

# Bricks & Mortar Fund

## 2011 Annual Financial Report

### Investments

Colonial First State Investments Ltd  
ABN 98 002 348 352  
AFS Licence 232468



Dear Investor

**Annual Financial Report**

We are pleased to present the reports for the financial year ended 30 June 2011 for the Colonial First State Bricks & Mortar Fund.

This statement is the final component of the reporting information for the 2010–2011 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 fluid and cursive, with the first name "Brian" and the last name "Bissaker" clearly distinguishable.

Brian Bissaker  
Chief Executive Officer



# **COLONIAL FIRST STATE BRICKS & MORTAR FUND**

**ARSN 092 184 168**

**ABN 64 357 320 505**

## **FINANCIAL REPORT**

**FOR THE PERIOD ENDED 30 JUNE 2011**

**Responsible Entity of the Fund:**

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

Ground Floor Tower 1, Sussex Street  
SYDNEY NSW 2000

# COLONIAL FIRST STATE BRICKS & MORTAR FUND

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# **COLONIAL FIRST STATE BRICKS & MORTAR FUND**

## **DIRECTORS' REPORT FOR THE PERIOD ENDED 30 JUNE 2011**

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 period ended 30 June 2011.

### **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 interest bearing investments being predominantly first registered mortgages over properties located in major Australian cities, providing diversification through security type as well as geographical location and money market securities.

Due to the fund's suspension, and significant demand for redemptions from investors, the Responsible Entity is currently not sourcing new mortgages. While seeking to protect capital, the Responsible Entity's current method of asset selection provides for more stable income returns. This method of asset selection is outside the asset allocation stated in the PDS in order to enable it to better meet the redemption requests of its unitholders.

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

### **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 periods ended 30 June 2011 and 30 June 2010 are disclosed in Note 4 to the financial statements.

#### **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 period, 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 period ended 30 June 2011 is 1.20% (30 June 2010 was 1.20%).

# COLONIAL FIRST STATE BRICKS & MORTAR FUND

## DIRECTORS' REPORT FOR THE PERIOD ENDED 30 JUNE 2011

### Review of Operations (continued)

#### Performance

The income level paid to investors after fees during the period was 3.90% compared with 3.88% for the prior period.

#### 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 period and up to the date of the report are:

Grahame Anthony Petersen

Lynette Elizabeth Cobley

Brian Vincent Bissaker

Michael John Venter

Appointed on 4 July 2011.

Peter Robert Winney

Bradley Brian Massey

Gregg Johnston

Resigned on 4 July 2011.

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

#### 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.

#### Unit Pricing Adjustments Policy

There are a number of factors used to calculate unit prices. The key factors include asset valuations, liabilities, debtors, the number of units on issue and where relevant transaction costs. When the factors used to calculate the unit price are incorrect an adjustment to the unit price may be required. The Responsible Entity uses a variance of 0.30% in the unit price before correcting the unit price.

If a unit pricing error is greater than these tolerance levels the Responsible Entity will:

- compensate unitholders' accounts balance if they have transacted on the incorrect unit price or make other adjustments as the Responsible Entity may consider appropriate, or
- where unitholders' accounts are closed we will send them a payment if the amount of the adjustment is more than \$20.

These tolerance levels are consistent with regulatory practice guidelines and industry standards. In some cases we may compensate where the unit pricing error is less than the tolerance levels.

# **COLONIAL FIRST STATE BRICKS & MORTAR FUND**

## **DIRECTORS' REPORT FOR THE PERIOD ENDED 30 JUNE 2011**

### **Matters Subsequent to the End of the Reporting Period**

With the exception of the withdrawal payments from the Fund (refer to Note 15), no matters or circumstances have arisen since 30 June 2011 that have significantly affected, or may significantly affect:

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

### **Likely Developments and Expected Results of Operations**

The Fund will continue to pay investor redemption requests as liquidity allows (refer to Note 15). The Fund is expected to continue to operate within the terms of the Constitution, and will continue to invest in accordance with the investment objectives and guidelines.

### **Significant Changes in the State of Affairs**

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

### **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 period are disclosed in Note 8(c) to the financial statements.

No fees were paid to the Directors of the Responsible Entity during the period 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 period.

