City of Brisbane Investment Corporation

CBIC

2014

ANNUAL REPORT

Audited Results

FOREWORD

CITIES ARE THE ECONOMIC POWERHOUSES OF NATIONS AND IT'S IMPERATIVE THAT COUNCILS PLAY A ROLE IN SECURING A SUSTAINABLE FINANCIAL FUTURE FOR ITS RESIDENTS. IT IS FOR THIS REASON THE CITY OF BRISBANE INVESTMENT CORPORATION (CBIC) WAS INITIATED SIX YEARS AGO.

Since its first significant investments in 2009, CBIC has achieved an average total return of approximately 14.6% per annum including sale of Brisbane Airport Corporation shares. The Board's continued strategy has been to focus on property development projects, with the portfolio returning 17.31% in 2014 and 28% nominal average return since 2009.

In the 2014 financial year the CBIC Board approved the further investigation of a proposed commercial development at the former Wynnum Central State School site. The proposal provides for a retail facility and new library as part of the development. In addition, CBIC will also contribute funding towards the newly formed park area adjoining the development.

This provides a good example of CBIC working with Council to improve community infrastructure, whilst achieving a commercial return on the balance of the development.

Brisbane City Council received a $10 million dividend from CBIC, which was paid in June 2014. This amount combined with previous dividends totals $35 million paid to Council since CBIC was formed. These funds will continue to be used to deliver the world class services that are important to the residents of Brisbane.

I congratulate the Board for all their hard work and dedication and I look forward to CBIC's continued growth for the future prosperity of Brisbane.

The Right Honourable,
the Lord Mayor of Brisbane,
Councillor Graham Quirk

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CHAIRMAN'S REPORT

"THE TOTAL RETURN OF 12.05% FOR 2014 EQUATES TO A NET PROFIT OF $26.06 MILLION FOR THE FINANCIAL YEAR."

PERFORMANCE HIGHLIGHTS

The 2014 financial year marked an important milestone for CBIC where the Board elected to sell two office assets in late 2013. These asset disposals were the first property sales to have occurred in CBIC's operating history; they included the 157 Ann St, Brisbane office building selling for $39 million and the 15 Green Square Close, Fortitude Valley office building selling for $110 million. These sales provided CBIC with an exceptional profit in both cases, which allowed the Board to deliver a strong dividend of $10 million to Council in 2014.

The Board's decision to sell these assets was based on market evidence and research forecasts, indicating that each asset was maximised in value at the time. This was coupled with CBIC's strategy to reallocate funds to invest in other newly identified projects, which are proposed to be delivered in the medium term.

In relation to its other asset classes (i.e. cash and equities) CBIC outperformed the average total return of its nominated benchmarks in 2014, achieving 3.53% and 18.81%, against benchmark returns of 2.73% and 17.43%, respectively. At 30 June 2014 CBIC's $236 million in net assets compromised of $126.2 million in cash, $94.0 million in property, $15.72 million in equities and $1.4 million in receivables. Lease incentives were recorded at $1.3 million, less liabilities of approximately $2.3 million.

CBIC's equities investment outperformed the benchmark S&P ASX200 return by 1.38%. The All Star IAM Fund Manager has indicated that the 2015 financial year will provide its investors with continued outperformance over the benchmark, by realising the benefits of acquiring lower priced mining and resource stocks, which are part of its asset allocation in the fund's portfolio.

The City of Brisbane Investment Corporation (CBIC) continued to grow strongly by recording a net asset value of approximately $236 million at the end of the 2014 financial year.

This represents a total net asset increase of approximately $98 million since 2009, excluding the $35 million paid in dividends to the Council during that period.

The total return of 12.05% for 2014 equates to a net profit of $26.06 million for the financial year. This result builds on the strong average total return of 14.64% since the company's initial significant investments were made in 2009. This is a notable achievement given the challenging economic conditions and increasing regulatory reporting environment during that time.

CBIC's total annual return of 12.05% exceeded the long term investment benchmark (CPI of 3.0% plus 5.5% margin) by 4.05% in 2014. On the back of this strong return the Board was able to deliver Brisbane City Council a dividend of $10 million in June 2014, providing further indication of the company's solid financial performance in the 2014 financial year.

The Board's strategy to predominantly invest in commercial real estate over the last five years has proven to be profitable. Continued growth has been achieved in CBIC's property portfolio, increasing in value by $60 million since 2009, which has underpinned the company's total returns in that period.

CBIC's property portfolio achieved 17.31% total return (income and capital growth) for the 2014 financial year, outperforming the IPD Australian All Property Index benchmark return by 7.61%.

CORPORATE GOVERNANCE

CBIC has further developed its Risk Management framework, to ensure risk and compliance measures are applied in all investment and operational activities. This is achieved through the implementation of updated policies and standards, which are managed by the Executive and regularly reviewed by the Board's Committees.

During the year a range of internal audit reviews and measures were undertaken to ensure CBIC's business practices and appropriate investment decision making principles are being applied and adopted.

LOOKING FORWARD

CBIC will look to strategically manage its assets and acquisitions in the next phase of its business cycle by continuing to control costs and add further significant growth projects to its real estate portfolio. This will include the introduction of alternative property asset classes such as residential and retail. A number of newly identified developments are being considered at the time of writing this report, which are located in Brisbane.

The majority of CBIC's investment expenditure will bring the opportunity to potentially partner with other organisations, and where possible, deliver community based outcomes whilst achieving commercial returns for the residents of Brisbane.

CBIC will look to maintain its commitment to sustainable growth and manage its investments in a way that will ensure diversity across its assets and build on the strong foundations already achieved. This is supported by the Board's commitment to ensure enduring value for the company in the long term.

I would like to acknowledge and thank my fellow Board Members for their contribution over the year. I would also like to take this opportunity to thank the CEO and his team for all their efforts in helping us to achieve another very successful result.

Finally, I would like to acknowledge the continued support we have received from our key stakeholder under the leadership of The Right Honourable, The Lord Mayor of Brisbane, Councillor Graham Quirk.

Mark Brodie
Chairman

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OPERATIONAL REPORT

CBIC'S NET RETURN ON INVESTMENT FOR THE YEAR WAS 12.05%

2.1 OVERVIEW

The 2014 financial year provided another strong return at 12.05%. This result was achieved by realising profits on the sale of two commercial properties (totalling approximately $149 million gross), acquiring another office building at Bowen Hills and maintaining a solid income stream (with further capital gains) on existing investments. CBIC will continue to build on this return in the next three years with further investments planned to be delivered in that timeframe.

The two asset sales occurred after the Board considered the market fundamentals for the Brisbane CBD and Fringe office markets to be at their peak. On this basis the Board elected to sell 157 Ann St, Brisbane (157 Ann St) and 15 Green Square Close, Fortitude Valley (Green Square) for $39 million and $110 million, respectively. These asset sales contributed $4.37 million net profit towards the total net profit of $26.06 million in the 2014 financial year.

CBIC's strategy of investing funds into quality commercial property assets in the last three financial years has seen strong fair value gains and provided good income growth, whilst achieving a balanced real estate portfolio with quality tenant covenants in place.

The major contributions to CBIC's 12.05% total return in the 2014 financial year included:

- The sale of 157 Ann St for $39 million and Green Square for $110 million.
- The acquisition of 37- 41 O'Connell Tce, Bowen Hills, which saw the development of a seven level office building and proposed public car park on the neighbouring lot, contributing $8.38 million to the net profit result;
- Fair value gains in CBIC's managed equities, which increased from $13.68 million to $15.73 million.

The 12.05% net return for 2014 builds on the previous annual net returns of 14.64% in 2013, 10.04% in 2012, 12.48% in 2011 and 11.80% (excluding BAC share sale) in 2010, respectively.

CBIC will continue to invest in commercial property projects over the next three years, which will reduce the company's current cash and term deposit facilities, but provide further strong growth in the company's assets and operations.

The revenue achieved from the office building sales will support CBIC's planned growth strategy. Leasing conditions remain challenging within the Brisbane office market; however, CBIC believes that the new opportunities the company is pursuing through its corporate strategy, including the recent acquisition of the new office building at Bowen Hills (TCC), will provide a point of difference to market competition due to the quality and configuration of CBIC's office building investment. This will also ensure CBIC maintains diversification across each asset class, whilst preserving good rental growth in the medium term.

The commercial real estate portfolio provided a strong market value uplift, achieving an annualised total return of 17.31% for the 2014 financial year. This compares favourably against its benchmark of 9.7% (The Property Council / Independent Property Databank, Australian All Property Index, 30 June 2014).

CBIC's property portfolio metrics remain very strong with the portfolio occupancy level greater than 80% (including the Bowen Hills vacancy of approximately 5,300 square metres recorded at acquisition in late June 2014). Excluding the Bowen Hills property, the occupancy level is approximately 98% as at 30 June 2014. In addition, the property portfolio is underpinned by a high value weighted average lease expiry profile, being 19.8 years.

CBIC's domestic equities portfolio performed well in 2014 showing a return of 18.81%. The domestic equities benchmark for CBIC is the S&P ASX 200 Accumulation Index, which achieved 17.43% in the same period.

All Star IAM's fund manager has forecast a further recovery in the portfolio of shares selected for the fund, which is expected to strengthen CBIC's equities investment return in the future.

Further details on CBIC's results and financial position at 30 June 2014 are highlighted below.

2.2 OPERATING RESULT

Of the $30.01 million in total income generated, CBIC recorded a net comprehensive income of $26.06 million for the year ended 30 June 2014.

The total comprehensive income takes into consideration the unrealised fair value gain of approximately $2.14 million in the managed equities investment.

This is a strong result when compared to other similar scale investment organisations that have a higher concentration of commercial property assets.

