



City of Brisbane Investment Corporation
Pty Ltd

An initiative of the Brisbane City Council

2009 Annual Report

Foreword

The City of Brisbane Investment Corporation (CBIC) was formed in June 2008 with a goal of generating long term financial returns for the people of Brisbane.

Set up to provide Brisbane City Council with an alternative source of revenue, CBIC will help reduce Council's reliance on rates revenue. In its first 12 months, CBIC has operated in especially difficult economic conditions. Despite world markets experiencing their most significant downturns in more than 50 years, CBIC is off to a great start.

The independent and experienced CBIC Board has been disciplined in its approach to determining its investing strategy and investing the funds available. The outcome is that the return achieved on CBIC was very sound when compared to other investment fund managers in the country.

During a period when many other funds suffered significant losses, CBIC delivered a positive 3.93% in the 2008/2009 year. In addition to recording an overall profit of \$1.88 million, CBIC also successfully negotiated and acquired its cornerstone investment - the newly renovated 157 Ann Street, Brisbane. This property will provide accommodation for Council during the restoration of City Hall and will deliver a strong yield.

Through its work in investing now for the future of the city, CBIC is helping Council get on with the job of delivering vital infrastructure for Brisbane residents.

I thank the Board for its prudent work to date and also congratulate them on the significant results achieved in their first year. As world markets start the long road to recovery, I look forward to continued growth and success.

**The Right Honourable, the Lord Mayor of Brisbane,
Councillor Campbell Newman**



Campbell Newman
Lord Mayor

During a period when many other funds suffered significant losses, CBIC delivered a positive 3.93% in the 2008/2009 year.

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City of Brisbane Investment Corporation
Pty Ltd

An initiative of the Brisbane City Council

CBIC's core business is to deliver value to the Brisbane City Council by:

- Responsibly protecting and building assets under management
- Striving to generate superior gross investment returns on the assets under management within prudent, responsible and reasonable risk parameters
- Managing costs so as to maximise net investment returns; and
- Identifying investments and/or assets both interior and exterior to Council that could be utilised to generate significant returns for the City of Brisbane



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Foreword

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1.0 Chairman's Report

The City of Brisbane Investment Corporation (CBIC) has made a strong start in delivering long term value to Brisbane City Council and the residents of the City of Brisbane. To deliver an investment return of almost 4% for the financial year to 30 June 2009, at a time when most investment funds are posting significant losses, is a solid platform on which to build.

The CBIC Board was announced by the Lord Mayor in June 2008, and has met a number of challenges in its first 12 months of operation. The greatest challenge facing the Board was to establish a strong investment framework at a time of unprecedented global financial uncertainty.

The Board's first priority was to undertake a process of probity, compliance and corporate governance to ensure CBIC met all regulatory requirements of the State and Local Governments.

During this six month period to December 2008, funds were invested with Queensland Treasury Corporation (QTC) until all relevant policies, procedures and corporate governance requirements were established and implemented.

The funds invested with QTC (approximately \$104 million) earned \$2.9 million in interest. When the capital was ultimately transferred to CBIC, the interest earned was included as equity and as such, does not appear in this Annual Report as earnings.

A key requirement was to develop an investment policy and strategy, which based on Council's and CBIC's objectives, enables CBIC to invest directly and indirectly in cash, bonds, equity and property (ie diversified managed funds). However, the Board recognised that the implementation of the strategy should be based on market opportunities, particularly as the key market fundamentals during the period December 2008 to April 2009 were considered to be poor.

The outcome of the strategy to wait for market opportunities was to invest in cash and has seen CBIC deliver an investment performance that resulted in CBIC out-performing the diversified fund managers. CBIC's long term investment return benchmark is CPI plus 4.5% to 5.5%.

Our Board has worked to set a strong foundation for CBIC, and is well placed to take advantage of investment opportunities over the coming year.

In August 2009, CBIC completed the negotiation of our first major acquisition, a 17 storey building at 157 Ann Street in the heart of Brisbane. In the year ahead, CBIC will finalise the refurbishment of 157 Ann Street and usher in new tenants, including Brisbane City Council. There are also several other purchases and developments under consideration, with one close to signing.



Mark Brodie
Chairman

The strategy to invest in cash during the height of the Global Financial Crisis has produced solid returns.

1.0 Chairman's Report

The Board and its executive will continue to look for secure investments that achieve the Corporation's investment goals and achieve healthy long term returns for the people of Brisbane.

Reflecting on our inaugural year of operation, I am very pleased with the performance of the Corporation. The platform has been set to deliver strong positive returns for Brisbane City Council and ultimately Brisbane ratepayers for many years to come.

Finally, I would like to thank the Board who have worked diligently in this commencement period to establish CBIC during the year, the team at Brisbane City Council who have lent their support, and our interim Chief Executive Officer, Greg Baynton.

I would also like to welcome our new Chief Executive Officer, Jim Sturgess, who joined us on a full-time basis in August 2009.

A handwritten signature in black ink that reads "Mark Brodie". The signature is stylized with a large, sweeping initial 'M' and a long horizontal line extending from the end of the name.

Mark Brodie
Chairman

2.0 Operational Report

The first year of operation of City of Brisbane Investment Corporation (CBIC) focused predominantly on establishing a solid framework for investment and corporate governance and negotiating the acquisition of 157 Ann Street, Brisbane - the Corporation's first significant investment.

The Board was formed on 2 June 2008, and met 14 times during the year.

2.1 Income & Profit

In its maiden year, CBIC recorded a profit of \$1.9 million. The result is particularly pleasing as CBIC was in its start up phase during an extraordinarily tough economic period. Profit was achieved by holding the majority of its equity in cash instruments.



