

Investments

Bricks & Mortar Fund

Annual Financial Report 2008



Dear Investor

Annual Financial Report

We are pleased to present the reports for the financial year ended 30 June 2008 for the Colonial First State Bricks & Mortar Fund.

This statement is the final component of the reporting information for the 2007–2008 financial year.

If you have any questions about the Annual Financial Report please call Investor Services on **13 13 36** Monday to Friday, 8am to 7pm, Sydney time.

Yours sincerely,

A handwritten signature in blue ink that reads "Brian Bissaker". The signature is written in a cursive, flowing style.

Brian Bissaker

Chief Executive Officer

COLONIAL FIRST STATE BRICKS & MORTAR FUND

ARSN 092 184 168

ABN 64 357 320 505

**FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2008**

Responsible Entity of the Fund:

**COLONIAL FIRST STATE
INVESTMENTS LIMITED
ABN 98 002 348 352**

Level 29, 52 Martin Place
SYDNEY NSW 2000

COLONIAL FIRST STATE BRICKS & MORTAR FUND

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COLONIAL FIRST STATE BRICKS & MORTAR FUND

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2008

The Directors of Colonial First State Investments Limited, the Responsible Entity of the Colonial First State Bricks & Mortar Fund ("the Fund"), present their report together with the financial report of the Fund for the year ended 30 June 2008.

Change of Auditors

Ernst & Young resigned as auditors and PricewaterhouseCoopers were appointed as auditors of the Fund on 30 November 2007.

Principal Activity

The Fund was closed to further applications from new members on 31 December 1999. Notwithstanding, Colonial First State Bricks & Mortar Fund continues to invest in fixed interest investments being predominantly first registered mortgages over properties located in major Australian cities, providing diversification through security type as well as geographical location. The Fund seeks to source new loans as required to enable maximum possible mortgage investment whilst maintaining an acceptable level of liquidity to meet redemptions.

In respect of any new lending, the Responsible Entity focuses on the sourcing of direct retail, commercial, industrial and residential mortgages. While seeking to protect capital, the Responsible Entity's methods of asset selection also provide for more stable income returns.

The Responsible Entity's current investment policy is to lend up to 70% of property valuation.

No single mortgage investment exceeds 10% of the Fund. It is the current policy of the Responsible Entity not to include construction or specialised property loans in the portfolio.

Date of Constitution and Registration of the Fund

The date of the Constitution and registration of the Fund with the Australian Securities & Investments Commission (ASIC) was 31 March 2000.

Review of Operations

Unit Price

Units in the Fund are valued at \$1.00 and interest is calculated and accrued daily.

Income

The monthly distributions and income rates for the Fund for the years ended 30 June 2008 and 30 June 2007 are disclosed in Note 4 to the financial statement.

Management Costs and Indirect Cost Ratio (ICR)

The Indirect Cost Ratio is the ratio of the Fund's management costs over the Fund's average net assets attributable for the year, expressed as a percentage.

Management cost include management fees and other expenses or reimbursements deducted in relation to the Fund, but do not include transactional and operational costs such as brokerage. Management costs are not paid directly by the unitholders of the Fund.

The ICR of the Fund for the year ended 30 June 2008 is 1.20% (30 June 2007 was 1.20%).

COLONIAL FIRST STATE BRICKS & MORTAR FUND

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2008

Review of Operations (continued)

Performance

The income level paid to investors after fees during the year was 5.76% compared with 5.11% for the prior year.

Responsible Entity and Directors

The Responsible Entity of the Fund is Colonial First State Investments Limited. The ultimate holding company is the Commonwealth Bank of Australia (ABN 48 123 123 124).

The Directors of the Responsible Entity in office during the year and up to the date of the report are:

Grahame Petersen	
Michael John Venter	
Brian Vincent Bissaker	
Paul Rayson	
Peter Robert Winney	
John Robert Dempsey	Resigned 15 January 2008
Bradley Brian Massey	Appointed 21 February 2008

The Responsible Entity is incorporated and domiciled in Australia and has its registered office at Level 29, 52 Martin Place, Sydney, New South Wales, 2000.

Scheme Information

The Fund is a registered managed investment scheme domiciled in Australia and has its principal place of business at Level 29, 52 Martin Place, Sydney, New South Wales, 2000.

Significant Changes in the State of Affairs

There was no significant change in the nature of the Fund's activities during the year.

Matters Subsequent to the End of the Financial Year

No matters or circumstances have arisen since 30 June 2008 that have significantly affected, or may significantly affect:

- (i) the operations of the Fund in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the Fund in future financial years.

Likely Developments and Expected Results of Operations

The Fund will continue to pursue its current investment strategy in accordance with the objectives set out in the Fund's Constitution and investment policy.