Key drivers underlying the operating profit were as follows:

- Fair Value increases in the commercial property portfolio, including:
  - Tunnel Control Centre (TCC) office building at O'Connell Tce, Bowen Hills;
  - South Regional Business Centre (SRBC) office building at Fairfield Rd, Yeerongpilly;
  - Rivergate Shipyard, Murarrie (Rivergate) which is a specialised industrial asset;
  - Cullen Avenue, Eagle Farm (Eagle Farm) which is a near city industrial property; and
  - Industrial Ave, Wacol (Wacol), which is another industrial asset.
- Strong rental income and fair value gain returns being maintained for the commercial property portfolio, which were underpinned by quality tenants and a strong WALE.
- Achieving above average returns on term deposits with the major banks and their subsidiaries, for available cash funds.
- Continued effective cost control of business operations, which resulted in low overheads relative to the total funds being invested and managed.

Approximately 53% of CBIC's investments were held as cash, as at 30 June 2014, with a total value of $126.2 million ($16.7 million in 2013). The increase in cash funds is due to the two property asset sales in late 2013.

As discussed earlier in the report CBIC's Board approved the two asset sales based on market evidence and research forecasts, providing maximum profit returns at the time of sale. The increase in cash has allowed CBIC to pursue newly identified projects, which are anticipated to result in increased returns and net assets over the medium term.

REVIEW OF RESULTS

Details of CBIC's comprehensive income for the year ended 30 June 2014 and the prior financial year are:

COMPREHENSIVE INCOME	2014 $'000	2013 $'000
Interest	3,385	1,164
Net rent	9,379	8,832
Equity distributions	514	401
Fair value gains on property assets	10,113*	20,060*
Gain on sale of investments	4,376	0
Fair value gain on equity investments (unrealised)	2,136	(17.3)
Other Income	50	268
EXPENSES		
General and administration	2,172	1,336
Commercial buildings	2,190	2,894
Employment costs	963	592
Managed equity fund fees	136	92
Directors' fees	320	280
TOTAL EXPENSES	**6,077**	**5,195**
TOTAL COMPREHENSIVE INCOME	**26,069**	**28,407**

Source: CBIC Audited Profit and Loss Statement for the year ended 30 June 2014

Based on the information outlined in the above table, interest income was derived from term deposit investments with major financial institutions (term deposits) and the Queensland Treasury Corporation's Capital Guaranteed Cash Fund (QTC). The average return on cash investments for the QTC and term deposit investments was 3.63% in the 2014 financial year (5.05% in 2013), with approximately 53% of CBIC's assets being cash and cash equivalents at 30 June 2014.

Cash balances were fully invested in term deposits or the QTC fund at all times during the year, ensuring the maximum yield was achieved. The total interest earnings of $1.790 million from term deposits was invested in accordance with CBIC's Investment Policy (i.e. only investing in A- credit rated financial institutions and other specific financial investment criteria). A minimum $5.0 million in cash reserves was maintained on average throughout the financial year.

A net fair value gain of $10.11 million was achieved on CBIC's property assets in 2014, with a majority of this increase accounted for by the acquisition of the TCC office building. The remaining capital value increases were achieved across three other property investments, being $732,055 for SRBC, $300,909 for Eagle Farm and $393,712 for Rivergate.

CBIC's managed equities investment generated a distribution income of $514,000 during the year, with an unrealised market fair value gain on the portfolio of $2,136,210 as at 30

June 2014. The total annual return of 18.81% for CBIC's managed equities investment outperformed the S&P ASX200 benchmark by 1.38%. In the All Star IAM Australian Share Fund Manager's recent reports it was stated that the portfolio position is set for continued growth based on current economic conditions.

This assumption is based on a preference by investors to purchase cyclical stocks as economists and strategists reassess the growing strength and improved underlying economic status of Australia's economy.

CBIC's assets continue to be assessed and accounted for, based on the fair value accounting methodology.

CBIC's assets have grown significantly in the last two financial years. The decision to realise two assets in the 2014 financial year will allow the company to redeploy capital into other planned projects and continue on the path of strong asset growth. As a result of this strategy CBIC has increased its resource levels to appropriately manage its projects and assets, and ensure risk mitigation measures are in place, consistent with market benchmarks for the scale of business operations.

As part of the adoption of this strategy, the Board's Committees and management have closely monitored cash flow and maintained tight controls on operating and project expenses throughout the year. Whilst there has been an increase of $882,000 in expenses, this increase is largely accounted for in the General and Administration levels.

The main items that contributed to the increase in operating expenditure were $1.27 million of selling expenses (including agents' commissions) for 157 Ann Street and Green Square, $215,000 of loan interest expenses and an incentive claim of $180,000 associated with Green Square not formally recognised in the prior financial year due to conditionality.

The Board's strategy is to maintain appropriate resourcing levels as required to support CBIC's growth targets. This is measured through regular Board and Committee meetings, and how CBIC is performing against budget and its benchmarks. This process ensures the strict corporate governance and policy framework measures are adopted throughout the year. CBIC also maintains a strict procurement process for all expenses to ensure a value for money outcome is achieved for project and operating expenses.

2.3 DIVIDEND

A dividend of $10.00 million was paid to Brisbane City Council in the 2014 financial year ($6.00 million was paid in the 2013 financial year). Since the inception of CBIC in mid-2008, a total amount of $35.00 million in dividends has been paid to Brisbane City Council.

2.4 NET ASSETS

Over the 12 months to 30 June 2014, CBIC's net assets increased to $236.36 million from $216.39 million at 30 June 2013. This increase of $19.97 million represents a 9.23% growth in net assets over the 12 month period.

The main contributor to this asset growth was the fair value gains in the property portfolio and the repayment of the $18 million loan facility in full in November 2013. The increase in value of the All Star IAM Fund value also contributed to the net fair value gain.

Since 30 June 2009 the fund's net assets have grown by $98.86 million or approximately 71.90% (see below table), which excludes $35 million in dividends paid to Brisbane City Council in that time.

BALANCE SHEET	2014 $ million	2013 $ million	2012 $ million	2011 $ million	2010 $ million
Total assets	238.7	238.4	197.5	184.3	169.7
Total liabilities	(2.37)	(22.0)	(3.6)	(0.7)	(1.1)
Net assets*	236.3	216.4	193.9	183.6	168.6
Annual Dividend	10.0	6.0	10.0	6.0	3.0

**Includes dividend payments*

03

INVESTMENT SUMMARY

THE TOTAL ANNUALISED RETURN ON PROPERTY WAS A STRONG 17.31%

3.1 OVERVIEW

Over the last four years CBIC has consistently exceeded its long term investment return benchmark of CPI plus 4.50% to 5.50%. The Australian Bureau of Statistics Australian headline CPI rate for the 2014 financial year was 3.0%, which makes the upper range of the CBIC benchmark 8.50%. Based on this equated value, CBIC's total return of 12.05% in the 2014 financial year achieved 3.55% above the upper range of the benchmark.

CBIC's asset mix has significantly altered since the sale of the property assets located at Green Square and 157 Ann Street. The table below identifies the nominal percentage change in asset mix between 30 June 2014 and the prior year.

CBIC ASSET MIX %	2014 %	2013 %	% INCREASE (DECREASE) SINCE 2013
Equities	6.7	5.8	0.9
Property	40	81.2	(41.2)
Cash	53.4	7.0	46.4
Other Capital Items	0.19	6.0	(5.81)

As identified in the table above and earlier in this report, the largest percentage increase in CBIC's asset mix since 30 June 2013 was Cash. The asset mix includes CBIC's property fair value gains achieved in 2014, with the TCC property contributing the greatest proportion of fair value gain for all property assets held.

With respect to the other asset classes, the weighted interest returns on cash investments averaged 3.53% which compares favourably with its benchmark, the UBS Bank Bill Index, which averaged 2.73% for the 2014 financial year.

The rental yield on the CBIC property portfolio (after amortisation of incentives) maintained at a strong annualised rate of approximately 6.80% for the year (4.30% in 2013). This value is higher than the previous year due to CBIC's projects being completed (excluding TCC) and generating income during the 2014 year.

CBIC's property portfolio is well positioned to continue to deliver secure, high quality earnings in the medium term, given improving market conditions, particularly in the industrial property asset class, coupled with the company's planned projects and investment program.

The forecast returns for CBIC will also be underpinned by fixed rental reviews in a majority of the tenant leases, which is approximately 3.5% on average across the property portfolio. With the recent acquisition of TCC, CBIC is forecasting that a large percentage of the vacant area (total vacancy is approximately 5,220 square metres) will be leased by the end of the 2015 financial year. This will further support the growth of CBIC's property portfolio income in the following years.

The total annualised return on property for the 2014 financial year was 17.31% compared to 20.47% in 2013. The continued strong annualised total return for CBIC's property assets have been supported by the following elements:

- a 36.6% capital value uplift for TCC;
- continued steady rental income returns being achieved across the portfolio;
- long term lease commitments from CBIC's tenants, which have maintained a strong weighted average lease expiry profile (WALE) for each property; and
- industrial property portfolio occupancy at 95.5%, with a WALE of 7.6 years.

The CBIC annualised total property return of 17.31% far exceeded the Property Council / IPD Australian All Property Fund Index benchmark of 9.7% for the year to 30 June 2014.

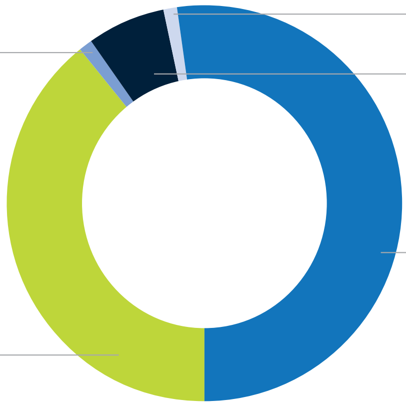
CBIC's investment in the All Star IAM managed equities fund yielded approximately $514,028 in distributions during the year, which represents a 3.26% income return on this investment.

TERM DEPOSIT RETURNS OF 3.53% SIGNIFICANTLY OUTPERFORMED THE UBS BANK BILL INDEX OF 2.73%.

3.2 ASSET ALLOCATION

CBIC's Asset Allocation as at 30 June 2014 is depicted graphically in the pie chart below:

CBIC Asset Allocation - Year End 2013/14



As identified earlier in the report, the majority of CBIC's assets are allocated in Cash at 52.3%, Property at 39.0%, followed by Equities and Other Assets, which are 6.50% and 1.20%, respectively.

