

ANNUAL REPORT 2015

Community



Building



Investment



Collaboration



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FOREWORD

Over the last seven years City of Brisbane Investment Corporation (CBIC) has grown to over \$250 million in value, whilst providing \$50 million in dividends to Council in that time.

In 2015 CBIC maintained its strong performance by recording a total return of 11.73%, with a \$15 million dividend paid to Council in June 2015. This year's dividend is the equivalent of a 1.6% rates increase that has been reinvested in front line Council services.

The Board's continued strategy of investing in commercial property and development projects has resulted in a property portfolio return of 22.1% in the 2015 financial year (17.31% in 2014).

The Board has enhanced its portfolio by committing to a new asset mix to include community use properties. Examples of this are the new Wynnum and Chermside

libraries, which house retail and office uses, respectively. These facilities are underway and are planned to be delivered in 2016.

The growth of the community assets will benefit Brisbane with improved facilities and also enhance Council's delivery of business and library services in these locations.

During the year the Board decided to sell the Cullen Ave, Eagle Farm property which had significantly appreciated in value and also provided CBIC with additional capital to reinvest in Council's new community facilities.

CBIC's Board is committed to investing in new quality projects,

which in turn will continue to deliver strong returns to the residents of Brisbane over the coming years.

I congratulate Mark Brodie as Chairman, for his ongoing leadership and management of the Board. I also extend my thanks to the Board for their dedication in providing Brisbane with yet another above market return in the 2015 financial year.



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

01

CHAIRMAN'S REPORT

*CBIC has performed well over the 2015 financial year, recording an **11.73%** total return.*



An impressive \$27.7 million net profit was predominantly achieved through the strong performance of CBIC's commercial property portfolio.

This return lifted CBIC's net assets to \$251.1 million, representing a \$14.7 million increase over the year. The 2015 return has exceeded its long term investment benchmark, CPI plus 4.5% - 5.5%, recording 4.73% above the higher end of this value range. CBIC has exceeded its long term investment benchmark for the last six years.

ACHIEVEMENTS

Given CBIC has now been in operation for seven years, it is an opportune time to reflect on the

company's significant achievements over that period.

CBIC started with approximately \$135 million in net assets in late 2008, which has now grown to a value of approximately \$251.1 million, representing an 86% increase. In the last seven years CBIC has developed and invested in 12 property projects and two managed equity funds. The company has also paid \$50 million in dividends to Brisbane City Council (Council) since inception.

The combination of this asset growth and dividend payments to Council represents a 123% increase in value since 2008.

During this time the Board has maintained its focus on investing

in commercial property assets, including the recent decision to develop mixed use facilities for the residents of Brisbane. This type of investment not only delivers additional services to Brisbane, but provides a commercial return to CBIC.

Examples of these mixed use developments are currently under construction at Wynnum and Chermside. In both locations a new library will form the centrepiece of the design, with the balance areas either accommodating a retail supermarket or commercial offices. Construction of these new facilities commenced recently, with both projects on track to be delivered in 2016.

HIGHLIGHTS

JULY

41 O'Connell Terrace, Bowen Hills was a newly acquired asset



NOVEMBER

Car park at Sneyd Street, Bowen Hills was constructed and operations had commenced



MARCH

Construction commenced on a new library and supermarket at 145 Florence Street, Wynnum



MARCH

112 Cullen Avenue, Eagle Farm sold for \$20.7 million



These projects highlight that CBIC's investment strategy has not only supported Council's service delivery of new community facilities, but also delivers on CBIC's long term growth strategy and prospect of strong profits being delivered for the future.

PERFORMANCE HIGHLIGHTS

A key highlight of CBIC's returns in 2015 was the performance of the property portfolio, achieving a solid return of 22.1% in the year (17.31% 2014). This return outperformed The Property Council / IPD Australia All Property Index benchmark by 11.4% as at 31 March 2015. CBIC's property portfolio return included strong fair value gains on new acquisitions and development sites, coupled with management's continued application of utilisation strategies and cost control measures being applied to existing property investments.

CBIC's Board elected to sell an industrial asset in late 2014, which settled in early 2015 and contributed to the end of year profit. The industrial property located at Cullen Ave, Eagle Farm was sold for \$20.7 million, which was considered to be at its maximised value at that time. This decision was carefully considered by the Board, relying on market evidence and research forecasts before selling the asset. Additionally, this revenue will provide CBIC with the opportunity to reallocate funds to planned projects,

which will commence in 2016 and be completed in the medium term.

In relation to other asset classes (including cash and equities) CBIC has outperformed the average total return of its nominated cash benchmark in 2015, achieving 3.3% against a benchmark return of 2.6%. CBIC's managed equities investment performed under expectation over the period, returning (5.36%) against the S&P ASX200 benchmark return of 5.68%. The Board is reviewing its strategy in relation to this asset holding.

At 30 June 2015 CBIC's \$251.1 million in net assets comprised of \$124.9 million in cash, \$111.5 million in property, \$14.4 million in equities and \$2.3 million in other assets, less liabilities of (\$2.0) million.

LOOKING FORWARD

As planned, CBIC has strategically managed its balance sheet over the 2015 year and is now looking to acquire a number of new projects in 2016. These new projects will add significant growth to CBIC's property portfolio and support the company's returns in the medium term.

This includes the introduction of further alternative property asset classes which are targeted within the Brisbane area.

A majority of CBIC's investments will be made directly, however, where appropriate, CBIC will partner with

other organisations to deliver these projects. This will ensure successful delivery, whilst mitigating project risks.

CBIC will look to maintain its commitment to sustainable asset growth and management of its investments, by ensuring the Board's current strategies and thorough investment decision making processes are maintained. The Board is committed to maintaining enduring value for CBIC in the long term.

I would like to acknowledge and thank my fellow Board Members for their contribution over the year and take this opportunity to thank the CEO, Mark Mazurkiewicz, and his team for their continued efforts in helping CBIC achieve another very successful result in the 2015 year.

I would also like to acknowledge the continued support of CBIC's key stakeholders under the leadership of The Right Honourable, the Lord Mayor of Brisbane, Councillor Graham Quirk.



Mark Brodie
Chairman

MAY

Major tenants pre-committed to 41 O'Connell Terrace, Bowen Hills



JUNE

CBIC purchased the site at 225 Progress Road, Richlands for development as a retail/commercial use



JUNE

Construction contract executed to build North Regional Business Centre and library at 375 Hamilton Road, Chermside



JUNE

25 Green Square Close, Fortitude Valley acquired for \$8.0 million



2015 MAJOR HIGHLIGHTS

Fair value gains in CBIC's property portfolio, which increased from \$10.1 million to \$18.9 million.

The sale of 112 Cullen Avenue, Eagle Farm for \$20.7 million.

The acquisition of 25 Green Square Close, Fortitude Valley.

The acquisition of three sites for development in the 2016 and 2017 year.

Significant investment in future projects that will contribute returns in the 2016 and 2017 year.

02

OPERATIONAL REPORT

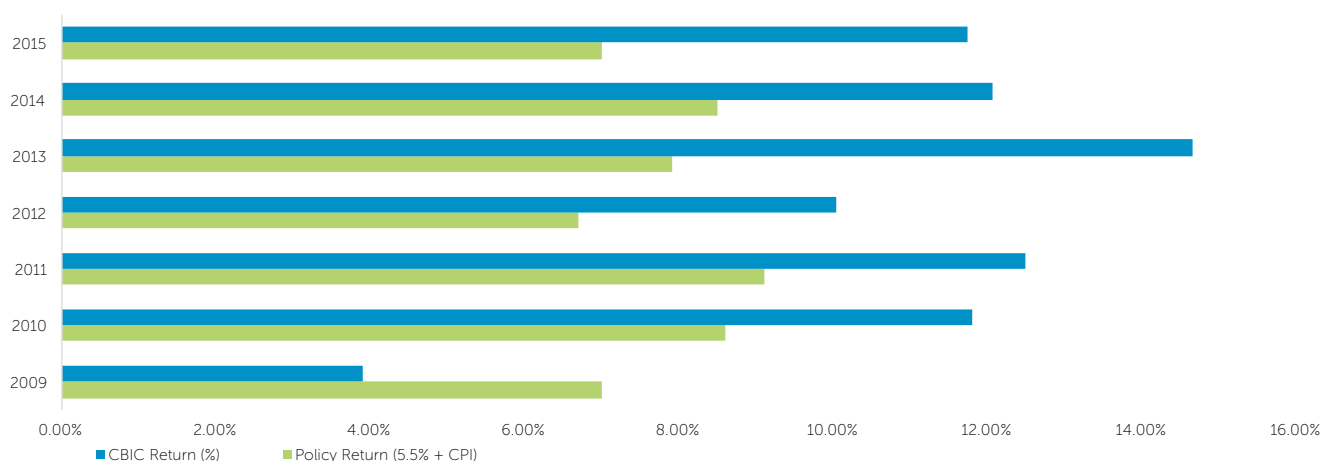
2015 return: 11.73%

The strong result reflects CBIC's commitment to delivering returns for the City of Brisbane which are underpinned by continued strong investment performance.

CBIC continues to provide solid returns to the City of Brisbane with another strong result in the 2015 year, recording an 11.73% total return. This result has been achieved despite the increased competitiveness in capital investment markets looking to acquire assets in Brisbane.

For the sixth year running, CBIC has exceeded its long term investment return benchmark of CPI plus 4.50% to 5.50%. CBIC's total return of 11.73% in the 2015 year achieved 4.73% above the upper range of this benchmark, which has been consistent in that time.