At the time of preparing this report the Responsible Entity is not aware of any likely developments which would impact upon the future operations of the Fund.

COLONIAL FIRST STATE BRICKS & MORTAR FUND

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2008

Indemnification and Insurance Premiums for Officers and auditors

No insurance premiums are paid for out of the assets of the Fund in relation to insurance cover provided to Colonial First State Investments Limited or the auditors of the Fund. So long as the officers of Colonial First State Investments Limited act in accordance with the Constitution and the Corporations Act 2001, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund. The auditors of the Fund are in no way indemnified out of the assets of the Fund.

The Commonwealth Bank of Australia has paid insurance premiums for the benefit of the officers of the Responsible Entity and the compliance committee members. Details of the nature of the liabilities covered or the amount of the premium paid have not been included as such disclosure is prohibited under the terms of the insurance contracts.

Fees Paid to and Interest Held in the Fund by the Responsible Entity or its Associates

Fees paid to the Responsible Entity and its associates out of the Fund's assets during the year are disclosed in Note 8 (c) to the financial statements.

No fees were paid to the Directors of the Responsible Entity during the year out of the Fund's assets.

There are no interests in the Fund held by the Responsible Entity or its associates at the end of the financial year.

Interests in the Fund

The units issued and redeemed in the Fund during the year and the number of units on issue at the end of the financial year are set out in Note 6 (a) to the financial statements. The value of the Fund's investments at the end of the financial year is set out in the Balance Sheet.

Environmental Regulations

The operations of the Fund are not subject to any particular environmental regulations under Commonwealth, State or Territory law. There have been no known significant breaches of any other environmental requirements applicable to the Fund.

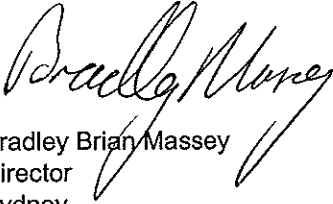
Rounding of amounts to the nearest thousand dollars

The Fund is a registered scheme of a kind referred to in Class Order 98/0100 (as amended) issued by the Australian Securities & Investments Commission relating to the "rounding off" of amounts in the Directors' Report and the Financial Report. Amounts in the Directors' Report and the Financial Report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

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 4.

Signed in accordance with a resolution of the Directors of Colonial First State Investments Limited.


Bradley Brian Massey
Director
Sydney
29 August 2008

Auditor's independence declaration

As lead auditor for the audit of Colonial First State Bricks and Mortar Fund for the year ended 30 June 2008, 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 Colonial First State Bricks and Mortar Fund during the year.



AJ Wilson
Partner
PricewaterhouseCoopers

Sydney
2 September 2008

COLONIAL FIRST STATE BRICKS & MORTAR FUND

**INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008**

	Notes	1/7/2007 - 30/06/2008 \$'000	1/7/2006 - 30/06/2007 \$'000
Investment income			
Interest income	3(a)	10,056	10,772
Other income	3(b)	11	10
Total investment income		10,067	10,782
Expenses			
Responsible Entity's management fees	8(c)	1,513	1,852
Other expenses	3(c)	201	158
Total operating expenses		1,714	2,010
Operating profit attributable to unitholders			
		8,353	8,772
Distributions to unitholders	4	(7,150)	(7,970)
Under distribution of income	1(l)	1,142	(802)
Increase in net assets attributable to unitholders from operations	6(a) 1(l)	(1,203)	(802)
Profit/(Loss) for the year		1,142	(802)

The above Income Statement should be read in conjunction with the accompanying notes.

COLONIAL FIRST STATE BRICKS & MORTAR FUND

**BALANCE SHEET
AS AT 30 JUNE 2008**

Assets	Notes	30/06/2008 \$'000	30/06/2007 \$'000
Cash and cash equivalents		2,049	2,407
Trade and other receivables:			
- interests		30	15
- others		117	151
Financial assets held for trading	5	40,710	41,724
Mortgages		76,214	96,295
Total assets		119,120	140,592
Liabilities			
Trade and other payables:			
- redemptions		71	78
- others		97	31
Distribution payable		435	405
Fees due to Responsible Entity		123	150
Total liabilities (excluding net assets attributable to unitholders)		726	664
Net assets attributable to unitholders - liability	6(a)	118,394	139,928
Represented by:			
Fair value of outstanding units based on redemption value		117,310	139,986
Under/(over) distribution of income	1(l)	1,084	(58)
Net assets attributable to unitholders		118,394	139,928

The above Balance Sheet should be read in conjunction with the accompanying notes.