The Other Asset category at 1.2% comprises lease incentive assets, which are amortised over the respective lease periods for each property.

CBIC's total net assets, by asset class and respective fair values, are outlined in the table below.

ASSET CLASS	FAIR VALUE 2014 $ million	FAIR VALUE 2013 $ million	INCREASE/(DECREASE) $ million
Australian Equities*	15.72	13.7	(0.1)
Property	94.02	192.8	61.2
Cash	126.2	16.7	(29.1)
Receivables and Other	2.77	15.1	8.75
Total Assets	**238.7**	**238.4**	40.9
Total Liabilities	(2.37)	(22)	(18.4)
Total Net Assets	**236.3**	**216.3**	22.4

** Net of management fees.*

3.3 CASH

CBIC continued to invest in term deposits throughout 2014 to maximise the interest rate return.

At 30 June 2014, the amount held as cash totalled approximately $126.2 million. In accordance with the liquidity policy an average balance of $5.0 million was retained with the QTC Cash Fund (24 Hour Call) throughout the financial year.

Average cash fund returns for the financial year were 3.53% resulting in an out performance of 80 basis points or almost 25% over the annual average rate of its benchmark, the UBS Bank Bill Index at 2.73%.

The CBIC management team has maintained a strong focus on cash flow management, with further scrutiny provided by the Board's Committees on a regular basis. CBIC's prudent risk management of cash funds has ensured that the correct provisioning and timing of cash flows have been maintained over the 2014 financial year, particularly in meeting CBIC's financial obligations.

3.4 PROPERTY

3.4.1 Cullen Avenue, Eagle Farm

The Cullen Ave, Eagle Farm industrial property is 11,979 square metres in area, and situated on 20,080 square metres of general industrial land in the inner northern suburbs of Brisbane. Brisbane City Council continues to occupy approximately 50% of the building, equalling a floor area of 5,800 square metres, with the lease expiring in June 2022.

As at 30 June 2014 the property had a vacancy of 1,584 square metres across two units, representing 13.2% of the total building occupancy area. In late July 2014 GPC Asia Pacific entered into a 5 year lease for 1,169 square metres, leaving a vacancy of only 415 square metres which is anticipated to be leased prior to the end of the 2015 financial year.

Hungry Jacks, Freedom Fuels and Plastral Enterprises make up the balance of the building's occupants on site. The current WALE for the property is 5.4 years, which is supported by a strong income stream and contributes to CBIC's total property portfolio and investment return.

3.4.2 Rivergate Shipyard, Murarrie

The Rivergate Shipyard and associated buildings continues to provide a strong income and capital growth to CBIC's property portfolio.

This asset provides a consistent long term income stream underpinned by Council's lease and at the same time supports CBIC's strategy to maintain good quality property investments, secured by long term leases across the portfolio.

The majority of the property is leased to Brisbane City Council until early 2041. As at 30 June 2014 the WALE for the Rivergate property is 18.38 years. This includes other lease commitments for the site. The net income return on the property, based on the current fair value, is 8.42% as at 30 June 2014.

The primary function of the lease to Council is to accommodate the CityCat ferries, including the maintenance of these vessels at this location.

3.4.3 South Regional Business Centre, Yeerongpilly

Since completion in June 2012, the South Regional Business Centre (SRBC) office building has provided strong income and capital returns (fair value gains) for CBIC's investment portfolio. The building offers Council a high standard of office accommodation for its regional business centre operations, whilst maintaining an environmentally sustainable design and providing Council with competitive outgoings rates based on the building's use and size of occupancy.

The 4,198sqm office building was completed in June 2012, made up of larger floor plates at approximately 1,500sqm. The building is targeted to achieve a five star NABERS rating and has been assessed at a five star Greenstar rating.

On the strength of these fundamentals, coupled with the QLD Government's proposed plans to allow further development on the neighbouring sites, the building is well positioned to maintain strong capital value in the future, notwithstanding market conditions.

3.4.4 Industrial Avenue, Wacol

The industrial property located at 16 Industrial Avenue, Wacol provides Council with an integrated fleet maintenance and facility within the 5,034 square metre shed and office facility at the front of the site.

The site was acquired with vacant possession and includes a total land area of 21,743 square metres. Brisbane City Council entered into a lease for 10 years for the warehouse and approximately 5,000 square metres of perimeter hardstand from mid June 2012.

A vacant parcel of land at the rear of the site (approximately 8,000 square metres), provides Council with additional capacity to expand its operations or for CBIC to develop accommodation for a third party occupant in the medium term, now that industrial market conditions have shown signs of recovery towards the end of the 2014 financial year.

3.4.5 41 O'Connell Terrace, Bowen Hills

In June 2014 CBIC acquired a completed office building located at 41 O'Connell Terrace, Bowen Hills, as a result of a joint initiative between Council's accommodation needs for the Legacy Way Control Centre (TCC) coupled with CBIC looking to invest in another quality property asset. The control centre for Legacy Way has established its operations on Level 3 of the building.

The building is targeted to achieve a 5 star NABERS and 5 star green star as built accreditation, based on the design. It comprises seven levels, ground to level 6, with approximately 7,677 square metres of total net lettable area.

A commercial vehicle access and garage storage area is located in a basement area directly behind ground levels accessed via O'Connell Tce, Bowen Hills.

The unique building design provides 74 car parks within the building, located on two mezzanine levels which adjoin levels 1 and 2 of the building's office area. The access to this car park is via Sneyd St.

An additional commercial loading bay area with a clear span workshop is located behind the ground floor and accessed via O'Connell Terrace. Additionally, CBIC is in the process of constructing a 51 bay covered car park on nearby land fronting Sneyd St (approximately 2,000 square metres in area), which allows for the car parks to be utilised by the tenants of the building or the public via a ticketing system. This will contribute further revenue to the building and enhance CBIC's cash flow. It will also provide increased amenity for the potential tenants currently looking to lease space in the building.

At the time of writing this report there has been a strong interest from a number of key tenants looking to lease space within the precinct. CBIC is confident that a majority of the vacant area (approximately 5,220 square metres) will provide a superior option to those tenants seeking high quality office space and currently in the market. CBIC is forecasting that approximately half of the vacant area could be potentially taken up by the end of the 2015 financial year.

3.4.6 15 Green Square Close Fortitude Valley

As discussed earlier in the report, the Board elected to sell the completed office building at 15 Green Square for a price of $110 million in late 2013. This represented a total nominal return on cost of 46.87%, based on all project costs incurred.

The building was sold on a yield of approximately 7.62% which maximised CBICs funds and returns for the property asset at that time.

The net capital yielded from the sale will be utilised for other planned projects as approved by the Board, which form part of CBIC's strategy, to continue to grow the asset base strongly and where appropriate reinvest capital into other asset classes consistent with economic forecasts. These investments are supported by strong business cases and are currently planned to be delivered in the next three years.

3.4.5 157 Ann Street, Brisbane

Under similar circumstances, as outlined above for Green Square, the Board approved the sale of 157 Ann St in late 2013, based on market evidence and a business case that identified CBIC's investment in the property had been maximised at that time.

157 Ann St sold for a price of $39 million. This represented a total nominal return on investment of 37.47%, based on the acquisition price and costs incurred at that time.

The sale of 157 Ann St and Green Square provides another excellent example of CBIC maximising return on the ratepayer's money, whilst keeping abreast of market cycles and conditions for each asset class.

3.5 EQUITIES

3.5.1 Equities Investments

The performance of the managed equities for 2013/14 achieved 18.81% for the year ending 2013/14. This investment is the last remaining equities investment, held with All Star IAM. The table to the right depicts CBIC's actual return achieved above the benchmark return (S&P ASX200 Accumulation Index) by 1.38%.

PERFORMANCE	ALL STAR IAM* 2013/14	ALL STAR IAM* 2012/13
Benchmark return #	17.43%	22.75%
Actual return	18.81%	1.99%
Outperformance over Benchmark	1.38%	(20.76%)
Benchmark	S&P ASX 200 Accumulation Index	

**Source: All Star IAM annual returns inclusive of distributions*

 # Benchmark return is calculated on CBIC's holding term.

Whilst there has been a significant improvement in the actual return of CBIC equities investment in 2014, compared to the 2013 financial year, volatility of the company's share prices for stocks held in the All Star IAM fund, as managed by the fund manager, continued to be affected by market volatility and performance in the broader domestic and global economies.

At 30 June 2014, CBIC's managed equity investment was valued at $15.72 million in 2014 ($13.67 million in 2013). This value is net of investment management fees, and includes income distributions for the 2014 financial year totalling $514,028 ($401,000 million in 2013).

As with all long term investments, and in accordance with CBIC's investment policy, the equities fund performance should be assessed over a longer period (i.e. 7-10 years), to assess its true performance and how it meets CBIC's long term investment expectations.

All Star IAM has advised that as consumer confidence returns and the market performance for resource materials and energy sector shares improves, CBIC's investment in the fund is expected to continue to outperform in the coming financial year.

04

OUTLOOK

CBIC HAS PERFORMED WELL ABOVE ITS OPERATING AND TOTAL RETURN BENCHMARKS IN THE 2014 FINANCIAL YEAR, WITH THE COMPANY'S OUTLOOK REMAINING VERY POSITIVE FOR FURTHER STRONG RETURNS.

The company's growth and performance has been underpinned by the completion of its largest development project since inception (i.e. Green Square office building), as well as the completion of the two significant property asset sales in the 2014 financial year.

CBIC has identified further investment opportunities to maintain the company's growth expectations, which include further property development and other investment opportunities. These projects are forecast to be mostly funded by the cash yielded from asset sales and will maintain CBIC's strong asset base and solid income returns in the longer term.

CBIC's success in achieving the 12.05% total return for the 2014 financial year can be mostly attributed to the following items.