NET PROFIT RETURNS 2009 - 2015



* Inception of company - investments not made until late in the 2009 year

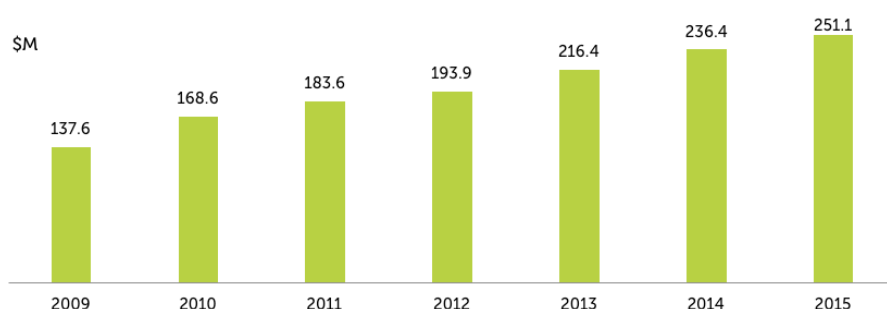
NET ASSETS

The 2015 year provided a net increase of \$14.7 million in net assets, after a \$15.0 million dividend was paid to Council in that period. This increase represents a 6.2% growth in net assets over the 12 month period. CBIC has also set itself for strong 2016 and 2017 growth in net assets due to the recent acquisition of four new properties, which all have good development potential.

Since 30 June 2009 CBIC's net assets have grown by \$113.5 million or approximately 82%. The graph below highlights the consistent growth in net assets since CBIC's first key investments were undertaken in late 2009.

Fair value gains in the existing property portfolio, coupled with the acquisition of an inner city industrial building at 25 Green Square Close, Fortitude Valley and sites at Wynnum, Chermside and Richlands were the main contributors to the increase in net assets. The Cullen Avenue, Eagle Farm property was sold in 2015 for \$20.7 million which was considered to be at maximum value at that time.

NET ASSET GROWTH 2009 - 2015



EQUITIES INVESTMENTS

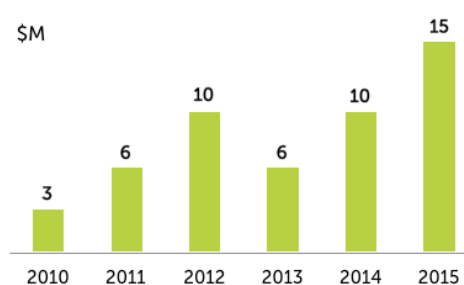
At 30 June 2015, CBIC's managed equity investment was valued at \$14.4 million (2014: \$15.7 million). This value is net of investment management fees, and includes income distributions for the 2015 year totalling \$481,711 (2014: \$514,028).

The managed equities for 2015 recorded a negative return of 5.36%. This investment is the last remaining equities investment, held with All Star IAM. Whilst there has been a decline in the actual return of CBIC equities investment in 2015 compared to the 2014 year, All Star IAM's fund manager has re-enforced that the positions taken are the right ones for current economic conditions and are based on buying stocks which are under-priced relative to their growth. They expect to outperform strongly over the next two to three years as global bond rates rise which is expected to strengthen CBIC's equities investment return in that timeframe.

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 consider its true performance.

Total Dividends Paid \$50M

DIVIDEND PAYMENT 2010 - 2015



DIVIDEND PAYMENTS

A dividend of \$15.0 million was paid to Council in the 2015 year (2014: \$10.0 million). Since the inception of CBIC in mid-2008, a total amount of \$50.0 million in dividends has been paid to Council.

*2015 growth in
net assets
\$14.7M
CBIC continues to
provide consistent
growth since inception*



Total property return
22.1%

WALE (income)
10.6 years

Occupancy
94%

INVESTMENT PROPERTY

CBIC's property portfolio has performed well given that demand conditions remain challenging within the Brisbane office market. The portfolio achieved an annualised total return of 22.1% for the 2015 year.

CBIC's properties have an occupancy level of approximately 94%, which is a strong achievement in the current market for commercial property. This includes 41 O'Connell Terrace, Bowen Hills which has a remaining vacancy of 1,894m² after a major government tenant committed to two floors (3,028m²) in the last year. The remaining vacant area is forecast to be leased by 30 June 2016.

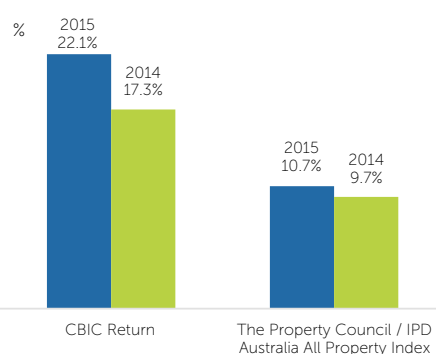
In addition, the property portfolio is underpinned by a high value weighted average lease expiry (WALE) profile, being 10.6 years (calculated on income) which provided a solid income return and cashflow benefit to CBIC over the year.

The total property return of 22.1% in 2015 compares extremely favourably against its benchmark of 10.7% (The Property Council / IPD Australia All Property Index, 31 March 2015). A net fair value gain of \$18.9 million was achieved on

CBIC's property assets in 2015, with capital growth also experienced in CBIC's current investment properties. This was supported by fair value gains in the recently acquired properties at 25 Green Square Close, Fortitude Valley, 145 Florence Street, Wynnum, 375 Hamilton Road, Chermside and 225 Progress Road, Richlands.

CBIC will continue to build on its strong return over the next two years with the development of the four sites recently purchased in 2015. CBIC will continue to invest in other viable commercial property projects as they are identified. As a result of this strategy, CBIC's current cash will decrease, but in return will provide CBIC with a strong property portfolio moving forward.

RETURN COMPARISON



OPERATING RESULTS

	\$M
<i>Revenue</i>	\$33.9
<i>Expenses</i>	\$4.9
<i>Net profit</i>	\$27.7
<i>Return</i>	11.73%

CBIC recorded a net comprehensive income of \$27.7 million and a return of 11.73% for the year ended 30 June 2015, which was made up of \$33.9 million in revenue and \$4.9 million in expenses.

CBIC continues to deliver strong returns in an increasingly difficult economic environment. This is coupled with the increased competition witnessed in the last year, where investors are adjusting their return expectations and paying more for good commercial real estate opportunities. On that basis, CBIC has broadened its geographic area of review for potential investments in real estate and other asset opportunities.

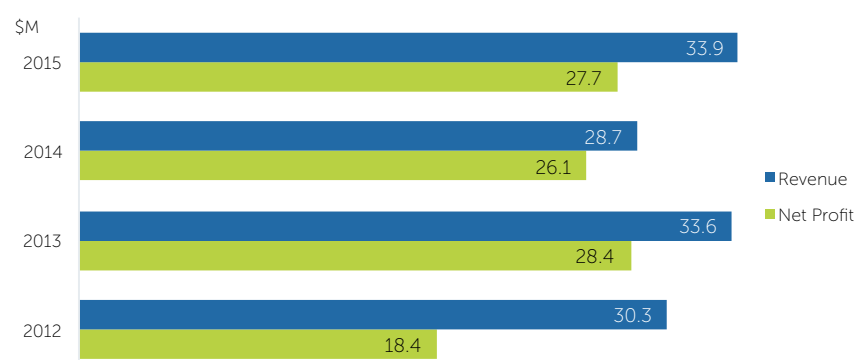
REVENUE AND PROFITS

The graph below provides a comparison of revenue and profit returns since 2012, which highlights the sustained growth experienced in both elements over that time.

Both revenue and net profit have increased by 18% and 6% respectively over the 2015 year, due to CBIC's continued performance in capital growth across the property portfolio.

Continued solid results for CBIC

REVENUE AND NET PROFIT 2012 - 2015



KEY DRIVERS UNDERLYING THE NET PROFIT WERE:

Solid fair value increases achieved across CBIC's existing property portfolio as well as newly acquired properties in 2015.

Strong \$2.85 million gain on sale achieved for 112 Cullen Ave, Eagle Farm in the 2015 year.

Consistent rental income returns being maintained for the commercial property portfolio, underpinned by quality tenants and a strong WALE.

Continued effective cost control of business operations, which resulted in low overheads relative to the total funds being invested and managed.

REVIEW OF RESULTS

The table to the right identifies that CBIC has achieved strong revenue growth (18%) with only a minor increase to expenditure (3%).

The Board's Committees and CEO continued to monitor cash flow and maintain tight controls on operating and project expenses throughout the year. CBIC also maintains a strict procurement process for all expenses to ensure a 'value for money' outcome is achieved.

CBIC ASSET MIX

CBIC has maintained its cash balance in the 2015 year with the sale of Cullen Avenue, Eagle Farm. These funds were utilised to purchase 25 Green Square Close, Fortitude Valley, the land at Richlands and Chermside, as well as the commencement of the new library and retail facility on the land at Wynnum. This has resulted in an 18.6% increase in CBIC's property assets in the 2015 year.

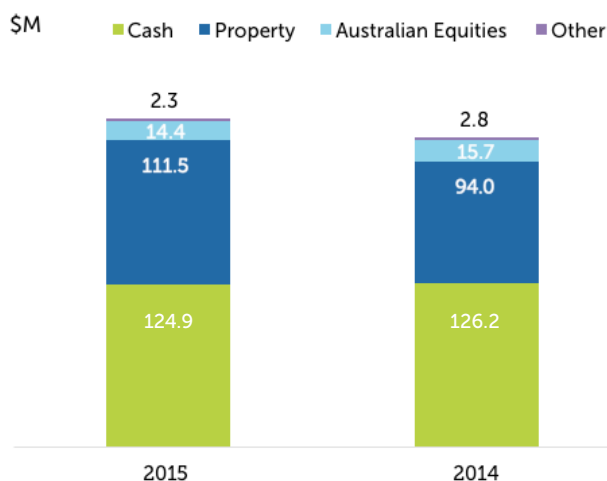
CBIC's cash assets as at 30 June 2015 were \$124.9 million (2014: \$126.2 million). CBIC held a minimum \$5.0 million in cash reserves and the remaining funds were fully invested in term deposit investments with major financial institutions and the Queensland Treasury Corporation's Capital Guaranteed Cash Fund.

