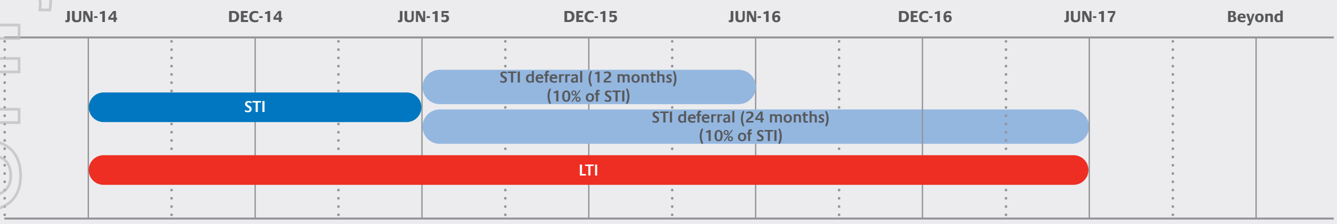
OUR STRATEGIC DRIVER	HOW WE MEASURE PERFORMANCE	STI MEASURE	LTI MEASURE
Financial performance	• Total Return which measures the efficient management and use of capital to generate income and capital growth		✓
	• Total Securityholder Return performance relative to comparable A-REIT peers to drive securityholder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

CFX

Directors' Report
CONTINUED

5. FY15 Executive KMP remuneration framework (continued)

The framework established for FY15 is as follows:



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

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

5.2. Remuneration quantum and mix

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

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

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

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

5.3. Fixed remuneration

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

5.4. Short-term incentive plan

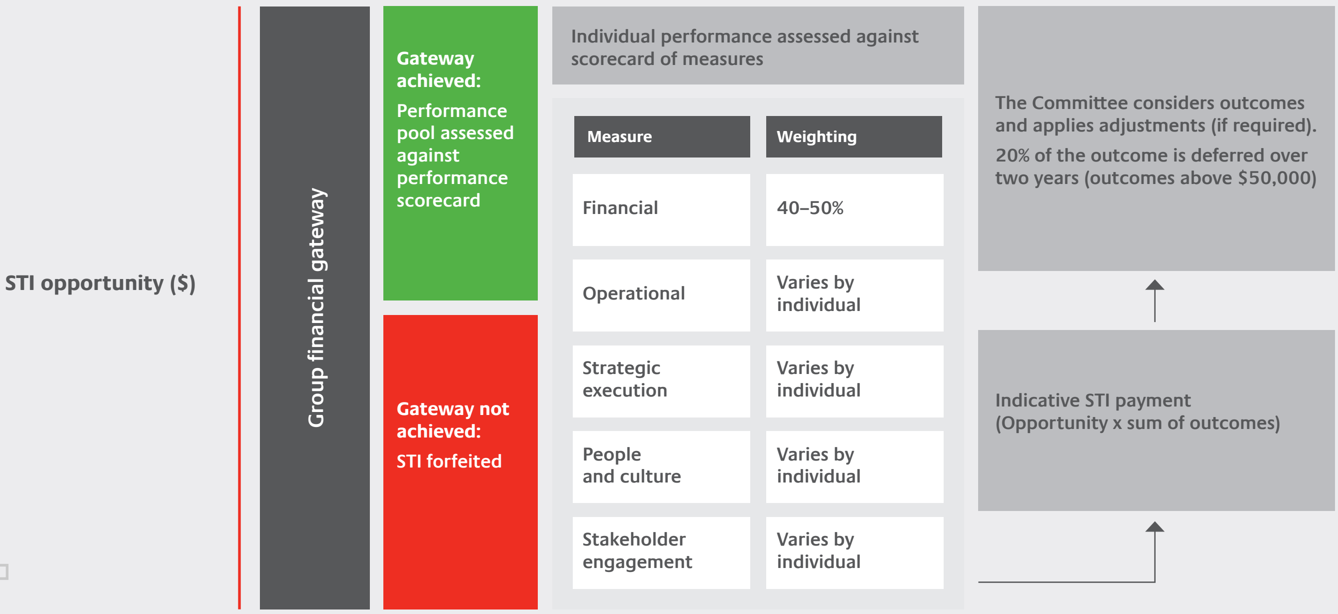
The revised STI framework that will apply from FY15 focuses on:

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

Group financial gateway

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

The diagram below summarises the key features of the plan:



Board discretion applies within the STI framework to assess performance and determine incentive payments.

CFX

Directors' Report

CONTINUED

5. FY15 Executive KMP remuneration framework (continued)

The following table outlines the features of the STI plan:

ELEMENT	DESCRIPTION	WHY DOES THE COMMITTEE VIEW THIS AS AN IMPORTANT FEATURE?
What is the Group financial gateway?	A minimum level of Group financial performance is required before payment will be made to participants (subject to Board discretion which will only be exercised in exceptional circumstances). For FY15, the Group financial gateway will be a minimum level of 97.5% of target Distributable Income per security.	The financial gateway performance measure supports alignment with securityholders and establishes a minimum level of performance before payment of any STI. Distributable Income per security is used as the performance measure for the gateway as this measure represents core business profitability.

What performance measures will be used?	A range of financial and non-financial performance measures will be used to assess performance.
	• Group financial measures include Distributable Income per security and Net Property Income. Financial measures will have a weighting range of 40–50% within the scorecard.
	• Examples of non-financial measures include:
	  • Operational: continuous improvement, operational efficiency, risk management, compliance and sustainability
	  • People: leadership, diversity, culture and safety
	  • Strategy: execution of strategy, and
	  • Stakeholder management.
	Non-financial measures are customised by role and will have a minimum weighting of 50% within the scorecard.
		The selected financial measures support our growth and profitability.
		Distributable Income per security and Net Property Income represent key management performance measures and focus on profitability, reflecting the performance of our operations as a driver of securityholder value. The targets for these measures incorporate growth on prior year and focus on sustainable financial profitability, which aligns to our overall objective of delivering superior and stable risk-adjusted returns.
		Non-financial measures focus on CFX's achievement of strategic goals, as well as engaging with external stakeholders and our people, and our risk management framework. These factors will drive future growth and financial performance.

What are the details of the deferral?	20% of the STI outcome (provided total STI quantum is above $50,000) will be deferred into equity rights, with 50% of the deferred amount vesting after one year and 50% vesting after two years.	Deferral into equity aligns our remuneration with ongoing securityholder value and encourages equity ownership for our Executive KMP.
What Board assessment and discretion can apply?	The Committee will make STI payment recommendations to the Board, taking into account performance and other factors it may deem relevant at the end of the performance period.	The Board and the Committee are provided with the opportunity to conduct an additional assessment considering any unforeseen events, environmental influences and other factors it may deem appropriate at the end of the performance period. The STI is subject to the Executive Clawback Policy to support the ongoing financial soundness, risk management and performance focus of the organisation.

5.5. Long-term incentive plan

The revised LTI that will apply from FY15 focuses on:

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

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

The diagram below summarises the key features of the plan:

LTI opportunity ($)

Performance assessed against longer-term (three-year) performance measures

Measure	Weighting
Relative Total Securityholder Return (TSR)	50% of award vests at median TSR performance, 100% vests at 75th percentile TSR performance (sliding scale between median TSR and 75th percentile TSR)
Total Return (TR)	50% of award vests at annualised 9.0% Total Return, 100% vests at 9.5% Total Return (sliding scale between 9.0% and 9.5% Total Return).

Indicative LTI vesting

The Committee considers outcomes and applies adjustments (if required)

Board discretion applies within the LTI framework to assess performance and determine vesting outcomes.