157 Ann Street, Brisbane

It is important to note that \$2.9m was earned in interest for the period July 2008 to December 2008 on CBICs start up capital, which was provided to CBIC once all necessary regulatory and corporate governance requirements were met. In December 2008, \$2.9 million of interest was included with the start up capital and transferred as equity to CBIC with additional shares being issued to Brisbane City Council in exchange. Including the \$2.9 million treated as equity, total earnings for the period were \$4.8 million.

During the 2008/09 financial year, CBIC received income in the form of interest and dividend payments of \$2.4 million.

These sources of income during the review period are summarised as:

| Income to 30 June 2009 | \$'000 |
|------------------------|--------------|
| Dividend from BACH | 49 |
| Interest Earned | 2,323 |
| Total | 2,372 |

2.2 Asset Position

At the commencement of the review period to 30 June 2009, CBIC's asset position comprised of its investment in Brisbane Airport Corporation Holdings Limited (BACH) and cash, as follows:

| Initial Assets | \$'000 |
|-----------------|---------------|
| Cash | 171 |
| BACH Investment | 12,000 |
| Total | 12,171 |

*The BACH valuation is currently considered to be conservative.

2.0 Operational Report

During the review period, two payments sourced from the restructure of BCC water infrastructure assets were received from Council to establish the fund. These two payments were held by Queensland Treasury Corporation (QTC) while State Government approval for the use of these funds by CBIC was confirmed.

| Initial Equity | \$'000 |
|---------------------------------|----------------|
| BCC Payment One (December 2008) | 107,000 |
| BCC Payment Two (March 2009) | 16,000 |
| Total | 123,000 |

These payments during the period were treated as equity contributions by Brisbane City Council (BCC) to CBIC, with 123 million new shares issued to BCC.

3.0 Investment Summary

3.1 Overall Performance

Against a backdrop of the worst economic downturn in more than 50 years, CBIC produced solid positive returns across funds invested for the year ended 30 June 2009.

3.1.1 Invested Cash

| Invested Cash | \$000 | Proportion | Return % |
|-------------------|----------------|---------------|--------------|
| Cash | 1,105 | 0.9% | 0.43% |
| 24 Hour Call | 50,000 | 39.8% | 4.30% |
| Term deposits | 74,517 | 59.3% | 3.74% |
| Total Cash | 125,622 | 100.0% | 3.93% |

3.1.2 Portfolio

| Total Invested | \$000 | Proportion | Return % |
|--------------------|---------|------------|----------|
| Cash | 125,622 | 91.3% | 3.93% |
| Investment in BACH | 12,000 | 8.7% | 0.41% |

The Board prudently restricted investment in fixed interest, property and equity sectors during a tumultuous period and is now poised to capitalise on several value adding opportunities. CBIC has a number of property projects in the pipeline that are projected to realise solid returns on funds invested.

The Board is confident that CBIC will achieve the stated returns of 4.5% to 5.5% plus CPI over the 2009/10 financial year.

3.2 Cash

Equity received from Brisbane City Council was invested in the QTC Cash Fund. At 30 June 2009, the amount held in the QTC Cash Fund totalled \$74.6 million. The return for the QTC Cash Fund for the year to 30 June 2009 was 5.52%, which compares favourably with its benchmark the UBS Bank Bill Index of 5.48%.

In order to diversify its cash holdings and establish new relationships with leading financial institutions, CBIC has commenced investing its cash in term deposits with major Australian banks. The decision also reduced risk by diversifying its cash exposure away from the QTC Cash Fund.

3.0 Investment Summary

3.3 Property Investments



157 Ann Street, Brisbane

CBIC's Board identified its cornerstone investment in the second half of the financial year, negotiating the acquisition of 157 Ann Street, Brisbane. Ideally located, the 157 Ann Street property is only 130 metres from Central Railway Station and 150 metres from City Hall.

The 17 level office building has a site area of 944 square metres and was formerly owned by a property trust. It has a net lettable area (NLA) of 6,679 square metres, with 42 approved undercover car parks.

At 30 June 2008, the property had an unimproved capital value of \$10.5 million with the site classified as "Multi-Purpose Centre MP1 - City Centre".

The vendor had undertaken a major refurbishment program of the building which provides CBIC with the potential to generate more value through higher rental income. CBIC will finalise the refurbishment of 157 Ann Street over the 2009/10 financial year.

3.4 Equities

During the 2008/09 financial year, no direct or indirect equity investments were made by CBIC. The Board made the decision direct equity investment was not appropriate for CBIC at that time. Rather, equity investment should occur via a leading external fund manager.

It should also be noted that CBIC was unable to invest in equity in the early part of the 2009 calendar year given that some of its governance processes for such investments were being finalised.

3.0 Investment Summary

3.5 Fixed Interest or Bond Funds

To date no investment in fixed interest or bonds has been made. While it is standard practice to invest a certain proportion of a portfolio in bonds, the rising long term interest rate environment witnessed during the last half of the year was not conducive to investing in bonds.

3.6 Brisbane Airport Corporation Holdings

Brisbane Airport Corporation Holdings (BACH) continues to be a significant investment for CBIC, with a book value of \$12 million.

Based on BACH share transactions with other parties during late 2008, the value of CBIC's interest could have been as high as \$27 million.

The BACH Board notified shareholders that it is unlikely that dividends will be paid over the next three to four years. In addition, it has signalled that it may also consider raising equity from existing shareholders. This is on the basis that BACH has a significant capital works program that cannot be 100% funded by debt without there being a negative impact on its BBB credit rating.

CBIC's holding gives it a position on the BACH Board, providing additional value to CBIC and its shareholder.



