

City of Brisbane Investment Corporation

2010 Annual Report
Audited Results



Foreword

City of Brisbane Investment Corporation (CBIC) was formed in June 2008 to manage funds to Brisbane City Council from the State Government's takeover of city water assets.

Its experienced board of business people, economists and financial market managers, were appointed to invest monies and grow an alternative funding source to Council's historic reliance on rates revenue.

CBIC has performed exceptionally well in its second year of operation, despite world markets still suffering the effects of the global financial crisis.

Prudent investment delivered a positive 24% return for the 2009/2010 financial year, significantly in excess of the long-term target of CPI plus 4.5% to 5.5%.

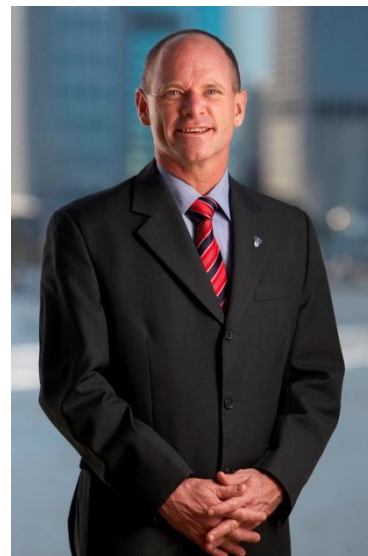
Major contributing factors were the capital appreciation of the 157 Ann Street CBD office building, returns on investment in managed domestic equity funds and cash and the divestment of Brisbane Airport Corporation shares.

Through its work in investing for the future of our city, CBIC is enhancing the ability of Council to continue to deliver better services and vital infrastructure to the people of Brisbane.

I commend the Board for the achievements made this year and thank them for their dedication and prudent decision making. As the next 12 months unfold, I look forward to CBIC's continued growth and success.



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



Campbell Newman
Lord Mayor

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1 Chairman's Report

The City of Brisbane Investment Corporation (CBIC) has built on its solid foundation year and recorded a profit of \$34.0 million for the 2010 financial year. The investment return was a pleasing 24% and reflects a combination of prudent investment of cash, returns on prior acquisitions and strategic asset sales. The results for 2010 substantially surpasses CBIC's long term investment return benchmark of CPI plus 4.5% to 5.5%.

Since our inaugural report last year, CBIC has continued to face challenging economic and investment conditions. It has been a time for caution and determining a clear strategy direction. During the year, the Board has continued to refine its investment strategy and strike a prudent balance between risk and return.

CBIC's long term goals include:

- Achieving investment returns that exceed CBIC's long term benchmarks;
- Adding value to Brisbane City Council's (Council) underutilised land holdings; and
- Acquiring suitable assets that meet Council's tenancy requirements.



Mark Brodie
Chairman

Accommodation solutions may include acquiring largely vacant buildings for Council tenants, developing new buildings and acquiring other facilities for use by Council. CBIC through Council's covenant adds significant value to these assets and by doing so captures this value for the benefit of Council and ultimately the residents of Brisbane. Returns are further enhanced when projects can be undertaken on Council land.

During the year, CBIC completed the purchase of a refurbished office building at 157 Ann Street, Brisbane. This largely untenanted building was acquired for \$23.5 million including acquisition and other costs and was independently valued at 30 June 2010 at \$35.0 million. The increased value of \$11.5 million achieved through putting in place long term tenancy agreements is a good example of how CBIC can work with Council to maximise returns for the ratepayers of Brisbane. Due to limited funds, the Board has set high investment hurdles, therefore we will only invest in assets that have the potential to exceed our benchmark. This process whilst time consuming, results in CBIC rejecting many more proposals that we accept.

The sale achieved a profit of \$17.8m from a cost of \$12.0m.

In January 2010, the Board agreed to sell its 1.27% stake in Brisbane Airport Corporation. The sale achieved a profit of \$17.8 million from a cost of \$12.0 million. The price achieved was the same as pre-GFC prices that were achieved and was for a much smaller size parcel of shares which usually attract discounts on larger, more strategic parcels. In addition, BAC had suspended dividends for the next few years and therefore there was little prospect of any cash returns in the short to medium term. Given these factors, the Board felt it was an exceptional outcome. These funds were allocated to a new "infrastructure style" acquisition Rivergate Shipyard, details of which are discussed later in this report.

During the first half of the year, CBIC invested \$50 million in two leading Australian equity managed funds. The fund managers were selected based on their superior long term performance. Since the initial investment in August, the Australian Stock market has experienced substantial volatility. During the year, CBIC received distributions of \$1.15 million representing a 3.4% return on investment. At balance date, the combined value of the managed equity funds was \$48.0 million. Favourable market movements since balance date have resulted in these funds at 30 September 2010 being worth \$52.1 million.

CBIC concluded due diligence on the acquisition of a shipyard facility at Murarrie to maintain, clean and moor Council's CityCats. CBIC has negotiated a deal which includes Council leasing this state-of-the-art facility from CBIC and the former owner paying CBIC an annual fee to operate the remainder of the shipyard. This opportunity results in a solid return for CBIC whilst providing a superior facility to maintain the CityCats.



This is another example of CBIC acquiring an underperforming asset that meets Council's needs. The outcome of this acquisition is that significant value has been added which ultimately accrues to Council.

CBIC's pipeline of projects will potentially see CBIC fully invested in the next two years. Whilst I am unable to talk about all of these opportunities due to commercial sensitivities, we have signed a Heads of Agreement to develop a 4,000m² building for Council that will be known as the South Regional Business Centre (SRBC). SRBC represents another project that capitalises on CBIC's strengths.

The Board has reviewed many opportunities and projects over the past year. It is important that we deliver maximum value to the residents of Brisbane, and therefore the Board has been very deliberate in investing only in superior projects that align with our strategy. Over the next 18 months as CBIC approaches full investment, it will be inevitable that CBIC will sell assets. Decisions to sell will be carefully scrutinised and be made based on whether CBIC has added the intended value, market conditions are right and there is a higher use for these funds.

On 15 June 2010, the Board declared a dividend of \$3.0 million and it was paid on 23 June 2010 to the Brisbane City Council.