### **Interests in the Fund**

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

# COLONIAL FIRST STATE BRICKS & MORTAR FUND

## DIRECTORS' REPORT FOR THE PERIOD ENDED 30 JUNE 2011

### 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.

### Applications, Withdrawals and Switches Suspension

Effective from 3.00pm Friday 24th October 2008, the Fund was declared illiquid and the application, withdrawal and switch processes were suspended, with the exception of distributions reinvested. The application of units through the reinvestment of distributions will continue to be processed in accordance with the Product Disclosure Statement.

The suspension was to ensure withdrawal requests could be responded to in a measured and orderly way in the best interests of unitholders.

The Responsible Entity intends to process withdrawal and switch requests on a quarterly basis (or such other intervals determined from time to time), depending on the level of cash available within the Fund to meet those requests at that time. Payments may also be made from time to time from the Fund where the Financial Hardship criteria is met (refer to Note 15). The cash available in the Fund will depend on asset sales and the repayment of maturing mortgages. Any payment made in respect of a withdrawal or switch request will be calculated at a unit price determined at the time the payment is to be made.

Applications into the Fund may be accepted by the Responsible Entity and processed in the same manner as withdrawals discussed above.

Please refer to Note 15 for details on the quarterly withdrawal offers made during the period.

### 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 the following page.

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



Bradley Brian Massey  
Director  
Sydney  
30 August 2011



## **Auditor's Independence Declaration**

As lead auditor for the audit of Colonial First State Bricks & Mortar Fund for the period ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Colonial First State Bricks & Mortar Fund during the period.



A J Wilson  
Partner  
PricewaterhouseCoopers

Sydney  
30 August 2011

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# COLONIAL FIRST STATE BRICKS & MORTAR FUND

## STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2011

	Note	01/07/2010 - 30/06/2011 \$'000	01/07/2009 - 30/06/2010 \$'000
<b>Investment income</b>			
Interest income	3(a)	4,039	4,597
Other income		5	1
<b>Total investment income</b>		<b>4,044</b>	<b>4,598</b>
<b>Expenses</b>			
Responsible Entity's management fees	8(c)	859	1,110
Provision for doubtful debts	14	-	500
Reversal of provision	14	(150)	-
Other expenses	3(b)	66	105
<b>Total operating expenses</b>		<b>775</b>	<b>1,715</b>
<b>Operating profit attributable to unitholders</b>		<b>3,269</b>	<b>2,883</b>
Distributions to unitholders	4	(2,759)	(3,566)
Change in net assets attributable to unitholders from operations	6(a)	(510)	683
<b>Profit/(Loss) for the period</b>		<b>-</b>	<b>-</b>
Other comprehensive income for the period		-	-
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>

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

# COLONIAL FIRST STATE BRICKS & MORTAR FUND

## BALANCE SHEET AS AT 30 JUNE 2011

	Note	30/06/2011 \$'000	30/06/2010 \$'000
<b>Assets</b>			
Cash and cash equivalents		299	7,918
Trade and other receivables:			
- interests		1	25
- others		5	97
Fee rebate due from			
Financial assets held for trading	5	35,899	38,912
Mortgages	13	23,026	37,657
<b>Total assets</b>		<b>59,230</b>	<b>84,609</b>
<b>Liabilities</b>			
Trade and other payables:			
- others		1	32
Distribution payable		120	151
Fees due to Responsible Entity	8(c)	118	278
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>239</b>	<b>461</b>
<b>Net assets attributable to unitholders - liability</b>	6(a)	<b>58,991</b>	<b>84,148</b>
<b>Represented by:</b>			
Fair value of outstanding units based on redemption value		59,272	84,936
Adjustments arising from different unit pricing and AIFRS valuation principles		(5)	-
Provision for doubtful debts		(350)	(500)
Under or (over) distributions		74	(288)
<b>Net assets attributable to unitholders</b>		<b>58,991</b>	<b>84,148</b>

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 PERIOD ENDED 30 JUNE 2011

	01/07/2010 - 30/06/2011 \$'000	01/07/2009 - 30/06/2010 \$'000
<b>Total equity at the beginning of the financial period</b>	-	-
Profit or loss for the period	-	-
Other comprehensive income	-	-
<b>Total comprehensive income for the financial period</b>	-	-
Transactions with equity holders in their capacity as equity holders	-	-
<b>Total equity at the end of the financial period</b>	-	-

Under Australian Accounting Standards, 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 period.