4.0 Investment Philosophy

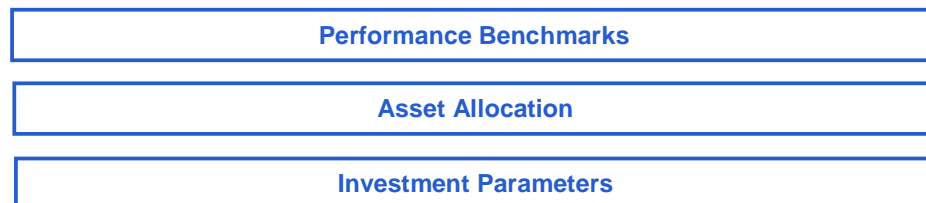
CBIC's objective is to deliver meaningful investment returns to the Brisbane City Council for the benefit of Brisbane residents.

In meeting this objective, CBIC will use an investment philosophy built on:



CBIC's Investment Policy ensures that all investment decisions are made in line with this philosophy.

The Investment Policy guides all investment decisions made by the CBIC Board and provides clear guidelines with respect to:



4.0 Investment Philosophy

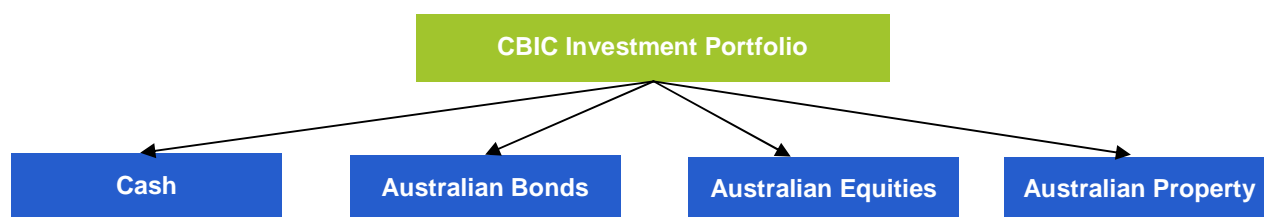
4.1 Performance Benchmarks

The long term (seven years) investment return objective for CBIC funds is Consumer Price Index (CPI) plus 4.5% to 5.5%. The Investment Policy has set the following performance benchmarks.

| Asset Sector | Performance Benchmark |
|--------------|---|
| Cash | UBS Australia Bank Bill Index over a rolling one-year period |
| Bonds | UBS Composite Bond Index |
| Equities | Standard and Poor's ASX200 Accumulation Index |
| Property | Standard and Poor's ASX200 Property Trusts Accumulation Index |

4.2 Asset Allocation

To effectively manage risk and achieve its long term investment objective, CBIC will diversify its investment portfolio across the following asset sectors:



The initial focus of its investment operations will be in domestic markets. As CBIC will potentially have access to value adding opportunities through Brisbane City Council's property portfolio, CBIC's investment portfolio may be weighted towards property.

The CBIC Investment Review Group, a sub-committee of the Board, has developed risk profiles for each asset sector to ensure the strategic asset allocation is within risk parameters and investment objectives are met.

4.3 Investment Parameters

The CBIC Investment Policy also states a series of investment parameters which dictates suitable criteria for an "authorised investment" within each asset sector and defines single party exposure limits.

For example, the Investment Policy dictates that all cash investments must be made with financial institutions with a minimum A+ rating, with no more than 30% of investments to be made with a single party (other than investments in managed funds).

Investments in bonds must be with financial institutions or governments with an AA- rating or better, with no more than 20% of investments to be made with a single party (other than investments in managed funds).

Equity investments will generally be undertaken through an external fund manager, with exposure to resource stocks to be no greater than 40% of the portfolio. From a property perspective, the CBIC can make both direct and indirect investments that abide by risk management and corporate governance policies.

5.0 CBIC Board

The City of Brisbane Investment Corporation Board is charged with the responsibility of making prudent investment decisions for the Corporation.

Their diverse commercial experience combines to gain an informed viewpoint to pursue meaningful investment opportunities for CBIC.

5.1 Board Members

Mark Brodie – Chairman

Mark is the Chairman of Brodie Group and founder of Brodies Mealmakers, a company that owns and operates quick service restaurants.

Mark is Chairman of the National Retail Association and holds directorships and fellowships with several other companies and organisations.

Neil Castles - Director

Neil is General Manager Credit at Queensland Treasury Corporation. His career spans more than 30 years in the areas of government, public sector accounting and auditing, capital markets and financial risk management.

Neil is a board member of IIB (responsible for the retail grocery operations in the Torres Strait) and is a director and company secretary of a number of the Queensland Government's specific purpose companies. Neil is also a member of the Accounts and Audit Committee of Queensland Treasury and the Investment Committee of James Cook University.

Stephen Conry - Director

Stephen is an International Director and the Australian Chief Executive Officer of Jones Lang LaSalle, one of the world's largest property services firms.

Stephen was appointed a Director of Jones Lang LaSalle in 1988, QLD Managing Director 1997-2009, an International Director since 2000, a member of the Australian Executive Board since 1999, and appointed CEO in 2009.

He is a Fellow of the Australian Institute of Company Directors; a Fellow of the Australian Property Institute and a Fellow of the Royal Institution of Chartered Surveyors.

Jane Edwards - Director

Jane is Executive Chairman of BBS, one of Australia's leading communications and public relations consultancies. In 2009, she was awarded the prestigious Chevalier de l'Ordre National du Merit by the President of France in recognition of her service as Honorary French Consul.

Jane was the founding Chairman and judge of the Premier's Literary Awards since its inception in 1998. She is Deputy Chairman of Opera Queensland and is a Director of the National Breast Cancer Foundation.

Michael Knox – Director

Michael is Director of Strategy and Chief Economist for RBS Morgans Limited. He has served on many Queensland Government advisory committees.