Reflecting on our second year of operation, I am very pleased with the performance of the Corporation. We have achieved an outstanding result this year and have set the strategy to deliver strong outcomes going forward.

Finally, I would like to thank the Board for their ongoing support, the team at Brisbane City Council for their enthusiasm and Jim Sturgess our new Chief Executive Officer.



Mark Brodie
Chairman



Rivergate – New CityCat Maintenance Facility

2 Operational Report

2.1 Overview

CBIC has performed well in its second full year of operation, despite difficult investment and economic conditions continuing to prevail. Diversification of investment by CBIC into high quality property and premium equity funds was achieved during the year. Major highlights include:

- acquiring the largely untenanted and refurbished 157 Ann Street building;
- divesting CBIC's shareholding in Brisbane Airport Corporation Holdings (BAC);
- recently (6 August 2010) signing a contract to purchase Rivergate Shipyard;
- investing \$50 million in managed domestic equity funds; and
- implementing a suite of operational policies to improve CBIC's corporate governance and risk management.

CBIC's overall net return on investment for the period was a strong 24%

CBIC's overall net return on investment for the period was a strong 24%. This result included the one-off profit on sale of CBIC's holding in BAC. Excluding BAC, CBIC's net return on investment for the year ended 30 June 2010 was a pleasing 11.8%. Last year's return of 4% is not comparable as this was the company's start up year where investments were predominantly cash and market returns were generally negative.

During 2010 CBIC commenced investing in higher yielding asset classes of property and equities, therefore reducing its investment in term deposits and other cash facilities.

Further details on these results and CBIC's financial position at 30 June 2010 are outlined below.

2.2 Operating Result

CBIC recorded a net profit of \$34.0 million for the year ended 30 June 2010. This is a strong result given it is the second year of operation and in what continues to be a volatile economic environment.

Key drivers underlying the operating profit were:

- Purchasing the largely untenanted 157 Ann Street Building and optimising value through executing long term leases on the remainder of the building;
- Strong rental returns from a fully leased 157 Ann Street;
- Strong returns on term deposits with the four major banks which were well above normal wholesale rates;
- Profit on sale of CBIC's holding in Brisbane Airport Corporation;
- A \$250k lease surrender payment in relation to 157 Ann Street;
- Fair value increases in assets held at balance date; and
- Effective cost control resulting in low overhead costs.

Approximately 48% of investments continued to be in cash investments at 30 June 2010 which is down from 91% at 30 June 2009. The reduction in cash investments reflects the purchase of 157 Ann Street and a \$50 million investment in equities during the past 12 months, offset by the cash proceeds from the of sale from the BAC shares.



Review of Results

Details of the Operating Profit for the year ended 30 June 2010 are:

Operating Profit	2010 \$'000	2009 \$'000
Interest	3,886	2,372
Net rent	3,563	-
Equity distributions	1,151	-
Fair value gains on assets (net)	9,445	-
Gain on disposal of BAC shares	17,792	-
Total income	35,837	2,372
General and administration	148	99
Building (157 Ann Street)	752	-
Employment costs	321	20
Equity managed fund fees	266	-
Directors' costs	303	370
Total expenses	(1,790)	(489)
Operating profit	34,047	1,883

Source: CBIC Audited Profit and Loss Statement for the year ended 30 June 2010

Interest income was derived primarily from term deposits and the QTC Capital Guaranteed Cash Fund. Return on cash investments for the year was 5.0% (2009 = 3.7%) with approximately 48% of CBIC's assets being cash and cash equivalents at 30 June 2010. Cash balances were fully invested in term deposits at all times during the year, subject to the liquidity requirements set down in the Investment Policy.

The key investment over the past 12 months has been the purchase of the office building at 157 Ann Street, Brisbane which had been recently refurbished but was largely untenanted. A significant amount of time has been invested in securing high quality tenants, maximising occupancy and negotiating favourable leasing arrangements. The building is now fully leased with CBIC securing strong ongoing rental returns of 12.0% for the year based on the building's acquisition price. The property was valued at year end at \$35 million, recording a gain of \$11.5 million due mainly to fully tenanting the building and improvement in market conditions. This was another example of how CBIC can optimise the value of an undervalued asset to achieve superior outcomes for the residents of Brisbane.

CBIC's equity fund investments generated income returns of \$1.15 million during the year, which was a return of 3.4% and in line with expectations given the volatility of the market during the year.



During the year, the CBIC Board formed the view, after consultation with its auditors, that all assets will be accounted for based on fair value. For the financial year ended 30 June 2010, the net fair value gain on assets was \$9.5 million, which includes the \$11.5 million increase in value for 157 Ann Street and a \$2.0 million decrease in value for investments in managed funds. At 30 September 2010, the market value of equities is \$52.1 million, an increase of \$2.1 million.

CBIC's holding in BAC was sold in March 2010 for \$29.8 million thereby achieving a \$17.8 million profit. The sale price achieved represented a pre-GFC price for much larger parcels of shares which also included board seats. Therefore the outcome was excellent for CBIC.

Operating expenses were tightly controlled during the year with CBIC taking advantage of Council's preferred supplier arrangements and, when appropriate, CBIC running its own procurement processes.

2.3 Dividend

A final dividend of \$3.0 million was paid on 23 June 2010 for the 2010 financial year.

2.4 Net Assets

CBIC's net assets increased from \$135 million in early calendar year 2009 to \$169 million at 30 June 2010. This is a \$34 million or 25% increase in net assets managed over an 18 month period. This growth has come from CBIC's key property asset (157 Ann Street) and equity (BAC shares divested), together with strong cash returns earned on deposits.

CBIC's net asset position at 30 June 2010 was as follows:

Balance Sheet	2010 \$ million	2009 \$ million
Total assets	169.7	137.6
Total liabilities	(1.1)	(0.1)
Net assets	168.6	137.5

Source: CBIC Audited Balance Sheet 30 June 2010

All investments are recorded at fair value at 30 June 2010.

3 Investment Summary

3.1 Overview

CBIC's total return for the year was a strong 24.0%. This is well above CBIC's long term investment return benchmark of CPI plus 4.5% to 5.5%. The Australian headline CPI rate for the 2010 financial year is 3.1%, and therefore the higher end of the expected performance range for CBIC is 8.6%.