Details of CBIC's comprehensive income for the year ended 30 June 2015 and the prior year are as follow.

Income	2015 \$'000	2014 \$'000
Interest	4,459	3,386
Rental income	7,118	11,570
Distribution income	482	514
Fair value gains on property assets	18,918	10,114
Gain on sale of investments	2,854	3,103
Other income	84	50
Total income	33,915	28,737
Expenses		
General and administration expenses	1,396	915
Building expenditure	2,233	2,192
Employee costs	895	964
Investment management fees	109	136
Finance costs	–	292
Directors' fees	305	305
Total expenses	4,938	4,804
Fair value gain/(loss) on equity investments (unrealised)	(1,244)	2,136
Total comprehensive income	27,733	26,069

Source: CBIC Audited Profit and Loss Statement for the year ended 30 June 2015

CBIC ASSET MIX 2014 – 2015



Average cash fund returns for the year were 3.3% resulting in an out performance of 70 basis points or approximately 28% over the annual average rate of its benchmark, the Bloomberg AusBond Bank Bill Index at 2.6%.

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 2015 year, particularly in meeting CBIC's financial obligations for new acquisitions and forward projections for new developments.

CBIC's total net assets, by asset class and respective fair values, are outlined in the table below. Total Net Assets have increased from \$236.4 million to \$251.1 million, an increase of 6.2% over the year.

As stated earlier, the majority of this increase is a result of the growth achieved in CBIC's property portfolio due to new acquisitions, fair value growth in existing properties and the commencement of a number of construction projects.

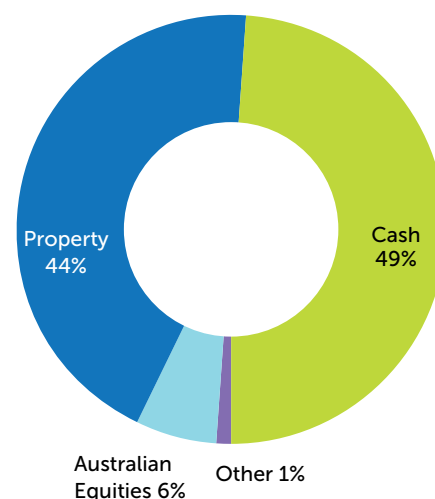


2015 ASSET BREAKDOWN

As at 30 June 2015, approximately 49% of CBIC's investments were held as cash, with the property portfolio growing to 44% (2014: 39%). Other assets comprise lease incentives which are amortised over the respective lease period to which they relate.

The asset mix has altered as a result of movements in investment property with the sale of 112 Cullen Avenue, Eagle Farm, the purchase of 25 Green Square Close, Fortitude Valley and CBIC's new development at 145 Florence Street, Wynnum.

CBIC ASSETS



	2015 \$M	2014 \$M	Increase/ (decrease) \$M
Australian equities*	14.4	15.7	(1.3)
Property	111.5	94.0	17.5
Cash	124.9	126.2	(1.3)
Receivables and other	2.3	2.8	(0.5)
Total assets	253.1	238.7	14.4
Total liabilities	(2.0)	(2.3)	0.3
Total net assets	251.1	236.4	14.7

* Net of management fees.

STRONG CONTRIBUTIONS TO THE PROPERTY PORTFOLIO RETURN INCLUDE:

A 23.2% capital value uplift in the 25 Green Square Close, Fortitude Valley site.

Continued steady rental income returns achieved across the portfolio.

Long term lease commitments secured for 41 O'Connell Tce, Bowen Hills.

Solid weighted average lease expiry profile (WALE) for each property.

Industrial property portfolio occupancy at 100%, with a WALE (income) of approximately 11.5 years.

03

PROPERTY SUMMARY

Strong property portfolio return of 22.1% underpins CBIC's continued solid performance

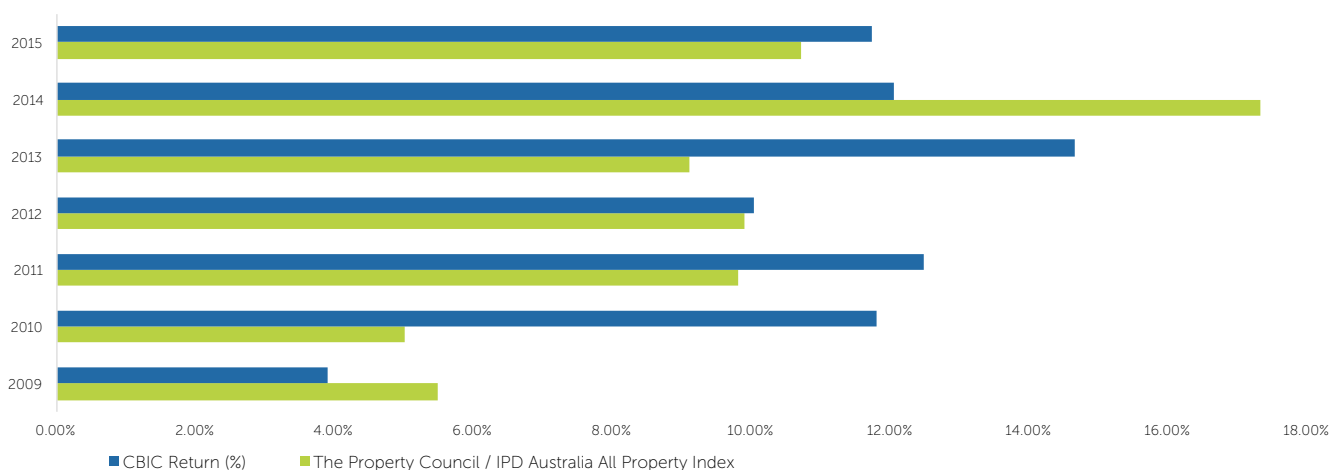
The total annualised return on property for the 2015 year was 22.1% compared to 17.3% in 2014. This exceeded the benchmark which was 10.7% for the year to 31 March 2015.

CBIC's property portfolio increased to \$111.5 million from \$94 million in 2014, representing an 18.6% increase. This contrasts with the 51% reduction in property assets held in the 2014 year, which was as a result of the sale of 157 Ann Street, Brisbane and 15 Green Square, Fortitude Valley.

The 2015 year was one of growth for CBIC, emphasised by the purchase of 25 Green Square Close, Fortitude Valley and the commencement of construction of a new library and retail facility at 145 Florence Street, Wynnum. This was also supported by the continued fair value growth of CBIC's existing property assets acquired in 2015.

CBIC sold the Cullen Avenue, Eagle Farm property during the 2015 year, utilising funds to acquire sites for planned projects in the 2016 and 2017 years.

CBIC PROPERTY RETURN VS IPD RETURN



Of the \$111.5 million in property assets, \$17.5 million relates to property under construction

Key Metrics	2015	2014
Portfolio Value (\$M)	111.5	94.0
Total Properties	5	5
Net lettable area (m ²)	30,395	39,827
Occupancy by area (%)	93.8%	82.6%
WALE (income) (years)	10.6	12.23
Income Yield (%)	5.2%	6.8%
Annualised Return (%)	22.1%	17.3%

EXISTING INVESTMENT PROPERTY

CBIC's annualised rental yield of approximately 5.2% (after amortisation of incentives) is less than the 2014 yield of approximately 6.80%. This is due to the lead time in securing tenants for the recently acquired 41 O'Connell Terrace, Bowen Hills which had approximately 5,102m² of vacancy at the start of the 2015 year. In mid-2015, CBIC secured two tenants to occupy 3,208m² which meant that approximately 75% of the building's net lettable area is now leased. CBIC is forecasting that the majority of the building's remaining vacancy will be leased by early 2016, which will continue to grow the portfolios income return. Excluding 41 O'Connell Terrace, Bowen Hills, CBIC's annualised rental yield is approximately 7.6%.

CBIC disposed of 112 Cullen Avenue, Eagle Farm during the 2015 year and part of these proceeds were used to fund the purchase of 25 Green Square Close, Fortitude Valley for \$8.0 million.

INVESTMENT PROPERTIES UNDER CONSTRUCTION

CBIC has purchased three additional sites during the 2015 year which will be developed in the 2016 and 2017 years.

145 Florence Street, Wynnum

Construction of a three level building containing a Council library, retail facility and basement carpark commenced in March 2015.

375 Hamilton Road, Chermside

CBIC has entered into a construction contract to build a new North Regional Business Centre and library on the site to be delivered in late 2016.

225 Progress Road, Richlands

It is the intention of CBIC to develop this site as retail and/or commercial use, servicing the local community and rail commuters.

Upon receipt of development approval and execution of lease agreements with Council, the Wynnum and Chermside properties were revalued to the change in use, as at 30 June 2015. This resulted in an \$8.2 million fair value gain for both properties. This provides further evidence of CBIC adding value to Council's assets and subsequent financial benefit to the residents of Brisbane. The Richlands site received preliminary development application approval and based on the work undertaken by CBIC, the land was revalued by \$3.3 million.

PROPERTY ASSETS





NORTH REGIONAL BUSINESS CENTRE, CHERMSE

CBIC acquired land at 375 Hamilton Road, Chermside in late June 2015. The site adjoins the Chermside Public Swimming Pool and the Kedron Wavell Services Club. The corner lot has received development approval to construct a new library and regional business centre for Council. This facility will meet the growth in demand for the library and business centre services, as well as the benefit of collocating Council's operations for this region.