He has been Chairman of the Advisory Committee of School of Economics and Finance at the Queensland University of Technology and Governor of the American Chamber of Commerce from 1997 to 2007. Michael is the current President of the Economic Society of Australia (Qld) Inc.

Jude Munro - Director

Jude is the Chief Executive Officer of the Brisbane City Council (BCC). She is the first person to be the chief executive of two of Australia's capital cities. Prior to taking on her role in Brisbane, she was the Chief Executive of the City of Adelaide.

Jude has extensive local government experience and has undertaken other senior local government roles, including holding chief executive positions with the Cities of Moreland and St Kilda in Victoria.

Jude is a Director of the Brisbane Institute, Australia Trade Coast Pty Ltd, United Way Queensland and the Translink Transit Authority Board.



5.0 CBIC Board

5.1 Board Members

Sally Pitkin - Director

Sally is a professional company director following a successful career as a corporate lawyer and partner with Clayton Utz.

Sally's directorships have spanned a diverse range of industries including energy and water, recruitment, technology and gaming. Sally was the 1999 Australian Winner of the Private Sector Category in the Telstra Business Women's Awards.

Maria Roach - Director

Maria has more than 18 years experience as a company secretary of publicly-listed companies in Australia. She is currently the Company Secretary of Billabong International Limited.

Maria has a Bachelor of Business (Accountancy), is a Fellow of Chartered Secretaries Association and a Certified Practising Accountant (CPA). She is a former member of the Australian Government Takeovers Panel.

Craig Spencer - Director

Craig is Managing Director and owner of the Carter & Spencer Group - one of Australasia's largest Fresh Produce Companies. The Group exports, imports, and distributes globally, fresh fruit and vegetables from its operations throughout Australia, New Zealand, China and Thailand.

Craig has served on many industry Boards including Chairman of Australian United Fresh (QLD), Queensland Horticultural Export Council, Queensland Chamber of Fruit & Vegetable Industries Co-operative Ltd (Brismark), and Queensland Food & Fibre Agribusiness Council.

David Askern – Company Secretary

David is the Chief Legal Officer of Brisbane City Council and currently manages Council's internal legal service provider, Brisbane City Legal Practice.

David has more than 20 years of experience in all aspects of the law with particular emphasis on drafting and interpretation of legislation affecting local government, commercial contracting, industrial relations, local government procedures, property developments and town planning particularly.

Jim Sturgess – Chief Executive Officer

Jim Sturgess joined CBIC in August 2009 as Chief Executive Officer. His career spans more than 20 years in financial and commercial roles within international organisations including Flight Centre Limited, ITT Sheraton, Starwood Hotels & Resorts and Ernst & Young. Jim recently held roles at Flight Centre including Chief Financial Officer and Executive General Manager.

Jim is a fellow of the Institute of Chartered Accountants and holds a Bachelor of Commerce from the University of Queensland. He was recently on the Board of the Australian Federation of Travel Agents.

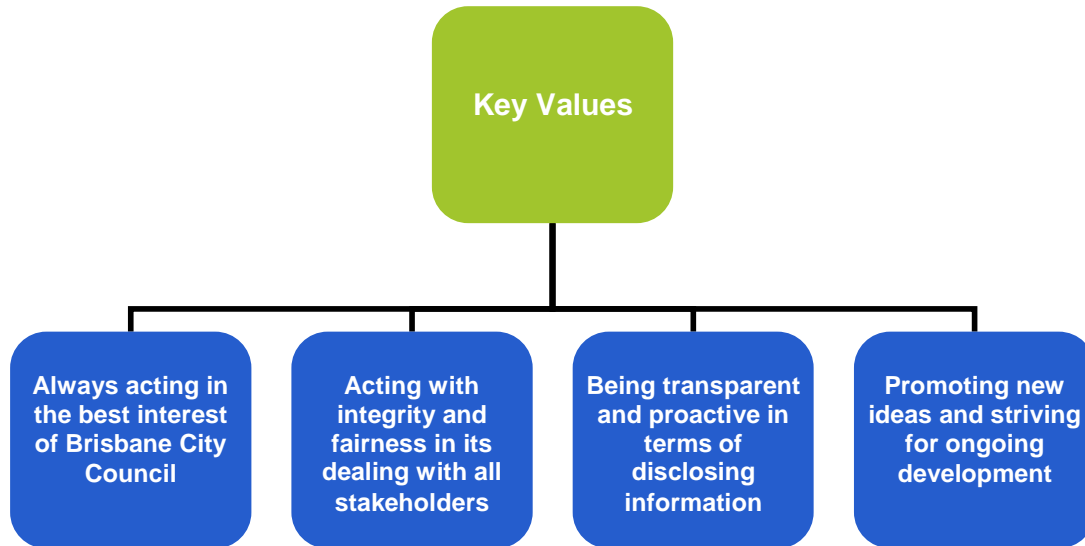
The diverse commercial experience of the CBIC Board combines to gain an informed viewpoint to pursue meaningful investment opportunities for CBIC.



6.0 Corporate Governance

6.1 Key Values

The CBIC has been established on a foundation of strong corporate governance. The key values that comprise the CBIC culture include:



The Board's initial focus was to consider the governance structure for an investment entity of this nature and the range of investment options which would best meet both the objectives of CBIC and its owner Brisbane City Council.

6.2 Policy Documents

The following significant policy documents were developed and approved by the Board:

- Corporate Governance Policy, which defines the fiduciary responsibility of the Board, the core business statement, a general investment policy and a consideration of the CBIC's approach to risk.
- Investment Policy which defines the asset classes in which CBIC may invest and considers such as liquidity and time horizons.
- Conflicts of Interest Policy
- Delegations Policy

6.0 Corporate Governance

6.3 CBIC Board Sub-Committees

The Board has established the following sub-committees to assist the effective functioning of the Corporation in line with effective corporate governance practices:

- Investment Review Committee - role is to review investment opportunities and where necessary make recommendations to the Board
- Finance & Audit Committee - role includes monitoring the effectiveness of internal controls, managing internal and external audit, risk management framework and annual financial statements
- Business Management & Protocol Committee - role includes developing corporate, strategic and communication plans.