This result includes a one-off gain on sale of CBIC's shareholding in BAC. The total return excluding the BAC gain was 11.8% also well above CBIC's benchmark rate.

The investment mix at 30 June 2010 is 28% equity, 24% property and 48% cash. Cash levels remain high while CBIC continues to seek appropriate investments to pursue. It is expected that CBIC will be fully invested in property and equity, and therefore cash levels will reduce accordingly, within the next 18 months.

The rental yield on property was a strong 12.0%

Returns on cash held averaged 5.04% which compares favourably with its benchmark the UBSA Bank Bill Index of 3.89%.

The rental yield on property was a strong 12.0%. The total return on property including capital growth is 60.79%, which well exceeds the S&P/ASX200 Property Trusts Accumulation Index for the year of 20.41%. According to the Colonial Quarterly Market Commentary as at 30 June 2010, the Australian property market strengthened in the six months to 30 June 2010 as investor confidence in the sector increased. This, together with fully tenanting a building that was largely untenanted at acquisition, were major drivers of the higher than average benchmark return for the period.

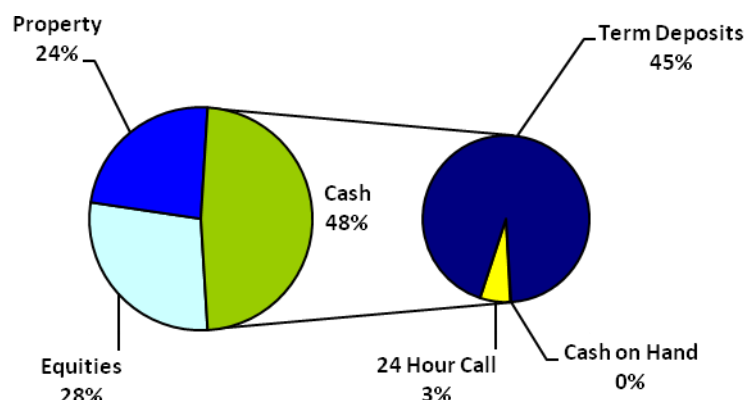
CBIC's equity fund investments yielded \$1.15 million in distributions during the period which represents a 3.4% return on investment. Overall equity performance, including the impact of the sale of the BAC holding, was an outstanding return of 50.1%. This return was superior to the S&P/ASX200 Accumulation Index of 13.15%, which is CBIC's benchmark return for equities. An analysis of the individual performance of equity fund managers is included below.

Note: Investment returns were annualised based on the period assets were owned during the year.



3.2 Asset Allocation

Asset Allocation as at 30 June 2010 was:



Whilst still in start up phase and considering investment options, CBIC will continue to hold significant cash funds. The majority of these funds, however, have been earmarked for investment in property over the next two years.

Assets by class are outlined below at their fair values.

Asset Class	Fair Value 2010 \$ million	Fair Value 2009 \$ million	Increase/(Decrease) \$ million
Australian Equities	48.0	12.0	36.0
Property	39.9	-	39.9
Cash	81.3	125.6	(44.3)
Receivables	0.5	-	0.5
Total Assets	169.7	137.6	32.1

In summary, growth in fair value of investments can be predominantly explained by (\$ million):

- Sale of BAC shares \$17.8
- Fair value gain on 157 Ann Street, Brisbane \$11.5
- Fair value loss on equities (\$2.0)
- Interest, rental, and dividend income \$7.0

3.3 Cash

Equity received from Brisbane City Council was initially invested in the QTC Capital Guaranteed Cash Fund (QTC Cash Fund). In order to diversify its cash holdings and obtain improved returns, CBIC commenced investing in term deposits with major Australian banks.

At 30 June 2010, the amount held in short term deposits totalled \$76.4 million. Approximately \$5 million was retained with the QTC Cash Fund (24 Hour Call) as required by Investment Policy.

Term deposit returns of 5.18% significantly outperformed the UBS Bank Bill Index of 3.89%.

QTC Cash Fund returns for the year were 4.25% resulting in an out performance of 0.36% against its benchmark (the UBS Bank Bill Index). At the start of the year, \$74.5 million was invested with QTC which decreased to \$5 million during the year as funds were either utilised for investment in property and equity or was kept with QTC for liquidity purposes. 24 Hour Call annual return of 3.68% was heavily influenced by the prevailing rates of return at the beginning of the year.

Returns on term deposits of 5.18% compared well with their benchmark – the UBS Bank Bill Index of 3.89%. Rates achieved on individual term deposits with the ‘big four’ banks were well above those that could be achieved by investing in the wholesale markets.

Details of CBIC’s cash holdings and returns are set out below.

	2010			2009		
Invested Cash	\$000	Proportion	Return %	\$000	Proportion	Return %
24 Hour Call	4,782	5.9%	3.68%	74,517	59.8%	3.68%
Term deposits	76,429	94.1%	5.18%	50,000	40.2%	0.0%
Total Cash	81,211	100.0%	5.04%	124,517	100.0%	3.67%
Cash at bank	129			1,105		
Total Cash	81,340			125,622		

Given the substantial cash flows in the current year, treasury management has been very important. CBIC has developed strong relationships with the ‘big four’ banks and accordingly has achieved excellent term deposit returns.

3.4 Property

3.4.1 57 Ann Street, Brisbane

157 Ann Street, Brisbane is CBIC's cornerstone investment. The acquisition of the refurbished building and at the time, largely untenanted, was completed during the first half of the year.

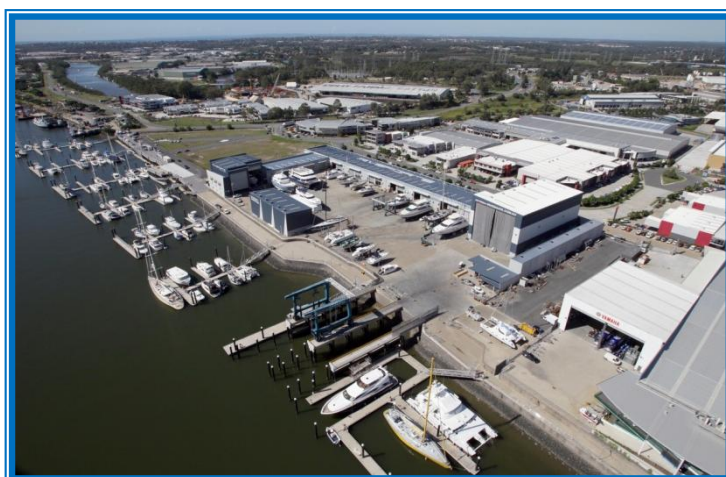
The property produced a rental yield of 12.0% for the period.