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 PERIOD ENDED 30 JUNE 2011

	Note	01/07/2010 - 30/06/2011 \$'000	01/07/2009 - 30/06/2010 \$'000
<b>Cash flows from operating activities</b>			
Proceeds from sale of financial instruments held for trading		470,153	505,441
Payments for purchase of financial instruments held for trading		(467,154)	(502,398)
Repayment of mortgage assets		14,709	14,736
Interest received		4,149	4,599
Other income received		5	-
Responsible Entity fee paid		(927)	(1,124)
Other expenses paid		(97)	(96)
<b>Net cash from operating activities</b>	7(a)	20,838	21,158
<b>Cash flows from financing activities</b>			
Receipts from issue of units		-	-
Payment for redemption of units		(26,704)	(15,930)
Distributions paid		(1,753)	(2,329)
<b>Net cash used in financing activities</b>		(28,457)	(18,259)
<b>Net movement in cash and cash equivalents</b>		(7,619)	2,899
Add opening cash and cash equivalents brought forward		7,918	5,019
<b>Closing cash and cash equivalents carried forward</b>		299	7,918

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 PERIOD ENDED 30 JUNE 2011

### 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, except for financial assets held for trading, mortgages and net assets attributable to unitholders. 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 26 August 2011.

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').

Certain prior period comparative disclosures have been updated to conform to current period presentation.

#### (c) Mortgages and Money Market Securities

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 less impairment, using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Impairment charges are recognised when the carrying value exceeds the estimated recoverable amount. The impairment charge is included in Note 14.

Money market securities are classified as financial assets held for trading and initially recognised at fair value not including transaction costs, which are expensed in the Statement of Comprehensive Income.

The money market securities are recognised on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the money market securities from this date.

The derecognition of the money market securities take place when the Fund no longer controls the contractual rights that comprise the money market security, 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.

After initial recognition, the money market securities are revalued to fair value at each reporting date.

The fair value of the money market securities are determined by reference to the current market value of another instrument which is substantively the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Gains and losses are recognised in the Statement of Comprehensive Income when the mortgage or money market security is derecognised, amortised or impaired.

# COLONIAL FIRST STATE BRICKS & MORTAR FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2011

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (d) 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.

#### (e) Cash and Cash Equivalents

Cash and cash equivalents in the Balance Sheets comprise cash at bank, deposits at call in a futures and/or options cash account and short-term deposits with an original maturity of three months or less.

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

#### (f) 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.

#### (g) 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.

#### (h) 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.

#### (i) 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.

# COLONIAL FIRST STATE BRICKS & MORTAR FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2011

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (j) Terms and Conditions on Units

Each unit issued confers upon the unitholders 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:

- receive income distributions;
- attend and vote at meetings of unitholders;
- participate in the termination and winding up of the Fund; and
- have their units redeemed. However as the Fund has been declared illiquid, the Responsible Entity has suspended the redemption of units in the Fund.

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

#### (k) Net Assets Attributable to Unitholders

Units are redeemable at the unitholders' option and are classified as financial liabilities as the fund is required to distribute its taxable income. The units can be put back to the Fund at any time for cash based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the end of the reporting period if unitholders exercised their right to redeem units in the Fund.

#### (l) 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.

#### (m) Expense Recognition

Expenses are recognised in the Statement of Comprehensive Income 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 Statement of Comprehensive Income if expenditure does not produce future economic benefits that qualify for recognition in the Balance Sheet.

#### (n) Capital Guarantee

Colonial First State Investments Group Limited 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 Responsible Entity also covenants to pay to investors a minimum rate of return of the Fund which is set at the beginning of each month.



# COLONIAL FIRST STATE BRICKS & MORTAR FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2011

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (o) New Application of Accounting Standards

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The impact of these new standards and interpretations is set out below:

- AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. AASB 9 permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not traded such as available-for-sale investments. The Fund will adopt AASB 9 from 1 January 2013. Management does not expect this will have a significant impact on the Fund's financial statements as the Fund does not hold any available-for-sale investments.

- Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards* (effective from 1 January 2011)

In December 2009, the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Fund will apply the amended standard from 1 July 2011. The amendments will not have any effect on the Fund's financial statements.

- AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets* (effective for annual reporting periods beginning on or after 1 July 2011)

In November 2010, the AASB issued AASB 2010-6 *Disclosures on Transfers of Financial Assets* which amends AASB 1 *First-time Adoption of Australian Accounting Standards* and AASB 7 *Financial Instruments: Disclosures* to introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. The amendments will not have any impact on the Funds' disclosures. The Fund intends to apply the amendment from 1 July 2011.

- Amendments to AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective for annual reporting periods beginning on or after 1 July 2010 / 1 January 2011)

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. Management does not expect that any adjustments will be necessary as a result of applying the revised rules.

# COLONIAL FIRST STATE BRICKS & MORTAR FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2011

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (q) Comparatives

Comparative figures are, where appropriate, reclassified so as to be comparable with the figures and presentation in the current period.

#### (p) Use of Estimates

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial period. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The fair value of the money market securities are determined by reference to the current market value of another instrument which is substantively the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Mortgage assets are assessed for impairment at each reporting date. The provision for impairment is estimated as the difference between the carrying value of the mortgage and the estimated recoverable amount.

### 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 Fund.

# COLONIAL FIRST STATE BRICKS & MORTAR FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2011

### 3. INTEREST INCOME, OTHER INCOME AND OTHER EXPENSES

#### (a) Interest Income

The interest income of the Fund is summarised as follows:

	01/07/2010 - 30/06/2011 \$'000	01/07/2009 - 30/06/2010 \$'000
Cash and cash equivalents	291	155
Money market securities	1,820	1,578
Mortgage loans	1,928	2,864
<b>Total Interest Income</b>	<b>4,039</b>	<b>4,597</b>

#### (b) Other Expenses

	2011 \$'000	2010 \$'000
Mortgage trailing commission	54	95
Other expenses	12	10
	<b>66</b>	<b>105</b>

### 4. DISTRIBUTIONS

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

Month ended	2011 Income rate		2010 Income rate	
	%	\$'000	%	\$'000
- 31 July	3.75	270	4.00	338
- 31 August	3.75	271	4.00	339
- 30 September	3.75	233	4.00	316
- 31 October	3.75	239	4.00	325
- 30 November	3.75	231	4.00	315
- 31 December	3.75	239	4.00	326
- 31 January	3.75	246	4.00	315
- 28 February	3.75	192	3.50	246
- 31 March	4.00	223	3.50	273
- 30 April	4.00	216	3.50	259
- 31 May	4.00	205	3.50	252
- 30 June	4.00	194	3.75	262
		<b>2,759</b>		<b>3,566</b>

# COLONIAL FIRST STATE BRICKS & MORTAR FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2011

### 5. FAIR VALUE HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES

The financial assets and liabilities held for trading of the Fund are tabled below. These are further classified using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements of fair value of these assets and liabilities.

The level in which instruments are classified in the hierarchy is based on the lowest level input that is significant to the fair value measurement in its entirety. Assessment of the significance of an input requires judgement after considering factors specific to the instrument.

The fair value of financial instruments traded in active markets (such as shares in listed companies and publicly traded derivatives) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Fund is the last sale price. These instruments are included in Level 1. Investments in unlisted managed investment schemes which have daily liquidity are also classified as Level 1.

The fair value of financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices or alternative pricing sources supported by observable inputs (such as over-the-counter derivatives) are classified within Level 2.

Investments classified within Level 3 have significant unobservable inputs, as they are infrequently traded. Level 3 instruments include shares in unlisted companies, certain unlisted unit trusts and certain corporate bonds. As observable inputs are not available for these instruments, valuation techniques such as discounted cash flows are used to derive fair value.

The various methods adopted in determining the fair value of the Fund's financial instruments are further explained in Note 1.

The tables below present the Fund's financial instruments recorded at fair value according to the fair value hierarchy.