CBIC received approval for a reconfiguration of lot (ROL) and Development Application in the 2015 year. This effectively subdivided the site into two new lots from the original 75 hectare lot. The subdivided land area will be approximately 8,301m², with Lot 1 (5,271m²) being utilised to accommodate a new Library and North Regional Business Centre. Lot 2 will be developed by CBIC in the future.

Construction will commence in August 2015 with the project planned to be completed by the end of 2016.

*New regional
business centre and
library plus future
development site*

DATE ACQUIRED: JUNE 2015

PROPERTY SUMMARY

Total area (NLA)	8,301m ²
Valuation	\$5.9M
Valuation date	May 2015

DATE ACQUIRED: FEBRUARY 2015

*New library and
retail development
supporting the local
community*

CBIC purchased a site located at 145 Florence Street, Wynnum in early 2015. The site area is 6,145m² with an additional 1,046m² of volumetric area which will accommodate part of the basement car park for the new library and retail facility.

CBIC received development approval in the 2015 year to construct a library and retail development on the site. The net lettable area of the site's finished development will be approximately 5,700m², with Woolworths leasing the majority of the retail space. The development will include at grade car parking for 33 cars and a basement car park for 180 cars.

Construction commenced on site in March 2015 with the development scheduled to be completed in 2016.

PROPERTY SUMMARY

Total area (NLA)	5,700m ²
Valuation	\$7.7M
Valuation date	May 2015

**145 FLORENCE STREET,
WYNNUM**





225 PROGRESS ROAD, RICHLANDS

CBIC purchased the site at 225 Progress Road, Richlands in the 2015 year. The site is currently vacant land adjacent to the newly constructed Richlands railway station. The site area is 11,288m² and it is the intention of CBIC to develop this site for retail and/or commercial use, servicing the local community as well as rail commuters.

Preliminary development approval has been received which permits CBIC to develop centre activities such as food and drink outlets, health care services, indoor sport and recreation, offices, retail shops, a shopping centre and/or veterinary services.

This project is forecast to commence in 2016 and will be delivered within 12 months of commencement.

Strong development potential for retail - servicing commuters and local residents

PROPERTY SUMMARY

Total area (NLA)	11,288m ²
Valuation	\$4.0M
Valuation date	May 2015

DATE ACQUIRED: JUNE 2015

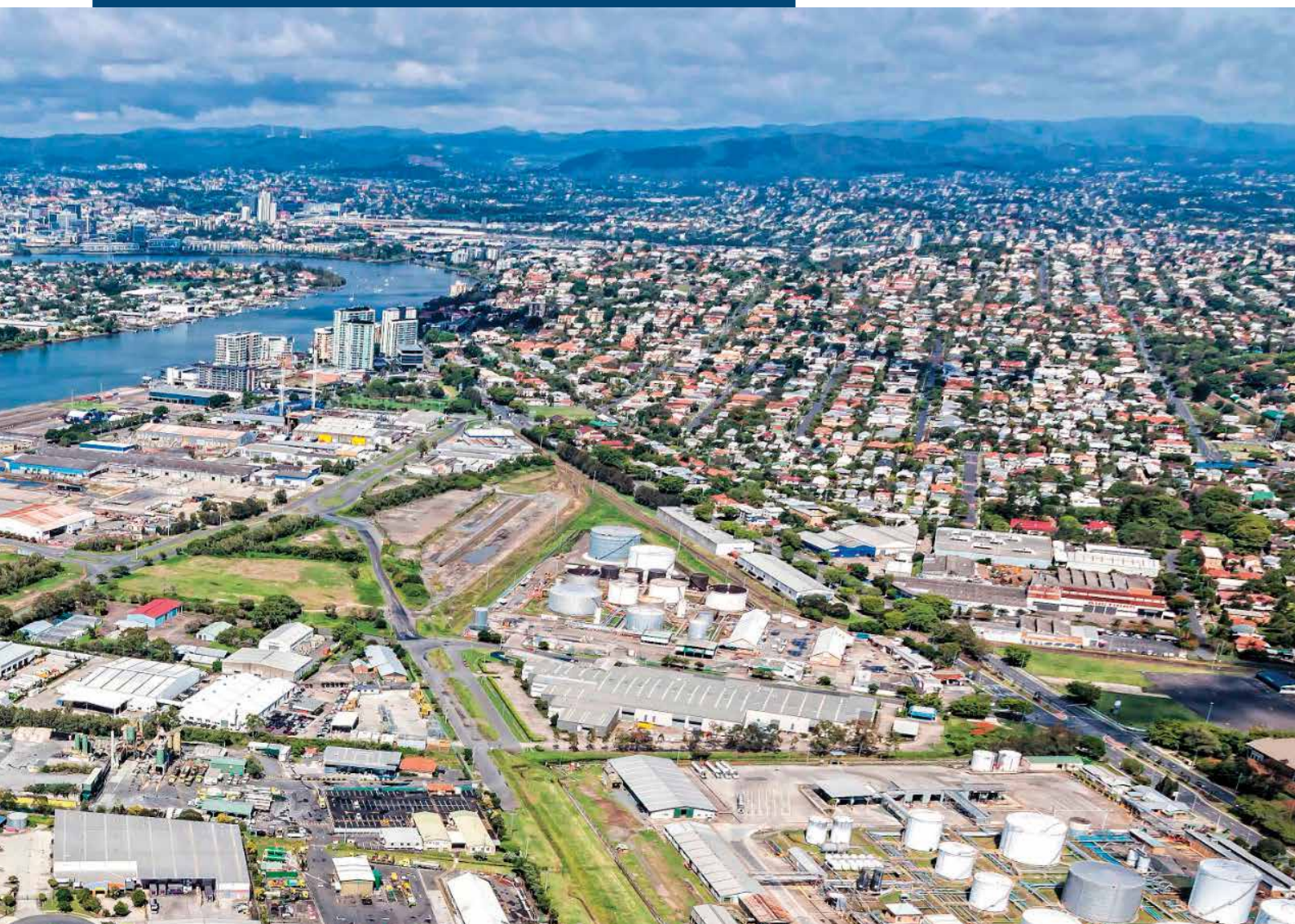
DATE ACQUIRED: FEBRUARY 2011

The Board elected to sell the property at 112 Cullen Avenue, Eagle Farm for \$20.7 million in March 2015 after careful consideration of the property's current market value, relative to comparative sales evidence. Based on the acquisition price and costs incurred, the sale represented a total nominal return on investment of 27%. This sale contributed \$2.85 million to the total net profit for the 2015 year.

Total return: 27%

Net profit on sale: \$2.85M

**112 CULLEN AVENUE,
EAGLE FARM**





41 O'CONNELL TERRACE, BOWEN HILLS

CBIC purchased 41 O'Connell Terrace, Bowen Hills in June 2014. The Legacy Way Tunnel Control Centre (TCC), which is located on ground and level 3, was the first major tenant to pre-commit to occupying the office building in May 2014.

The building comprises seven levels, ground to level 6 and a lower ground floor storage/office area, totalling approximately 7,600m² of total lettable area. The building achieved the targeted 5 star Green Star as built accreditation, which represents 'Australian Excellence' in environmentally sustainable construction.

Towards the end of the 2015 year, CBIC had leased approximately 75% of the building with the remaining tenancies forecast to be leased in the early part of 2016. Whilst CBIC has executed these tenant agreements, a majority of the income revenue will only commence during the 2016 year.

DATE ACQUIRED: JUNE 2014

*Achieved 5 star Green
Star in 2015*

PROPERTY SUMMARY

Total area (NLA)	7,558m ²
Occupancy	75%
Valuation	\$26M
Valuation date	May 2015
WALE (income)	6.8

DATE CONSTRUCTED: NOVEMBER 2014

In late November 2014, CBIC constructed a 51 bay public car park at 37 O'Connell Terrace, Bowen Hills. The car park is located on the corner of Sneyd Street and O'Connell Terrace, Bowen Hills. Since the opening, occupancy rates have been consistently high, providing good returns to CBIC in the last six months. The facility is utilised by existing tenants in the 41 O'Connell Terrace office building, patrons/staff from the Royal Brisbane Hospital and occupants in the surrounding area.

Good patronage to the local area

SNEYD STREET CAR PARK

PROPERTY SUMMARY

Total area (NLA)	1,795m ²
Valuation	\$1.5M
Valuation date	May 2015





SOUTH REGIONAL BUSINESS CENTRE, YEERONGPILLY

The South Regional Business Centre (SRBC) office building has provided strong income and capital returns (fair value gains) for CBIC's investment portfolio since its completion in mid-2012. The building offers Council a high standard of office accommodation for its regional business centre operations, supported by a 5 star Green Star design rating and 4.5 star NABERS rating for the building.

The 4,198m² office building offers an efficient workspace environment for Council's operations, with the provision of a centre core 1,500m² floor plate design.

Recently the Queensland Government announced a shortlisted party to develop the neighbouring masterplanned site, which will position SRBC in an emerging growth precinct, promising strong capital growth for the future.

As at 30 June 2015 the WALE (income) for SRBC is 12 years and the net income return on the property, based on the current fair value, is 7.9%.

DATE CONSTRUCTED: JUNE 2012

*SRBC is positioned
in a growth precinct,
promising strong capital
growth for the future*

PROPERTY SUMMARY

Total area (NLA)	4,198m ²
Occupancy	100%
Valuation	\$24.4M
Valuation date	May 2015
WALE (income)	12 years
Income return	7.9%

DATE ACQUIRED: JUNE 2015

CBIC purchased 25 Green Square Close, Fortitude Valley in June 2015 for \$8.0 million. The land area is 3,063m², with the existing building consisting of a hi-tech warehouse/office, which is 2,573m² in area. The site is leased back by Council for an initial 18 month term (plus 2 year option) at an agreed market rental.