A significant amount of time has been invested in securing new tenants, maximising occupancy and negotiating favourable leasing arrangements. The building is now fully leased with high quality tenants.

Strong tenants and a weighted average lease expiry of 8.1 years have greatly enhanced the value of the building. The property was purchased initially for \$23.5 million, plus lease incentive paid of \$5.3 million (contribution to fitout costs payable to Council which will be amortised over the lease term) and is now valued at \$35.0 million.



3.4.2 Rivergate



CBIC signed a contract on 6 August 2010 (post balance date) for the acquisition of the Rivergate Shipyard at Murarrie.

The state-of-the-art ferry maintenance facility was purchased by CBIC, in consultation with Brisbane City Council, to accommodate Council's expanding CityCat fleet. The rapid growth in CityCat and ferry passenger transport services has resulted in Council requiring a larger long term ferry maintenance facility.

CBIC will lease an exclusive use area to Council for 30 years and has also negotiated an agreement with the current operator to operate the facility for a

period of 5 years. CBIC will also lease marina berths and car parks from the vendor for 30 years which are subleased to Council on equivalent terms.

The sale contract is currently conditional on agreed capital works being completed by the vendor and is anticipated to settle in December 2010. Council will commence utilising the site upon completion of these capital works.

This is another excellent example of how CBIC is able to add significant value by understanding the needs of Council and then acquiring quality assets that meet these needs. In addition the value of the property has been enhanced through fully utilising what was previously an underutilised asset.

3.4.3 Other Opportunities

CBIC has also entered in to a Heads of Agreement with Council to construct a 4,000m² South Regional Business Centre in Brisbane's south, with a long term tenancy arrangement with Brisbane City Council.



**South Regional
Business Centre
Impression**

Over the past year, CBIC has reviewed more than 20 properties to purchase, however few have met the long term return hurdle rates required by CBIC. CBIC will continue to seek appropriate investments that align with its vision and investment philosophy.

There are a number of other exciting property investment opportunities in the pipeline, and we look forward to reporting on developments in the coming year.

3.5 Equities

3.5.1 Equity Fund Managers

\$30 million was invested in Australian Unity Investments Platypus Australian Equities Trust (Platypus) in August 2009 and \$20 million in the All Star IAM Australian Share Fund (All Star) in December 2009. The performance of managed equity funds for the period of investment is as follows:

Performance	Platypus	All Star
Benchmark return	-2.97%	-15.80%
Actual return	2.05%	-14.17%
Outperformance	5.02%	1.63%
Benchmark	S&P/ASX 300	S&P/ASX 200

These funds have been outstanding performers historically when compared to their peers and their performance against the relevant share price index. However, like any investment they are subject to the performance of the market.

At 30 June 2010, these managed equity funds were collectively valued at \$48.0 million with income distributions for the periods in which they were held totalling \$1.15 million. Equity fund performance should be assessed over a 5 – 7 year horizon where returns should reflect long term return expectations.

3.5.2 Brisbane Airport Corporation

In November 2009, CBIC was approached to sell its 1.27% stake in Brisbane Airport Corporation Holdings.

After careful deliberations, the Board agreed to sell its shares on agreeable terms. Factors that were considered were:

- BAC required significant equity injections to assist in funding its large capital works program, which in part, it was attempting to achieve through retaining all profits;
- The price on offer was equivalent to a pre-GFC price for strategic parcels of shares that also included a Board seat; and
- There were market opportunities that offered better returns.

CBIC's investment in BAC settled in March 2010 for \$29.8 million reflecting a profit of \$17.8 million.

4 Outlook

The 2010 year has been an exciting year of new investments and divestments for CBIC. The operating result and total return were very pleasing. The 2011 financial year is expected to be more in line with company hurdles and targeted returns of CPI plus 4.5% to 5.5% as the market slowly returns to more normal conditions thereby reducing the opportunities to optimise undervalued property.

There continues to be a strong pipeline of proposals, projects and investment opportunities for CBIC. These are expected to see CBIC fully invested within the next 12-18 months.

This may also mean that CBIC may seek joint venture partners or additional equity through other sources to enable it to continue to expand its investment base and capitalise on what it considers to be its competitive advantage.

CBIC's focus over the next 12 months will include bedding down the Rivergate acquisition, managing the development of the South Regional Business Centre project, and agreeing terms on a couple of other projects.



5 Investment Philosophy

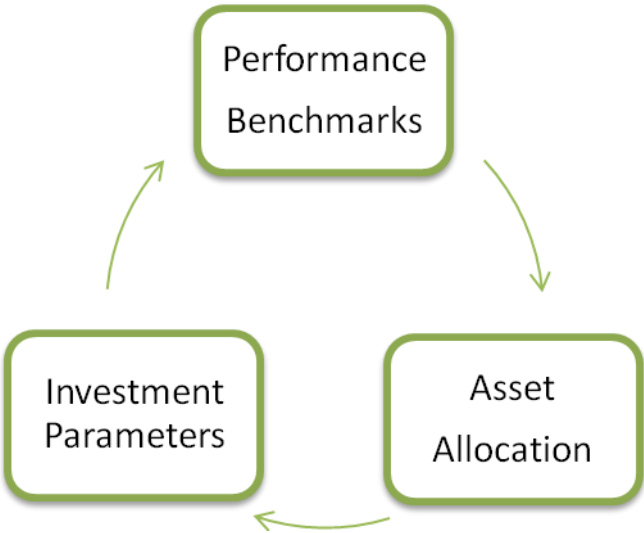
CBIC's objective is to deliver quality investment returns to the Brisbane City Council for the benefit of Brisbane residents.