COLONIAL FIRST STATE BRICKS & MORTAR FUND

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008**

	1/7/2007 - 30/06/2008 \$'000	1/7/2006 - 30/06/2007 \$'000
Total equity at the beginning of the financial year	-	-
Profit or loss for the year	-	-
Net income/(expense) recognised directly in equity		
Total recognised income and expenses for the year	-	-
Transactions with equity holders in their capacity as equity holders	-	-
Total equity at the end of the financial year	-	-

Under AIRFS, net assets attributable to unitholders are classified as a liability rather than equity. As a result there was no equity at the start or end of the year.

The above Statement of Changes in Equity should be read in conjunction with Note 6(a).

COLONIAL FIRST STATE BRICKS & MORTAR FUND

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008**

	Note	1/7/2007 - 30/06/2008 \$'000	1/7/2006 - 30/06/2007 \$'000
Cash flows from operating activities			
Proceeds from sale of financial instruments held for trading		160,306	606,423
Payments for purchase of financial instruments held for trading		(159,016)	(552,214)
Net repayment or payment of mortgages		20,023	(23,629)
Interest received		9,888	10,645
Other income received		11	10
Responsible Entity fee paid		(1,506)	(1,912)
Other expenses paid		(201)	(168)
Net cash from operating activities	7(a)	29,505	39,155
Cash flows from financing activities			
Receipts from issue of units		581	272
Payment for redemption of units		(25,911)	(34,765)
Distributions paid		(4,533)	(5,127)
Net cash used in financing activities		(29,863)	(39,620)
Net movement in cash and cash equivalents		(358)	(465)
Add opening cash and cash equivalents brought forward		2,407	2,872
Closing cash and cash equivalents carried forward		2,049	2,407

See Note 7(b) for non-cash financing activities.

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

COLONIAL FIRST STATE BRICKS & MORTAR FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the Fund's Constitution and the requirements of the Corporations Act 2001, which includes Accounting Standards. Other mandatory professional reporting requirements have also been complied with.

The financial report is prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The Balance Sheet is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be settled within twelve months unless otherwise stated. The amounts expected to be recovered or settled after more than twelve months in relation to these balances cannot be reliably determined, except as otherwise stated.

The financial report was authorised for issue by the Directors of the Responsible Entity on 29 August 2008.

Both the functional and presentation currency of the Fund is Australian dollars.

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

(c) Investments in Financial Assets and Liabilities Held for Trading

Classification

The Fund's investments are classified as held for trading and initially recognised at fair value not including transaction costs, which are expensed in the income statement.

Recognition/Derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

The derecognition of a financial instrument takes place when the Fund no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

Measurement

After initial recognition, the financial assets held for trading are revalued to fair value at each reporting date.

For financial assets held for trading that are actively traded in organised financial markets, fair value is determined by reference to Exchange quoted market bid prices at the close of business on the balance date.

Gains or losses on investments held for trading are recognised in the Income Statement. Investments of the Fund which are considered to be held for trading are money market securities and fixed interest securities.

COLONIAL FIRST STATE BRICKS & MORTAR FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Mortgages

All mortgages are classified as loan and receivables and are initially recognised at cost, being the fair value of the consideration issued.

After initial recognition, mortgages are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the Income Statement when the assets are derecognised as well as through the amortisation process.

(e) Investment Income

Income is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the income can be reliably measured. The following specific recognition criteria must also be met before income is recognised:

Interest income

Income is recognised as the interest accrues (using the effective interest rate method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(f) Cash and Cash Equivalents

Cash and cash equivalents in the Balance Sheet comprise cash at bank, deposits held at call and liquid investments which are readily convertible to cash and subject to insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents are as defined above, net of outstanding bank overdrafts if applicable.

(g) Trade and Other Receivables

Receivables are recognised and carried at the original invoice amount, less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of an amount is no longer probable. Bad debts are written off when identified.

Amounts are generally received within 30 days of being recorded as receivables.

(h) Trade and Other Payables

Liabilities for creditors are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Fund.

Payables include outstanding settlements on the purchase of financial assets and liabilities held for trading and distributions payable. The carrying period is dictated by market conditions and is generally less than 30 days.

(i) Taxation

Under current legislation, the Fund is not subject to income tax provided the unitholders are presently entitled to the income of the Fund and the Fund fully distributes its taxable income.

COLONIAL FIRST STATE BRICKS & MORTAR FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Distributions

In accordance with the Fund's Constitution, the Fund fully distributes its distributable income to unitholders. Distributions are payable monthly. Such distributions are determined by reference to the taxable income of the Fund. Distributable income includes capital gains arising from the disposal of financial assets held for trading. Unrealised gains and losses on financial assets held for trading that are recognised as income are transferred to net assets attributable to unitholders and are not assessable and distributable until realised. Capital losses are not distributed to unitholders but are retained to be offset against any realised capital gains.