- The completion of CBIC's 15 storey office building project at Green Square; including subsequent sale of the building in late 2013 for a maximised market price.
- Sale of 157 Ann St which maximised the market value of the property.
- Acquisition and delivery of new investments and projects, such as the TCC office building at Bowen Hills and nearby land dedicated for a commercial car parking facility.
- The establishment of a debt facility for the first time in CBIC's company history and in a low cost environment. This provided CBIC with a new platform for funding at the time, despite repayment of the debt in late 2013. The establishment of debt facility protocols and processes for debt funding will ensure any future investment opportunities, which require debt funding, are maximised in return value, by increasing CBIC's return on equity measures for the company.
- Maintaining a strong corporate governance/risk framework, with clear investment policies and guidelines adopted at all times. These aspects were monitored by the Board and its Committees during the year.

CBIC achieved a strong total return of 12.05%, and it is forecast that in the medium term CBIC will grow its asset base strongly with the delivery of new development projects and further investments.

The management team continues to maintain a strong focus on leasing the vacant areas in the new office at 41 O'Connell Tce, Bowen Hills.

CBIC is currently considering another large scale and two smaller scale development projects located within Brisbane. To further grow the capital base CBIC may consider taking on further debt funding and may also seek joint venture partnerships to continue growth strategy and maintain a competitive advantage.

The key focus will be to continue to enhance underutilised Council property assets and other market based opportunities available, as economic conditions continue to strengthen in the short to medium term.

05

INVESTMENT PHILOSOPY

CBIC'S KEY INVESTMENT OBJECTIVE IS TO DELIVER SUPERIOR RETURNS FOR COUNCIL AND THE RESIDENTS OF BRISBANE BY INVESTING IN GOOD QUALITY ASSETS, MAXIMISING FINANCIAL RETURNS, AND WHERE POSSIBLE, SIMULTANEOUSLY PROVIDING OTHER TANGIBLE BENEFITS.

CBIC's investment philosophy is built and maintained on the following key assumptions.

- Ensuring enduring value through a robust and planned investment strategy.
- Selecting investments and or projects that provide good long term growth, balanced against achieving value for money and optimisation of each asset held.
- Maximising capital and income returns across the portfolio, whilst taking into consideration the risk profile and preservation of capital for each asset, in the longer term.
- Maintaining a strong corporate governance/risk frameworks, including individual risk and return assessment for each asset held.
- Utilising external investment managers, where appropriate, to support this management framework.
- Ensuring appropriate liquidity levels are maintained for assets held and or project commitments, for the duration of commitments and in accordance with economic conditions at the time.

These key investment assumptions are supported by high quality management, adoption of risk and governance frameworks, and further supported and monitored by the Board and its Committees according to their respective charters.

The Company Directors and other Officers of the company meet regularly to review and advise on the strategic direction of the company, ensuring enduring value is maintained in the company's value and the financial performance objectives are met at the end of each financial year.

In addition to this process, an independent audit review of CBIC's policies, risk and governance frameworks is completed on an annual basis to ensure consistency and adherence to best practice measures, including the recording and management of the company's financial accounts.

5.1 PERFORMANCE BENCHMARKS

CBIC has established a reference to a number of long term benchmarks with the objective of measuring the relative performance of its assets on a regular basis. CBIC's investment return benchmark is based on Consumer Price Index (CPI) plus 4.5% to 5.5%. CBIC is also required to measure its returns for each asset class, set against the following performance benchmarks.

CATEGORY/SECTOR	POLICY BENCHMARK REPRESENTATIVE INDEX
Commercial Property	The Property Council /IPD Australian All Property 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 – IPD Australia, Standard & Poors and UBS Australia

5.2 ASSET ALLOCATION

As stated in prior years, CBIC is not a traditional fund manager and therefore is not required to maintain a traditional asset allocation or minimum sector weighting in each asset class.

CBIC has had the ability to access surplus property assets within Brisbane City Council's portfolio, which has enabled CBIC to maximise returns through development and further investment in these assets.

On this basis CBIC's investment mix is more heavily weighted towards commercial property, with a combined allocation of property project developments and direct property investments in the Brisbane market.

The CBIC Investment Review Committee and the Finance and Audit Committee recommend the investment objectives and risk parameters for the company, respectively, ensuring these guidelines are met at all times.

In support of the Investment Review Committee, the Board regularly reviews and approves each investment after recommendations are put forward; ensuring the necessary scrutiny and guidance in meeting the company's core investment objectives and long term strategy are maintained.

5.3 INVESTMENT PARAMETERS

The CBIC Foundation Investment Policy also states that a series of investment parameters must be adhered to in order to make an "authorised investment" within each asset class. These parameters also define single party exposure limits to any one investment and the portfolio as a whole.

From time to time the Investment Review Committee, in conjunction with the Board, review this criteria to ensure consistency with current economic conditions and that it is suited to the stage of CBIC's business growth and as each investment decision is made.

For example, the Foundation Investment Policy dictates that all cash investments must be made with financial institutions with a minimum A+ and AA- rating, with no more than 60% 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. For each property investment and/or development project, the Investment Review Committee must consider current property metrics and any research information outlining current market evidence of transactions and forecast investment parameters and criteria. The criteria and parameters considered are specific to the property asset type, location and scale of asset being considered for investment and or development.

These individual asset investment parameters, coupled with CBIC's investment framework and corporate governance policies, provide the necessary support to ensure prudent and cohesive investment decisions are made for the company, through the Board and management.

06

CBIC BOARD

THE CBIC BOARD IS CHARGED WITH THE RESPONSIBILITY OF MAKING PRUDENT INVESTMENT DECISIONS AND ENSURING THE LONG TERM STRATEGY IS CONSISTENT WITH ITS KEY OBJECTIVES.

The Board's diverse commercial and business experience combines to provide this strategic direction for the company and ensures the company's resources, risk and governance frameworks and financial management is maintained through its Committees.

6.1 BOARD AND COMMITTEE MEMBERS

MARK BRODIE

Chairman

Mark is the Managing Director of Brodie Group Pty Ltd.

Mark is also Chairman of the National Retail Association and Chairman of the Gladstone Ports Corporation.

He holds additional directorships with several other organisations and is also a Fellow of the Australian Institute of Company Directors.

JANE EDWARDS AM ONM (FR) FAICD FAIM

Director

Jane is Executive Chairman and owner of the national BBS Communications Group which she founded in 1989. She leads a long established executive team advising clients throughout Australia, in New Zealand and in PNG.

Jane has almost thirty years' experience as a director of government, business and not for profit boards. She is currently appointed to the Lord Mayor's Business advisory Board, is a Director of Opera Queensland and the Board of the National Breast Cancer Foundation among others.

She is a fellow of the Australian Institute of Company Directors, the Australian Institute of Management and the Public Relations Institute of Australia.

Jane is an adjunct professor at the UQ School of Communications and Journalism and since the year 2000 has served as the Honorary Consul for France in Queensland. In 2009 she was awarded the prestigious Chevalier de l'Ordre National du Merit by the President of France for her services to the French community in Queensland.

NEILL FORD

Director

Neill is Managing Director of Yellow Cabs (Qld) Pty Ltd, a company operating a fleet of 1200 taxis and Courier vans in South East Queensland and Tasmania. As Chair of Taxis Australia, Neill represents 10,000 taxis across Australia. He is also Deputy Chairman of Cabcharge, a public listed company.

Neill is a member of the Lord Mayor's Business Round Table, Non-Executive Director of CDC Pty Ltd, a joint venture between Comfort Delgro Ltd and Cabcharge Ltd operating over 1,200 buses in West Sydney, Victoria and London trading as Wesbus, and Chairman of the Board of BMag with a circulation of over 440,000 magazines. Neill is a non-executive director of CBIC.

Neill is also a Fellow of the Australian Institute of Company Directors (AICD) and the Australian Institute of Management.

6.1 BOARD AND COMMITTEE MEMBERS (CONTINUED)

COLIN JENSEN

Director

Colin is the Chief Executive Officer of the Brisbane City Council (BCC). He took up the position in August 2010. Prior to taking on his role in Brisbane, he was the Coordinator General and the Director General of the Department of Infrastructure and Planning with the Queensland State Government.

Colin has extensive state and local government experience and has undertaken other senior government roles in his career.

Colin is also a Director of Brisbane Green Heart CitySmart Pty Ltd.

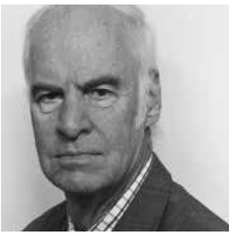
MARIA ROACH

Director

Maria has more than 20 years' experience as a company secretary of publicly-listed companies in Australia. She holds a number of directorships with various corporations.

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

MICHAEL KNOX



Director

Michael is Director of Strategy and Chief Economist for 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 Immediate Past President of the Economic Society of Australia (Qld) Inc as of 2013.

CRAIG SPENCER

Director

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, New Zealand and the United States.

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.

Craig currently serves on several Boards including Churchie Foundation, The Australian Ballet and is currently Chairman of The Ballet Theatre of Queensland. He is also a Fellow of the Australian Institute of Company Directors.

PAUL VINCENT

Director

Paul is the founding partner of Vincents Chartered Accountants and has an extensive background in litigation support and forensic accounting. Paul has worked in various areas, including his early audit, taxation, insolvency and consulting career at KPMG between 1979 and 1989. Since founding Vincents in 1989, Paul has a comprehensive engagement profile in his 25 years as a forensic accountant and in particular has had significant involvement in providing expert accounting evidence in commercial litigation disputes, family law disputes, criminal matters, professional negligence actions and fraud.

Paul is a Business Valuation accredited specialist with The Institute of Chartered Accountants in Australia and New Zealand and a graduate of the Australian Institute of Company Directors.

Paul serves on a number of Boards in non-executive Director roles.

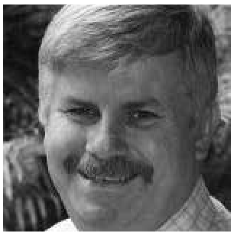
DAVID ASKERN

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 22 years of experience in all aspects of the law with particular emphasis on drafting and interpretation of legislation affecting local government, commercial contracting and industrial relations.