The number of meetings of the corporations committees held during the year ended 30 June 2009, and the number of meetings attended by each director were:

| | Investment | | Finance & Audit | | Business & Protocol | |
|-----------|------------|---|-----------------|---|---------------------|---|
| | A | B | A | B | A | B |
| M Brodie | 5 | 5 | * | * | * | * |
| N Castles | 5 | 5 | 2 | 2 | * | * |
| S Conry | 5 | 5 | * | * | 1 | 2 |
| J Edwards | * | * | * | * | 1 | 2 |
| M Knox | 2 | 5 | * | * | * | * |
| J Munro | * | * | * | * | - | 2 |
| S Pitkin | * | * | 2 | 2 | * | * |
| M Roach | * | * | - | 2 | 2 | 2 |
| C Spencer | 4 | 5 | * | * | * | * |

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year.

***** = Not a member of the relevant committee

6.0 Corporate Governance

6.4 Managing Conflicts of Interest

Developed as an extension to CBIC's Corporate Governance Policy is the Conflicts of Interest Policy for CBIC Board members. CBIC strives to ensure that all decisions are made on sound, independent advice that is free from personal or commercial pressures.

The Conflicts of Interest Policy sets out the approach of CBIC to managing actual or potential conflicts of interest. The Policy outlines required steps to both disclose and manage potential conflicts of interest.

The Policy requires all Board members and staff to make timely disclosure in writing to the company secretary of all actual or potential conflicts of interest.

Disclosure of conflicts of interest is a standing item on each Board meeting agenda. Directors must disclose any potential or actual conflict of interest concerning any item of business before the Board.

The Policy outlines ways that the conflict can be managed from disclosure, to abstaining from votes, to a decision by CBIC not to transact business with the person who has the conflict or the person resigning their position from the company.

Financial Statements

For the Year Ended 30 June 2009

City of Brisbane Investment Corporation Pty Ltd ACN 066 022 455

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Director's Report

City of Brisbane Investment Corporation Pty Ltd is an Australian company with its registered Office located at Level 23, 266 George Street, Brisbane, Queensland, Australia.

The Directors present their report together with the Financial Report of the company for the financial year ended 30 June 2009.

Directors

The names of Directors in office at any time during or since the end of financial year are:

- Mark Vincent **BRODIE** (Chairman)
- Neil **CASTLES**
- Stephen **CONRY**
- Jane **EDWARDS**
- Michael James Stephen **KNOX**
- Judith R **MUNRO**
- Sally Anne Majella **PITKIN** (resigned 20 August 2009)
- Maria Ann **ROACH**
- Craig George **SPENCER**

Principal Activities

The principal activity of the company during the financial year was investment in Brisbane Airport Corporation Holdings Ltd and cash deposits with Queensland Treasury Corporation and Westpac.

Operating Activities

The result of the company for the financial year ended 30 June 2009 was a profit of \$1,883,294.

Review of Operations

The main source of revenue was interest revenue from cash held on deposit with financial institutions.



Director's Report

Events after Balance Date

The City of Brisbane Investment Corporation Pty Ltd has entered into the following significant financial transactions since the 30 June 2009:

- (a) To purchase a building located at 157 Ann Street for the price of \$21.5 million (GST inclusive).
- (b) An investment of \$30 million on 25 August 2009 in Australian Unity Investments Platypus Australian Equities Trust.
- (c) Director Sally Anne Majella Pitkin resigned on 20 August 2009.

Directors' Benefits

During the financial year, Directors of the company have received or become entitled to receive Directors' Fees totalling \$354,389.

Directors Meetings

During the year, 14 Directors' meetings were held. The number of meetings attended by each of the Directors' of the company were:

| Names | Number of meetings attended |
|---------------------|-----------------------------|
| M Brodie (Chairman) | 14 |
| N Castles | 14 |
| S Conry | 13 |
| J Edwards | 13 |
| M Knox | 12 |
| J Munro | 12 |
| S Pitkin | 13 |
| M Roach | 10 |
| C Spencer | 13 |

Signed in accordance with a resolution of the Directors.



Mark Brodie
Chairman
Brisbane, 20 October 2009



Neil Castles
Director

Auditor's Independence Declaration

To the Directors of the City of Brisbane Investment Corporation Pty Ltd

This audit independence declaration has been provided pursuant to s. 307C of the *Corporations Act 2001*.

Independence Declaration

As the lead auditor for the audit of the City of Brisbane Investment Corporation Pty Ltd for the year ended 30 June 2009, 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.