(k) Terms and Conditions on Units

Each unit issued confers upon the unitholder an equal interest in the Fund, and is of equal value. A unit does not confer any interest in any particular asset or investment of the Fund. Unitholders have various rights under the Constitution and the Corporations Act 2001, including the right to:

- have their units redeemed;
- receive income distributions;
- attend and vote at meetings of unitholders; and
- participate in the termination and winding up of the Fund.

The rights, obligations and restrictions attached to each unit are identical in all respects.

(l) Net Assets Attributable to Unitholders

Under AASB 132 "Financial Instruments: Disclosure and Presentation", contractual obligations are regarded as liabilities. As unitholders have the ability to redeem units from the Fund, all net assets attributable to unitholders have been recognised as liabilities of the Fund, rather than as equity. The classification of net assets attributable to unitholders does not alter the underlying economic interest of the unitholders in the net assets and net profit attributable to unitholders of the Fund.

In determining the net asset value of the Fund for subscriptions and redemptions, the Responsible Entity had under/(over) accrued distribution of income. The amount of the adjustment recognised in the income statement is \$1,142,000 (2007 - (\$802,000)).

(m) Goods and Services Tax (GST)

Income, expenses and assets, with the exception of receivables and payables, are recognised net of the amount of GST to the extent that the GST is recoverable from the taxation authority. Where GST is not recoverable, it is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Receivables and payables are stated inclusive of GST.

Reduced input tax credits (RITC) recoverable by the Fund from the Australian Taxation Authority are recognised as a receivable in the Balance Sheet.

Cash flows are included in the Cash Flow Statement on a gross basis. The GST component of cash flows, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(n) Expense Recognition

Expenses are recognised in the Income Statement when the Fund has a present obligation (legal or constructive) as a result of a past event that can be reliably measured. Expenses are recognised in the Income Statement if expenditure does not produce future economic benefits that qualify for recognition in the Balance Sheet.

COLONIAL FIRST STATE BRICKS & MORTAR FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Capital Guarantee

Colonial First State Group Limited (the Guarantor) has guaranteed to reimburse the Fund any capital shortfall in order to provide for the payment to unitholders in the Fund of the base repurchase price (\$1.00) less any exit fee payable. The Guarantor also covenants to pay to investors a minimum rate of return of the Fund which is set at the beginning of each month.

(p) New Application of Accounting Standards

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The impact of these new standards and interpretations is set below:

- AASB 8 "*Operating Segments*" and AASB 2007-3 "*Amendments to Australian Accounting Standards*" arising from AASB 8.

AASB 8 and AASB 2007-3 are effective for annual reporting periods beginning on or after 1 January 2009. The Funds have not adopted these standards early. Application of these standards will not affect any of the amounts recognised in the financial statements, but may affect the segment disclosures provided in Note 9.

- Revised AASB 101 "*Presentation of Financial Statements Revised*" and AASB 2007-8 "*Amendments to Australian Accounting Standards*" arising from AASB 101.

AASB 101 (Revised) is applicable to annual reporting beginning on or after 1 January 2009. The Fund has not adopted this standard early. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity but will not affect any amounts recognised in the financial statements. If the Fund has made a prior period adjustment or has re-classified items in the financial statement, it will need to disclose a third balance sheet, this one being at the beginning of the comparative period.

- AASB 132 "*Financial Instruments: Presentation*" and AASB 2008-2 "*Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations Arising on Liquidation*" (Revised AASB 132).

Revised AASB 132 is applicable for reporting periods beginning on or after 1 January 2009. The Fund has not adopted this standard early. Application of this standard will not affect any of the amounts recognised in the financial statements as the Fund is obligated to distribute all of its taxable income in accordance with the Fund's Constitution. Accordingly, there will be no change to classification of unitholders' funds as a liability and therefore no impact on profit or loss and equity.

2. AUDITORS' REMUNERATION

Auditors' remuneration in respect of auditing the financial report is fully paid by the Responsible Entity.

Other services provided by the auditors are the audit of the compliance plan of the Fund and tax compliance services. The auditors' non-audit remuneration is not paid by the Funds.

COLONIAL FIRST STATE BRICKS & MORTAR FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

3. INTEREST INCOME, OTHER INCOME AND OTHER EXPENSES

(a) Interest Income

The following table shows the average interest rates earned by the Fund.

The average interest rate for cash and cash equivalents is calculated by dividing the total interest earned for the year by the average daily balances invested. The average interest rates for money market securities and mortgage investments are calculated by dividing the total interest earned for the year by the average monthly balances invested.