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:



5.1 Performance Benchmarks

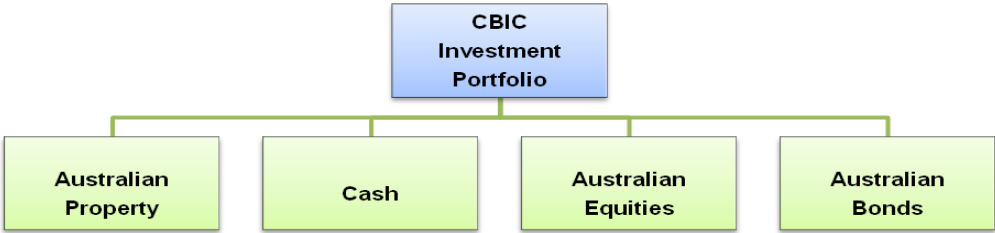
The long term (seven years) investment return objective for CBIC funds is Consumer Price Index (CPI) plus 4.5% to 5.5%. The Investment Policy has set the following performance benchmarks.

Category/Sector	Policy Benchmark Representative Index
Australian Property	Standard and Poor’s ASX200 Property Trusts Accumulation Index
Cash	UBS Australian Bank Bill Index over a rolling one year period
Australian Equities	Standard and Poor’s ASX200 Accumulation Index
Australian Bonds	UBS Composite Bond Index

* Source - Colonial Quarterly Market Commentary as at 30 June 2010

5.2 Asset Allocation

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



As CBIC has 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.

5.3 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+ and AA- rating, with no more than 40% of investments to be made with a single party.

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 cash).

Equity investments will be made indirectly through an external fund manager. CBIC can make both direct and indirect property investments.



6 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.

6.1 Board Members

<p>Mark BRODIE Chairman</p>	<p>Mark is also the Chairman of Brodie Group and founder of Brodies Mealmakers, a company that owns and operates quick service restaurants.</p> <p>Mark is Chairman of the National Retail Association and holds directorships and fellowships with several other companies and organisations.</p>
<p>Neil CASTLES Director</p>	<p>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.</p> <p>Neil is a board member of IIB (responsible for the retail Services for the Torres Strait) and LGIS (a provider of services to local governments) Neil is a director and company secretary of a number of the Queensland Government's specific purpose companies.</p>
<p>Stephen CONRY Director</p>	<p>Stephen is an International Director and the Australian Chief Executive Officer of Jones Lang LaSalle, one of the world's largest property services firms.</p> <p>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.</p> <p>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.</p>
<p>Jane EDWARDS AM Director</p>	<p>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.</p> <p>Jane is 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 and an adjunct Professor at the UQ School of Communications and Journalism.</p>

<p>Michael KNOX Director</p>	<p>Michael is Director of Strategy and Chief Economist for RBS Morgans Limited. He has served on many Queensland Government advisory committees.</p> <p>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.</p>
<p>Jude MUNRO Director</p>	<p>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.</p> <p>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.</p> <p>Jude is a Director of the Brisbane Institute, Australia Trade Coast Pty Ltd, United Way Queensland and the Translink Transit Authority Board.</p>
<p>Maria ROACH Director</p>	<p>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.</p> <p>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.</p>
<p>Craig SPENCER Director</p>	<p>Craig is Managing Director and owner of the Carter & Spencer Group - one of Australia's largest Fresh Produce Companies. The Group exports, imports, and distributes globally, fresh fruit and vegetables from its operations throughout Australia and New Zealand.</p> <p>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), Queensland Food & Fibre Agribusiness Council and Produce Marketing Association Australia & New Zealand Country Council.</p> <p>Craig currently serves on several Boards including, Churchie Foundation. He is also a Fellow of the Australian Institute of Company Directors.</p>
<p>David ASKERN Company Secretary</p>	<p>David is the Chief Legal Officer of Brisbane City Council and currently manages Council's internal legal service provider, Brisbane City Legal Practice.</p> <p>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 and local government.</p>

<p>Greg EVANS Alternate Director for J. Munro</p>	<p>Greg Evans is currently the Chief Financial Officer of Brisbane City Council having joined in September 2009.</p> <p>Greg is a CPA with over 25 years finance and treasury experience gained in varied industries including energy, airlines, mining, consumer products and banking. Previous roles include being CFO and GM Finance at Ergon Energy and Manager Corporate Finance at Qantas Airways Limited.</p>
<p>Jim STURGESS Chief Executive Officer</p>	<p>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.</p> <p>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.</p>

CORE BUSINESS STATEMENT

CBIC's business is to deliver value to 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, responsibility and reasonable risk parameters
- managing costs so as to maximise net investment returns
- identifying investments and/or assets both interior and exterior to council that could be utilised to generate significant returns for the City of Brisbane



7 Corporate Governance

7.1 Board Sub-Committees

The Board has established 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, reviewing the risk management framework and reviewing the annual financial statements, and
- 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 2010, and the number of meetings attended by each director were:

Attendees	Investment		Finance & Audit		Business & Protocol	
	A	B	A	B	A	B
M Brodie	6	7	*	*	*	*
N Castles	7	7	4	4	*	*
S Conry	7	7	*	*	3	3
J Edwards	*	*	*	*	3	3
M Knox	6	7	*	*	*	*
J Munro	*	*	*	*	2	3
S Pitkin	*	*	1	1	*	*
M Roach	*	*	3	4	3	3
C Spencer	3	5	*	*	*	*
G Evans	*	*	*	*	1	1

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

7.2 Remuneration

Directors are paid by way of fees for their services. The Chairman and directors' fees are \$65,000 and \$35,000 per annum respectively. Statutory superannuation is paid for directors who receive their fee personally rather than by a company. Brisbane City Council directors do not receive a fee for their services and Queensland Treasury Corporation is paid the fee for Mr Neil Castle's Board service.

7.3 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.

ACN 066 022 455

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Directors' 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 2010.

Directors

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

- Mark V **BRODIE** (Chair)
- Neil E **CASTLES**
- Stephen W **CONRY**
- Jane A **EDWARDS**
- Michael J S **KNOX**
- Judith R **MUNRO** (Resigned 25 August 2010)
- Sally A M **PITKIN** (Resigned 20 August 2009)
- Maria A **ROACH**
- Craig G **SPENCER**
- Greg C **Evans** (Alternate of Judith R Munro)

Principal Activities

The principal activity of the company during the financial year included property development and acquisition activities, investment in managed funds and short term deposits.