D A STOLZ FCPA
as delegate of the Auditor-General of Queensland

Queensland Audit Office
Brisbane

Income Statement for the year ended 30 June 2009

| | Note | 2009 \$ | 2008 \$ |
|--|------|-------------------------|-------------------------|
| Revenue | 2 | <u>2,372,619</u> | <u>1,300,944</u> |
| Finance Costs | 3 | (62,229) | - |
| Other expenses | 3 | <u>(427,096)</u> | <u>(16,697)</u> |
| Total expenses from ordinary activities | | <u>(489,325)</u> | <u>(16,697)</u> |
| Net Profit / (Loss) attributed to members of the company | | 1,883,294 | 1,284,247 |
| Other Comprehensive Income | | - | - |
| Total Comprehensive Income attributable to members of the company | | <u><u>1,883,294</u></u> | <u><u>1,284,247</u></u> |

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

Balance Sheet as at 30 June 2009

| | Note | 2009 \$ | 2008 \$ |
|-----------------------------------|------|--------------------|-------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 7 | 125,622,096 | 711,277 |
| Receivables | 4 | 7,928 | - |
| Total Current Assets | | 125,630,024 | 711,277 |
| NON CURRENT ASSETS | | | |
| Other financial assets | 4a | 11,988,503 | 11,988,503 |
| Building & improvements at cost | 4b | 29,650 | |
| Total Non Current Assets | | 12,018,153 | 11,988,503 |
| Total Assets | | 137,648,177 | 12,699,780 |
| CURRENT LIABILITIES | | | |
| Payables | 5 | 79,025 | 13,921 |
| Total Current Liabilities | | 79,025 | 13,921 |
| Total Liabilities | | 79,025 | 13,921 |
| Net Assets | | 137,569,152 | 12,685,859 |
| SHAREHOLDER'S EQUITY | | | |
| Share capital | 6 | 135,138,512 | 12,138,512 |
| Retained profits/(losses) | | 2,430,640 | 547,347 |
| Total Shareholder's Equity | | 137,569,152 | 12,685,859 |

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

Statement of Changes in Equity for the year ended 30 June 2009

2009

| | Total | Contributed Equity | Retained Profits |
|--|--------------|-------------------------------|-----------------------------|
| | | Note 6 | |
| | \$ | \$ | \$ |
| Balance at beginning of year | 12,685,859 | 12,138,512 | 547,347 |
| Profit for the year | 1,883,294 | - | 1,883,294 |
| Distribution to Shareholder – Brisbane City Council | - | - | - |
| Shares Issued | 123,000,000 | 123,000,000 | - |
| Balance at Year End | 137,569,153 | 135,138,512 | 2,430,641 |

2008

| | Total | Contributed Equity | Retained Profits |
|--|--------------|-------------------------------|-----------------------------|
| | | Note 6 | |
| | \$ | \$ | \$ |
| Balance at beginning of year | 12,130,825 | 12,138,512 | (7,687) |
| Profit for the year | 1,284,247 | - | 1,284,247 |
| Distribution to Shareholder – Brisbane City Council | (729,213) | - | (729,213) |
| Shares Issued | - | - | - |
| Balance at Year End | 12,685,859 | 12,138,512 | 547,347 |

| | | |
|---------------------|-------------|-------------|
| | 2009 | 2008 |
| Dividends per share | - | 0.05 |

The Statement of Changes of Equity should be read in conjunction with the accompanying notes.



Cashflow Statement for the year ended 30 June 2009

| | Note | 2009 \$ | 2008 \$ |
|---|------|-------------|------------|
| CASHFLOWS FROM OPERATING ACTIVITIES | | | |
| Dividends received – BACH | | 49,181 | 1,268,421 |
| Interest received | | 2,323,438 | 32,524 |
| Interest paid | | - | (449,565) |
| Other | | (441,101) | (13,577) |
| GST received from Australian Taxation Office | | 8,951 | - |
| | | 1,940,469 | 837,803 |
| NET CASHFLOWS PROVIDED FROM OPERATING ACTIVITIES | | | |
| | 7 | 1,940,469 | 837,803 |
| CASHFLOWS FROM INVESTING ACTIVITIES | | | |
| Dividends paid | | - | (819,126) |
| Share issue proceeds | | 123,000,000 | - |
| Fixed assets purchased | | (29,6750) | - |
| NET INCREASE / (DECREASE) IN CASH HELD | | | |
| | | 124,910,819 | 18,677 |
| Cash at the beginning of the year | | 711,277 | 692,600 |
| | | 125,622,096 | 711,277 |
| CASH AT THE END OF THE YEAR | | | |
| | 7 | 125,622,096 | 711,277 |

The Statement of Cashflows should be read in conjunction with the accompanying notes.

Notes to and forming part of the Financial Statement for the year ended 30 June 2009

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies adopted by the entity in the preparation of the financial report.

Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The City of Brisbane Investment Corporation Pty Ltd has elected to early adopt AASB101 Presentation of Financial Statements in 2009.

The financial statements were authorised for issue by the directors on 20 October 2009.

Basis of preparation

The financial report has been prepared on an accrual basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Revenue

Interest revenue is brought to account when earned and dividend revenue is brought to account when received.

Expenditure

Direct labour and materials expenditure incurred in the purchase or construction of assets is capital expenditure. Expenditure necessarily incurred in either maintaining the operational capacity of assets or ensuring that their original life estimates are achieved, is considered maintenance and is treated as an expense as incurred. All other operational expenditure to maintain the effective operation of the business is treated as expenditure in the Statement of Comprehensive Income.

Cash

Cash includes cash on hand and in banks and money market investments readily convertible to cash within two working days, net of outstanding bank overdrafts. Cash holdings are continually monitored so as to maximise current market rates in line with the investment policy of the company. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate and credit risk and investing excess liquidity.

Notes to and forming part of the Financial Statement for the year ended 30 June 2009

Other Financial Assets

Investments in equity instruments, which are classified as available-for-sale assets, do not have a quoted market price in an active market and are valued at cost less any impairment. Investments are subject to impairment testing and are assessed for indicators of impairment on an annual basis. All investment activities are considered in line with the company's investment policy and all proposals undertaken need to meet this policy before approval is given by the Board. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate and credit risk and use of derivative financial instruments.

Payables

Accruals are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the company, and for dividends declared but not paid at year-end.

Taxation

(i) Income Tax

Income of local governing bodies and public authorities and their subsidiaries is exempt from income tax (including capital gains tax) due to the provisions of the Income Tax Assessment Act 1997.