GREG EVANS



Alternate Director for Colin Jensen

Greg is currently the Divisional Manager Organisational Services for the Brisbane City Council, having joined in September 2009.

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.

MARK MAZURKIEWICZ

Chief Executive Officer

Mark joined CBIC in May 2011 as Chief Executive Officer. His career spans approximately 20 years in prudential financial regulation, commercial property development and consultancy. His former role was Manager City Property with Brisbane City Council.

Prior to this he was a Director with a merchant bank and senior manager with Jones Lang LaSalle, Energex and QR.

Mark has graduate, post graduate and professional qualifications in Economics, Property Valuation, Financial Securities Investment and Project Management. He is currently a fellow member of FINSIA. Mark recently became a graduate of the Australian Institute of Company Directors.

07

CORPORATE GOVERNANCE

7.1 BOARD SUB-COMMITTEES

The Board has established 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 and 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 and Protocol Committee - role includes developing corporate, strategic and communication plans.

The number of meetings of the Corporation's committees held during the year ended 30 June 2014, and the number of meetings attended by each director were:

DIRECTOR	INVESTMENT REVIEW		FINANCE & AUDIT		BUSINESS & PROTOCOL	
	A	B	A	B	A	B
M Brodie	9	9	*	*	*	*
J Edwards	*	*	*	*	4	4
N Ford	*	*	*	*	4	4
M Knox	8	9	*	*	*	*
M Roach	*	*	5	5	4	4
C Spencer	7	9	*	*	*	*
P Vincent	9	9	5	5	*	*
D Askern	*	*	5	5	3	4
G Evans	*	*	*	*	4	4

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 $76,440 and $38,220 per annum, respectively. Statutory superannuation is paid for Directors who receive their fee as salary income, rather than a fee through a company. Brisbane City Council Directors do not receive a fee for their services.

7.3 MANAGING CONFLICTS OF INTEREST

CBIC maintains a strict Corporate Governance framework which deals with the Conflicts of Interest Policy for CBIC Board members and its staff. CBIC ensures that all decisions are made on a sound, independent advisory basis, which is free from personal or commercial pressures and or influences.

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

The Conflicts of Interest 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.

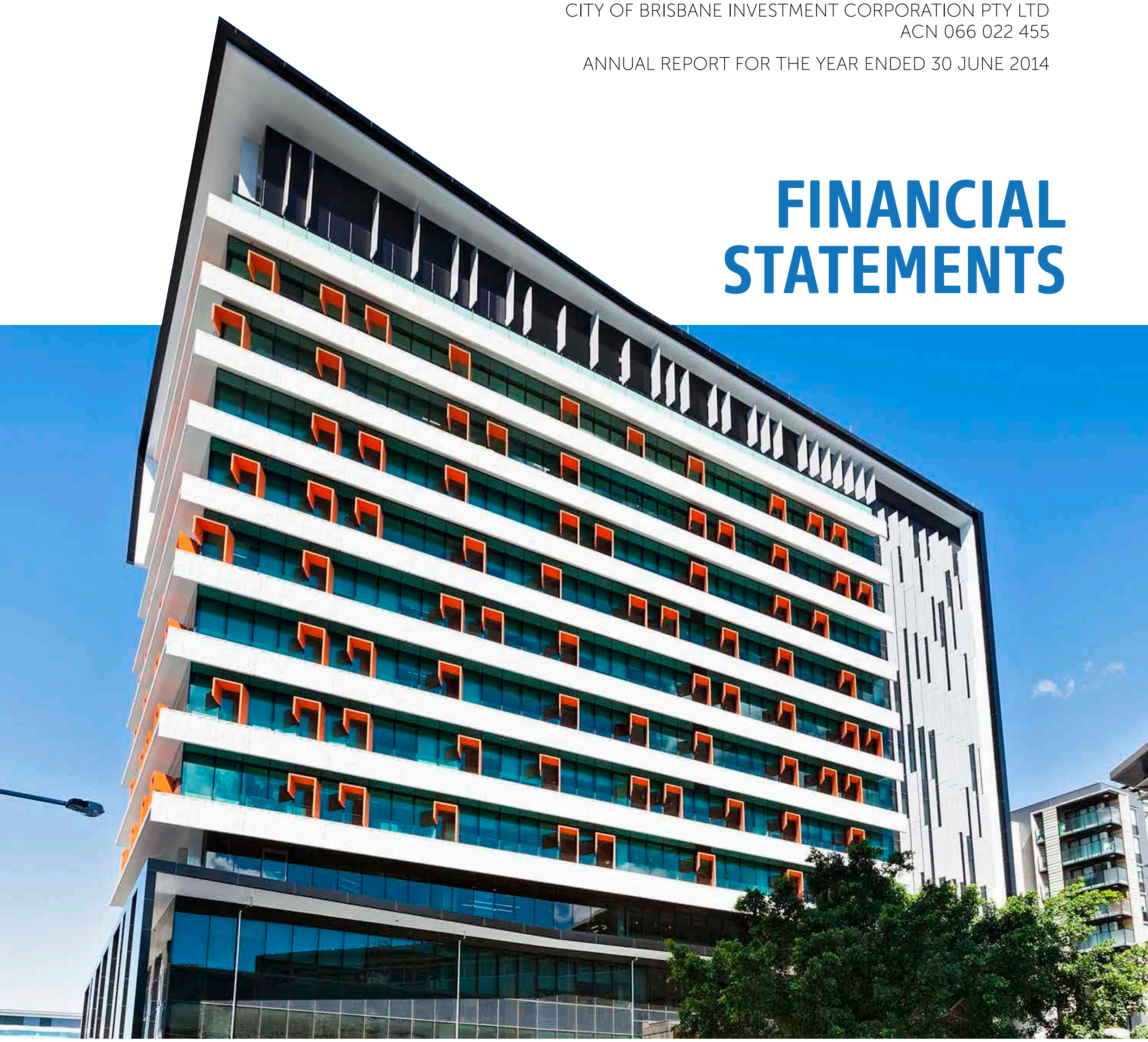
Disclosure of conflicts of interest is a standing item on each Board meeting agenda. Directors must disclose any potential or actual conflict of interest concerning any item of business before the Board.

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.

CITY OF BRISBANE INVESTMENT CORPORATION PTY LTD
ACN 066 022 455

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2014

FINANCIAL STATEMENTS



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CITY OF BRISBANE INVESTMENT CORPORATION PTY LTD
ACN 066 022 455

ANNUAL REPORT FOR THE YEAR ENDED 30 June 2014

City of Brisbane Investment Corporation Pty Ltd is an Australian company with its registered office located at Level 20, 266 George St, Brisbane, Queensland, Australia.

DIRECTORS' REPORT

THE DIRECTORS PRESENT THEIR REPORT TOGETHER WITH THE FINANCIAL REPORT OF THE COMPANY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014.

DIRECTORS

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

Mark V **BRODIE** (Chair)
Appointed 2 June 2008

Jane A **EDWARDS**
Appointed 2 June 2008

Neill D **FORD**
Appointed 10 September 2012

Colin D **JENSEN**
Appointed 20 September 2010

Michael J S **KNOX**
Appointed 2 June 2008

Maria A **ROACH**
Appointed 2 June 2008

Craig G **SPENCER**
Appointed 2 June 2008

Paul J **VINCENT**
Appointed 10 September 2012

Greg C **EVANS** (Alternate of Colin D Jensen)
Appointed 20 September 2010

PRINCIPAL ACTIVITIES

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

OPERATING ACTIVITIES

The result of the company for the financial year ended 30 June 2014 was a net profit of $26,069,310.

REVIEW OF OPERATIONS

The main sources of revenue were interest revenue from cash held on deposit, distributions from a managed equity fund and rent generated from the company's investment properties and asset sales, respectively.

During the year, the City of Brisbane Investment Corporation ("CBIC") disposed of 157 Ann Street, Brisbane on 30 September 2013. The construction of 15 Green Square Close, Fortitude Valley was completed and the property was subsequently sold on 28 November 2013.

On 19 June 2014, CBIC completed the purchase of the Tunnel Control Centre in Bowen Hills. The consideration paid by CBIC to Brisbane City Council was $15,613,803.90 inclusive of GST. As part of the consideration paid, CBIC issued 3.9 million ordinary shares of $1.00 per share. The ASIC Form 484 Change to Company Details was lodged for registration on 24 June 2014.

On 28 November 2013 the company repaid an $18M debt facility secured with Westpac Banking Corporation. The security held over 15 Green Square Close, Fortitude Valley was released and the loan facility extinguished.

The company also declared and paid dividends to Brisbane City Council amounting to $10 million during the year (2013: $6 million).

EVENTS AFTER BALANCE DATE

At the date of signing, there were no events subsequent to balance date which would have a material effect on the company's financial statements.

DIRECTORS' BENEFITS

During the financial year, Directors of the company have received or become entitled to receive Directors fees totalling $320,813.

DIRECTORS' MEETINGS

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

NAMES	A	B
Mark V **BRODIE** (Chair)	8	10
Jane A **EDWARDS**	9	10
Neill D **FORD**	8	10
Colin D **JENSEN**	9	10
Michael J S **KNOX**	10	10
Maria A **ROACH**	7	10
Craig G **SPENCER**	9	10
Paul J **VINCENT**	10	10
Greg C **EVANS** (Alternate of Colin D Jensen)	1	10

Note: No Board meeting was held in December 2013 or January 2014. Additionally, no Committee meetings were held in January 2014.

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
Brisbane, 7 August 2014

Maria Roach
Brisbane, 7 August 2014

Independent Auditors Declaration

A copy of the Independent Auditors Declaration is attached to this report as required under section 307C of the Corporations Act 2001

Signed in accordance with a resolution of the Directors.

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of City of Brisbane Investment Corporation Pty Ltd

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

Independence Declaration

As lead auditor for the audit of City of Brisbane Investment Corporation Pty Ltd for the year ended 30 June 2014, 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.