Financial Assets Held for Trading:	30/06/2011			
	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>Money Market Securities</b> - Australian Money Market	35,899	-	35,899	-
<b>Total Assets Held for Trading</b>	<b>35,899</b>	<b>-</b>	<b>35,899</b>	<b>-</b>

Financial Assets Held for Trading:	30/06/2010			
	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>Money Market Securities</b> - Australian Money Market	38,912	-	38,912	-
<b>Total Assets Held for Trading</b>	<b>38,912</b>	<b>-</b>	<b>38,912</b>	<b>-</b>

# COLONIAL FIRST STATE BRICKS & MORTAR FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2011

### 6. CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

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

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

	01/07/2010 - 30/06/2011		01/07/2009 - 30/06/2010	
	No.'000	\$'000	No.'000	\$'000
Opening balance	84,939	84,148	99,558	99,450
Applications	-	-	-	-
Redemptions	(26,704)	(26,704)	(15,930)	(15,930)
Units issued upon reinvestment of distributions	1,037	1,037	1,311	1,311
Change in net assets attributable to unitholders from operations		510		(683)
<b>Closing Balance</b>	<b>59,272</b>	<b>58,991</b>	<b>84,939</b>	<b>84,148</b>

### (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. Prior to the Fund's suspension, the amount of net assets attributable to unitholders could change significantly on a daily basis as the Fund was subject to daily applications and redemptions at the discretion of unitholders.

Effective from 3.00pm Friday 24th October 2008, the Fund was declared illiquid and the application, withdrawal and switch processes were suspended, until further notice. This was to ensure withdrawal requests could be responded to in a measured and orderly way in the best interests of unitholders.

The Responsible Entity intends to process withdrawal and switch requests on a quarterly basis (or such other intervals determined from time to time), depending on the level of cash available within the Fund to meet those requests at that time. The cash available in the Fund will depend predominately on asset sales and the repayment of maturing mortgages.

Please refer to Note 15 for details on the quarterly withdrawal offer made to date.

# COLONIAL FIRST STATE BRICKS & MORTAR FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2011

### 7. CASH AND CASH EQUIVALENTS

#### (a) Reconciliation of net profit attributable to unitholders to net cash from operating activities

	01/07/2010 - 30/06/2011 \$'000	01/07/2009 - 30/06/2010 \$'000
Net profit attributable to unitholders	3,269	2,883
Proceeds from sale of financial instruments held for trading	470,153	505,441
Repayment of mortgage assets	14,709	14,736
Payments for purchase of financial instruments held for trading	(467,154)	(502,398)
Provision for doubtful debts	-	500
Provision for doubtful debts no longer required	(150)	-
Changes in assets and liabilities:		
Interest receivable	110	1
Other receivables	93	28
Responsible Entity fees	(160)	(43)
Other payables	(32)	10
<b>Net Cash From Operating Activities</b>	<b>20,838</b>	<b>21,158</b>

#### (b) Non-cash financing activities carried out during the period 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 in hand earn interest at 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 Ground Floor Tower 1, 201 Sussex Street, Sydney, New South Wales, 2000.

# COLONIAL FIRST STATE BRICKS & MORTAR FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2011

### 8. RELATED PARTIES DISCLOSURES (continued)

#### (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 period and up to the date of the report are:

Grahame Anthony Petersen

Lynette Elizabeth Cobley

Brian Vincent Bissaker

Michael John Venter

Appointed on 4 July 2011.

Peter Robert Winney

Bradley Brian Massey

Gregg Johnston

Resigned on 4 July 2011.

##### (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 (2010 - 1.20% per annum). All related party transactions are conducted on normal commercial terms and conditions.

The Responsible Entity's fees for the periods ended 30 June 2011 and 30 June 2010 are \$858,875 and \$1,109,512 respectively. As at 30 June 2011 and 30 June 2010, the total amount owed to the Responsible Entity in relation to management fees are \$118,349 and \$278,405 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) Unit holdings

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 Investments Group Limited, a related party of the Responsible Entity, 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 Responsible Entity also covenants to pay to investors a minimum rate of return of the Fund which is set at the beginning of each month.

# COLONIAL FIRST STATE BRICKS & MORTAR FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2011

### 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.

### 10. FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: 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's investments in interest bearing financial assets are exposed 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 Fund is exposed to cash flow interest rate risk on financial instruments at variable rates. Financial instruments at fixed rates expose the Fund to fair value interest rate risk. 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.