	2008			2007		
	Average Balance	Interest	Annualised Average Rate	Average Balance	Interest	Annualised Average Rate
	\$'000	\$'000	%	\$'000	\$'000	%
Cash and cash equivalents	5,685	363	6.39%	3,832	232	6.05%
Money market securities	35,921	2,838	7.90%	68,796	4,402	6.40%
Mortgages	81,589	6,855	8.40%	81,589	6,138	7.53%
	123,195	10,056		154,217	10,772	

(b) Other Income

	2008 \$'000	2007 \$'000
Loan establishment fees	11	10
	11	10

(c) Other Expenses

	2008 \$'000	2007 \$'000
Mortgage originator fees	187	143
Other expenses	14	15
	201	158

4. DISTRIBUTIONS

The amounts distributed and the income rate distributed during the year were:

Month ended	2008		2007	
	Income rate %	\$'000	Income rate %	\$'000
- 31 July	5.15	606	5.06	722
- 31 August	5.15	594	5.04	725
- 30 September	5.15	565	5.08	690
- 31 October	5.15	572	5.08	704
- 30 November	5.25	557	5.13	669
- 31 December	5.30	576	5.06	680
- 31 January	5.30	573	5.02	673
- 28 February	5.15	515	5.05	603
- 31 March	5.15	542	5.00	656
- 30 April	6.90	682	5.01	623
- 31 May	6.90	700	5.05	628
- 30 June	6.90	668	5.00	597
		7,150		7,970

COLONIAL FIRST STATE BRICKS & MORTAR FUND

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

5. INVESTMENTS IN FINANCIAL ASSETS HELD FOR TRADING

	2008 \$'000	2007 \$'000
Money Market Securities		
- Bank Accepted Bills	-	2,984
- Promissory Notes	19,905	15,961
- Negotiable Certificates of Deposit	20,805	22,779
Total Money Market Securities	40,710	41,724
Total Investments in Financial Assets Held for Trading	40,710	41,724

6. CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

The terms and conditions attached to units in the Fund can be found in Note 1 (k).

(a) Movements in number of units and net assets attributable to unitholders during the year were as follows:

	2008		2007	
	No.'000	\$'000	No.'000	\$'000
Opening balance	139,984	139,928	171,293	170,433
Applications	581	581	271	273
Redemptions	(25,841)	(25,904)	(34,462)	(34,462)
Units issued upon reinvestment of distributions	2,586	2,586	2,882	2,882
(Decrease)/Increase in net assets attributable to unitholders from operations	-	1,203	-	802
Closing Balance	117,310	118,394	139,984	139,928

(b) Capital Risk Management

The Fund manages its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders.

The Responsible Entity recognises that mortgage assets at amortised cost are not easily convertible to cash. The Fund maintains an appropriate level of money market securities to meet redemptions requests. In the event of unexpected redemption requests the Fund has a capital guarantee agreement in place as disclosed in Note 1(o).

COLONIAL FIRST STATE BRICKS & MORTAR FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

7. CASH AND CASH EQUIVALENTS

(a) Reconciliation of Net Profit Attributable to Unitholders to Net Cash from Operating Activities

	2008 \$'000	2007 \$'000
Net profit attributable to unitholders	8,353	8,772
Proceeds from sale of financial instruments held for trading and mortgages	180,329	582,794
Purchase of financial instruments held for trading and mortgages	(159,016)	(552,214)
Changes in assets and liabilities:		
Other receivables	34	(41)
Interest receivables	(233)	(127)
Other payables	65	(11)
Responsible Entity fees	(27)	(18)
Net Cash From Operating Activities	29,505	39,155

(b) Non-cash financing activities carried out during the year on normal commercial terms and conditions included:

Reinvestment of unitholders distributions as disclosed in Statement of Changes in Net Asset Attributable to Unitholders and Note 6(a) under "Units issued upon reinvestment of distributions".

(c) Terms and Conditions on Cash

Cash at bank and cash equivalents earns interest at a floating rate as determined by the financial institutions.

8. RELATED PARTIES DISCLOSURES

(a) Responsible Entity

The Responsible Entity of the Fund is Colonial First State Investments Limited. The ultimate holding company is the Commonwealth Bank of Australia (the Bank).

The Responsible Entity is incorporated and domiciled in Australia and has its registered office at Level 29, 52 Martin Place, Sydney, New South Wales, 2000.

(b) Details of Key Management Personnel

(i) Key Management Personnel

The Directors of the Colonial First State Investments Limited are considered to be Key Management Personnel. The Directors of the Responsible Entity in office during the year and up to the date of the report are:

Grahame Petersen
Michael John Venter
Brian Vincent Bissaker
Paul Rayson
Peter Robert Winney
John Robert Dempsey
Bradley Brian Massey

Resigned 15 January 2008
Appointed 21 February 2008

COLONIAL FIRST STATE BRICKS & MORTAR FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

8. RELATED PARTIES DISCLOSURES (continued)

(b) Details of Key Management Personnel (continued)

(ii) Compensation of key management personnel

No amounts are paid by the Fund directly to the Directors of the Responsible Entity of the Fund.