CFX

Directors' Report

CONTINUED

The following table outlines the features of the LTI plan:

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

6. Executive KMP service contracts

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

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

7. Statutory remuneration outcomes

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

				SHORT-TERM INCENTIVE				
NON-EXECUTIVE DIRECTORS	CASH SALARY AND FEES[7] $	NON-MONETARY BENEFITS $	SUPERANNUATION[7] $	SETTLED IN CASH[8] $	SETTLED IN SECURITIES[9] $	ANNUAL AND LONG-SERVICE LEAVE[10] $	OTHER LONG-TERM INCENTIVES $	TOTAL $
Richard Haddock AM	95,579	–	4,854	–	–	–	–	100,433
Trevor Gerber	34,676	–	3,208	–	–	–	–	37,884
Peter Kahan	38,143[11]	–	0	–	–	–	–	38,143
James Kropp	53,524	–	4,854	–	–	–	–	58,378
Nancy Milne OAM	50,445	–	9,025	–	–	–	–	59,470
Karen Penrose	34,107	–	3,155	–	–	–	–	37,262
Dr David Thurin	30,549	–	2,826	–	–	–	–	33,375
Executive KMP								
Angus McNaughton	321,013	–	6,685	199,271	100,000	21,459	–	648,428
Michael Gorman	185,886	–	5,270	163,875	75,000	12,326	–	442,357
David Marcun	188,229	–	6,771	125,500	50,000	17,243	–	387,743

7 Represents amounts paid or payable for the period 24 March 2014 to 30 June 2014.
8 Represents STI outcomes payable in cash in September 2014 in recognition of performance for the period 24 March 2014 to 30 June 2014.
9 Represents STI outcomes to be settled in equity in recognition of performance for the period 24 March 2014 to 30 June 2014. Securities will be acquired on market at market price post release of the full year accounts. The number of securities will depend on CFX's security price at the date of acquisition.
10 Represents net movement of annual leave and long service leave entitlement balances (i.e. amount accrued less leave taken) for the period 24 March 2014 to 30 June 2014.
11 Represents fees payable to Gandel Group (including GST) in respect of Peter Kahan's directorship.

Directors' Report
CONTINUED

8. Key management personnel transactions

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

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

KMP	HELD AT 24 MARCH 2014	RECEIVED ON EXERCISE OF OPTIONS/RIGHTS	OTHER CHANGES	HELD AT 30 JUNE 2014	BALANCE HELD NOMINALLY (Y/N)
Non-executive KMP					
Richard Haddock AM	–	–	–	–	–
Trevor Gerber	–	–	–	–	–
Peter Kahan	–	–	–	–	–
James Kropp	–	–	–	–	–
Nancy Milne OAM	–	–	–	–	–
Karen Penrose					
David Thurin	16,894,070[12]	–	–	16,894,070	N
Executive KMP					
Angus McNaughton	–	–	–	–	–
Michael Gorman	27,000[13]	–	–	–	N
David Marcun	–	–	–	–	–

End of Remuneration Report.

This Directors' report is signed in accordance with the resolution of the Directors of CFX Co Limited.

R M Haddock AM
Chairman

Melbourne
21 August 2014

12 David Thurin holds 187,500 fully paid ordinary securities through Jadeglen Investments Pty Ltd and controls 16,706,570 fully paid ordinary securities through Cenarth Pty Ltd as trustee for The Cenarth Trust.
13 Michael Gorman holds 27,000 fully paid ordinary securities through Ardnagrena Superannuation Fund.

Auditor's Independence Declaration

As lead auditor for the audit of CFX Co Limited for the period 4 December 2013 to 30 June 2014, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of CFX Co Limited and the entities it controlled during the period.

TJO Peel
Partner
PricewaterhouseCoopers

Melbourne
21 August 2014

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Consolidated statement of comprehensive income

FOR THE PERIOD 4 DECEMBER 2013 TO 30 JUNE 2014

	NOTE	CONSOLIDATED FOR THE PERIOD 4 DEC 2013 TO 30 JUN 2014 $'000
Revenue		
Management fee revenue		55,624
		55,624
Other income		
Share of net profit from equity accounted investments	6	270
Interest and other income		352
Total revenue and other income		**56,246**
Expenses		
Employee benefits expenses		21,703
Funds management fees	3	16,852
Borrowing costs	12(c)(vi)	4,549
Depreciation expense	7	346
Alignment fee expense	12(c)(viii)	3,427
Internalisation costs	2(d)	4,384
Other management expenses		3,167
Amortisation of intangibles	8	746
Goodwill written off	2(a)	3,094
Total expenses		**58,268**
Net loss before income tax expense for the period		**(2,022)**
Income tax expense	4(a)	(269)
Net loss for the period		**(2,291)**
Other comprehensive income		–
Total comprehensive loss for the period		**(2,291)**
Basic earnings per security (cents)	14	(0.08)
Diluted earnings per security (cents)	14	(0.07)

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

CFX

Consolidated statement of financial position

AS AT 30 JUNE 2014

	NOTE	CONSOLIDATED 30 JUN 2014 $'000
Current assets		
Cash and cash equivalents		47,377
Receivables	5	39,682
Prepayments and other assets		6,320
Total current assets		**93,379**
Non-current assets		
Equity accounted investments	6	689
Plant and equipment	7	7,107
Intangibles	8	439,421
Deferred tax assets	4(d)	15,863
Receivables	5	3,284
Other		67
Total non-current assets		**466,431**
Total assets		**559,810**
Current liabilities		
Trade creditors and other payables	9	45,734
Provisions	10	35,839
Interest bearing liabilities	12(c)(vi)	239,671
Total current liabilities		**321,244**
Non-current liabilities		
Provisions	10	16,756
Total non-current liabilities		**16,756**
Total liabilities		**338,000**
Net assets		**221,810**
Equity		
Contributed equity	11	224,101
Retained earnings		(2,291)
Total equity		**221,810**

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

CFX

Consolidated statement of cash flows

FOR THE PERIOD 4 DECEMBER 2013 TO 30 JUNE 2014

	NOTE	CONSOLIDATED FOR THE PERIOD 4 DEC 2013 TO 30 JUN 2014 $'000
Cash flows from operating activities		
Receipts in the course of operations		132,862
Payments in the course of operations		(103,546)
Interest received		309
Borrowing costs paid		(4,549)
Internalisation costs		(411)
Net cash flows used in operating activities	13	**24,665**
Cash flows from investing activities		
Payments for plant and equipment		(809)
Payments for investments		(422)
Net cash payment for business acquisitions	2(c)	(434,519)
Net cash flows from investing activities		**(435,750)**
Cash flows from financing activities		
Stapled securities issued	11	218,809
Stapled security issue costs paid	11	(347)
Proceeds from interest bearing liabilities		260,000
Repayment of interest bearing liabilities		(20,000)
Net cash flows from financing activities		**458,462**
Net increase in cash and cash equivalents held		**47,377**
Cash and cash equivalents at the beginning of the period		**–**
Cash and cash equivalents at the end of the period		**47,377**
Non-cash financing and investing activities	13(b)	**5,536**

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

CFX

Consolidated statement of changes in equity

FOR THE PERIOD 4 DECEMBER 2013 TO 30 JUNE 2014

	NOTE	CONTRIBUTED EQUITY $'000	RESERVES $'000	TOTAL $'000
Opening balance at 4 December 2013		**–**	**–**	**–**
Net loss for the period ended 30 June 2014		–	(2,291)	(2,291)
Other comprehensive income		–	–	–
Total comprehensive income for the period ended 30 June 2014		**–**	**(2,291)**	**(2,291)**
Transactions with securityholders in their capacity as securityholders:				
Initial issue of stapled securities	11	224,344	–	224,344
Issue costs of stapled securities	11	(347)	–	(347)
Deferred tax asset related to issue costs	4(c),11	104	–	104
Total equity as at 30 June 2014		**224,101**	**(2,291)**	**221,810**

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

Notes to the financial statements

FOR THE PERIOD 4 DECEMBER 2013 TO 30 JUNE 2014

1. Summary of significant accounting policies

This consolidated financial report is for CFX Co Group (CFX Co or the 'Group') for the period 4 December 2013 to 30 June 2014. CFX Co comprises CFX Co Limited (the 'Company') ABN 79 167 087 363, and its controlled entities. The shares of CFX Co are stapled to the units of CFS Retail Property Trust 1 (CFX1) and listed on the Australian Securities Exchange (ASX). The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below.