Operating Activities

The result of the company for the financial year ended 30 June 2010 was a total comprehensive income of \$34,046,694.

Review of Operations

The main sources of revenue were interest revenue from cash held on deposit, distributions from managed equity funds and rent generated from the company's investment property.

During the year, the company bought an investment property and invested in managed funds. The company also disposed its investment in BAC Holdings Ltd.

The company also declared and paid dividends to Brisbane City Council amounting to \$3 million in June 2010.



Directors' Report

Events after Balance Date

On 6 August 2010, the company has signed a contract and paid a deposit of \$750,000 to acquire a shipyard at Murarrie, Queensland (known as Rivergate) for \$15 million. Settlement is conditional on the vendor's completion of capital works.

On 19 October 2010, the company has leased to Brisbane City Council an exclusive use area within Rivergate for a period of 30 years with two 5 years options at market rates.

Directors' Benefits

During the financial year, Directors of the company have received or become entitled to receive directors fees totalling \$288,819.

Directors' Meetings

The number of directors' meetings and number of meetings attended by each of the directors of the company during the financial year are:

Names	A	B
Mark V Brodie (Chair)	10	10
Neil E Castles	10	10
Stephen W Conry	10	10
Craig G Spencer	6	7
Sally A M Pitkin (Resigned 20 th August 2009)	1	1
Michael J S Knox	7	10
Jane A Edwards	8	10
Maria A Roach	9	10
Judith R Munro (Resigned 25 th August 2010)	5	10
Greg C Evans (Alternate of Judith R Munro)	3	4

A – Number of meetings attended

B – Number of meetings held during the time the director held office during the year

Signed in accordance with a resolution of the Directors.



Mark Brodie
Chairman
Brisbane, 19 October 2010



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 2010, 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

19 October 2010

Statement of Comprehensive Income for the year ending 30 June 2010

	Note	2010 \$	2009 \$
INCOME			
Revenue			
Rental income	2	3,563,006	-
Interest		3,886,446	2,323,438
Distribution income		1,150,554	49,181
		8,600,006	2,372,619
 Other Income			
Gain on disposal of other financial assets	5	17,791,787	-
Distribution income	6	11,482,022	-
		37,873,815	2,372,619
 Expenses			
Employee costs	3(a)	306,929	20,000
Directors fees		288,819	354,389
Building expenditure		752,475	-
Investment management fees		286,427	62,229
Other expenses	3(b)	155,547	52,707
		1,790,197	489,325
Net Profit for the period		36,083,618	1,883,294
 Other comprehensive income			
Net unrealised fair value loss on financial assets held for sale	11	(2,036,924)	-
Other comprehensive income		(2,036,924)	-
Total comprehensive income attributable to members of the company		34,046,694	1,883,294

This statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position as at 30 June 2010

	Note	2010 \$	2009 \$
CURRENT ASSETS			
Cash and cash equivalents	12	81,340,007	125,622,096
Receivables	4	479,757	7,929
Total Current Assets		<u>81,819,764</u>	<u>125,630,025</u>
NON CURRENT ASSETS			
Financial assets held for sale	5	47,967,533	11,988,503
Investment property	6	35,073,464	29,650
Property, plant and equipment	7	2,266	-
Other Assets	8	4,858,333	-
Total Non Current Assets		<u>87,901,596</u>	<u>12,018,153</u>
Total Assets		<u>169,721,360</u>	<u>137,648,178</u>
CURRENT LIABILITIES			
Accounts payable and accrued expenses	9	1,105,513	79,025
Total Current Liabilities		<u>1,105,513</u>	<u>79,025</u>
Total Liabilities		<u>1,105,513</u>	<u>79,025</u>
Net Assets		<u>168,615,847</u>	<u>137,569,153</u>
SHAREHOLDER'S EQUITY			
Share capital	10	135,138,512	135,138,512
Retained profits/(losses)		35,514,259	2,430,641
Fair value reserve	11	(2,036,924)	-
Total Shareholder's Equity		<u>168,615,847</u>	<u>137,569,153</u>

This Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity for the year ended 30 June 2010

<u>2010</u>	Total	Note 10 Contributed Equity	Note 11 Fair Value Reserve	Retained Profits
	\$	\$	\$	\$
Balance at beginning of year	137,569,153	135,138,512	-	2,430,641
Net Profit	36,083,618	-	-	36,083,618
Total comprehensive income	(2,036,924)	-	(2,036,924)	-
Distribution to Shareholder – Brisbane City Council	(3,000,000)	-	-	(3,000,000)
Balance at Year End	168,615,847	135,138,512	(2,036,924)	35,514,259

<u>2009</u>	Total	Note 10 Contributed Equity	Note 11 Fair Value Reserved	Retained Profits
	\$	\$	\$	\$
Balance at beginning of year	12,685,859	12,138,512	-	547,347
Net Profit	1,883,294	-	-	1,883,294
Total comprehensive income	-	-	-	-
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

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

Statement of Cash Flows for year ended 30 June 2010

	Note	2010	2009
CASHFLOWS FROM OPERATING ACTIVITIES			
Receipts from tenants		4,289,650	-
Payments to suppliers and employees		(2,074,874)	(441,101)
Distributions received		723,495	49,181
Interest received		3,886,446	2,323,438
Net GST received from Australian Taxation Office		287,193	8,951
Net Cash Flow Provided from Operating Activities	12	<u>7,111,910</u>	<u>1,940,469</u>
CASHFLOWS FROM INVESTING ACTIVITIES			
Purchase of other financial assets		(50,004,457)	-
Proceeds from sale of other financial assets		29,780,290	-
Acquisition of property, plant and equipment		(2,266)	-
Acquisition of investment property		(22,867,566)	(29,650)
Payment for lease incentive		(5,300,000)	-
Net Cash Flows used in Investing Activities		<u>(48,393,999)</u>	<u>(29,650)</u>
CASH FLOW FOR FINANCING ACTIVITIES			
Share issue proceed		-	123,000,000
Dividends paid		(3,000,000)	-
Net Cash Flows provided from (used in) Financing Activities		<u>(3,000,000)</u>	<u>123,000,000</u>
NET INCREASE / (DECREASE) IN CASH HELD		(44,282,089)	124,910,819
Cash at the beginning of the year		<u>125,622,096</u>	<u>711,277</u>
CASH AT THE END OF THE YEAR	12	<u>81,340,007</u>	<u>125,622,096</u>

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

**Notes to and forming part of the Financial Statements
for the year ended 30 June 2010**

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.