The Directors of the Responsible Entity receive compensation in their capacity as Directors of the Responsible Entity. Directors are employed as executives of the Commonwealth Bank of Australia, and in that capacity, part of their role is to act as a Director of the Responsible Entity. Consequently, no compensation as defined in AASB 124: Related Parties is paid by the Fund to the Directors as Key Management Personnel.

(c) Responsible Entity's Management Fees

Under the terms of the Constitution, the Responsible Entity is entitled to receive a monthly management fee which is expressed as a percentage of the total assets of the Fund (i.e excluding liabilities). Management fees are paid directly by the Fund. Management fees are calculated at 1.20% per annum (2007 - 1.20% per annum). All related party transactions are conducted on normal commercial terms and conditions.

The Responsible Entity's fees for the years ended 30 June 2008 and 30 June 2007 are \$1,513,024 and \$1,852,388 respectively. As at 30 June 2008 and 30 June 2007, the total amount owed to the Responsible Entity in relation to management fees are \$123,260 and \$150,075 respectively.

(d) Bank and Deposit Accounts

The bank account for the Fund is held with the Commonwealth Bank of Australia. Fees and expenses are negotiated on an arm's length basis. Various short term money market securities are from time to time transacted through the Commonwealth Bank of Australia which receives a fee which is negotiated on an arm's length basis.

(e) Unitholdings

Colonial First State Investments Limited, its affiliates and other Funds managed by Colonial First State Investments Limited as well as the Directors of Colonial First State Investments Limited do not hold any units in the Fund.

(f) Capital Guarantee

Colonial First State Group Limited (the Guarantor) has guaranteed to reimburse the Fund any capital shortfall in order to provide for the payment to unitholders in the Fund of the base repurchase price (\$1.00) less any exit fee payable. The Guarantor also covenants to pay to investors a minimum rate of return of the Fund which is set at the beginning of each month.

9. SEGMENT INFORMATION

The Fund operates in one business segment, being investment management. The Fund also operates from one geographic location being Australia, from where its investing activities are managed. Revenue is derived mainly from interest.

COLONIAL FIRST STATE BRICKS & MORTAR FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

10. FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks including market risk (interest rate risk), credit risk and liquidity risk.

The Fund's overall risk management programme focuses on ensuring compliance with the Fund's Constitution and seeks to maximise the returns derived for the level of risk to which the Fund is exposed. Financial risk management is carried out by the respective investment management department (Investment Manager) and regularly monitored by the Compliance Department of the Responsible Entity.

The Fund uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk.

(a) Market Risk

(i) Interest Rate Risk

The Fund holds investments in money market securities and mortgages which expose it to the risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis.

The table below summarises the Fund's exposure to interest rate risks. It includes the Fund's assets and liabilities at fair values.

30/06/2008	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
Financial assets				
Cash and cash equivalents	2,049	-	-	2,049
Receivables	-	-	147	147
Financial assets held for trading	40,710	-	-	40,710
Mortgages	-	74,874	-	74,874
Financial liabilities				
Payables	-	-	(726)	(726)
Net exposure	42,759	74,874	(579)	117,054

COLONIAL FIRST STATE BRICKS & MORTAR FUND

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

10. FINANCIAL RISK MANAGEMENT (continued)

(a) Market Risk (continued)

(i) Interest Rate Risk (continued)

30/06/2007	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
Financial assets				
Cash and cash equivalents	2,407	-	-	2,407
Receivables	-	-	166	166
Financial assets held for trading	41,724	-	-	41,724
Mortgages	-	96,355	-	96,355
Financial liabilities				
Payables	-	-	(664)	(664)
Net exposure	44,131	96,355	(498)	139,988

An analysis of financial liabilities by maturities is provided in paragraph (c) below.

The table in Note 10 (b) summarises the impact of an increase/decrease of interest rates on the Fund's operating profit and net assets attributable to unitholders through changes in fair value or changes in future cash flows. The analysis is based on the assumption that interest rates changed by +/- 75 basis points (2007 - +/- 75 basis points) from the year end rates with all other variables held constant. The impact mainly arises from changes in the fair value of fixed interest securities.

COLONIAL FIRST STATE BRICKS & MORTAR FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

10. FINANCIAL RISK MANAGEMENT (continued)

(b) Summarised Sensitivity Analysis

The following table summarises the sensitivity of the Fund's operating profit or loss and net assets attributable to unitholders to interest rate risk. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates, historical correlation of the Fund's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies and markets in which the Fund invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

	Impact on Operating Profit/(Loss) and Net Assets Attributable to Unitholders	
	-75 basis points \$'000	75 basis points \$'000
30/06/2008	(895)	895
30/06/2007	(1,053)	1,053

(c) Credit risk

Credit risk primarily arises from investments in debt securities and mortgage assets at amortised cost. Other credit risk arises from cash and cash equivalents, deposits with banks and other financial institutions.