(a) Establishment of CFX Co Limited

On 4 December 2013, Centre Retail Management Limited registered with the Australian Securities and Investments Commission (ASIC) as a public company. On 14 January 2014, the Company was renamed CFX Co Limited. CFX Co was established to facilitate the internalisation of the management of CFX1.

On 17 December 2013, CFX Co acquired 100% of the issued capital of Commonwealth Management Investments Limited (CMIL), with settlement deferred until 24 March 2014. On 24 March 2014, CFX Co acquired the asset management entities owned by Commonwealth Bank of Australia (CBA). CFX Co was funded by CFX1 making a capital distribution to its securityholders which was reinvested in CFX Co, and by CFX1 making a loan to CFX Co.

(b) Basis of preparation

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

This financial report has also been prepared in accordance with the historical cost convention.

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

There are no comparatives, as this is the first financial reporting period of CFX Co.

CFX Co has a net current deficiency (current liabilities exceed current assets) at reporting date, due to the requirement to classify its loan with CFX1 as a current liability. However, CFX1 has provided a letter of comfort that it will (subject to certain conditions) support the operations of CFX Co by providing financial support to ensure the debts of CFX Co can be met when due and payable. This arrangement is in place for the period to 31 August 2015 at which date it will be reviewed. The financial report is therefore prepared on a going concern basis.

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 following new or amended standards became mandatory and have been adopted by the Group in the reporting period commencing 4 December 2013.

The impact of the new or amended standards is set out below:

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

i. Controlled entities

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

ii. Joint arrangements

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

Jointly controlled assets

CFX Co's interests in jointly controlled assets qualify as joint operations under AASB 11, and CFX Co continues to account for its share of, and direct right to, revenues, expenses, assets and liabilities under the appropriate headings in the consolidated statement of financial position and the consolidated statement of comprehensive income (rather than as a separate line item).

Accounting standards not yet mandatory

In addition to the above, certain accounting standards and interpretations relevant to CFX have been issued or amended but are not yet mandatory and have not been adopted by CFX for the annual reporting period commencing 1 July 2013.

1. Summary of significant accounting policies (continued)

(b) Basis of preparation (continued)

Accounting standards not yet mandatory (continued)

The impact of the new or amended standards, along with the effective date, is set out below:

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

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

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

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (effective 1 July 2014)

AASB 2012-3 amended AASB 7 Financial Instruments: Disclosures and AASB 132 Financial Instruments: Presentation, respectively, by revising and clarifying the criteria where financial instruments can be offset in the financial statements. These standards are unlikely to affect the accounting for any of CFX Co's current offsetting arrangements but may require additional disclosures in relation to these arrangements.

AASB 2013-3 Amendments to Australian Accounting Standards – Recoverable Amount Disclosures for Non-Financial Assets (effective 1 July 2014)

AASB 2013-3 amended the disclosures required by AASB 136 Impairment of Assets which removes the requirement to disclose the recoverable amount of all cash generating units (CGU) that contain goodwill or identifiable assets with indefinite lives if there has been no impairment; the disclosure was introduced with AASB 13 and became applicable from 1 January 2013. It also requires disclosure of the recoverable amount of an asset or CGU when an impairment loss has been recognised or reversed and detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognised or reversed. These standards are unlikely to affect the accounting for any of CFX Co's non-financial assets but may require additional disclosures in relation to these assets.

(c) Principles of consolidation

i. Controlled entities

The consolidated financial statements comprise the assets and liabilities of all controlled entities at 30 June 2014 and the results of all controlled entities for the period. CFX Co and its controlled entities are collectively referred to in this financial report as CFX Co.

Controlled entities are all entities (including structured entities) over which CFX is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Controlled entities are fully consolidated from the date on which control is transferred to CFX and, where applicable, deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of controlled entities, and the balances and effects of transactions between all controlled entities are eliminated in full.

The financial statements of controlled entities are prepared for the same reporting period as those of the parent entity, using consistent accounting policies.

ii. Associates

Associates are entities over which CFX Co has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Refer to note 6 for further details on associates.

Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. Under this method, the equity accounted investments in the statement of financial position are carried at cost plus post acquisition changes in CFX Co's share of the equity accounted investment's net assets, less any impairment in value. CFX Co's share of the equity accounted investment's net profit after income tax expense is recognised in the consolidated statement of comprehensive income. Dividends received from the equity accounted investments are recognised in the consolidated financial report as a reduction of the carrying amount of the investment.

The reporting dates of equity accounted investments are the same as those of CFX Co.

CFX

Notes to the financial statements

FOR THE PERIOD 4 DECEMBER 2013 TO 30 JUNE 2014

1. Summary of significant accounting policies (continued)

(c) Principles of consolidation (continued)

iii. Joint arrangements

Under AASB 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. CFX Co has joint operations.

Joint operations

CFX Co recognises its share of revenues, expenses, assets and liabilities in joint operations under the appropriate headings in the consolidated statement of financial position and statement of comprehensive income (rather than as a separate line item).

(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.

CFX Co determines and presents operating segments based on the information that is internally provided to CFX Co's chief operating decision makers (CODMs) and used in making strategic decisions. The CODMs have been determined as the Managing Director and Chief Executive Officer, Mr Angus McNaughton, the Deputy Chief Executive Officer and Chief Investment Officer, Mr Michael Gorman and the Head of Asset Management and Chief Operating Officer, Mr David Marcun.

(e) Revenue recognition

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

Asset and funds management revenue relates to income received for the management of CFX1 and externally-owned properties and fund management revenue derived from CFX1 wholesale property funds and property mandates. Asset and funds management revenue is recorded on an accrual basis.

Distribution and dividend revenue is recognised when CFX Co 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.

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.

(f) Expenditure

All expenses are recognised in the consolidated statement of comprehensive income on an accruals basis.

Borrowing costs incurred on interest bearing liabilities are explained in note 1(q).

(g) Income tax

Income tax expense/benefit for the period is the tax payable/receivable on the current year's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current and deferred tax is recognised through profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly through equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax assets and liabilities are recognised for all deductible temporary differences and unused tax assets and unused tax losses carried forward to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences and the carry-forward amount of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

(h) 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, an expense, or equity.

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included in the statement of financial position as receivable or payable.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority are presented as operating cash flows.

(i) Cash and cash equivalents

Cash and cash equivalents includes cash at bank and short-term money market deposits with maturities of three months or less that are readily converted to cash. Bank overdrafts are classified as interest bearing liabilities in the statement of financial position.

(j) Receivables

Trade debtors are initially recognised at fair value and subsequently measured at amortised cost, which, in the case of CFX Co, is the original invoice amount less a provision for any uncollected debts. Collectability of trade debtors is reviewed on an ongoing basis, and bad debts are written off when identified by reducing the amount of the receivable in the statement of financial position. A specific provision is made for any doubtful debts where objective evidence exists that CFX Co will not be able to collect the amounts due according to the original terms of the receivables.