(a) 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 financial statements were authorised for issue by the directors on 19 October 2010.

(b) 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.

(c) Revenue

Interest revenue is brought to account when earned and distribution revenue is brought to account when earned.

Rental revenue from investment properties is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned. Lease incentives granted are recognised as an integral part of the total rental income.

(d) 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.

(e) Investment Property

Investment property is property held to earn rental income or for capital appreciation or for both, not for sale in the ordinary course of business, use in supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property.

Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

**Notes to and forming part of the Financial Statements
for the year ended 30 June 2010**

In determining fair value, the expected net cash flows applicable to each property have been discounted to their present value using a market determined, risk-adjusted, discounted rate applicable to the respective asset.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development.

(f) 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.

(g) Financial Assets held for Sale

Available for sale investments which are carried at fair value (net market value). Changes in net market value are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

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.

(h) 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.

**Notes to and forming part of the Financial Statements
for the year ended 30 June 2010**

(i) Employee Entitlements

Employee benefits relate to amounts expected to be paid to employees for annual leave, leave in lieu of statutory holidays worked and overtime, long service leave, sick leave, workers' compensation and superannuation.

Annual leave is recognised in current liabilities and represents the amount that the company has a present obligation to pay resulting from employees' services provided up to balance date. The accrual has been calculated at nominal amounts based on remuneration rates that will be paid when the liability is settled and includes related on-costs.

(j) 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 net 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.

(k) Share Capital

(i) 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.

(ii) 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 Statements
for the year ended 30 June 2010**

	2010	2009
	\$	\$
2. REVENUE AND OTHER INCOME		
Revenue		
Rental income	-	-
Gross rent	4,004,673	-
Less – amortisation of lease incentive	(441,667)	-
	3,563,006	-
3. EXPENSES		
(a) Employee Costs		
Wages and salaries	241,720	-
Annual leave benefits	9,589	-
Superannuation contributions	22,350	-
Contract Staff	33,270	20,000
	306,929	20,000
(b) Other Expenses		
Legal fees	38,424	8,000
Payroll Tax	27,843	15,406
Audit fees – Queensland Audit Office	17,000	3,000
Accounting, internal audit and risk management fees	23,641	14,000
Recruitment Costs	13,192	6,504
IT and computer expenses	13,653	-
Repairs and maintenance	6,405	-
Stationery and supplies	7,348	741
Telephone and communication	3,341	146
Other	4,700	4,910
Total Other Expenses	155,547	52,707
4. TRADE AND OTHER RECEIVABLES		
Current		
Rent receivable	5,019	-
Dividends receivable	427,059	-
Accrued income	37,156	-
GST receivable	-	7,929
Other receivable	10,523	-
	479,757	7,929

**Notes to and forming part of the Financial Statements
for the year ended 30 June 2010**

	2010	2009
	\$	\$
5. FINANCIAL ASSETS HELD FOR SALE		
Non-Current		
<i>Investment in managed funds – at market value</i>		
Australian Unity Investments Platypus Australian Equities Trust	29,835,766	-
All Star IAM Australian Share Fund Institutional	18,131,767	-
	47,967,533	-
 <i>Equity investment – at cost</i>		
BACH Pty Ltd Ordinary Shares (8,687,396 @ \$0.69 each)	-	5,994,303
BACH Pty Ltd Redeemable Preference Shares (5,994,200 @ \$1.00 each)	-	5,994,200
	-	11,988,503
	47,967,533	11,988,503

The total balance of investment in managed funds reflect unrealised loss of \$2,036,924 resulting from the revaluation at balance date. This is included in Other Comprehensive Income.

During the year, the company's equity investments in BAC Holdings Ltd were disposed resulting in a gain of \$17,791,787.

6 INVESTMENT PROPERTY

157 Ann Street, Brisbane		
Opening balance at 1 July	29,650	-
Acquisition costs for 157 Ann Street	23,488,328	29,650
Fair Value gain	11,482,022	-
	35,000,000	29,650
Other properties	73,464	-
Closing balance at 30 June	35,073,464	29,650

Investment properties are carried at fair value, which has been determined based on valuations performed by an independent appraiser, AssetVal Pty Ltd as at 30 June 2010. AssetVal is an industry specialist in valuing these type of investments.

Other properties represent incidental costs incurred on properties which are in the process of being acquired.

**Notes to and forming part of the Financial Statements
for the year ended 30 June 2010**

	2010	2009
	\$	\$
7. PROPERTY, PLANT AND EQUIPMENT		
Furniture and fixtures	2,266	-
8. OTHER ASSETS		
Lease incentive	5,300,000	-
Amortisation for the year	(441,667)	-
Carrying amount	4,853,333	-
9. ACCOUNTS PAYABLE AND ACCURED EXPENSES		
Trade creditors and accrued expenses	263,840	29,151
Payable to Brisbane City Council	700,726	22,800
GST, PAYG and payroll taxes	125,758	27,074
Revenue reviewed in advance	5,600	-
Accrued annual leave	9,589	-
	1,105,513	79,025
10. SHARE CAPITAL		
123,150,009 Ordinary shares fully paid up to \$1 each	123,150,009	123,150,009
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	135,138,512

On 15 June 2010, the directors approved the declaration of dividends amounting to \$3 million. This was paid on 25 June 2010.

11. RESERVE		
Fair value reserve	(2,036.924)	-

Fair value reserve comprises the cumulative net change in the fair value of available for sale financial assets until the investments are derecognised or impaired.