(i) Debt Securities

The Fund invests in debt securities which have an investment grade as rated by the Standard & Poor's rating agency.

The Compliance Department of the Responsible Entity regularly monitors the credit risks that arise from holding these securities.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets. An analysis of debt securities by rating is set out in the table below.

	30/06/2008 \$'000	30/06/2007 \$'000
Rating		
AAA	32,784	31,777
AA+	5,944	8,950
Others	1,982	997
Total	40,710	41,724

COLONIAL FIRST STATE BRICKS & MORTAR FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

10. FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk (continued)

(ii) Mortgage Assets

The Fund invests into mortgage assets through the provision of commercial mortgages in Australia.

Upon origination of each mortgage the credit risk of the mortgagee is analysed using the following measures:

- interest cover ratio,
- mortgage loan to value ratio,
- credit checks on mortgagee,
- suitability of security property,
- asset position of mortgagee and
- overall interest cover position of the mortgagee.

The Fund is exposed to the underlying credit quality of the mortgagee and the assets that are held as securities. The Investment Manager manages these credit risks by performing;

- mortgages are reviewed periodically to reassess the above factors,
- mortgages in arrears are reported to risk and credit committee on a monthly basis, and
- review of mortgage portfolio undertaken as necessary in light of changed market conditions.

At balance date, the Investment Manager has reviewed the recoverability of the mortgage portfolio based on the above. The Investment Manager does not believe any of the mortgages are demonstrating characteristics which would suggest impairment.

COLONIAL FIRST STATE BRICKS & MORTAR FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

10. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity Risk

The Fund is exposed to daily cash redemptions of redeemable units. The Fund primarily invests in mortgages and fixed interest securities. Fixed Interest securities are readily traded in the market and can be easily disposed of.

The Fund's financial liabilities primarily consist of redemptions payable to unitholders at year end as well as other payables such as the accruals of management fees and distributions payable at year end. All financial liabilities of the Funds are contractually due within 30 days.

(d) Fair value estimation

The Funds' financial assets and liabilities included in the Balance Sheet are carried at their fair values or at amounts that approximate their fair values, except for mortgage assets as disclosed below:

	30/06/2008		30/06/2007	
	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000
Mortgage assets at amortised cost	74,874	76,214	96,355	96,295

The fair value of mortgages is determined using a valuation model which discount the borrower's remaining contractual repayments (including principal) at the current market rate.

11. CONTINGENT LIABILITIES AND COMMITMENTS

As at 30 June 2008, the Fund does not have any contingent liabilities or commitments (2007 - None).

12. EVENTS OCCURRING AFTER BALANCE DATE

No significant events have occurred since balance date which would impact on the financial position of the Fund disclosed in the balance sheet as at 30 June 2008 or on the results and cash flows of the Fund for the year ended on that date.

COLONIAL FIRST STATE BRICKS & MORTAR FUND

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

13. ADDITIONAL DISCLOSURES FOR MORTGAGES

(a) Summary of Mortgage assets

The Mortgage assets for the Fund are summarised as follows:

	30/06/2008		30/06/2007	
	Number	\$'000	Number	\$'000
Progress payments mortgages	1	1,784	1	1,783
Current mortgages	70	74,430	84	93,752
Mortgages in arrears	-	-	1	760
	71	76,214	86	96,295

(b) Geographic Profile of Mortgages

	30/06/2008		30/06/2007	
	\$'000	%	\$'000	%
Australian Capital Territory	350	0.50%	350	0.40%
New South Wales	54,096	71.00%	63,289	65.70%
Queensland	4,970	6.50%	9,289	9.60%
South Australia	816	1.10%	815	0.80%
Tasmania	2,505	3.30%	2,520	2.60%
Victoria	13,477	16.60%	20,032	20.90%
	76,214	100.00%	96,295	100.00%

(c) Property Type Securing Mortgages

	30/06/2008		30/06/2007	
	\$'000	%	\$'000	%
Improved Industrial	18,447	24.20%	22,991	23.90%
Improved Office	18,228	23.90%	21,542	22.40%
Improved Residential	8,647	11.30%	13,837	14.40%
Improved Retail	30,892	40.60%	37,925	39.30%
	76,214	100.00%	96,295	100.00%