	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
<b>30/06/2011</b>				
<b>Financial assets</b>				
Cash and cash equivalents	299	-	-	299
Receivables	-	-	6	6
Money market securities	-	35,899	-	35,899
Mortgages	21,842	1,184	-	23,026
<b>Financial liabilities</b>				
Payables	-	-	(239)	(239)
<b>Net exposure</b>	<b>22,141</b>	<b>37,083</b>	<b>(233)</b>	<b>58,991</b>



# COLONIAL FIRST STATE BRICKS & MORTAR FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2011

### 10. FINANCIAL RISK MANAGEMENT (continued)

#### (a) Market Risk (continued)

##### (i) Interest rate risk (continued)

	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
<b>30/06/2010</b>				
<b>Financial assets</b>				
Cash and cash equivalents	7,918	-	-	7,918
Receivables	-	-	122	122
Money market securities	-	38,912	-	38,912
Mortgages	33,257	4,400	-	37,657
<b>Financial liabilities</b>				
Payables	-	-	(461)	(461)
<b>Net exposure</b>	<b>41,175</b>	<b>43,312</b>	<b>(339)</b>	<b>84,148</b>

An analysis of financial liabilities by maturities is provided in paragraph (d) 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 +/- 60 basis points (2010: +/- 60 basis points) from the year end rates with all other variables held constant. The impact mainly arises from changes in the fair value of cash and cash equivalents and mortgages.

# COLONIAL FIRST STATE BRICKS & MORTAR FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2011

### 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. 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 and/or correlation between the performance of the economies and markets in which the Fund invests. As a result, historic variations in risk variables should not be used to predict future variations in the risk variables.

	Interest rate risk	
	Impact on operating profit/(loss) and net assets attributable to unitholders	
	-60 basis points \$'000	+60 basis points \$'000
30/6/2011	( 217)	217
30/6/2010	-60 basis points \$'000	+60 basis points \$'000
	( 481)	481

#### (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 and amounts due from brokers.

##### (i) Money market securities

The Fund invests in money market securities which have an investment grade as rated by the Standard & Poor's rating agency. For unrated assets a rating is assigned by the Investment Manager using an approach that is consistent with the approach used by rating agencies.

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

	30/6/2011 \$'000	30/6/2010 \$'000
Rating		
AAA	35,899	-
AA+	-	-
AA	-	14,968
AA-	-	-
A+	-	-
A	-	-
Others	-	-
Non rated	-	23,944
Total	35,899	38,912

# COLONIAL FIRST STATE BRICKS & MORTAR FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2011

### 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 the following;

- 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.

The Investment Manager has reviewed the recoverability of the mortgage portfolio based on the above. The Responsible Entity considered a provision of \$350,000 as at 30 June 2011 (30 June 2010: \$500,000) is required for the Fund due to the impairment of certain mortgages.

# COLONIAL FIRST STATE BRICKS & MORTAR FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2011

### 10. FINANCIAL RISK MANAGEMENT (continued)

#### (d) Liquidity risk

Prior to the Fund's suspension, the Fund was exposed to daily cash redemptions of redeemable units. The Fund primarily invests in mortgages and money market securities. Money market securities are short to medium term in nature and can have maturity dates of between one week and six months. The mortgage assets are not readily realisable.

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. However, as the Fund has been declared illiquid, redemptions requested will be processed on a quarterly basis (or such other intervals determined from time to time), depending on the level of cash available within the Fund to meet those requests at that time, while still retaining the asset allocation of the Fund. Details of the redemptions requested during the year are disclosed in Note 15.

#### (e) Fair Value Estimation

The Fund's 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:

	30/6/2011		30/6/2010	
	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000
Mortgage assets at amortised cost	23,043	23,026	37,705	37,657

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. The fair value of mortgages is net of accumulated collective and individually assessed provisions for impairment.

### 11. CONTINGENT LIABILITIES AND COMMITMENTS

As at 30 June 2011 the Fund has no contingent liabilities and commitments (2010 - none).

### 12. EVENTS AFTER BALANCE SHEET DATE

Since the reporting date no significant events have occurred that required reporting (2010 - none).