Indicators that debts may be uncollectable include default in payment (more than 90 days overdue), significant financial difficulties of the debtor and the probability that the debtor will be

1. Summary of significant accounting policies (continued)

(j) Receivables (continued)

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 trade debtor for which a provision for doubtful debt had been recognised becomes uncollectable in a subsequent period, it is written off against the doubtful debt provision.

Subsequent recoveries of amounts previously written off are credited against the bad and doubtful debts expense in the statement of comprehensive income.

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.

(k) Intangible assets

Management rights

Management rights reflect the right to provide asset and fund management services in accordance with management agreements and are recognised as a result of a business combination. Management rights recognised as part of a business acquisition are recorded initially at their fair value at the date of acquisition and management rights with finite life are subsequently amortised on a straight-line basis depending on the timing of the projected cash flows under the management agreement. Management rights deemed to have an indefinite life, reflecting those management agreements without termination dates, are not subject to amortisation but balances are tested for impairment annually.

(l) Plant and equipment

Plant and equipment is carried at historical cost less depreciation and any impairment in value. Historical cost includes expenditure that is directly attributable to the asset's acquisition and preparation for its intended use. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits will flow to the Company.

Depreciation of plant and equipment is calculated using the straight-line method to allocate cost, net of residual value, over the expected useful life of the asset from the time the asset is ready for its intended use. The estimated useful life of the assets is as follows:

IT	3 years
Furniture, fixtures and fittings	1 to 10 years
Office equipment	1 to 10 years

An asset's residual value and useful life is reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down to its recoverable amount if its carrying amount exceeds its estimated recoverable amount.

(m) Financial assets and liabilities

CFX Co classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial liabilities are carried at amortised cost. Classification of financial assets and liabilities depends on the purpose for which the assets and liabilities were acquired.

CFX Co's classification is set out below:

FINANCIAL ASSET/LIABILITY	CLASSIFICATION	VALUATION BASIS	
Cash	Fair value through profit and loss	Fair value	Refer to note 1(i)
Receivables	Loans and receivables	Amortised cost	Refer to note 1(j)
Payables	Financial liability at amortised cost	Amortised cost	Refer to note 1(o)

Notes to the financial statements

FOR THE PERIOD 4 DECEMBER 2013 TO 30 JUNE 2014

1. Summary of significant accounting policies (continued)

(n) Impairment of assets

All non-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.

(o) Payables and other creditors

Payables and other creditors represent liabilities and accrued expenses owing by CFX Co at year end which are unpaid. The amounts are unsecured and usually paid within 30 days of recognition. Payables other than those related to employee benefits are recognised at amortised cost, and normal commercial terms and conditions apply to payables.

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

(p) Employee benefits

i. Short-term benefits

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service, are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

ii. Incentive plans

The Group recognises a liability and an expense for employee incentives. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation. Some employees are eligible to participate in short term and long term (deferred settlement basis) incentive plans. Short term and long term incentives are accrued in full in the year of performance. Those incentives settled on a deferred basis accrue interest at market rates.

iii. Retirement benefit obligations

Contributions to the defined contribution fund of the employees choice are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payment is available.

iv. Other long-term employee benefit obligations

The non-current portions of liabilities for long service leave, annual leave and other employee incentives, are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Where applicable, consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

(q) Interest bearing liabilities

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

Interest bearing liabilities are classified as current liabilities where the liability has been drawn under a financing facility which expires within one year or where there is not an unconditional right to defer settlement of the liability. Amounts drawn under financing facilities which expire after one year are classified as non-current.

i. 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 be ready for its intended purpose.

(r) Contributed equity

Stapled securities on issue are classified as equity and recognised at the value of the consideration received by CFX Co. Incremental costs directly attributable to the issue of new stapled securities are recognised in equity as a deduction, net of tax, from the proceeds. Where CFX Co reacquires its own issued stapled securities, the consideration paid, including any directly attributable transaction costs, is deducted from equity.

(s) Earnings per stapled security

Basic earnings per stapled security is calculated as net profit attributable to the Company's securityholders for the period divided by the weighted average number of the Company's securities on issue.

Diluted earnings per stapled security is calculated by adjusting the basic earnings per stapled security to take into account the weighted average number of additional ordinary stapled securities that would have been on issue assuming the conversion of all dilutive potential ordinary stapled securities.

(t) Business combinations

Business combinations are accounted for using the acquisition method of accounting. The acquisition method involves recognising at acquisition date, separately from goodwill, all identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree.

The consideration transferred in a business combination is measured at fair value and is calculated as the sum of the

1. Summary of significant accounting policies (continued)

(t) Business combinations (continued)

acquisition date fair values of all assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition related costs directly attributable to the business combination are expensed in the current period and recorded in the statement of comprehensive income.

Upon acquisition of a business, CFX Co assesses the financial assets and liabilities assumed to determine appropriate classification and designation in accordance with the contractual terms, economic conditions, CFX Co's operation or accounting policies and other pertinent conditions as at the acquisition date.

Refer to note 2 for the disclosures related to business combination transactions in the current year.

(u) Rounding of amounts

CFX Co is an entity of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission (ASIC). Accordingly, amounts in the financial report have been rounded to the nearest thousand dollars ($'000), unless stated otherwise.

(v) Critical accounting estimates and judgements

The preparation of the financial statements requires the Company to make judgements, estimates and assumptions that affect the amounts reported in the financial statements. The Company bases its judgements and estimates on historical experience and other various factors it considers to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the result of which form the basis of the carrying values of assets and liabilities. As a result, actual results could differ from those estimates.

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

i. Recognition of deferred tax assets

CFX Co has net deferred tax assets of $15,863,000 (refer to note 4). Based on forecasts, CFX Co considers it is probable it will earn sufficient taxable income to utilise these tax deductions in future periods. CFX Co has recognised net deferred tax assets on this basis.

ii. Impairment testing of intangibles

CFX Co tests whether intangibles with an indefinite life have suffered any impairment on an annual basis in accordance with the accounting policy in note 1(n). Determining whether intangibles are impaired requires an estimation of the fair value less costs to sell of the cash generating units (CGU) to which they have been allocated. The fair value less costs to sell calculations require an estimate of future cash flows expected to arise from each CGU and a suitable discount rate in order to calculate the net present value. Details of assumptions used are described in more detail in note 8.

2. Internalisation

CFX Co was established to enable the internalisation of the management of CFS Retail Property Trust 1 (CFX1). This was effected through the following transactions.

- On 17 December 2013, the newly formed entity CFX Co Limited (CFX Co) acquired 100% of the issued capital of Commonwealth Managed Investments Limited (CMIL). On 24 March 2014, CFX Co acquired 100% of the issued capital of the following entities, owned by the Commonwealth Bank of Australia (CBA), and each of their subsidiaries and entities:
    - Colonial First State Property Management Pty Limited
    - Commonwealth Property Pty Limited
    - Colonial First State Management Pty Limited, and
    - Colonial First State Property Management Trust.

  CFX Co paid $460 million ($452.3 million excluding a $7.7 million receivable for QV Retail management) to terminate funds management contracts for CFX1 and a number of wholesale property funds and mandates and an additional $15.5 million for the net tangible assets of CMIL and the asset management entities. CFX Co was funded by CFX1 making a capital distribution to its stapled securityholders which was reinvested in CFX Co, and by CFX1 making a loan to CFX Co;
- CFS Retail Property Trust 2 (CFX2) de-stapled from CFX1 and was acquired by CFX Co; and
- CFX Co stapled to CFX1.

(a) Business combination accounting – entities purchased from CBA

CFX Co acquired 100% of the issued capital of the following entities:

- Commonwealth Managed Investments Limited
- Colonial First State Property Management Pty Limited
- Commonwealth Property Pty Limited
- Colonial First State Management Pty Limited, and
- Colonial First State Property Management Trust.