CBIC is currently investigating the medium to long term development potential of the site, in the event that Council ever decides to vacate.

*Future
development site
in excellent fringe
CBD location*

PROPERTY SUMMARY

Total area (NLA)	2,573m ²
Occupancy	100%
Valuation	\$10.5M
Valuation date	May 2015
WALE (income)	1.5

25 GREEN SQUARE CLOSE, FORTITUDE VALLEY





RIVERGATE SHIPYARD, MURARRIE

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

This asset also supports CBIC's long term income growth within the property portfolio and maintains the company's strategy of holding quality property investments, secured by long term leases.

The property is predominantly leased to Council, with a lease expiry in early 2041. The site accommodates the CityCat ferries and maintenance facilities for the fleet of vessels.

As at 30 June 2015 the WALE (income) for the Rivergate property is 17.4 years. This includes other lease commitments for the site. The net income return on the property, based on the current fair value, is 7.7% as at 30 June 2015.

DATE ACQUIRED: FEBRUARY 2011

Rivergate Shipyard continues to provide strong income and capital growth

PROPERTY SUMMARY

Total area (NLA)	11,031m ²
Occupancy	100%
Valuation	\$22M
Valuation date	May 2015
WALE (income)	17.4 years
Income return	7.7%

DATE ACQUIRED: NOVEMBER 2011

Potential to expand operations or further development

The industrial property located at 16 Industrial Avenue, Wacol accommodates Council's integrated fleet maintenance facility. The industrial warehouse and office section total 5,035m², contained within a total site area of approximately 13,000m².

The balance of the site area is approximately 8,700m² and has the ability to develop up to 5,000m² of building in this area. This provides Council with additional capacity to expand its operations or for CBIC to develop accommodation for a third party occupant in the medium term, when a suitable tenant is identified.

As at 30 June 2015 the WALE (income) for Wacol is approximately 7 years and the net income return on the property, based on the current fair value, is 7.3%.

PROPERTY SUMMARY

Total area (NLA)	5,035m ²
Occupancy	100%
Valuation	\$10M
Valuation date	May 2015
WALE (income)	7 years
Income return	7.3%

16 INDUSTRIAL AVENUE, WACOL



04

INVESTMENT PHILOSOPHY

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 projects that provide good long term growth, balanced against achieving value for money and asset optimisation.

Maximising capital and income returns across the portfolio, whilst taking into consideration the risk profile and preservation of capital, in the longer term.

Maintaining strong corporate governance/risk frameworks.

Ensuring appropriate liquidity levels are maintained for assets held and or project commitments.

CBIC's key investment objective is to deliver superior returns for Council by investing in good quality assets, maximising financial returns, and where possible, simultaneously providing other tangible benefits to the residents of Brisbane.

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.

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

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.

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 total 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 performance benchmarks below:

Category/Sector	Policy Benchmark Representative Index
Property	S&P/ASX 200 A-REIT and The Property Council/IPD Australia All Property Index
Cash Investments	Bloomberg AusBond Bank Bill Index
Equity	Standard and Poor's ASX 200 Accumulation Index
Bonds	Bloomberg AusBond Composite Index

Source - MSCI, Standard & Poors and Bloomberg

ASSET ALLOCATION

CBIC is not required to maintain a traditional asset allocation or minimum sector weighting in each asset class, as it is not a traditional fund manager.

CBIC has the ability to access surplus property assets within 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, which is a sub-committee of the Board, sets the risk parameters and investment objectives for the company, ensuring these guidelines are met at all times.

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

INVESTMENT PARAMETERS

The CBIC Foundation Investment Policy 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.

To ensure it remains consistent with current economic conditions, the Investment Review Committee, in conjunction with the Board, reviews this criteria so that it is suitable for CBIC's stage of business growth and when investment decision are 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.

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.

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

05

CBIC BOARD OF DIRECTORS

The CBIC Board of Directors 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 the strategic direction for the company and ensures the company's resources, risk and governance frameworks and financial management systems are maintained through its Committees.

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.



MARIA ROACH DIRECTOR

Maria has more than 20 years' experience as a company secretary of publicly-listed companies in Australia. Until recently, Maria was the Company Secretary of Billabong International Limited. She also provides consulting services in corporate governance.

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.



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.



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.



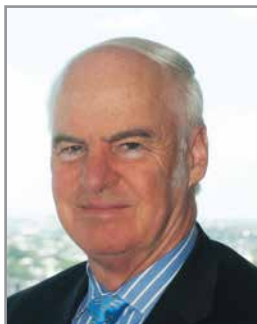
Jane has almost thirty years' experience as a Director of government, business and not for profit boards. She is currently appointed to the Lord Mayor's Business Advisory Board, is a Director of Opera Queensland and the Board of the National Breast Cancer Foundation among others.

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.

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 the 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.

NEILL FORD DIRECTOR

Neill is Managing Director of Yellow Cabs (Qld) Pty Ltd, a company operating a fleet of 1,200 taxis and courier vans in South East Queensland and Rockhampton. 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 iHail.

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

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 and Vegetable Industries Co-operative Ltd (Brismark), Queensland Food and Fibre Agribusiness Council and Produce Marketing Association Australia and 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.

COLIN JENSEN
DIRECTOR

Managing an annual budget of \$3 billion and an asset base of \$21 billion, Colin Jensen is Chief Executive Officer of Brisbane City Council, the largest local government in Australia.

Prior to joining Council in August 2010, Colin had a successful career in the Queensland Government, most recently as the Coordinator-General and Director-General of the Department of Infrastructure and Planning.

Colin is a Director of several boards including CitySmart and has been named as one of Australia's top 100 most influential engineers for the last eight years.

He received the QUT Chancellor's Outstanding Alumni Award and the Faculty of Built Environment and Engineering Outstanding Alumni Award for 2011.

He holds a Bachelor of Civil Engineering (Honours).



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 30 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.



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 30 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.



MARK MAZURKIEWICZ
**CHIEF EXECUTIVE
OFFICER**

Mark joined CBIC in May 2011 as Chief Executive Officer. His career spans approximately 20 years in 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 Queensland Rail.

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 Financial Services Institute of Australasia and a graduate of the Australian Institute of Company Directors.



06

CORPORATE
GOVERNANCE

BOARD COMMITTEES

Three committees have been established by the Board in order to assist with the efficient functioning of CBIC in line with corporate governance practices. The committees consist of:

- **Investment Review Committee** – to review investment opportunities and where necessary make recommendations to the Board;
- **Finance and Audit Committee** – 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** – developing corporate, strategic and communication plans.

Each committee meeting held during the year ended 30 June 2015 are tallied below along with the number of meetings attended by each Director.

Director	Investment review		Finance & audit		Business & protocol	
	A	H	A	H	A	H
M Brodie	9	9	*	*	*	*
J Edwards	*	*	*	*	3	4
N Ford	2	3	*	*	2	3
M Knox	9	9	*	*	*	*
M Roach	*	*	5	5	4	4
C Spencer	4	6	*	*	*	*
P Vincent	7	9	5	5	*	*
D Askern	*	*	3	5	1	4
G Evans	*	*	*	*	4	4

A = Number of meetings attended

H = 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



REMUNERATION

Directors are paid by way of fees for their services to CBIC. The Chairman and Directors' fees are \$78,122 and \$39,061 per annum, respectively. Directors who receive their fee as salary income, rather than a fee through a company, are paid statutory superannuation. Brisbane City Council Directors do not receive a fee for their services.

MANAGING CONFLICTS OF INTEREST

CBIC maintains a structured Corporate Governance Framework which oversees the Conflicts of Interest Policy for Directors and staff. This policy outlines that all decisions are to be 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 managing actual or potential conflicts of interest which includes the outline of steps required to disclose and manage them.

Each Director and staff member is required to provide timely disclosure in writing to the Company Secretary of all actual or potential conflicts of interest which is then recorded in a Register of Interests. Any disclosures made are a standing item on each Board meeting agenda.

At Board meetings each Director will also be required to disclose any conflict of interest concerning any items of business before the Board.