### 13. ADDITIONAL DISCLOSURES FOR MORTGAGES

#### (a) Summary of Mortgage assets

The Mortgage assets for the Fund are summarised as follows:

	30/6/2011		30/6/2010	
	Number	\$'000	Number	\$'000
Current mortgages	22	23,376	39	38,157
Mortgages in arrears	-	-	-	-
Collective provision of doubtful debts	-	(350)	-	(500)
	22	23,026	39	37,657

# COLONIAL FIRST STATE BRICKS & MORTAR FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2011

### 13. ADDITIONAL DISCLOSURES FOR MORTGAGES (continued)

#### (b) Geographic Profile of Mortgages

	30/6/2011		30/6/2010	
	\$'000	%	\$'000	%
Australian Capital Territory	-	0.00%	-	0.00%
New South Wales	16,981	73.76%	26,541	70.48%
Queensland	1,184	5.14%	3,162	8.40%
South Australia	312	1.35%	312	0.83%
Tasmania	1,479	6.42%	1,574	4.18%
Victoria	3,420	14.85%	6,568	17.44%
Collective provision of doubtful debts	(350)	-1.52%	(500)	-1.33%
	23,026	100.00%	37,657	100.00%

#### (c) Property Type Securing Mortgages

	30/6/2011		30/6/2010	
	\$'000	%	\$'000	%
Improved Industrial	4,003	17.38%	10,070	26.74%
Improved Office	6,393	27.76%	8,743	23.22%
Improved Residential	1,770	7.69%	2,284	6.07%
Improved Retail	11,210	48.69%	17,060	45.30%
Collective provision of doubtful debts	(350)	-1.52%	(500)	-1.33%
	23,026	100.00%	37,657	100.00%

#### (d) Maturity Profile of Mortgages

	30/6/2011		30/6/2010	
	\$'000	%	\$'000	%
Past maturity	1,013	4.40%	-	-
Less than 1 year	8,789	38.17%	10,650	28.28%
1 to 2 years	11,240	48.81%	13,904	36.93%
2 to 3 years	2,334	10.14%	11,270	29.93%
3 - 4 years	-	0.00%	2,333	6.19%
4 - 5 years	-	0.00%	-	0.00%
Greater than 5 years	-	0.00%	-	0.00%
Collective provision of doubtful debts	(350)	-1.52%	(500)	-1.33%
	23,026	100.00%	37,657	100.00%

# COLONIAL FIRST STATE BRICKS & MORTAR FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2011

### 13. ADDITIONAL DISCLOSURES FOR MORTGAGES (continued)

#### (e) Material Mortgages

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

	30/6/2011		30/6/2010	
	Number	\$'000	Number	\$'000
5% to 5.99% of the mortgage assets	1	1,308	2	4,163
6% to 6.99% of the mortgage assets	2	2,944	1	2,506
7% to 7.99% of the mortgage assets	-	-	1	3,017
8% to 8.99% of the mortgage assets	-	-	-	-
9% to 9.99% of the mortgage assets	-	-	-	-
Greater than 10% of the mortgage assets	3	8,945	-	-
	6	13,197	4	9,686

#### (f) Interest Rate Profile of Mortgages

	30/6/2011		30/6/2010	
	\$'000	%	\$'000	%
Fixed Mortgages:				
Less than 4.5%	-	0.00%	-	0.00%
4.5% to 4.99%	-	0.00%	-	0.00%
5% to 5.49%	-	0.00%	-	0.00%
5.5% to 5.99%	-	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%	2,966	7.88%
7.5% to 7.99%	694	3.01%	969	2.57%
8% to 8.49%	490	2.13%	524	1.39%
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%	-	0.00%	-	0.00%
Variable Mortgages:				
Less than 4.5%	-	0.00%	-	0.00%
4.5% to 4.99%	-	0.00%	-	0.00%
5% to 5.49%	-	0.00%	-	0.00%
5.5% to 5.99%	-	0.00%	11,095	29.46%
6 % to 6.49%	9,997	43.42%	11,019	29.26%
6.5 to 6.99%	3,569	15.50%	2,819	7.49%
7% to 7.49%	2,181	9.47%	1,317	3.50%
7.5% to 7.99%	1,096	4.76%	5,983	15.89%
8% to 8.49%	2,381	10.34%	1,465	3.89%
8.5% to 8.99%	299	1.30%	-	0.00%
9% to 9.49%	2,411	10.47%	-	0.00%
9.5% to 9.99%	-	0.00%	-	0.00%
Greater than 10%	258	1.12%	-	0.00%
Collective provision of doubtful debts	(350)	-1.52%	(500)	-1.33%
	23,026	100.00%	37,657	100.00%

# COLONIAL FIRST STATE BRICKS & MORTAR FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2011

### 14. PROVISIONS FOR IMPAIRMENT

The value for mortgages recognised in the Balance Sheet includes provisions for impairment losses totalling \$350,000 (30 June 2010 - \$500,000).