Notes to the financial statements

FOR THE PERIOD 4 DECEMBER 2013 TO 30 JUNE 2014

2. Internalisation (continued)

(a) Business combination accounting – entities purchased from CBA (continued)

CMIL was purchased on 17 December 2013 with settlement deferred until 24 March 2014. The acquisitions of CMIL and the other entities have been accounted for as business combinations.

Details of the total purchase consideration, net assets acquired and goodwill relating to these business combinations are as follows:

	30 JUN 2014 $'000
Purchase consideration (refer to (c) below):	
Cash paid	475,479
Total purchase consideration for internalisation	**475,479**

The assets and liabilities recognised as a result of this acquisition are as follows:

	FAIR VALUE $'000
Cash	39,460
Trade and other receivables	100,271
Receivable for the loss of QV Retail management	7,700
Other assets	6,073
Property, plant and equipment	2,856
Deferred tax assets	15,862
Intangible assets: Management rights	440,167
Trade creditors and other payables	(93,813)
Provision for employee benefits	(45,185)
Other provisions	(1,006)
Net identifiable assets acquired	**472,385**
Goodwill written off	3,094
Net assets acquired	**475,479**

(b) Business combination accounting – acquisition of CFX2

The purchase consideration for the acquisition of CFX2 was shares in CFX Co. The net assets of CFX2 of $5,536,000 amounted to 0.18 cents per share issued by CFX Co to CFX2 unitholders on 24 March 2014 (refer to note 11).

The assets and liabilities recognised as a result of the CFX2 acquisition are as follows:

Cash	1,500
Trade and other receivables	175
Property, plant and equipment	4,221
Deferred tax assets	166
Trade creditors and other payables	(526)
Net assets acquired	**5,536**

(c) Purchase consideration – cash outflow

	30 JUN 2014 $'000
Total outflow of cash to acquire subsidiaries, net of cash acquired	
Cash consideration	475,479
Less: cash balances acquired (includes cash acquired in (a) and (b) above)	(40,960)
Outflow of cash – investing activities	**434,519**

(d) Internalisation costs

Internalisation costs of $4,384,000 are included in the statement of comprehensive income.

3. Segment information

CFX Co operates in one segment, being asset and funds management in Australia.

This operating segment has been determined based on internal reports provided to the Managing Director and Chief Executive Officer, Mr Angus McNaughton, the Deputy Chief Executive Officer and Chief Investment Officer, Mr Michael Gorman and the Head of Asset Management and Chief Operating Officer, Mr David Marcun being CFX's chief operating decision makers (CODMs).

CFX Co operates in Australia and all revenue is derived in Australia. CFS Retail Property Trust 1 (CFX1) contributes more than 10% of CFX Co's revenues. The total revenue contributed by CFX1 for the financial period ended 30 June 2014 was $35,173,000.

Prior to Internalisation, CMIL delegated its funds management function to entities external to the CFX Co Group. This is reflected in the Statement of Comprehensive Income as funds management fees expense of $16,852,000. Upon Internalisation, this function was carried out within the CFX Co Group.

The CODMs assess the performance of the operating segments based on profit from ordinary operations. Profit from ordinary operations is an earnings measure, calculated as net profit under Australian Accounting Standards, adjusted for fair value adjustments, certain unrealised and non-cash items, and other items that are non-recurring or capital in nature. A reconciliation of net profit to profit from ordinary operations is set out below.

	CONSOLIDATED FOR THE PERIOD 4 DEC 2013 TO 30 JUN 2014 $'000
Total revenue and other income	**56.246**
Statutory net loss for the period	**(2,291)**
Adjustments:	
• amortisation of management agreements, net of tax[1]	523
• goodwill written off[2]	3,094
Profit from ordinary operations	**1,326**

The material adjustments to statutory net loss to arrive at profit from ordinary operations for the financial period shown in the financial report are described below.

(1) Statutory net loss includes amortisation of intangible assets and a corresponding tax benefit. This amount has been excluded to better reflect profit from ordinary operations.
(2) The internalisation transaction resulted in CFX Co incurring a one-off expense being goodwill written off. This one-off cost has been excluded to better reflect profit from ordinary operations.

No assets or liabilities are allocated to the segment result.

4. Income tax

(a) Income tax benefit

Current income tax expense	(4,408)
Deferred income tax benefit	4,139
Income tax expense	**(269)**
Deferred income tax benefit included in income tax expense comprises:	
Increase in net deferred tax assets	4,139
Total deferred tax benefit	**4,139**

(b) Reconciliation between income tax expense and prima facie tax expense

Net loss before income tax expense	(2,022)
Prima facie income tax benefit at 30%	607
Tax effect of amounts not (deductible)/taxable in calculating income tax expense:	
Goodwill written off	(928)
Share of after tax profits from equity-accounted investments	80
Non-deductible expenses	(28)
Income tax expense	**(269)**

Notes to the financial statements

FOR THE PERIOD 4 DECEMBER 2013 TO 30 JUNE 2014

4. Income tax (continued)

(c) Net deferred tax recognised directly in equity

	CONSOLIDATED FOR THE PERIOD 4 DEC 2013 TO 30 JUN 2014 $'000
Stapled security issue costs	**104**

(d) Net deferred tax assets

	CONSOLIDATED 30 JUN 2014 $'000
Provisions	17,294
Plant and equipment	2,056
Tax losses	10,398
Termination of funds management contracts	58,608
Intangible assets	(72,576)
Net deferred tax assets recognised in income tax benefit	**15,780**
Stapled security issue costs	83
Net deferred tax assets recognised in equity	**83**
Total net deferred tax assets	**15,863**
Net deferred tax assets expected to be recovered within 12 months	18,128
Net deferred tax assets expected to be recovered after more than 12 months	(2,265)

Movement in temporary differences

The table below reconciles the movement in timing differences relating to net deferred tax assets.

	PROVISIONS $'000	INTANGIBLE ASSETS $'000	OTHER $'000	TERMINATION OF FUNDS MANAGEMENT CONTRACTS $'000	TAX LOSSES $'000	TOTAL $'000
Opening balance	–	–	–	–	–	–
Acquired through business combination	13,377	(72,800)	2,058	73,260	133	16,028
Business related costs[1]	–	–	–	(14,652)	14,652	–
Charged:						
• to profit	3,917	224	(2)	–	(4,408)	(269)
• directly to equity	–	–	83	–	21	104
At 30 June 2014	**17,294**	**(72,576)**	**2,139**	**58,608**	**10,398**	**15,863**

(1) CFX Co has net deferred tax assets of $15,863,000. Based on forecasts, CFX Co considers it is probable it will earn sufficient taxable income to utilise these tax deductions in future periods.

5. Receivables

	CONSOLIDATED 30 JUN 2014 $'000
Receivable from CBA for loss of QV management	7,700
Management fees receivable	12,613
Performance fees receivable[1]	19,112
Finance lease receivable	232
Other	25
Total current receivables	**39,682**
Finance lease receivable	3,284
Total non-current receivables	**3,284**

(1) Performance fees receivable were included in assets acquired in the internalisation transaction.

6. Equity accounted investments

CFX Co holds ordinary shares and redeemable property preference shares in an unlisted company, CFSP Asset Management Pty Ltd (CFSPAM) through its wholly owned entities, CFS Retail Property Trust 2 (CFX2) and CFX Funds Management Pty Limited (CFXFM).

CFX Co was deemed to attain significant influence over CFSPAM from 24 March 2014 when its wholly-owned entity CFXFM acquired three ordinary shares of the 8 ordinary shares on issue. CFX Co therefore equity-accounts its investment in CFSPAM from this date.