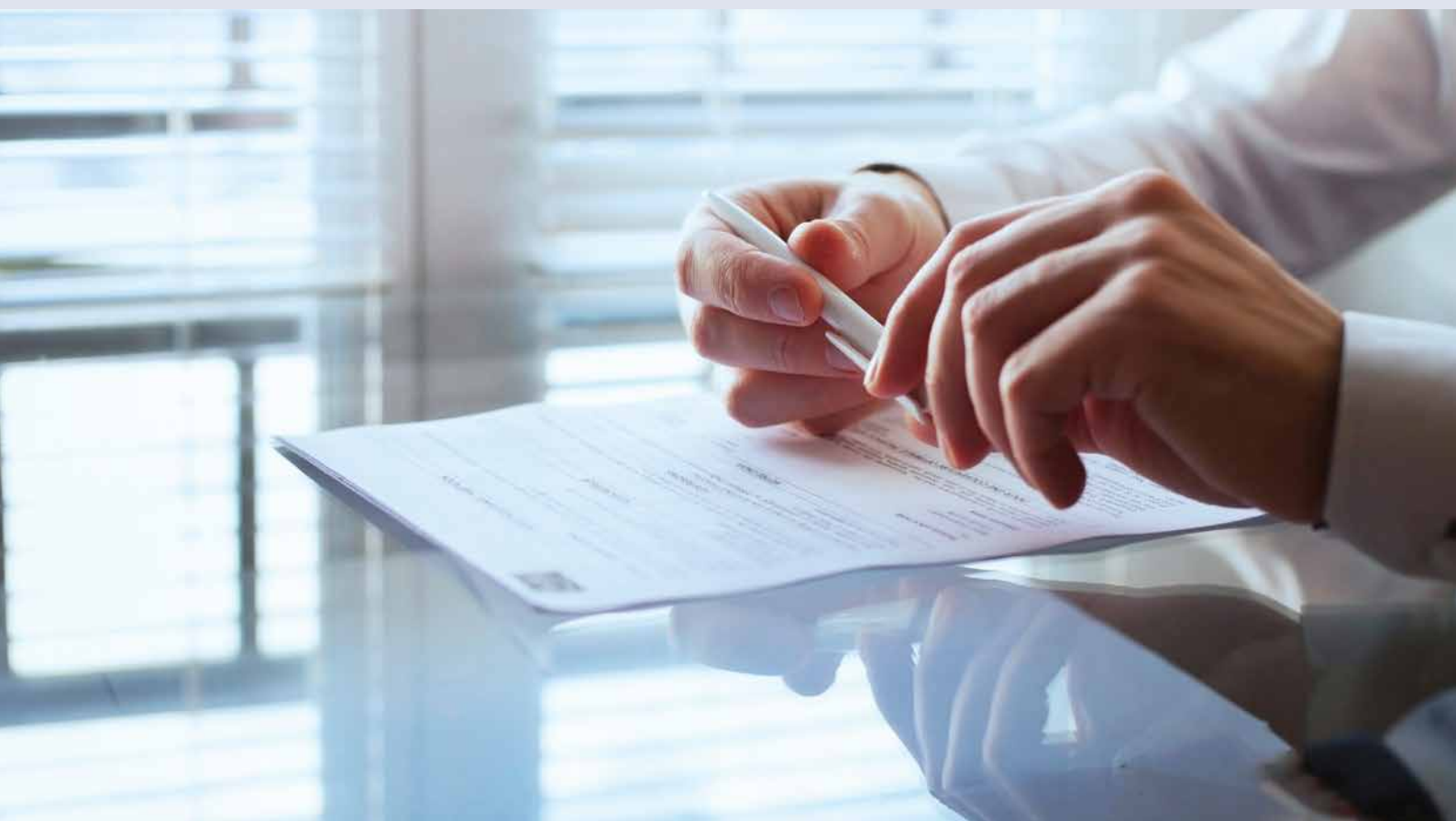
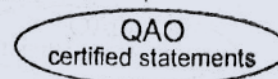
The Policy outlines ways that the conflict can be managed. This includes disclosure, abstain from voting on, making or influencing decisions or proposals, withdrawing from discussion of affected proposals and/or having their access restricted to information relating to the conflict of interest. Some conflicts of interest may have such a serious potential impact on the company that the only way to adequately manage them is to avoid them. In such cases the response may, for example, require a decision not to transact business with the person who has the conflict or the person resigning their position with the company.

07

FINANCIAL STATEMENTS

Audited results
2015

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CITY OF BRISBANE INVESTMENT CORPORATION PTY LTD
ACN 066 022 455

ANNUAL REPORT FOR THE YEAR ENDED 30 June 2015

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 2015.

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 activities 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 2015 was a net profit of \$28,976,950.

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.

City of Brisbane Investment Corporation Pty Ltd ("CBIC") commenced construction of a building at 145 Florence Street, Wynnum containing a Brisbane City Council ("Council") library and retail facility. CBIC purchased the site from Council with consideration paid by issuing 1.0 million ordinary shares of \$1.00 per share.

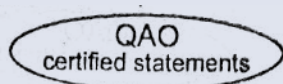
CBIC purchased a site at 375 Hamilton Road, Chermside from Council with consideration paid by issuing 350,700 ordinary shares of \$1.00 per share. CBIC has entered into a construction contract to build a new North Regional Business Centre and library on the site.

CBIC has also purchased from Council a site at 225 Progress Road, Richlands with consideration paid by issuing 662,551 ordinary shares of \$1.00 per share. It is the intention of CBIC to develop this site as retail and/or commercial use, servicing the local community as well as rail commuters.

The company has also purchased 25 Green Square Close, Fortitude Valley from Council for \$8.0 million. CBIC will lease the site to Council for a period of 18 months at market rental rates.

During the year, CBIC disposed of 112 Cullen Avenue, Eagle Farm on 2 March 2015 for \$20.7 million.

CBIC also declared and paid dividends to Council amounting to \$15.0 million during the year (2014: \$10 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 \$305,117.

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)	9	9
Jane A EDWARDS	8	9
Neill D FORD	7	9
Colin D JENSEN	8	9
Michael J S KNOX	8	9
Maria A ROACH	9	9
Craig G SPENCER	7	9
Paul J VINCENT	7	9
Greg C EVANS (Alternate of Colin D Jensen)	0	9

Note: No Board or committee meetings were held in September 2014, December 2014 or January 2015.


A - Number of meetings attended

B - Number of meetings held during the time the Director held office during the year

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.



Mark Brodie
Brisbane, 13 August 2015



Maria Roach
Brisbane, 13 August 2015

AUDITOR'S INDEPENDENCE DECLARATION

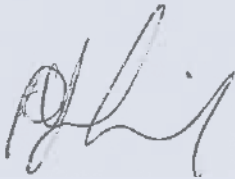
To the Directors of City of Brisbane Investment Corporation Pty Ltd

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 2015, I declare that, to the best of my knowledge and belief, there have been -

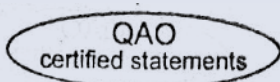
- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.



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



Queensland Audit Office
Brisbane



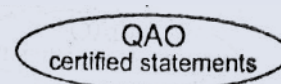
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2015

	NOTE	2015 \$	2014 \$
Income			
Revenue			
Rental income	2(a)	7,117,825	11,569,537
Interest		4,459,322	3,385,842
Distribution income		481,711	514,028
Other income		83,963	50,000
		<u>12,142,821</u>	<u>15,519,407</u>
Other income			
Gain on sale of investment	2(b)	2,854,171	3,103,636
Fair value gain on investment property	6	18,917,591	10,113,972
		<u>21,771,762</u>	<u>13,217,608</u>
Total income		<u>33,914,583</u>	<u>28,737,015</u>
Expenses			
Employee costs	3(a)	894,886	963,982
Directors' fees		305,117	305,474
Building expenditure		2,232,995	2,190,785
Investment management fees		108,604	136,376
Finance costs		-	292,246
Other expenses	3(b)	1,396,031	915,052
		<u>4,937,633</u>	<u>4,803,915</u>
Net profit for the period		<u>28,976,950</u>	<u>23,933,100</u>
Other comprehensive income (expense)			
Net unrealised fair value gain (loss) on available for sale financial assets arising during the year		(1,243,555)	2,136,210
Total comprehensive income attributable to members of the company		<u>27,733,395</u>	<u>26,069,310</u>

Directors' fees have been amended to correctly reflect payroll tax.

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

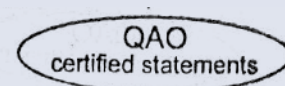


STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	NOTE	2015 \$	2014 \$
CURRENT ASSETS			
Cash and cash equivalents	12	124,941,433	126,210,812
Receivables	4	1,688,969	1,466,208
Total Current Assets		126,630,402	127,677,020
NON CURRENT ASSETS			
Available for sale financial assets	5	14,391,298	15,726,239
Investment property	6	111,495,480	94,024,376
Property, plant and equipment		197,594	-
Other assets	8	420,022	1,314,616
Total Non Current Assets		126,504,394	111,065,231
Total Assets		253,134,796	238,742,251
CURRENT LIABILITIES			
Accounts payable and accrued expenses	9	1,745,995	454,268
Lease incentive – Green Square	10	-	1,651,040
Rental liability	10	257,872	192,000
Total Current Liabilities		2,003,867	2,297,308
NON CURRENT LIABILITIES			
Rental liability	15	18,273	78,933
Total Non Current Liabilities		18,273	78,933
Total Liabilities		2,022,140	2,376,241
Net Assets		251,112,656	236,366,010
SHAREHOLDER'S EQUITY			
Share capital	11	140,901,651	139,038,512
Other capital contribution	14(b)	1,897,034	1,897,034
Fair value reserve		(4,356,617)	(3,113,062)
Retained profits		112,670,588	98,543,526
Total Shareholder's Equity		251,112,656	236,366,010

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



STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2015

2015	Total	Share capital Note 11	Other capital contribution Note 14	Fair value reserves	Retained Profits
	\$	\$	\$	\$	\$
Balance at beginning of year	236,366,010	139,038,512	1,897,034	(3,113,062)	98,543,526
Net profit	28,976,950	-	-	-	28,976,950
Other comprehensive income (expense)	(1,243,555)	-	-	(1,243,555)	-
Issue of Share Capital	2,013,251	2,013,251	-	-	-
Distribution to shareholder- Brisbane City Council	(15,000,000)	-	-	-	(15,000,000)
Adjustment to Share Capital	-	(150,112)	-	-	150,112
Balance at end of the year	251,112,656	140,901,651	1,897,034	(4,356,617)	112,670,588

An adjustment of \$150,112 has been made to share capital to reconcile the total issued shares with the Share Register.

