

2 TAX IMPLICATIONS OF CFX INTERNALISATION

2.1 Overview of CFX Internalisation

An overview of CFX Internalisation, as relevant for CFX securityholders, is outlined below.

- Prior to CFX Internalisation, CFX stapled securities were each comprised of one CFX1 unit stapled to one unit in CFS Retail Property Trust 2 (**CFX2**).
- On 24 March 2014, CFX1 made a Capital Distribution of 7.25 cents per unit to its unitholders. The unitholders who were entitled to the Capital Distribution were those CFX1 unitholders who held units in CFX1 on the Record Date (18 March 2014).
- The CFX1 unitholders did not physically receive the Capital Distribution. Rather, the Capital Distribution was applied on their behalf toward the acquisition of shares in CFX Co.
- On 24 March 2014, CFX2 units were transferred to CFX Co in exchange for CFX Co issuing additional shares in itself to CFX1 unitholders.

For a more detailed description of CFX Internalisation, including copies of the relevant agreements, please refer to the CFX website:

[\(http://www.cfsgam.com.au/au/property/cfx/Investor_Centre/Internalisation_of_CFX/\)](http://www.cfsgam.com.au/au/property/cfx/Investor_Centre/Internalisation_of_CFX/).

2.2 Tax implications of CFX Internalisation

The tax implications of CFX Internalisation are outlined below and were confirmed by the Australian Taxation Office in Class Ruling CR 2014/36:

[\(http://law.atolaw.gov.au/atolaw/view.htm?docid=%22CLR%2FCR201436%2FNAT%2FATO%2F00001%22\)](http://law.atolaw.gov.au/atolaw/view.htm?docid=%22CLR%2FCR201436%2FNAT%2FATO%2F00001%22).

A link to the above Australian Taxation Office Class Ruling CR 2014/36 was also placed on CFX's website with additional information, including an internalisation tax guide:

[\(http://www.cfsgam.com.au/au/property/cfx/Investor_Centre/Securityholder_Information/Tax_information/\)](http://www.cfsgam.com.au/au/property/cfx/Investor_Centre/Securityholder_Information/Tax_information/).

(a) Capital Distribution

The above mentioned Capital Distribution was not assessable income of CFX1 unitholders. However, the Capital Distribution reduced the existing cost base that CFX1 unitholders had in their CFX1 units. To the extent that the Capital Distribution reduced the cost base of the CFX1 units below \$0, it would have given rise to a capital gain for the CFX1 unitholder. You should check the cost base of your CFX1 units to confirm whether the Capital Distribution gave rise to a capital gain.

Any capital gain made as a result of the Capital Distribution would be eligible for a CGT discount provided that you held your CFX1 units for at least 12 months. The relevant date for determining the CGT discount would not be the date of the Capital Distribution. Rather, it would be the earlier of 30 June 2014 or, where a CFX1 unitholder subsequently disposed of their CFX1 units, the date on which the units were disposed of.

(b) Transfer of CFX2 units

The transfer of the CFX2 units to CFX Co gave rise to a CGT event for CFX2 unitholders.

To the extent that the capital proceeds (0.18 cents per unit) exceeded a unitholder's cost base in the CFX2 units, the transfer would have given rise to a capital gain. Any capital gain made as a result of the transfer of CFX2 units would be eligible for a CGT discount.

The relevant date for determining the CGT discount would be the date of transfer (24 March 2014).

To the extent that the capital proceeds (0.18 cents per unit) were less than a unitholder's cost base in the CFX2 units, the transfer would have given rise to a capital loss. CFX2 unitholders should be able to carry forward this loss to future income years.

On the basis that there has been little change in the net tangible asset (**NTA**) position of CFX2 as well as the proportionate split between the NTA of CFX1 and CFX2 since the establishment of CFX2, the transfer of the CFX2 units to CFX Co should not have given rise to a material capital gain or loss for CFX2 unitholders. However, each unitholder should confirm their position, having regard to their cost base in the CFX2 units.

(c) *Cost base in CFX Co*

As a result of CFX Internalisation, CFX securityholders went from holding securities in a stapled entity consisting of CFX1 units and CFX2 units to owning securities in a stapled entity consisting of CFX1 units and CFX Co shares.

The cost base of each CFX Co share following CFX Internalisation should be equal to 7.43 cents (being the sum of the Capital Return per CFX1 unit and the market value of each CFX2 unit) plus any incidental costs incurred directly by the CFX securityholders.

(d) *Tax return disclosure*

The Australian Taxation Office (ATO) has two separate 2014 Income Tax Return publications currently available with respect to the supplementary section, NAT1371-06.2014 or NAT2679-06.2014 (Note, the ATO code is located on the bottom left corner of the ATO form).

All CFX securityholders who participated in CFX Internalisation and who are completing tax return form NAT1371-06.2014 should mark "Y" for YES at **Box G** and "N" for NO at **Box M** of **Question 18** on your tax return.

Did you have a capital gains tax event during the year?	G	<input type="checkbox"/>	Print Y for yes or N for no.	You must print Y at G if you had an amount of a capital gain from a trust.
Have you applied an exemption or rollover?	M	<input type="checkbox"/>	Print Y for yes or N for no.	

All CFX securityholders who participated in CFX Internalisation and who are completing tax return form NAT2679-06.2014 should mark "X" for YES at **Box G** and "X" for NO at **Box M** of **Question 18** on your tax return.

Did you have a capital gains tax event during the year?	G	NO <input type="checkbox"/>	YES <input checked="" type="checkbox"/>	You must print X in the YES box at G if you had an amount of capital gains from a trust.
Have you applied an exemption or rollover?	M	NO <input type="checkbox"/>	YES <input type="checkbox"/>	<small>CODE</small> <input type="checkbox"/>

To the extent that you realised a capital gain as a result of CFX Internalisation (from either the Capital Return or the transfer of CFX2 units), the undiscounted capital gain (grossed up), together with any other gains you made during the year, should be disclosed at **Box H** of **Question 18** on your tax return.

Total current year capital gains	H	<input type="text" value="-00"/>
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The discounted capital gain from CFX Internalisation, together with any other net capital gains, should be disclosed at **Box A** of **Question 18** on the tax return.

Net capital gain	A	<input type="text" value="-00"/>
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For further information, please refer to the internalisation tax guide on CFX's website.