(ii) Goods and Services Tax

Revenues, expenses and non-current physical assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with amount of GST included.

The next amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cashflows are included in the State of Cashflows on a gross basis. The GST components of cashflows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cashflows.

Share Capital

Ordinary Shares

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

Preference Share Capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon declaration by the directors.

**Notes to and forming part of the Financial Statement
for the year ended 30 June 2009**

| | 2009 | 2008 |
|--------------------------------------|----------------|---------------|
| | \$ | \$ |
| 2. REVENUE | | |
| Dividends | 49,181 | 1,268,421 |
| Interest | 2,323,438 | 32,523 |
| | 2,372,619 | 1,300,944 |
| 3. EXPENSES | | |
| Finance Costs | | |
| Managed fund fees | 62,229 | - |
| | 62,229 | - |
| Operating Expenses | | |
| Bank fees | 93 | 560 |
| Legal fees - BCC | 8,000 | 4,425 |
| ASIC fees | - | 212 |
| Accounting fees - BCC | 14,000 | 8,800 |
| Audit fees - Queensland Audit Office | 3,000 | 2,700 |
| Recruitment Costs | 6,504 | - |
| Consultancy Costs | 20,000 | - |
| Directors Fees | 354,389 | - |
| Payroll Tax | 15,406 | - |
| Stationery | 741 | - |
| Telephone Expenses | 146 | - |
| Travel Expenses | 4,817 | - |
| | 427,096 | 16,697 |
| Total Expenses | 489,325 | 16,697 |

| |
|---|
| Notes to and forming part of the Financial Statement for the year ended 30 June 2009 |
|---|

| | 2009 | 2008 |
|--|-------------|------------|
| | \$ | \$ |
| 4. TRADE AND OTHER RECEIVABLES | | |
| Current | | |
| GST Receivable | 7,928 | - |
| | 7,928 | 0 |
| | 7,928 | 0 |
| 4a OTHER FINANCIAL ASSETS | | |
| Non - Current | | |
| BACH Pty Ltd Ordinary Shares - at cost (8,687,396 @ \$0.69 each) | 5,994,303 | 5,994,303 |
| BACH Pty Ltd Redeemable Preference Shares - at cost (5,994,200 @ \$1.00 each) | 5,994,200 | 5,994,200 |
| | 11,988,503 | 11,988,503 |
| | 11,988,503 | 11,988,503 |
| 4b NON - CURRENT | | |
| Acquisition Costs for 157 Ann Street (refer to the Events After Balance Date comments). | 29,650 | - |
| | 29,650 | - |
| | 29,650 | - |
| 5. PAYABLES | | |
| Accounts Payable | 79,025 | 13,921 |
| | 79,025 | 13,921 |
| | 79,025 | 13,921 |
| 6. CONTRIBUTED EQUITY | | |
| 123,150,009 Ordinary shares fully paid up to \$1 each | 123,150,009 | 150,009 |
| 8,687,396 Ordinary shares fully paid up to \$0.69 each | 5,994,303 | 5,994,303 |
| 5,994,200 Redeemable Preference Shares fully paid up to \$1 each | 5,994,200 | 5,994,200 |
| | 135,138,512 | 12,138,512 |
| | 135,138,512 | 12,138,512 |

| |
|---|
| Notes to and forming part of the Financial Statement for the year ended 30 June 2009 |
|---|

| | | |
|--|-------------|-------------|
| | 2009 | 2008 |
| | \$ | \$ |

7. STATEMENT OF CASH FLOWS

Reconciliation of cash

Cash balance comprises:

| | | |
|---------------------------|--------------------|----------------|
| - Cash at bank | 1,105,446 | 543,513 |
| - Short term investments | 124,516,650 | 167,764 |
| Cash and cash equivalents | <u>125,622,096</u> | <u>711,277</u> |

Reconciliation of total comprehensive income to the net cashflows from operating activities

| | | |
|----------------------------|------------------|------------------|
| Total Comprehensive Income | <u>1,883,294</u> | <u>1,284,247</u> |
|----------------------------|------------------|------------------|

Changes in assets and liabilities

| | | |
|---|---------------|------------------|
| Increase in receivables | (7,928) | - |
| Increase in payables | 65,103 | 3,121 |
| Increase/(decrease) in accrued interest | - | (449,565) |
| | <u>57,175</u> | <u>(446,444)</u> |

| | | |
|--|-------------------------|-----------------------|
| Net cashflows from operating activities | <u><u>1,940,469</u></u> | <u><u>837,803</u></u> |
|--|-------------------------|-----------------------|

8. SEGMENT INFORMATION

The Company operates in one business segment, being that of an investment company. The Company operates from Australia only and therefore has only one geographical segment.

**Notes to and forming part of the Financial Statement
for the year ended 30 June 2009**

9. RELATED PARTY TRANSACTIONS

(a) Key Personnel

Directors

- Mark Vincent Brodie (Chairman)
- Neil Castles
- Stephen William Conry
- Jane Edwards
- Michael James Stephen Knox
- Judith R Munro (unpaid Director)
- Sally Anne Majella Pitkin (Resigned 20 August 2009)
- Maria Ann Roach
- Craig George Spencer

Company Secretary

- David Askern

Consulting Chief Executive Officer

- Greg Bayton (Contract finalised 30 September 2009)

During the financial year, Directors of the company have received or become entitled to receive Directors' Fees totalling \$354,389.

(b) Transactions with Brisbane City Council (BCC), the ultimate and Australian controlling entity.

The Company has recognised in the financial statements amounts for services supplied by BCC to the company. These include legal services \$8,000 (2008: \$4,425) and accounting services \$14,000 (2008: \$8,800). These transactions were based on normal commercial terms and conditions.