2014	Total	Share capital Note 11	Other capital contribution Note 14	Fair value reserves	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	-
Contribution by owner - Land transfer	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

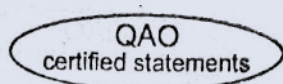
The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2015

	NOTE	2015 \$	2014 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from tenants		7,422,903	10,582,023
Payments to suppliers and employees		(4,374,920)	(7,079,550)
Distributions received		543,633	442,030
Interest received		4,018,841	3,385,842
Borrowing costs paid		-	(292,246)
Net GST received from the Australian Taxation Office		39,433	122,438
Sale proceeds from available for sale financial assets		20,700,000	149,000,000
Additions to investment property		(12,536,903)	(11,943,604)
Payment for lease incentive		(1,876,590)	(6,749,161)
Net Cash Flows Provided from (used in) Operating Activities	12	13,936,397	137,467,772
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to fixed assets		(205,776)	-
Net Cash Flows provided from (used in) Investing Activities		(205,776)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(15,000,000)	(10,000,000)
Loan repayment		-	(18,000,000)
Net Cash Flows provided from (used in) Financing Activities		(15,000,000)	(28,000,000)
NET INCREASE / (DECREASE) IN CASH HELD		(1,269,379)	109,467,772
Cash at the beginning of the year		126,210,812	16,743,040
CASH AT THE END OF THE YEAR	12	124,941,433	126,210,812

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



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For The year ended 30 June 2015

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 13 August 2015.

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) Independent Valuations in relation to investment property assets, using directly comparable market sales evidence based on equivalent yields and capital values per square metre.

(b) Adoption of New Standards and Interpretations

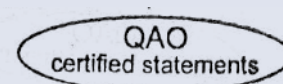
At the date of authorisation of the financial report, the new or amended Australian Accounting Standards with future commencement dates are not likely to have a material impact on the financial statements.

(i) Revenue from Contracts with Customers (AASB 15)

AASB 15 is effective from 1 January 2018 and will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of interpretations. It contains a comprehensive and robust framework for the recognition, measurement and disclosure of revenue from contracts with customers.

The main changes to the standard relate to inconsistencies between entities' reported revenues, principally in relation to when an entity recognises revenue under long term contracts (e.g. construction contracts) and contracts that bundle together goods and services (e.g. contracts that bundle a telephone handset with network services). CBIC does not hold contracts of this kind and therefore the standard is not anticipated to impact CBIC at this time.

There are no other standards that are not yet effective that would be expected to have a material impact on CBIC in the current or future reporting periods and on foreseeable future transactions.



1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 received from term deposits is accrued over the term of the investment. Interest revenue is brought to account when earned and distribution revenue is brought to account when formally declared by the Directors.

(d) Expenditure

Direct labour and materials expenditure incurred in the acquisition or construction of assets are treated as capital expenditure. Assets under construction are not depreciated until they are completed, at which time they are classified to the appropriate class. Expenditure necessarily incurred in either maintaining the operational capacity of assets or ensuring that their original life estimates are achieved, is considered maintenance and is treated as an expense as incurred. All other operational expenditure to maintain the effective operation of the business is treated as expenditure in the Statement of Comprehensive Income.

(e) Investment property

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

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

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

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

Property that is being constructed or developed for future use as investment property is classified as investment property. Investment property under construction is measured at cost, as fair value cannot be reliably determined for an individual property.

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

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 the Statement of Comprehensive Income in the year of retirement or disposal. Gains or losses arising from the retirement or disposal of investment property are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Comprehensive Income in the period of the retirement or disposal. Net disposal proceeds includes selling expenses which have been netted off against the gain on sale. In the previous year's financial statements, selling expenses were treated as other expenses. This has been reclassified in the current financial statements and netted off against the gain on sale. See Note 2(b).

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

(f) Lease incentives

Fitout 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 12)

Trade and other receivables (Note 4)

Financial assets available for sale (Note 5)

* Financial liabilities

Accounts payable and accruals (Note 9)

(h) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Cash holdings are continually monitored so as to maximise current market rates in line with the investment policy of CBIC. 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) Available for sale financial assets

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 CBIC'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.

(j) Accounts payable and accrued expenses

(i) Accounts payable are recognised upon receipt of the goods or services ordered and are measured at the agreed purchase/contract price net of applicable discounts other than contingent discounts. Amounts owing are unsecured and are generally settled within 30 days.

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

(k) 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, workers' compensation and superannuation.

Annual leave is recognised in current liabilities and represents the amount that the company has as 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 are 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 via the Small Business Superannuation Clearing House administered by the Australian Taxation Office directly to the chosen superannuation account of each employee and applicable Director and expensed through the Statement of Comprehensive Income monthly.

(l) 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(n) Related party transactions

CBIC is a wholly owned subsidiary of Brisbane City Council ("Council"). CBIC has the ability to access surplus property assets within the Council portfolio, which has enabled CBIC to maximise returns through development and further investment in these assets. As consideration for the acquisition of property assets from Council, CBIC will provide either cash consideration at a value determined between the two parties or consideration in the form of issuance of ordinary shares.

(o) Rounding

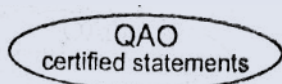
For all financial reporting and financial calculations, CBIC rounds all numbers to the nearest dollar. Consequently rounded balances in the notes may not exactly agree to the primary statements.

(m) 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.



	2015 \$	2014 \$
<hr/>		
2. REVENUE AND OTHER INCOME		
(a) Rental Income		
Rental income		
Gross rent	7,254,748	12,284,535
Less - amortisation of lease incentive	(136,923)	(714,998)
	<hr/> 7,117,825	<hr/> 11,569,537
(b) Gain on sale of investment property		
Proceeds from sale of investment property	20,700,000	149,000,000
Less – Lease incentive (refer Note 10)	(230,761)	(3,909,702)
Less – Selling expenses	(161,053)	(1,273,186)
Net proceeds	<hr/> 20,308,186	<hr/> 143,817,112
Less – Carrying value of investment property		
Carrying value of investment property sold (refer to Note 6(a))	(16,696,323)	(123,734,212)
Carrying value of lease incentives sold (refer to Note 8)	(757,692)	(16,979,264)
	<hr/> (17,454,015)	<hr/> (140,713,476)
Gain on sale of investment property	<hr/> 2,854,171	<hr/> 3,103,636

The above gain on sale is net of property selling expenses of \$161,053 incurred in relation to the sale of investment property.

3. EXPENSES

(a) Employee costs

Wages and salaries	796,416	838,224
Annual leave benefits	32,017	14,386
Superannuation contributions	66,453	77,068
Contract staff	-	34,303
	<hr/> 894,886	<hr/> 963,982

(b) Other expenses

Accounting, internal audit and risk management fees	19,180	13,070
Payroll tax	50,868	59,358
Project expenses	531,992	87,082
Fringe Benefits Tax	10,831	7,177
Legal fees	104,038	159,927
Legal Claims	-	180,000
Advertising and promotion	1,236	11,366

(b) Other expenses (continued)

	2015 \$	2014 \$
IT and computer expenses	54,375	57,045
Insurance	4,807	64,915
Audit fees - Queensland Audit Office	25,000	22,000
Stationery and supplies	12,484	17,716
Repairs and maintenance	216	827
Telephone and communication	9,285	9,978
Depreciation	8,181	-
Agents commission	338,664	9,152
Other	224,874	215,439
	<u>1,396,031</u>	<u>915,052</u>

Other expenses have been amended to correctly reflect payroll tax.

4. TRADE AND OTHER RECEIVABLES**Current**

Rent receivable (refer Note 14 (b))	-	102,002
Distribution receivable	203,700	265,623
Interest receivable	440,481	-
GST receivable	1,002,556	1,041,989
Accrued income	-	16,125
Other receivables	42,232	40,470
	<u>1,688,969</u>	<u>1,466,208</u>

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

5. AVAILABLE FOR SALE FINANCIAL ASSETS**Non Current**

Investment in managed funds - at market value

All Star IAM Australian Share Fund Institutional	14,391,298	15,726,239
	<u>14,391,298</u>	<u>15,726,239</u>

The total balance of investments in managed funds reflects movement in unrealised loss of \$1,243,555 (2014: gain of \$2,136,210). This change in value is included in the fair value reserve, disclosed in Other Comprehensive Income. The annual management fee of \$88,962 (2014:\$89,803) is taken out of the investment.

6. INVESTMENT PROPERTY

	2015 \$	2014 \$
(a) Existing Investment property		
Opening balance at 1 July	93,998,826	192,897,643
Additions:		
- Direct acquisition of investment property and completed project	8,058,776	10,647,683
- Land transferred from owner in exchange for issue of shares (refer Note 14(b))	-	3,900,000
- Subsequent expenditure on investment property	1,179,881	173,740
Net gain from fair value adjustments to investment property	7,438,840	10,113,972
Disposal of investment property	(16,696,323)	(123,734,212)
Closing balance at 30 June	93,980,000	93,998,826
(b) Investment property under construction		
Opening balance at 1 July	25,550	-
Additions:		
- Land transferred from owner in exchange for issue of shares (refer Note 14(b))	2,013,251	-
- Property being constructed for future use as investment property (refer Note 14(b))	3,997,928	25,550
Net gain from fair value adjustments to investment property	11,478,751	-
Closing Balance at 30 June	17,515,480	25,550
Total Investment property Closing Balance at 30 June	111,495,480	94,024,376
(c) Carrying amount of lease incentives (Refer to Note 8)	420,000	1,314,616
	111,915,480	95,338,992

CBIC has projects that are currently being developed for future use as investment property. They are:

- a site at 145 Florence Street, Wynnum where CBIC are constructing a Council library and retail facility.
- a site at 375 Hamilton Road, Chermside where CBIC are constructing a new North Regional Business Centre and library.

Investment properties are carried at fair value which has been determined by valuations performed by an independent appraiser, where material changes in value have occurred as at 30 June 2015.

Independent valuers, who are industry specialists in valuing these types of investments, were retained to complete valuations for CBIC. The valuations were performed in accordance with Australian Property Institute Valuation Guidelines using recent market sales evidence and capitalisation rates.

Investment property under construction is measured at cost, as fair value cannot be reliably determined for an individual property.