COLONIAL FIRST STATE BRICKS & MORTAR FUND

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

13. ADDITIONAL DISCLOSURES FOR MORTGAGES (continued)

(d) Interest Rate Profile of Mortgages

	30/06/2008		30/06/2007	
	\$'000	%	\$'000	%
Fixed Mortgages:				
Less than 6%	-	0.00%	-	0.00%
6 % to 6.49%	-	0.00%	-	0.00%
6.5 to 6.99%	1,632	2.10%	3,774	3.90%
7% to 7.49%	13,723	18.00%	16,776	17.40%
7.5% to 7.99%	9,324	12.20%	12,146	12.60%
8% to 8.49%	786	1.00%	261	0.30%
8.5% to 8.99%	-	0.00%	-	0.00%
9% to 9.49%	-	0.00%	-	0.00%
9.5% to 9.99%	-	0.00%	-	0.00%
Greater than 10%	159	0.20%	-	0.00%
Variable Mortgages:				
Less than 6%	-	0.00%	-	0.00%
6 % to 6.49%	-	0.00%	-	0.00%
6.5 to 6.99%	-	0.00%	-	0.00%
7% to 7.49%	-	0.00%	-	0.00%
7.5% to 7.99%	-	0.00%	-	0.00%
8% to 8.49%	-	0.00%	-	0.00%
8.5% to 8.99%	2,510	3.30%	2,508	2.60%
9% to 9.49%	44,365	58.20%	28,951	30.10%
9.5% to 9.99%	2,315	3.00%	31,879	33.10%
Greater than 10%	1,400	2.00%	-	0.00%
	76,214	100.00%	96,295	100.00%

(e) Maturity Profile of Mortgages

	30/06/2008		30/06/2007	
	\$'000	%	\$'000	%
Less than 1 year	20,614	27.00%	21,101	21.90%
1 to 2 years	6,743	8.80%	21,437	22.30%
2 to 3 years	17,830	23.40%	9,415	9.80%
3 - 4 years	21,282	27.90%	17,703	18.40%
4 - 5 years	9,586	12.60%	26,639	27.70%
Greater than 5 years	159	0.30%	-	0.00%
	76,214	100.00%	96,295	100.00%

COLONIAL FIRST STATE BRICKS & MORTAR FUND

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

13. ADDITIONAL DISCLOSURES FOR MORTGAGES (continued)

(f) Material Mortgages

The number of mortgagors with mortgage balance greater than 5% of the total mortgage assets of the Fund are as follows:

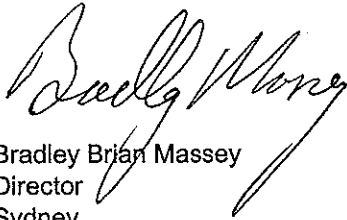
	30/06/2008		30/06/2007	
	Number	\$'000	Number	\$'000
5% to 5.99% of the mortgage assets	-	-	1	5,050
6% to 6.99% of the mortgage assets	1	5,050	1	5,670
7% to 7.99% of the mortgage assets	1	5,670	-	-
	2	10,720	2	10,720

COLONIAL FIRST STATE BRICKS & MORTAR FUND
DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2008

In the opinion of the Directors of Colonial First State Investments Limited:

- a) the financial statements and notes to the financial statements of the Colonial First State Bricks & Mortar Fund ("the Fund") are in accordance with the Corporations Act 2001, including:
 - i) giving a true and fair view of the Funds' financial positions as at 30 June 2008 and of their performances for the year ended on that date; and
 - ii) complying with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- b) there are reasonable grounds to believe that the Funds will be able to pay their debts as and when they become due and payable;

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



Bradley Brian Massey
Director
Sydney
29 August 2008

Independent auditor's report to the unitholders of Colonial First State Bricks and Mortar Fund

Report on the financial report

We have audited the accompanying financial report of Colonial First State Bricks and Mortar Fund (the "fund"), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Colonial First State Bricks and Mortar Fund.

Directors' responsibility for financial report

The directors of Colonial First State Investment Limited (the "responsible entity"), are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard, AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

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

Independent auditor's report to the unitholders of Colonial First State Bricks and Mortar Fund (continued)

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

For further explanation of a audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

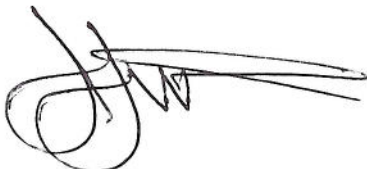
In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion on the financial report

In our opinion:

- (a) the financial report of Colonial First State Bricks and Mortar Fund is in accordance with the *Corporation Act 2001*, including:
 - (i) giving a true and fair view of the Fund's financial position as at 30 June 2008 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standard (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.


PricewaterhouseCoopers



AJ Wilson
Partner

Sydney
2 September 2008

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Enquiries

Investor Services: **13 13 36**

Website: **colonialfirststate.com.au**

Email: **contactus@colonialfirststate.com.au**

12473/FS2115/0908

The Colonial First State Bricks & Mortar Fund Prospectus was issued on 23 August 1999.

We want what you want

Colonial
First State