QUEENSLAND
06 AUG 2014
AUDIT OFFICE

P J FLEMMING CPA
(as Delegate of the Auditor-General of Queensland)

Queensland Audit Office
Brisbane

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 June 2014

	NOTE	2014 $	2013 $
Income			
Revenue			
Rental income	2(a)	11,569,537	11,726,680
Interest		3,385,842	1,164,129
Distribution income		514,028	401,234
Other income		50,000	267,692
		15,519,407	13,599,735
Other income			
Gain on sale of investment	2(b)	4,376,821	-
Fair value gain on investment property	6(a)	10,113,972	20,060,580
Total income		30,010,200	33,620,315
Expenses			
Employee costs	3(a)	963,982	591,952
Directors' fees		320,813	280,418
Building expenditure		2,190,785	2,894,299
Investment management fees		136,376	92,300
Finance costs	18(a)	292,246	
Other expenses	3(b)	2,172,898	1,336,901
		6,077,100	5,195,870
Net profit for the period		23,933,100	28,424,445
Other comprehensive income (expense)			
Net unrealised fair value gain (loss) on available for sale financial assets arising during the year	13	2,136,210	(17,389)
Total comprehensive income attributable to members of the company		26,069,310	28,407,056

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

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STATEMENT OF FINANCIAL POSITION

AS AT 30 June 2014

	NOTE	2014 $	2013 $
CURRENT ASSESTS			
Cash and cash equivalents	14	126,210,812	16,743,040
Receivables	4	1,466,208	858,413
Total Current Assets		127,677,020	17,601,453
NON CURRENT ASSETS			
Available for sale financial assets	5	15,726,239	13,679,832
Investment property	6	94,024,376	192,897,643
Property, plant and equipment	7	-	-
Other assets	9	1,314,616	14,247,447
Total Non Current Assets		111,065,231	220,824,922
Total Assets		238,742,251	238,426,375
CURRENT LIABILITIES			
Accounts payable and accrued expenses	10	454,268	4,029,675
Lease incentive – Green Square	11	1,651,040	-
Retail Rental Liability	11	192,000	-
Total Current Liabilities		2,297,308	4,029,675
NON CURRENT LIABILITIES			
Borrowings	18	-	18,000,000
Retail Rental Liability	18	78,933	-
Total Non-Current Liabilities		78,933	18,000,000
Total Liabilities		2,376,241	22,029,675
Net Assets		236,366,010	216,396,700
SHAREHOLDER'S EQUITY			
Share capital	12	139,038,512	135,138,512
Other capital contribution	16	1,897,034	1,897,034
Fair value reserve	13	(3,113,062)	(5,249,272)
Retained profits		98,543,526	84,610,426
Total Shareholder's Equity		236,366,010	216,396,700

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

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STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 June 2014

2014	Total $	Share capital Note 12 $	Other capital contribution Note 16 $	Fair value reserves Note 13 $	Retained Profits $
Balance at beginning of year	216,396,700	135,138,512	1,897,034	(5,249,272)	84,610,426
Net profit	23,933,100	-	-	-	23,933,100
Other comprehensive income (expense)	2,136,210	-	-	2,136,210	-
Issue of Share Capital	3,900,000	3,900,000	-	-	-
Distribution to shareholder-Brisbane City Council	(10,000,000)	-	-	-	(10,000,000)
Balance at end of the year	236,366,010	139,038,512	1,897,034	(3,113,062)	98,543,526

2013	Total $	Share capital Note 12 $	Other capital contribution Note 16 $	Fair value reserves Note 13 $	Retained Profits $
Balance at beginning of year	193,989,644	135,138,512	1,897,034	(5,231,883)	62,185,981
Net profit	28,424,445	-	-	-	28,424,445
Other comprehensive income (expense)	(17,389)	-	-	(17,389)	-
Contribution by owner - Land transfer	-	-	-	-	-
Distribution to shareholder - Brisbane City Council	(6,000,000)	-	-	-	(6,000,000)
Balance at end of the year	216,396,700	135,138,512	1,897,034	(5,249,272)	84,610,426

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

QAO certified statements

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 June 2014

	NOTE	2014 $	2013 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from tenants		10,582,023	15,246,357
Payments to suppliers and employees		(7,079,550)	(6,971,001)
Distributions received		442,030	401,234
Interest received		3,385,842	1,164,129
Borrowing costs paid		(292,246)	-
Net GST received from the Australian Taxation Office		122,438	4,211,747
Sale proceeds from available for sale financial assets		149,000,000	-
Additions to investment property		(11,943,604)	(46,619,271)
Payment for lease incentive		(6,749,161)	(8,534,253)
Net Cash Flows Provided from (Used in) Operating Activities	14	137,467,772	(41,101,058)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(10,000,000)	(6,000,000)
Loan Received		-	18,000,000
Loan Repayment		(18,000,000)	-
Net Cash Flows provided from (used in) Financing Activities		(28,000,000)	12,000,000
NET INCREASE / (DECREASE) IN CASH HELD		109,467,772	(29,101,058)
Cash at the beginning of the year		16,743,040	45,844,098
CASH AT THE END OF THE YEAR	14	126,210,812	16,743,040

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

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2014

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs), Australian Accounting Interpretations, other authoritative pronouncements issued by the Australian Accounting Standards Board and the Corporations Act 2001. All balances are stated in Australian dollars.

The financial statements were authorised for issue by the Directors on 7 August 2014.

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. Investment property and available for sale financial assets are measured at fair value.

While its owner is a not for profit entity, the company is a profit entity and the financial statements are prepared on a for-profit basis.

Use of Judgements and Estimates

The preparation of the financial statements requires the determination and use of certain critical accounting estimates and management assumptions that have potential to cause a material adjustment to the carrying amount of assets and liabilities within the financial year. Such estimates, judgements and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

Estimates and assumptions that have a potential significant effect are outlined below:

(i) Directors and independent Valuations in relation to Investment Property assets, using directly comparable market sales evidence based on equivalent yields and capital values per square metre. Supporting market research was also utilised as provided by Colliers International Research.

(b) Adoption of New Standards and Interpretations

A number of new and revised standards are effective for annual periods beginning on or after 1 July 2013. Information is presented below.

(i) Financial Instruments (AASB 9)

AASB 9 mandatory effective date has been amended to be applied for the annual reporting period beginning on or after 1 January 2015 instead of 1 January 2013. The company does not plan to early adopt the requirements of the revised AASB 9.

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement. The revised standard changes the classification, measurement and disclosure of financial assets. Under the new requirements, four current categories of financial assets will be replaced with two measurement categories, fair value and amortised costs. This change will require CBIC to measure all financial assets at fair value or amortised cost and the impact is anticipated to be immaterial.

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1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Consolidated Financial Statements (AASB 10); Joint arrangements (AASB 11); Disclosure of interests in other entities (AASB 12); Investments in Associates and Joint Ventures (2011) AASB 128, AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards, effective from 1 January 2013 with first time application 30 June 2014.

CBIC does not control or hold any interests in other entities. Therefore these standards are not anticipated to impact CBIC at this time.

(iii) Fair Value Measurement (AASB 13)

AASB 13 will be effective for the company's reporting period commencing 1 July 2013.

AASB 13 replaces the guidance on fair value measurement in existing AASB literature with a single standard. It defines fair value and provides guidance on how to determine fair value and related disclosures. The new requirements will apply to all assets and liabilities (except leases) that are measured at fair value. It's disclosure requirements need not be applied to comparative information in the first year of application.

(iv) Employee Benefits (AASB 119)

The 2011 amendments to AASB 119 will be effective for the company's reporting period commencing 1 July 2013.

The amended version of AASB 119 eliminates the 'corridor method' and requires the recognition of re-measurements (including actuarial gains and losses) arising in the reporting period in other comprehensive income; changes the measurement and presentation of certain components of the defined benefit cost; and requires enhanced disclosures.

(c) Revenue

Rental revenue from investment properties is recognised 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. Interest revenue is brought to account when earned and distribution revenue is brought to account when declared.

(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) Borrowings and Borrowing Costs

Borrowings are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest rate. Repayments are currently being made quarterly in arrears. Where borrowing costs can be attributed to a specific capital project, the costs are capitalised as part of the qualifying asset. Otherwise borrowing costs are expensed as finance costs in the Statements of Comprehensive Income when they are incurred.

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1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) 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.

Fair value is based on market values determined by independent Property Valuers or Directors' Valuation and reflects the price at which the property could be exchanged between knowledgeable willing parties in an arm's length transaction.

Rental income and operating expenses from investment properties are reported within revenue and other expenses respectively and recognised as described in (c) and (d) above.

In 2013/14, independent valuations were undertaken for all properties.

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. See Note 2(b).

Transfers are made to investment properties 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.

(g) Financial Instruments

Financial assets and financial liabilities are recognised in the Statement of Financial Position when CBIC becomes party to the contractual provision of financial instruments. Financial assets and financial liabilities are classified as follows:

*** Financial Assets**
Cash and Cash equivalents (Note 14)
Trade and other receivables (Note 4)
Financial assets available for sale (Note 5)

*** Financial Liabilities**
Accounts payable and accruals (Note 10)
Borrowings (Note 18)

(h) 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.

(i) Financial assets available for sale

Available for sale investments 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 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.

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1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Employee Benefits

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, 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 based on remuneration rates that will be paid when the liability is settled. All staff leave balances are expected to be settled wholly within 12 months after the end of the reporting requirements and are therefore measured as a short term benefit and therefore not discounted when calculating leave liabilities.

Superannuation is paid at the minimum statutory legislative amount in accordance with the Australian Superannuation Guarantee Act. The amount is paid directly to the chosen superannuation account of each employee/applicable Director and expensed through the Statement of Comprehensive Income monthly. All CBIC staff members are employed on a contract basis and as such do not accrue long service leave.

(k) Taxation

(i) Income Tax

Income of Local Government and public authorities and their subsidiaries are exempt from income tax (including capital gains tax) under the provisions of the Income Tax Assessment Act 1936.