The mortgages in the Fund do not have an individually assessed provision and are assessed collectively for impairment.

Movements in the provision during the period is set out below:

	30/6/2011 \$'000	30/6/2010 \$'000
<b>Collective provision</b>		
Opening Balance	500	-
Additions	-	500
Reversal of provision	(150)	-
<b>Total provisions for impairment losses</b>	<b>350</b>	<b>500</b>

# COLONIAL FIRST STATE BRICKS & MORTAR FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2011

### 15. REDEMPTIONS

Unitholders can request redemptions from the Fund in accordance with the terms of any withdrawal offer made by the Responsible Entity or under Financial Hardship withdrawal criteria [pursuant to relief from the Australian Securities and Investments Commission (ASIC)], subject to the Fund having available cash.

#### Financial Hardship Payments

A unitholder can request a Financial Hardship withdrawal which meets at least one of the criteria below. The amount of withdrawal payments is subject to limits set out in the ASIC relief.

- (i) severe financial hardship (e.g. where the unitholder is unable to meet reasonable and immediate living expenses);
- (ii) on compassionate grounds (e.g. medical costs for serious illness, funeral expenses, to prevent foreclosure, binding pre-existing financial obligation);
- (iii) in the case of permanent incapacity; and
- (iv) aged care (e.g. to enable the unitholder to make payments to secure or remain in aged care)

#### Withdrawal Offers

The withdrawal offers will be made and processed in accordance with Section 601KB of the Corporations Act 2001 to all unitholders in the Fund:

- (i) where there is sufficient cash available to meet all withdrawal requests made by unitholders under the offer, all requests will be met in full; or
- (ii) where there is not sufficient cash available to meet all withdrawal requests made by unitholders under the offer, requests will be processed on a proportional basis. The Responsible Entity may set a minimum payment for a withdrawal offer.

The total redemptions requested and paid in the withdrawal offer that was open to unitholders were as follows:

Redemption offer period	Total redemptions requested \$	Total redemptions paid \$	Payment date
15 July 2009 to 18 August 2009	7,268,066	4,100,956	9 September 2009
18 November 2009 to 22 December 2009	6,993,967	4,491,828	11 January 2010
9 March 2010 to 7 April 2010	12,318,480	7,008,708	23 April 2010
15 July 2010 to 18 August 2010	13,265,404	9,989,792	3 September 2010
15 December 2010 to 19 January 2011	9,567,031	9,567,031	4 February 2011
15 March 2011 to 20 April 2011	6,427,928	6,427,928	6 May 2011



## COLONIAL FIRST STATE BRICKS & MORTAR FUND

### DIRECTORS' DECLARATION FOR THE PERIOD ENDED 30 JUNE 2011

In accordance with a resolution of the Board of Directors of Colonial First State Investments Limited, I state that:

In the opinion of the Directors:

- 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) complying with Accounting Standards, the *Corporations Regulations* 2001 and other mandatory professional reporting requirements;
  - ii) giving a true and fair view of the Fund's financial position as at 30 June 2011 and of its performance for the reporting period ended on that date,
- b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable, and
- c) Note 1(b) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



Bradley Brian Massey  
Director  
Sydney  
30 August 2011



## **Independent auditor's report to the unitholders of Colonial First State Bricks & Mortar Fund**

### **Report on the financial report**

We have audited the accompanying financial report of Colonial First State Bricks & Mortar Fund (the Fund), which comprises the balance sheet as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the period ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

#### *Directors' responsibility for the financial report*

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

#### *Auditor's responsibility*

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

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

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

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

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

### *Independence*

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

We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Colonial First State Investments Limited on 30 August 2011, would be in the same terms if provided to the directors as at the date of this auditor's report.

### *Auditor's opinion*

In our opinion:

- (a) the financial report of Colonial First State Bricks & Mortar Fund is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Fund's financial position as at 30 June 2011 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*; and
- (b) the Fund's financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

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

This auditor's report relates to the financial report of Colonial First State Bricks & Mortar Fund for the period ended 30 June 2011 included on the Colonial First State Investments Limited web site. The Responsible Entity's directors are responsible for the integrity of the Colonial First State Investments Limited web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

PricewaterhouseCoopers

A J Wilson  
Partner

Sydney  
02 September 2011

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## Enquiries

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## **Enquiries**

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