CFX Co's share of its equity accounted investment's financial information is:

CFSP Asset Management Pty Ltd

Carrying amount	689
Profit	270
Other comprehensive income	–
Total comprehensive income	**270**

CFX Co's share of its equity accounted investment's capital expenditure commitments and contingencies at reporting date are nil.

7. Plant and equipment

Plant and equipment at cost	7,453
Less: accumulated depreciation	(346)
Carrying value of plant and equipment	**7,107**

A reconciliation of the carrying amount of plant and equipment at the beginning and end of the period is as follows:

	CONSOLIDATED FOR THE PERIOD 4 DEC 2013 TO 30 JUN 2014 $'000
Opening balance	–
Additions from business combinations	7,077
Additions	376
Depreciation	(346)
Total carrying amount	**7,107**

CFX

Notes to the financial statements

FOR THE PERIOD 4 DECEMBER 2013 TO 30 JUNE 2014

8. Intangible assets

FOR THE PERIOD 4 DEC 2013 TO 30 JUN 2014	FINITE LIFE MANAGEMENT RIGHTS $'000	INDEFINITE LIFE MANAGEMENT RIGHTS $'000	CONSOLIDATED TOTAL $'000
Opening carrying value	–	–	–
Acquisition of business	13,013	427,154	440,167
Amortisation charge	(746)	–	(746)
Carrying value	**12,267**	**427,154**	**439,421**

(a) Management rights

The management rights, which reflect the right to provide asset and fund management services in accordance with the management agreements, are recognised as a result of a business combination (see note 2 for details). They are recognised at their fair value at the date of internalisation and certain management rights considered to have a finite life are subsequently amortised on a straight-line basis depending on the timing of the projected cash flows under the management agreements. Finite intangibles are determined based on termination dates reflected in the management agreements. For management rights where the estimated useful life is considered indefinite, reflecting those management agreements without termination dates, balances are impairment tested on an annual basis.

The recoverable amount of indefinite life intangibles at 30 June 2014 is determined based on fair value less costs to sell. This has been determined using discounted cash flow valuations of the asset and funds management businesses. These are based on the following key assumptions:

Cash flows are based on forecast future EBIT for management fees for the 4 year period to 30 June 2018. Cash flows were discounted using post-tax discount rates of 9.0% to 13.5% and growth rates of 1.5% to 3.5%. Discount rates have been determined with reference to a peer group covering the real property and funds management industry and on similar quality, long term property management agreements.

Sensitivities to discount rates have been tested and CFX have determined that reasonably possible changes in assumptions may result in the carrying amount being in excess of the recoverable amount. For example, if discount rates were to be increased by 25bps to 50bps, the value of indefinite life intangibles would be reduced by $22,794,000.

(b) Amortisation methods and useful lives

The Group amortises intangible assets with a finite life using the straight-line method over periods ranging from 2.5 to 6.25 years.

See note 1(k) for the other accounting policies relevant to intangible assets, and note 1(n) for CFX Co's policy regarding impairment.

9. Payables

	CONSOLIDATED 30 JUN 2014 $'000
Current	
Employee entitlements	6,909
Trade creditors	9,746
Performance fees payable	19,112
Alignment fees payable	7,568
Other	2,399
Total payables	**45,734**

10. Provisions

	CONSOLIDATED 30 JUN 2014 $'000
Current provisions	
Employee entitlements	35,707
Provision for workers compensation	132
Total current provisions	**35,839**
Non-current provisions	
Employee entitlements	15,882
Provision for workers compensation	454
Other	420
Total non-current provisions	**16,756**
Reconciliation of provisions	
Carrying amount at the beginning of the financial year	–
Acquired through business combination	46,191
Additional provision recognised	11,353
Amounts used during the year	(4,949)
Carrying amounts at the end of the period	**52,595**

CFX

Notes to the financial statements

FOR THE PERIOD 4 DECEMBER 2013 TO 30 JUNE 2014

11. Contributed equity

	NUMBER OF STAPLED SECURITIES 30 JUN 2014 '000	CONSOLIDATED 30 JUN 2014 $'000
Opening balance	–	–
Issue of stapled securities	3,018,051	224,344
Costs for issue of stapled securities	–	(347)
Deferred tax asset related to issue costs	–	104
Total contributed equity	**3,018,051**	**224,101**

(a) Issue of securities

On 7 March 2014, the unitholders of CFX1 approved the stapling of CFX1 units to shares in CFX Co Limited to restructure the CFS Retail Property Trust Group (CFX). CFX stapled securityholders were issued one share in CFX Co Limited for every CFX stapled security held as at the record date of 24 March 2014. The issue price for the 3,018,050,810 shares issued was satisfied by a capital distribution to CFX1 unitholders of $218,808,684, reinvested in CFX Co, and the transfer of the share capital of CFX2 to CFX Co, amounting to $5,535,508.

(b) Rights and restrictions over securities

Each stapled security ranks equally with all other stapled securities for the purpose of distributions and on termination of the Company.

12. Related parties

(a) Key Management Personnel remuneration

Prior to 24 March 2014, Key Management Personnel were not remunerated directly by CFX Co. Non-executive and executive directors were either remunerated by the Responsible Entity or were employed as executives of the Commonwealth Bank of Australia (CBA). Other Key Management Personnel were also employed and paid by CBA. Consequently, no compensation as defined in AASB 124 Related Parties was paid by CFX Co to its Key Management Personnel, prior to the completion of the internalisation transaction on 24 March 2014.

The amounts below represent the total remuneration paid by CFX Co to its Key Management Personnel. Detailed remuneration disclosures are provided in the Remuneration Report in the Director's Report.

	CONSOLIDATED 30 JUN 2014 $'000
Short term employment benefits	1,796
Post–employment benefits	47
Total key management personnel compensation	**1,843**

(b) Corporate structure

From 4 December 2013 to 23 March 2014, CFX Co was a wholly-owned subsidiary of CBA (refer note 2). CBA was therefore a related party of CFX Co for this period. On 24 March 2014, CFX Co was sold by CBA, re-capitalised and listed on the Australian Securities Exchange (ASX). The shares in CFX Co are stapled to units in CFX1 and trade as one stapled security. Commonwealth Managed Investments Limited (CMIL), the Responsible Entity of CFX1, is a wholly-owned subsidiary of CFX Co. The Directors and other Key Management Personnel of CFX Co are the same as those for CFX1. CFX Co and CFX1 are therefore related parties.

12. Related parties (continued)

(b) Corporate structure (continued)

Wholly-owned entities

CFX Co's principal wholly-owned entities at 30 June 2014 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares and units that are held directly by CFX Co, and the proportion of interests held equals the voting rights held by CFX Co. The country of incorporation or registration is also their principal place of business, being Australia. All principal wholly-owned entities are 100% owned by CFX Co.

- Colonial First State Property Management Trust (CFSPMT)
- Colonial First State Property Management Pty Limited (CFSPMPL)
- Colonial First State Management Pty Limited (CFSMPL)
- CFS Retail Property Trust 2 (CFX2)
- CFX Funds Management Pty Limited (CFXFM)
- Commonwealth Managed Investments Limited (CMIL)
- Commonwealth Property Pty Limited (CPPL)

Responsible Entity

CMIL is the Responsible Entity/Trustee of the following funds:

- CFS Retail Property Trust 1 (CFX1)
- Direct Property Investment Fund – A (DPIF-A)
- Direct Property Investment Fund – B (DPIF-B)
- Diversified Property Pool (DPP)
- CFSGAM Enhanced Retail Fund (CERF)
- International Private Equity Real Estate Fund (IPERE)
- Australian Investment Trust (AIT)
- Commonwealth International Real Estate Trust (CIRET)

Therefore, these funds are related parties of CFX Co.