(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 the 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.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(l) Equity, Reserves and Dividends

Share capital represents the cost of Ordinary Shares issued as equity. Any transaction costs associated with the issuing of shares are deducted from the share capital.

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

Retained earnings includes all current and prior period retained profits.

(m) Property, Plant and Equipment

(i) Recognition

Items of Property, Plant and Equipment with a total value of less than $10,000 are treated as an expense in the year of acquisition. Cost includes all costs necessary to bring the asset to working condition for its intended use. This would include not only its original purchase price but also costs of site preparation, delivery and handling, installation, related professional fees for architects and engineers, and the estimated cost of dismantling and removing the asset and restoring the site.

(ii) Acquisition

Acquisitions of property, plant and equipment are initially recorded at cost and details are recorded in the asset register including original purchase price and acquisition date. Donated items of property, plant and equipment are recognised as assets and revenue at fair value.

(iii) Depreciation

Depreciation is recognised on a straight line basis over the assets' useful life. The useful life and residual value of all items of property, plant and equipment are assessed annually at reporting date.

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1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Receivables

Receivables are recognised at the amounts due at the times of sale or service delivery i.e. the agreed purchase price/contracted price. Settlement of these amounts is required within 30 days from invoice date (unless otherwise specified). The collectability of receivables is assessed periodically with allowances being made for impairment. All known bad debts are written off at year end.

(o) Accounts payable and accrued expenses

(i) Accounts payable are recognised as a liability at the time the amount owed can be measured reliably and when it is probably the amount will have to be paid when the goods are received or the service is performed. Amounts are unsecured and normally settled within 30 days.

(ii) Accruals

Accruals are recognised for amounts to be paid in the future for goods and services received.

(p) Rounding

For all financial reporting and financial calculations, CBIC rounds all numbers to the nearest dollar. Consequently rounded balances in the notes may not exactly agree to the primary statements.

(q) Lease Incentives

Fit out incentives are recognised as a Lease Incentive Asset which is amortised on a straight line basis over the life of the lease reducing the lease revenue recognised each period.

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	2014 $	2013 $

2. REVENUE AND OTHER INCOME

(a) Rental Income

	2014 $	2013 $
Rental income		
Gross rent	12,284,535	12,514,471
Less - amortisation of lease incentive	(714,998)	(787,791)
	11,569,537	11,726,680

(b) Gain on sale of investment property

	2014 $	2013 $
Proceeds from sale of investment property	149,000,000	-
Less – Lease incentive (refer Note 11)	(3,909,702)	-
Net proceeds	145,090,298	-
Less – Carrying value of investment property		
Carrying value of investment property sold (refer to Note 6(a))	(123,734,212)	-
Carrying value of lease incentives sold (refer to Note 9)	(16,979,264)	-
	(140,713,476)	-
Gain on sale of investment property	4,376,822	-

The above gain on sale is gross of property selling expenses incurred in relation to the sale of investment property amounting to $1,273,185 (refer Note 3(b)).

3. EXPENSES

(a) Employee costs

	2014 $	2013 $
Wages and salaries	838,224	503,878
Annual leave benefits	14,386	20,047
Superannuation contributions	77,068	61,099
Contract staff	34,303	6,928
	963,982	591,952

(b) Other expenses

	2014 $	2013 $
Property selling expenses	1,273,185	-
Accounting, internal audit and risk management fees	13,070	40,300
Payroll tax	44,019	48,763
Project expenses	87,082	-
FBT	7,177	-
Legal fees	159,927	160,508
Legal Claims	180,000	-
Advertising and promotion	11,366	40,935
IT and computer expenses	57,045	30,530
Insurance	64,915	40,797
Audit fees - Queensland Audit Office	22,000	23,500
Stationery and supplies	17,716	10,212
Repairs and maintenance	827	564
Telephone and communication	9,978	7,039
Depreciation	-	756
Agents commission	9,152	768,671
Other	215,439	164,326
	2,172,898	1,336,901

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	2014 $	2013 $

4. TRADE AND OTHER RECEIVABLES

	2014 $	2013 $
Current		
Rent receivable (refer Note 16(b))	102,002	490,945
Distribution receivable	265,623	193,625
GST receivable	1,041,989	142,217
Accrued income	16,125	-
Other receivables	40,470	31,626
	1,466,208	858,413

5. AVAILABLE FOR SALE FINANCIAL ASSETS

Non - Current
Investment in managed funds - at market value

	2014 $	2013 $
All Star IAM Australian Share Fund Institutional	15,726,239	13,679,832
	15,726,239	13,679,832

The total balance of investments in managed funds reflects movement in unrealised gain of $2,136,210 (2013: loss of $17,389). This change in value is included in the fair value reserve, disclosed in Other Comprehensive Income.
The annual management fee is taken out of investment value. The value is $89,803.

6 (a). INVESTMENT PROPERTY

	2014 $	2013 $
Opening balance at 1 July	192,897,643	131,644,946
Additions:		
Direct acquisition of investment property and completed project	10,673,233	40,546,352
Land transferred from owner in exchange for issue of shares (refer Note 16(b))	3,900,000	-
- Subsequent expenditure on investment property	173,740	645,765
- Disposal of investment property	(123,734,212)	-
Net gain from fair value adjustments to investment property	10,113,972	20,060,580
Closing balance at 30 June	94,024,376	192,897,643
6 (b). Carrying amount of lease incentives (refer Note 9)	1,314,616	14,247,447
	95,388,992	207,145,090

Investment properties are carried at fair value, which have been determined by valuations performed by an independent appraiser,where material changes in value have occurred as at 30 June 2014. Independent valuers, who are industry specialists in valuing these types of investments, were retained to complete valuations for the Company. The valuations were performed in accordance with Australian Property Institute Valuation Guidelines using recent market sales evidence and capitalisation rates.

In the prior year land and buildings with a carrying amount of $98,500,000 were subject to a first charge to secure the Company's borrowings (Note 18). The charge was released in November 2013.

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7. PROPERTY, PLANT AND EQUIPMENT

	Note	2014 $	2013 $
Furniture and fixtures		-	-
Cost		-	2,266
Accumulated depreciation		-	(2,266)
Carrying amount		-	-
Opening balance at 1 July		-	756
Accumulated depreciation		-	-
Additions during the year		-	-
Depreciation the year		-	(756)
Ending balance at 30 June		-	-

Although the company has altered its recognition threshold, the prior year figures have not been adjusted due to materiality.

8. FAIR VALUE MEASUREMENT

The Company measures and recognises the following assets at fair value on a recurring basis:

- Available for sale investment
- Investment Property

Investment Property fair values were determined by Taylor Byrne and Colliers International in May 2014. The key significant input into this valuation approach are price per square metre.

The Company does not measure any liabilities at fair value on a recurring basis.

The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short term.

In accordance with AASB 13 fair value measurements are categorised as outlined in Note 1.

The following table categorises fair value measurements as Level 1 and 2 in accordance with AASB 13. The Company does not have any which meet the criteria for categorisation as level 3.

	Level 1 (Fair value based on quoted prices)	Level 2 (Significant other observable inputs)
Investment Property		94,024,376
Available for sale investment All Star Fund	15,726,239	

9. OTHER ASSETS

	2014 $	2013 $
Lease incentive	1,650,000	16,575,000
Accumulated amortisation for the year	(335,384)	(2,327,553)
Carrying amount	1,314,616	14,247,447
Opening balance at 1 July	14,247,447	4,160,238
*Additions during the year	4,761,431	10,875,000
Amortisation during the year	(714,998)	(787,791)
Disposal of Property	(16,979,264)	-
Ending balance at 30 June	1,314,616	14,247,447

The incentives relate to the fit out contribution costs reimbursed by the company to certain tenants. The incentives are amortised over the term of the leases (see Notes 16 (b, c and d)). The net amortisation includes the removal of the lease incentives associated with 157 Ann Street and Green Square following sale.

10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	2014 $	2013 $
Trade creditors and accrued expenses	416,612	3,969,137
GST, PAYG and payroll taxes	13,673	28,177
Accrued annual leave	23,983	32,361
	454,268	4,029,675

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		2014 $	2013 $

11. OTHER CURRENT LIABILITIES

		2014 $	2013 $
Current			
Retail rental liability	18(b)	192,000	-
Lease incentive liability		1,651,040	-
		1,843,040	-

A lease incentive of $3,909,702 is recognised on sale of the Green Square property, of which $2,258,662 has been paid during the year to the buyer of the property. The balance at 30 June 2014 is payable until December 2014.

12. SHARE CAPITAL

	2014 $	2013 $
139,038,512 Ordinary shares fully paid up to $1 each	139,038,512	135,138,512
	139,038,512	135,138,512

The company declared and paid dividends to Brisbane City Council amounting to $10 million during the year (2013: $6 million).

During the year, 3,900,000 Ordinary Shares Fully Paid up to $1 each were issued in exchange for land at 37 O'Connell Terrace, Bowen Hills (refer Note 16 (b)).

13. RESERVES

	2014 $	2013 $
Fair value reserve movement		
Opening balance	(5,249,272)	(5,231,883)
Net unrealised fair value movement during the year	2,136,210	(17,389)
Ending balance	(3,113,062)	(5,249,272)

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.

14. CASH AND CASH EQUIVALENTS

Reconciliation of cash

	2014 $	2013 $
Cash balance comprises:		
- Cash at bank	392,333	12,096,084
- Short-term investments	125,818,479	4,646,956
Cash and cash equivalents	126,210,812	16,743,040

Reconciliation of total comprehensive income to the net cash flows from operating activities

	2014 $	2013 $
Total Comprehensive Income	26,069,310	28,407,056
Non-cash items		
Revaluation of available for sale financial assets	(2,136,210)	17,389
Fair value gain on investment property	(10,113,972)	(20,060,580)
Amortisation of lease incentive	714,998	787,791
Depreciation	-	756
Changes in operating assets and liabilities		
(Increase) decrease in receivables	(607,795)	1,251,730
Increase in accounts payable and accrued expenses	(1,653,434)	477,794
Decrease in available for sale financial assets	(89,803)	84,123
Increase in investment property	112,887,239	(41,192,117)
Increase in other assets	12,217,833	(10,875,000)
	111,398,462	(69,508,114)
Net cash flows from operating activities	137,467,772	(41,101,058)

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15. 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.