**Notes to and forming part of the Financial Statement
for the year ended 30 June 2009**

10. FINANCIAL INSTRUMENTS

(a) Liquidity Risk

Liquidity risk refers to the ability of an entity to meet its obligations associated with financial liabilities. City of Brisbane Investment Corporation Pty Ltd manages liquidity risk by continuous monitoring cash flows. The following sets out the contractual maturity of CBIC's financial assets and financial liabilities

| | Note | Weighted Average Interest Rate | Interest Bearing \$ | Non-Interest Bearing \$ | Total \$ |
|--|------|---|------------------------|-------------------------------|-------------|
| 2009 | | | | | |
| Financial Assets | | | | | |
| Cash | 7 | 0.43% | 1,105,446 | - | 1,105,446 |
| Cash short Term investments - Westpac | 7 | 4.30% | 50,000,000 | - | 50,000,000 |
| Cash fund - QTC | 7 | 3.74% | 74,516,650 | - | 74,516,650 |
| Other financial assets | 4 | | - | 11,988,503 | 11,988,503 |
| Total financial assets | | 3.93% | 125,622,096 | 11,988,503 | 137,610,599 |
| Financial Liabilities | | | | | |
| Payables | 5 | | - | 70,797 | 70,797 |
| Total financial liabilities | | | - | 70,797 | 70,797 |
| Net financial assets | | | 125,622,096 | 11,917,706 | 137,539,802 |
| 2008 | | | | | |
| Financial Assets | | | | | |
| Cash | 7 | 7.74% | 711,277 | - | 711,277 |
| Other financial assets | 4 | | - | 11,988,503 | 11,988,503 |
| Total financial assets | | | 711,277 | 11,988,503 | 12,699,780 |
| Financial Liabilities | | | | | |
| Payables | 5 | | - | 13,921 | 13,921 |
| Total financial liabilities | | | - | 13,921 | 13,921 |
| Net financial assets | | | 711,277 | 11,974,582 | 12,685,859 |

| |
|---|
| Notes to and forming part of the Financial Statement for the year ended 30 June 2009 |
|---|

(b) Interest Rate Risk

Interest rate risk refers to possible fluctuations in the values of financial instruments as a result of changes in market rates. Exposure to interest rate arises predominantly from assets bearing variable interest rates as CBIC intends to hold financial assets to maturity.

The following details the company's sensitivity to an expected 1% maximum fluctuation in interest rates if all other variables were held constant.

Increase/(Decrease) in Operating Capability

| | 2009 | 2008 |
|------------------------------|-------------|----------|
| 1% increase in interest rate | 1,256,221 | |
| 1% decrease in interest rate | (1,256,221) | |
| 3% increase in interest rate | | 21,338 |
| 3% decrease in interest rate | | (21,338) |

(c) Fair Value

Financial assets include shares in Brisbane Airport Corporation Holdings Ltd. As these shares are not traded in an active market, a reliable estimate of fair value cannot be obtained.

Due to the nature of cash and accruals and other financial assets and financial liabilities the net fair value approximates their carrying amount.

11. SUBSEQUENT EVENTS

Purchase 157 Ann Street, Brisbane

CBIC entered into a purchase agreement for a building located at 157 Ann Street for the price of \$21,500,000 GST inclusive. Stamp duty amounting to \$1,114,425 was paid on 22 July 2009. Settlement date was effected on 28 August 2009.

The subsequent effect on the Financial Statements is a reduction in cash held with QTC Cash Fund and the capitalisation of the asset purchased. Acquisition costs at balance date amounted to \$29,650 as detailed in Note 4 of the accounts.

Australian Unity Investments Platypus Australia Equities Trust

CBIC made an investment of \$30,000,000 on 25 August 2009 in Australian Unity Investments (Platypus Australian Equities Trust - Wholesale).

The subsequent effect on the Financial Statements is a reduction in cash held with QTC Cash Fund and the increase in medium term investments assets.



Directors' Declaration

The Directors of the company declare that:

1. The financial statements and notes, as set out on pages 15 to 30:
 - (a) comply with Accounting Standards and the *Corporations Act 2001*; and
 - (b) give a true and fair view of the financial position as at 30 June 2009 and performance for the year ended on that date of the company and economic entity
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Board



Mark Brodie
Chairman



Neil Castles
Director

Brisbane, 20 October 2009

Independent Auditor's Report

To the Members of City of Brisbane Investment Corporation Pty Ltd

Report on the Financial Report

I have audited the accompanying financial report of City of Brisbane Investment Corporation Pty Ltd which comprises the Statement of Financial Position as at 30 June 2009, Statement of Comprehensive Income, Statement of Changes in Equity and Cashflow Statement for the year 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 company 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.

Auditor's Responsibility

My responsibility to express an opinion on the financial report based on the audit is prescribed in the *Auditor-General Act 2009*. This Act, including transitional provisions, came into operation on 1 July 2009 and replaces the previous requirements contained in the *Financial Administration and Audit Act 1977*.

The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. These auditing standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed 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 risks of material misstatement in 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 and 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 and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and QAO authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can only be removed by Parliament.



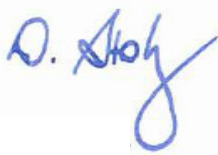
The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

In conducting the audit, the independence requirements of the *Corporations Act 2001* have been complied with. I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of the City of Brisbane Investment Corporation Pty Ltd on 16 October 2009, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In my opinion –

- (a) The financial report of City of Brisbane Investment Corporation Pty Ltd is in accordance with the *Corporations Act 2001*, including –
 - (i) giving a true and fair view of the company's financial position as at 30 June 2009 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.



D A STOLZ FCPA
as delegate of the Auditor-General of Queensland

Queensland Audit Office
Brisbane