(c) Related party transactions

i. Related party stapled security holdings

Directors, employees and associates of the Company may hold investments in CFX. Such investments are purchased on normal commercial terms and are at arm's length. The number of stapled securities held by Directors of CFX Co (including entities controlled, jointly controlled or significantly influenced by them) are as follows:

	NUMBER OF FULLY PAID STAPLED SECURITIES 30 JUN 2014
Cenarth Pty Ltd as trustee for The Cenarth Trust[1]	16,706,570
Jadeglen Investments Pty Ltd[1]	187,500

(1) Dr D Thurin, who was appointed as Director of CFX Co from 23 April 2014, has control over the stapled securities registered in the name of Cenarth Pty Ltd as trustee for The Cenarth Trust and is also a director, the company secretary and a shareholder of Jadeglen Investments Pty Ltd.

ii. Related party transactions with CBA

During the year, CFX Co had cash deposited in bank accounts operated by CBA. Interest received during the period 4 December 2013 to 23 March 2014 in relation to these accounts amounted to $159,000. These accounts were provided on normal commercial terms and conditions.

iii. Asset management fee revenue

Colonial First State Property Management Trust (CFSPMT), a wholly-owned entity of CFX Co, derives revenue from its management of retail assets owned by the related parties listed in note 12 (b). Total asset management fee revenue received from these funds for the period 24 March 2014 to 30 June 2014 was $15,558,000. There is no amount receivable at reporting date.

iv. Funds management fee revenue

CFX Co, through its wholly owned entities, is the Manager/Investment Manager of the related party entities listed in note 12(b) under Responsible Entity. CFX Co derives revenue from the management of these entities. Total funds management revenue earned from these funds for the period 4 December 2013 to 30 June 2014 was $24,562,000. The amount receivable at reporting date is $11,755,000.

v. Rent and outgoings paid

CFX Co pays rent to CFX1 as a tenant of CFX1. Rent and outgoings paid to CFX1 during the period 24 March 2014 to 30 June 2014 amounted to $1,533,000. There was no doubtful debt expense recognised from rents due to CFX1. All leases were based on normal commercial terms and conditions.

Notes to the financial statements

FOR THE PERIOD 4 DECEMBER 2013 TO 30 JUNE 2014

12. Related parties (continued)

(c) Related party transactions (continued)

vi. Loan with CFX1

The establishment of CFX Co was partially funded by CFX1 making a loan to CFX Co of $259,671,000. Interest paid and repayment of the original loan by CFX Co to CFX1 for the period 24 March 2014 to 30 June 2014 on the loan was $4,549,000 and $20,000,000 respectively. As at 30 June 2014 the loan has a carrying value of $239,671,000 and interest payable to CFX1 related to the loan is nil.

This loan has been made on an arms-length basis. The interest rate on the loan for the period to 30 June 2014 was 6.555%. The loan balance is unsecured and is repayable in cash. CFX1 has provided a letter of comfort that it will (subject to certain conditions) support the operations of CFX Co by providing financial support to ensure the debts of CFX Co can be met when due and payable. This arrangement is in place for the period to 31 August 2015 at which date it will be reviewed.

vii. Investments in unlisted companies

As part of the internalisation transaction, CFX Co acquired ordinary shares and redeemable property preference shares in an unlisted company, CFSP Asset Management Pty Ltd (CFSPAM) through its wholly-owned entities, CFS Retail Property Trust 2 (CFX2) and CFX Funds Management Pty Limited (CFXFM). CFXFM acquired 3 ordinary shares from CBA for $3. CFX2 paid CFX1 $419,322 to acquire one ordinary voting share and 12 property preference shares. These transactions were on normal commercial terms. For the period 24 March 2014 to 30 June 2014, no dividends were paid or declared by CFSPAM. CFX1 and unlisted property trusts, for which CMIL is the Responsible Entity, also hold an investment in CFSPAM.

CFX Co holds units in Australian Investments Trust (AIT). CFX Funds Management Limited, a wholly-owned entity of CFX Co, is the manager of this trust. No distributions were received from AIT for the period.

viii. Alignment fee expense

Colonial First State Property Management Trust (CFSPMT), a wholly-owned entity of CFX Co, derives revenue from its management of retail assets. A number of property funds, for which CMIL is the Responsible Entity, are entitled to an alignment fee, being a share of their assets' contribution (as a percentage of those participating) towards CFSPMT's distributable income. Total alignment fee expense paid to these funds for the period 24 March 2014 to 30 June 2014 was $3,427,000. The amount payable at reporting date is $7,568,000 which includes amounts payable acquired from CBA as part of the internalisation transaction.

13. Notes to the statement of cash flows

Reconciliation of net profit for the period to net cash from operating activities:

	CONSOLIDATED FOR THE PERIOD 4 DEC 2013 TO 30 JUN 2014 $'000
Net loss for the period	(2,291)
Decrease in receivables and other assets[1]	67,499
Decrease in trade creditors and other payables[1]	(44,459)
Depreciation and amortisation	1,092
Goodwill written off	3,094
Share of net profit from equity accounted investments	(270)
Net cash from operating activities	**24,665**

(1) Adjusted for balances acquired through the internalisation transaction (see note 2).

(a) Reconciliation of cash

Cash and cash equivalents at reporting date comprises cash at bank.

(b) Non-cash financing and investing activities

Acquisition of CFX2	5,536
Total non-cash financing and investing activities	**5,536**

14. Earnings per security

Refer to note 1(s) for details regarding the calculation of basic and diluted earnings per security.

Summary of earnings per security

	CONSOLIDATED FOR THE PERIOD 4 DEC 2013 TO 30 JUN 2014
Basic earnings in cents per security of CFX Co	(0.08)
Diluted earnings in cents per security of CFX Co	(0.07)

(a) Reconciliation of earnings used in calculating basic and diluted earnings per security of CFX Co

	CONSOLIDATED 30 JUN 2014 $'000
Earnings used in calculating basic and diluted earnings per security of CFX Co	(2,291)
	(2,291)

(b) Weighted average number of stapled securities

	NUMBER OF SECURITIES '000 30 JUN 2014
Weighted average number of securities of CFX Co used as the denominator in calculating basic earnings per security	3,018,051
Adjustment for potential dilution from convertible notes[1]	159,599
Weighted average number of securities and potential securities used as the denominator in calculating the diluted earnings per security	**3,177,650**

(1) The number of securities to be issued upon conversion is calculated based on the assumption that $92,269,000 of convertible notes issued on 21 August 2007 will be converted into securities at the price of $2.6668, and $300,000,000 of convertible notes issued on 4 July 2012 will be converted into securities at the price of $2.40. Due to the stapling of CFX Co and CFX1 securities on 24 March 2014, CFX Co stapled securities will be issued on a one-for-one basis.

15. Auditor's remuneration

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

	CONSOLIDATED 30 JUN 2014 $'000
Audit services	
Statutory audit of financial report	468
Regulatory required audits	43
Other assurance services	201
Non audit services	142
Total auditor's remuneration	**854**

16. Capital and financial risk management

CFX Co's overall risk management focuses on ensuring compliance with its Constitution, the capital requirements of CMIL's Australian Financial Services License (AFSL) and other regulatory requirements.

(a) Financial risk management

CFX Co manages its capital requirements to ensure entities within the Group will be able to continue to operate as a going concern while maximising the return to owners through the optimisation of the debt and equity balance.

The financial risks arising from the CFX Co's activities are credit risk, liquidity risk and interest rate risk. The Group uses different risk management methods to measure exposure to these risks.