16. RELATED PARTY TRANSACTIONS

(a) Key personnel

Directors
Mark V Brodie (Chair)
Craig G Spencer
Michael J S Knox
Jane A Edwards
Maria A Roach
Colin D Jensen
Neill D Ford
Paul J Vincent
Greg C Evans (Alternate of Colin D Jensen)

Company Secretary
David M Askern

CEO
Mark E Mazurkiewicz

During the financial year, Directors of the company and key management personnel have received or become entitled to receive directors fees and compensation totalling $592,428 (2013: $542,688). David Askern and Colin Jenson did not receive any compensation during the financial year.

(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, accounting, internal audit services and recharge of expenses in the aggregate amount of $58,614 (2013: $41,072). 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 $0 (2013: $0).

On 19 June 2014, CBIC completed the purchase of the Tunnel Control Centre in Bowen Hills. The consideration paid by CBIC to Brisbane City Council was $15,613,803.90 inclusive of GST. As part of the consideration paid, CBIC issued 3.9 million ordinary shares of $1.00 per share for the land.

Brisbane City Council will lease part of the ground floor and whole of Level 3 for a lease term of 51 years and 3 months commencing from transfer date. The initial rent will be $1 per annum plus GST for the first 10 years and then reviewed to market at the commencement of year 11. The equivalent value of the rent free is $5.6 million.

The company also leases office spaces and a shipyard facility to BCC with remaining lease term of 6 years to 51 years. Total rental earned during the year in relation to these leases amounted to $6,969,935 (2013: $9,466,656); gross of lease incentive amortisation totalling $307,885 (2013: $690,000). These transactions were based on normal market commercial terms and conditions as per the valuations completed by independent valuers. At balance date the total amount receivable from BCC in relation to these transactions was $120,500 (2013: $0).

(c) Transactions with Brisbane Marketing Pty Ltd, a subsidiary of BCC

The company leased office spaces to Brisbane Marketing Pty Ltd for a period of 7 years from November 2011. The rental obligation expired on 30 September 2013 upon the disposal of the building. Total rent earned during the year in relation to this lease amounted to $175,575 (2013: $502,176), gross of lease incentive amortisation of $14,286 (2013: $57,142). This transaction was based on normal commercial market terms and conditions.

(d) Transactions with Queensland Urban Utilities (QUU), an investment in associate of BCC

The company leased office spaces to QUU for a period of 10 years from May 2013. The rental obligation expired on 30 November 2013 upon the disposal of the building. Total rent earned during the year in relation to this lease amounted to $1,730,272 (2013: $363,451), gross of lease incentive amortisation of $386,875 (2013: $40,648). These transactions were based on normal commercial terms and conditions.

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17. FINANCIAL RISK MANAGEMENT

(a) Financial Risk Management Framework

The Board provides written principles for overall risk management as well as written policies covering specific areas such as market, credit and liquidity risk. The activities are reviewed and monitored by the company's Finance and Audit Committee.

(b) Market Risk

Market risk is the risk of underlying economic conditions which impact interest rates and security prices and may affect the value of financial assets. The company is indirectly exposed to market risk through its investments in unlisted unit trusts (classified as available for sale financial assets). The company manages security price risk by investing in a unit trust which in turn invests in a diversified portfolio of securities. In addition, there is an approved investment strategy, with limits set by the Board, for each class of assets.

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 and liabilities bearing variable interest rates. 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 Net Profit

	2014 $	2013 $
Financial Assets		
1% increase in interest rate	1,262,108	167,430
1% decrease in interest rate	(1,262,108)	(167,430)
Financial Liabilities		
1% increase in interest rate	-	180,000
1% decrease in interest rate	-	(180,000)

(c) Liquidity risk

Liquidity risk refers to the ability of an entity to meet its obligations associated with financial liabilities. The company manages liquidity risk by continuous monitoring of cash flows. The following sets out the contractual maturity of the company's financial liabilities:

2014	0-1 year $	1-5 years $	Over 5 years $	Total contractual cash flows $
Financial Liabilities				
Accounts payable and accrued expenses	454,268	-	-	454,268
Lease incentive liability	1,651,040	-	-	1,651,040
Retail rental liability	192,000	78,933	-	270,933
Borrowings	-	-	-	-
Total financial liabilities	2,297,308	78,933	-	2,376,241

2013		$	$	$
Financial Liabilities				
Accounts payable and accrued expenses	4,029,675	-	-	4,029,675
Lease incentive liability	-	-	-	-
Retail rental liability	-	-	-	-
Borrowings	6,000,000	12,000,000	-	18,000,000
Total financial liabilities	10,029,675	12,000,000	-	22,029,675

It is assumed that all payment for all payables will be made within the suppliers terms.

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17. FINANCIAL RISK MANAGEMENT (continued)

(d) Credit Risk

Credit Risk is the risk that a counterparty fails to meet its obligations and the company's exposure is from cash and available for sale financial assets. The maximum credit exposure for financial assets is the carrying amount.

The company's properties are substantially leased to Brisbane City Council and other high credit quality companies (see Note 16).

The company's receivables are considered current and are aged less than 30 days. There are no assets impaired.

CBIC's nominated financial banking institution for business operating is Commonwealth Bank of Australia which is AA- rated.

CBIC also has a business operating account with Westpac Institutional Bank which is AA- rated. A loan facility held with Westpac in 2012/13 was extinguished in November 2013.

Allstar IAM Fund Manager has advised CBIC that at the time of writing the report, the fund is currently in the process of being rated by an alternative service provider.

(e) Fair value

{i) Financial assets include investments in managed funds which are carried at Fair Value. Fair Value of available for sale financial assets is based on redemption price provided. Due to the short term nature of cash, receivables and payables the net Fair Value approximates their carrying amount.

(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 company used Level 1 Fair Value at balance date.

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

	2014 $	2013 $
Level 1		
Available for safe financial assets	15,726,239	13,679,832
	15,726,239	13,679,832

There were no transfers or disposals into or out of level 3 for the year.

18. NON-CURRENT LIABILITIES

	2014 $	2013 $
(a) Secured bank loan	-	18,000,000
(b) Retail Rental Liability (refer Note 11)	78,933	-
	78,933	18,000,000

(a) The Westpac loan was drawn down under a three-year loan facility in June 2013. The loan was repaid in full in November 2013, the facility was relinquished and the charge over part of the company's land and buildings, with a carrying value of $98,500,000, was released. (2013: $18,000,000).

(b) A monthly retail rental guarantee is being paid to GPT over 2 years from the date of settlement of Green Square, less any rent received by retail tenants in that period. There are currently no tenants in the retail tenancy areas of Green Square. The total retail liability is split between long term and short term (refer to Note 11).

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	2014 $	2014 $

19(a). CAPITAL COMMITMENTS

Capital expenditure contracted for at balance date but not provided for in the financial statements is payable as follows:

	2014 $	2014 $
Not later than 1 year	1,021,736	3,653,246
Later than 1 year but not later than 5 years	-	-
Later than 5 years	-	-
	1,021,736	3,653,246

19(b). OPERATING COMMITMENTS

Operating expenditure contracted for at balance date but not provided for in the financial statements is payable as follows:

	2014 $	2014 $
Not later than 1 year	106,115	-
Later than 1 year but not later than 5 years	8,492	261,361
Later than 5 years	-	116,065
	114,607	377,426
TOTAL COMMITMENTS	1,136,343	4,030,672

20. LEASES (AS LESSOR)

Future operating lease rentals of investment property contracted for at balance date but not provided for in the financial statements are receivable as follows:

	2014 $	2014 $
Not later than 1 year	6,424,757	13,263,641
Later than 1 year but not later than 5 years	25,823,703	73,516,765
Later than 5 years	157,900,711	135,701,827
	190,149,232	222,482,233

The company has entered into ten non-cancellable lease arrangements and two cancellable lease arrangements for its investment properties under normal terms and conditions. While the cancellable lease arrangements have break clauses, based on past experience the company expects that all tenants will stay during the course of the lease agreement.

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21. CONTINGENT LIABILITIES

As part of the Green Square sale agreement, CBIC agreed to the following:

1) A one off payment of $480,000 is payable by CBIC if Papuan Oil Search Limited surrenders its tenancy area of 353sqm on Level 10, this clause expires on 30 June 2016, and;

2) In the event that Papuan Oil Search Limited surrenders its lease, or part of, CBIC must pay the rental shortfall (at agreed rent of $570/sqm p.a gross by 353sqm net lettable area) less 6 months. This clause expires on 30 June 2016. The financial impact is estimated to be approximately $420,000, based on current rental income.

22. SUBSEQUENT EVENTS

At the date of signing, there were no events subsequent to balance date which would have a material effect on the company's financial statements.

23. AUDITOR'S REMUNERATION

	2014 $	2013 $
Amounts received or due and receivable by the Auditor-General of Queensland for:		
An audit of the financial report of the company	22,000	22,600
Non-audit services in relation to the company	-	-
	22,000	22,600

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DIRECTORS DECLARATION

The Directors of the company declare that:

1. The financial statements and notes, as set out on pages 5 to 21:

   (a) comply with Australian Accounting Standards, the Corporations Act 2001 and Corporations Regulations 2001; and

   (b) give a true and fair view of the financial position as at 30 June 2014 and performance for the year ended on that date.

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.

Mark Brodie
Brisbane, 7 August 2014

Maria Roach
Brisbane, 7 August 2014

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 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

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

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 all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only 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*, which has been given to the directors of City of Brisbane Investment Corporation Pty Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In my opinion 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 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

QUEENSLAND
06 AUG 2014
AUDIT OFFICE

P J FLEMMING CPA
(as Delegate of the Auditor-General of Queensland)

Queensland Audit Office
Brisbane