**Notes to and forming part of the Financial Statements
for the year ended 30 June 2010**

	2010	2009
	\$	\$
12. CASH AND CASH EQUIVALENTS		
Reconciliation of cash		
Cash balance comprises:		
Cash at bank	129,297	1,105,446
Short-term investments	81,210,710	124,516,650
Cash and cash equivalents	<u>81,340,007</u>	<u>125,622,096</u>
Reconciliation of total comprehensive income to the net cash flows from operating activities		
Total Comprehensive income	<u>34,046,694</u>	<u>1,883,294</u>
Non-cash items		
Net gain on disposal of other financial assets	(17,791,787)	-
Revaluation of other financial assets	2,036,924	-
Fair value gain on investment property	(11,482,022)	-
Amortisation of lease incentive	441,667	-
(Increase)/decrease in receivables	(471,828)	(7,928)
Increase/(decrease) in accounts payable and accrued expenses	<u>332,262</u>	<u>65,103</u>
	<u>(26,934,784)</u>	<u>57,175</u>
Net cash flows from operating activities	<u>7,111,910</u>	<u>1,940,469</u>

Substantial funds are held in cash and term deposits pending the opportunity to invest in higher yielding but more risky longer term property and equity.

13. 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 Statements
for the year ended 30 June 2010**

14. RELATED PARTY TRANSACTIONS

(a) Key Personnel

Directors

- Mark V Brodie (Chairman)
- Neil E Castles
- Stephen W Conry
- Jane A Edwards
- Michael J S Knox
- Judith R Munro (Resigned on 25 August 2010)
- Sally A M Pitkin (Resigned 20 August 2009)
- Maria A Roach
- Craig G Spencer
- Greg G Evans (Alternate for J Munro)

Company Secretary

- David M Askern

Chief Executive Officer

- James R Sturgess (Appointed 17 August 2009)
- Greg Bayton (Contract finalised 30 September 2009)

During the financial year, Directors of the company and key management personnel have received or become entitled to receive directors fees and compensation totalling \$524,083 (2009: \$354,389).

(b) Transactions with Brisbane City Council, 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 \$8,780 (2009: \$8,000) and accounting services \$15,600 (2009: \$14,000). These transactions were based on normal commercial terms and conditions. At balance date, total amount payable to BCC in relation to these services amounted to \$6,500 (2009: \$29,054).

The company leases office spaces to BCC for a period of 10 years up to year 2019. Total rental earned during the year in relation to these leases amounted to \$3,156,722 (gross of lease incentive amortisation of \$441,667). These transactions were based on normal commercial terms and conditions.

In relation to leases of office spaces, the company has paid BCC a fitout contribution of \$5,300,000 for their lease on 157 Ann Street, Brisbane, on normal commercial terms.

The company also recognised capital expenditure initially paid by BCC amounting to \$694,226 in relation to 157 Ann Street, Brisbane, which is payable on normal commercial terms.

**Notes to and forming part of the Financial Statements
for the year ended 30 June 2010**

15. 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

	Weighted Average Interest Rate	Interest Bearing \$	Non- Interest Bearing \$	Total \$
2010				
Financial Assets				
Cash	4.25%	129,297	-	129,297
Cash short term investments - Westpac	5.71%	76,428,876	-	76,428,876
Cash fund - QTC	4.50%	4,781,834	-	4,781,834
Receivables		-	479,757	479,757
Other financial assets		-	47,967,533	47,967,533
Total Financial Assets	5.64%	<u>81,340,007</u>	<u>48,447,290</u>	<u>129,787,297</u>
Financial Liabilities				
Payables		-	1,105,513	1,105,513
Total Financial Liabilities		-	<u>1,105,513</u>	<u>1,105,513</u>
Net Financial Assets		<u>81,340,007</u>	<u>47,341,777</u>	<u>128,681,784</u>
2009				
Financial Assets				
Cash	0.43%	1,105,446	-	1,105,446
Cash short term investments - Westpac	4.30%	50,000,000	-	50,000,000
Cash fund - QTC	3.74%	74,516,650	-	74,516,650
Other financial assets		-	11,988,503	11,988,503
Total Financial Assets	3.93%	<u>125,622,096</u>	<u>11,988,503</u>	<u>137,610,599</u>
Financial Liabilities				
Payables		-	70,797	70,797
Total Financial Liabilities		-	<u>70,797</u>	<u>70,797</u>
Net Financial Assets		<u>125,622,096</u>	<u>11,917,706</u>	<u>137,539,802</u>

**Notes to and forming part of the Financial Statements
for the year ended 30 June 2010**

(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 company mitigates this risk by investing in short term deposits. The following details the company's sensitivity to an expected 1% maximum fluctuation in interest rates if all other variables were held constant. This is also based on the assumption that the company is holding the same amount of investment for one year.

Increase / (Decrease) in Operating Capability

	2010	2009
1% increase in interest rate	813,400	1,256,221
1% decrease in interest rate	(813,400)	(1,256,221)

(c) Fair Value

(i) Financial assets include investments in managed funds which are carried at fair value. Due to the nature of cash, accruals, other financial assets and financial liabilities the net fair value approximates their carrying amount. At 30 June 2009, financial assets included shares in BAC Holdings Ltd. As these shares were not traded in an active market, a reliable estimate of fair value could not be obtained.

(ii) Fair Value hierarchy classification

In accordance with AASB7 Financial Instruments: Disclosures, the company classifies fair value measurements using a fair value hierarchy. The fair value hierarchy reflects the subjectivity of the inputs used in making the measurements. The fair value has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	Note	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
2010					
Financial assets held for sale	15(a)	47,967,533	-	-	47,967,533
		47,967,533	-	-	47,967,533
2009					
Financial assets held for sale	15(a)	-	-	11,988,503	11,988,503
		-	-	11,988,503	11,988,503



Notes to and forming part of the Financial Statements
for the year ended 30 June 2010

16. SUBSEQUENT EVENTS

On 6 August 2010, the company has signed a contract and paid a deposit of \$750,000 to acquire a shipyard at Murarrie, Queensland (known as Rivergate) for \$15 million. Settlement is conditional on the vendor's completion of capital works by early December 2010.

On 19 October 2010, the company has leased to Brisbane City Council an exclusive use area within Rivergate for a period of 30 years with two 5 years options at market rates.

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 2010 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, 19 October 2010

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 2010, 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 19 October 2010, 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 2010 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