CFX1 has provided a letter of comfort to CFX Co that it will (subject to certain conditions) support the operations of CFX Co by providing financial support to ensure the debts of CFX Co can be met when due and payable. This arrangement is in place for the period to 31 August 2015 at which date it will be reviewed.

CFX

Notes to the financial statements

FOR THE PERIOD 4 DECEMBER 2013 TO 30 JUNE 2014

CMIL, the Responsible Entity for CFX1 and a number of Wholesale Funds managed by CFX Co, has been issued with an AFSL. The license is subject to CMIL meeting certain capital requirements including the requirement to hold minimum net tangible assets and to maintain a prescribed level of cash. CMIL is also required to demonstrate it will have access to sufficient funding to meet liabilities that are expected to be payable over the next 12 months. Cash projections are approved by the CMIL Board on a quarterly basis, as a minimum.

(b) Credit risk

Credit risk represents the financial loss that would be recognised if counterparties failed to perform as contracted. The maximum exposure to credit risk at 30 June 2014 is the carrying amount of financial assets recognised in the statement of financial position.

In accordance with property management agreements, CFX Co pays rent received from the properties it manages to the property owners, net of asset management fees. As a result, CFX Co has limited exposure to credit risk with respect to asset management fees.

CFX Co's funds management fees and performance fees are calculated in accordance with the funds' constitutions subsequent to the relevant fee period. Receivables with respect to these fees have not been billed as at 30 June 2014 and as such, are considered neither past due, nor impaired.

(c) Liquidity risk

Liquidity risk refers to the risk that CFX Co will not have sufficient funds to settle transactions when due. CFX Co manages liquidity risk by:

- Continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities at a Group and wholly-owned entity level
- Actively managing its loan with CFX1 (noted below) and
- Raising funds through the issue of new securities, if required.

Maturities of financial liabilities

As at reporting date, CFX Co has a $239,671,000 loan with CFX1. While the loan expiry date is 24 March 2024, the loan is classified as a current liability, as CFX Co does not have an unconditional right to defer settlement of the loan if called by CFX1. As noted in note 16(a), CFX1 has provided a letter of comfort to CFX Co that it will (subject to certain conditions) support the operations of CFX Co by providing financial support to ensure the debts of CFX Co can be met when due and payable.

The following table shows CFX Co's financial liabilities in relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows including interest payments for the remaining period of the contract. The drawn amount of the loan from CFX1 is assumed to be paid at the expiry date of the loan agreement, being 24 March 2024. Interest is payable quarterly.

Maturities of financial liabilities

AS AT 30 JUNE 2014	1 YEAR OR LESS $'000	1 TO 2 YEARS $'000	2 TO 5 YEARS $'000	OVER 5 YEARS $'000	TOTAL CONTRACTUAL CASH FLOWS $'000	CARRYING AMOUNT[1] $'000
Non-interest bearing						
Payables	45,734	–	–	–	45,734	45,734
Provisions	35,839	16,756	–	–	52,595	52,595
Variable rate						
Loan with CFX1	15,591	15,591	46,772	313,139	391,093	239,671
Total financial liabilities	**97,164**	**32,347**	**46,772**	**313,139**	**489,422**	**338,000**

Future funding obligations will be met either by utilising cash on hand, by drawing on the loan with CFX1 or by issuing new securities.

(d) Interest rate risk

Interest rate risk is the risk that earnings are adversely affected by changes in market interest rates. CFX Co's exposure to market risk for changes in interest rates relates to debt obligations to CFX1. CFX1 has provided a letter of comfort that it will support the operations of CFX Co (refer to note 16(a)).

Interest rate risk sensitivity

The following table summarises the impact on CFX Co's profit and equity of a reasonably possible upwards or downwards movement in interest rate risk, 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. 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 interest rate risk.

Interest rate risk represents the effect of a change in interest rates applied to the interest rate risk exposures at reporting date. 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. A change in interest rates of up to 100 basis points (1%) is considered to be reasonably possible in the current economic environment.

16. Capital and financial risk management (continued)

(d) Interest rate risk (continued)

	IMPACT ON PROFIT	
	INCREASE +100BPS $'000	(DECREASE) -100BPS $'000
30 Jun 2014		
Cash and cash equivalents	474	(474)
Borrowings	2,397	(2,397)
	2,871	**(2,871)**

(e) Fair value of financial assets and liabilities

The fair value of financial assets and liabilities included in the statement of financial position approximates their carrying value. They are considered level 2 in the fair value hierarchy and are calculated as the present value of the estimated future cash flows based upon quoted market inputs.

17. Commitments

(a) Capital commitments

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

	CONSOLIDATED 30 JUN 2014 $'000
Not later than one year	19
Later than one year and not later than five years	–
Total capital commitments	**19**

(b) 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	747
Later than one year and not later than five years	6,208
Later than five years	1,864
Total operating lease commitments	**8,819**

18. Contingent assets and liabilities

As at reporting date, CFX Co has no contingent assets and liabilities.

Notes to the financial statements

FOR THE PERIOD 4 DECEMBER 2013 TO 30 JUNE 2014

19. Parent entity financial information

(a) Summary information

The individual financial statements for CFX Co Limited (the parent entity) show the following aggregate amounts:

	30 JUN 2014 $'000
Statement of financial position	
Current assets	18,779
Total assets	**493,706**
Current liabilities	274,084
Total liabilities	**274,084**
Equity	
Contributed equity	224,101
Undistributed reserves	(4,479)
Total equity	**219,622**
Net loss for the period	**(4,479)**
Total comprehensive income	**(4,479)**

(b) Commitments of the parent entity

The parent entity has no commitments at reporting date.

(c) Contingent liabilities of the parent entity

The parent entity has no contingent liabilities at reporting date.

20. Net tangible asset backing per stapled security

	CONSOLIDATED 30 JUN 2014
Net tangible assets ($'000)	(217,611)
Net tangible asset backing per stapled security ($)	(0.07)

Net tangible asset backing per stapled security is calculated by dividing net assets less intangible assets by the number of stapled securities on issue. The number of stapled securities used in the calculation can be found at note 11.

21. Events occurring after the reporting date

On 25 July 2014, Mr Peter Hay was appointed as an Independent Non-executive Director to the Boards of CMIL and CFX Co. Mr Hay owns 10,000 CFX stapled securities.

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

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

CFX

Directors' declaration

In accordance with a resolution of the Directors of CFX Co Limited (CFX Co) we declare that:

(a) in the opinion of the Directors, the financial statements and notes set out on pages 22 to 44 are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of CFX Co and its controlled entities' financial position as at 30 June 2014 and of the performance for the financial year ended on that date, and

   (ii) complying with Australian Accounting Standards, the Corporations Regulations 2001 and the Trust Constitution, and

(b) in the opinion of the Directors, there are reasonable grounds to believe that CFX Co and its controlled entities will be able to pay their debts as and when they become due and payable, and

(c) the Directors have been given the Declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2014.

Note 1(b) 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 CFX Co Limited.

R M Haddock AM
Chairman

Melbourne
21 August 2014

Independent auditor's report to the members of CFX Co Limited

Report on the financial report

We have audited the accompanying financial report of CFX Co Limited (the company), which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period 4 December 2013 to 30 June 2014, a summary of significant accounting policies, other explanatory notes and the directors' declaration for CFX Co Limited group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the period end or from time to time during the financial period.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

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pwc

Auditor's opinion

In our opinion:

(a) the financial report of CFX Co Limited 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 2014 and of its performance for the period ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

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

Report on the Remuneration Report

We have audited the remuneration report included in pages 7 to 20 of the directors' report for the period ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of CFX Co Limited for the period ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

TJO Peel

TJO Peel
Partner

Melbourne
21 August 2014