7. FAIR VALUE MEASUREMENT

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

- Available for sale investment
- Investment property

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

Investment property fair values were determined by independent valuation. Taylor Byrne and Colliers International performed the valuations in May 2015.

The following table categorises fair value measurements as Level 1, Level 2 and 3 in accordance with AASB 13.

2015	Level 1 (Fair value based on quoted prices)	Level 2 (Significant other observable inputs)	Level 3 (Significant unobservable inputs)
Investment property	-	9,828,567	102,086,913
Available for sale investment All Star Fund	14,391,298	-	-
2014			
Investment property	-	-	94,024,376
Available for sale investment All Star Fund	15,726,239	-	-

Investment property (Level 2)

Level 2 includes CBIC investment property where the valuation was determined using the sales comparison approach which compares sales prices of comparable land sites in close proximity adjusted for differences in key attributes. The most significant inputs into this valuation approach are price per square metre.

Investment property (Level 3)

Level 3 includes CBIC investment property where the valuation was determined after considering a range of different calculations based on the following:

- Current prices for properties in close proximity to CBIC's Investment properties adjusted to reflect difference in the properties;
- Discounted cash flow projections based on reliable estimates of future cash flows; and
- Capitalisation method based on price per square metre.

Investment property for the prior year have been recognised as a Level 3 classification.

The table below describes the significant unobservable inputs used in this valuation together with a description of the valuation's sensitivity to changes in those inputs.

Significant unobservable input	Relationship of unobservable inputs into fair value	Range	Change in fair value arising from 0.25% increase in input	Change in fair value arising from 0.25% decrease in input
Capitalisation rate	The higher the capitalisation rate, the lower the fair value	6.50% - 8.75%	(\$4,102,997)	\$4,390,326
Price per square metre	The higher the price per square metre, the higher the fair value	151 – 447 \$/sqm	Change in fair value arising from 1% increase in input \$1,388,900	Change in fair value arising from 1% decrease in input (\$1,388,900)

CBIC 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 nature.

8. OTHER ASSETS

	2015 \$	2014 \$
Lease incentive	600,000	1,650,000
Accumulated amortisation for the year	(180,000)	(335,384)
Carrying amount	420,000	1,314,616
Opening balance at 1 July	1,314,616	14,247,447
- Additions during the year	-	4,761,431
- Accumulated amortisation for the year	(136,924)	(714,998)
- Disposals during the year	(757,692)	(16,979,264)
Carrying amount	420,000	1,314,616
Investments in subsidiaries	22	-
Total Other assets	420,022	1,314,616

The incentives relate to the fit out contribution costs reimbursed by CBIC to certain tenants. The incentives are amortised over the term of the leases. The net amortisation includes the removal of the lease incentives associated with 112 Cullen Avenue, Eagle Farm following sale.

During the year, the Board approved the creation of a wholly owned subsidiary, Brisdev Pty Ltd and a trust, Park Avenue Residences Trust, for the purpose of project development activities. Both are currently dormant with no trading activity during the year. As such, CBIC has not consolidated the results of Brisdev Pty Ltd and has not completed consolidated financial statements for the group.

9. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Trade creditors and accrued expenses	1,663,770	416,612
GST, PAYG and payroll taxes	31,918	13,673
Accrued annual leave	50,307	23,983
	1,745,995	454,268

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:

2015	0-1 year \$	1-5 year \$	Over 5 years \$	Total Contractual cash flows \$
Financial liabilities				
Accounts payables and accrued expenses	1,745,995	-	-	1,745,995
Rental liability	257,872	18,273	-	276,145
Total financial liabilities	2,003,867	18,273	-	2,022,140
2014				
Financial liabilities				
Accounts payables and accrued expenses	454,268	-	-	454,268
Lease incentive liability	1,651,040	-	-	1,651,040
Rental liability	192,000	78,933	-	270,933
Total financial liabilities	2,297,308	78,933	-	2,376,241

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

	2015 \$	2014 \$
10. OTHER CURRENT LIABILITIES		
Current		
Rental liability (refer Note 15)	257,872	192,000
Lease incentive liability	-	1,651,040
	<u>257,872</u>	<u>1,843,040</u>

A lease incentive of \$3,909,702 was recognised on sale of the Green Square property, of which \$2,258,662 was paid to the buyer of the property during the 2014 year and \$1,651,040 in the 2015 year.

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 and the rental guarantee of \$78,933 as at 30 June 2015 will be extinguished in October 2015.

A monthly rental guarantee is being paid to Dexu over 18 months from the date of settlement of Cullen Avenue, Eagle Farm, less any rent received by tenants in that period. There are currently no tenants in the vacant tenancy area and the rental guarantee of \$122,211 as at 30 June 2015 will be extinguished in September 2016. The total liability is split between long term and short term (Refer to Note 15).

CBIC is required to pay a reletting fee on the vacant tenancy area at Cullen Avenue, Eagle Farm to a maximum of \$75,000. As CBIC believe that a tenant will lease this vacant area in the short term, the reletting fee has been included as a current liability.

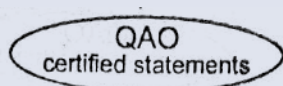
11. SHARE CAPITAL

140,901,651 Ordinary shares fully paid up to \$1 each	140,901,651	139,038,512
(Note 14(b))	<u>140,901,651</u>	<u>139,038,512</u>

The company declared and paid dividends to Council amounting to \$15 million during the year (2014:\$10 million).

During the year, 1,000,000 ordinary shares of \$1 per share were issued in exchange for land at 145 Florence St, Wynnum, 350,700 ordinary shares of \$1 per share for land at 375 Hamilton Road, Chermside and 662,551 ordinary shares of \$1 per share for land 225 Progress Road, Richlands.

An adjustment of \$150,112 has been made to share capital to reconcile the total issued shares with the Share Register.



12. CASH AND CASH EQUIVALENTS

Reconciliation of cash

Cash balance comprises:

	2015 \$	2014 \$
- Cash at bank	16,620,176	392,333
- Short-term investments	108,321,257	125,818,479
Cash and cash equivalents	124,941,433	126,210,812

CBIC's sensitivity to an expected 1% maximum fluctuation in interest rates if all other variables were held constant is \$1,249,414 (2014:1,262,108).

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

Total Comprehensive Income	27,733,395	26,069,310
Non-cash items		
Revaluation of available for sale financial assets	1,243,555	(2,136,210)
Fair value gain on investment property	(18,917,591)	(10,113,972)
Amortisation of lease incentive	136,924	714,998
Depreciation	8,181	-
Changes in operating assets and liabilities		
(Increase) in receivables	(222,761)	(607,795)
(Increase) in accounts payable and accrued expenses	(491,024)	(1,653,434)
Decrease in available for sale financial assets	91,386	89,803
Increase in investment property	3,459,738	112,887,239
Increase in other assets	894,594	12,217,833
	(13,796,998)	111,398,462
Net cash flows from operating activities	13,936,397	137,467,772

13. SEGMENT INFORMATION

CBIC operates in one business segment, being that of an investment company.

CBIC operates from Australia only and therefore has only one geographical segment.

14. 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 \$633,617 (2014: \$600,876). Directors and executive remuneration has been amended to correctly reflect payroll tax and superannuation contributions. David Askern, Colin Jensen and Greg Evans did not receive any compensation during the financial year.

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

The company has recognised in the financial statements amounts for services supplied by Council to CBIC. These include legal, accounting, internal audit services and recharge of expenses in the aggregate amount of \$138,566 (2014: \$58,614). These transactions were based on normal commercial terms and conditions. At balance date, total amount payable to Council in relation to these services amounted to \$115,706 (2014: \$0).

On 20 February 2015, CBIC purchased from Council the land at 145 Florence Street, Wynnum. As consideration, CBIC issued 1.0 million ordinary shares of \$1 per share. The land is to be used to construct a library and retail facility. Council will lease the library from CBIC for a period of 20 years at market rates.

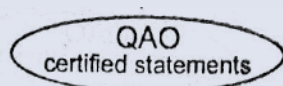
On 24 June 2015, CBIC purchased from Council the land at the 375 Hamilton Road, Chermside. As consideration, CBIC issued 350,700 ordinary shares of \$1 per share. The land is to be used to build a new North Regional Business Centre and library. Council will lease the library and Business Centre from CBIC for a period of 15 years at market rates. The land valuation reflected on Council's asset register, for the newly formed and rezoned Lot 1 area, was based on land use at the time. The land use was categorised as sporting and recreation on a broad hectare basis, encompassing the Kedron Wavell Services Club, public pool, car parks and hockey fields at Chermside. The material change in use and reduced land area (to form Lot 1) was then reflected at market value as per CBIC's independent valuation assessment.

On 23 June 2015, CBIC purchased from Council the land at 225 Progress Road, Richlands. As consideration, CBIC issued 662,551 ordinary shares of \$1 per share. The land is to be used for a retail/commercial development. The land valuation reflected on Council's asset register, for Lots 4 and 5, prior to transfer to CBIC was based on existing land classification, being Sports and Recreation and Special Purpose (Transport Infrastructure), respectively. The land area of the two Lots formed part of a larger parcel of land owned by Council. The Lots 4 and 5 are residual land areas after Queensland Government resumed part of Council's site for the purpose of public transport, being a new rail corridor and the construction of Richlands train station. CBIC's land valuations is based on a material change in use to the site, which was achieved through a planning application approval received prior to 30 June 2015. The asset value reflected in CBIC's accounts is based on an independent market valuation assessment.

On 23 June 2015, CBIC completed the purchase of 25 Green Square Close, Fortitude Valley. The consideration paid by CBIC to Council was \$8,000,000 exclusive of GST. Council will lease the site from CBIC for a period of 18 months at market rates.

Council leases part of the ground floor and whole of Level 3 of 41 O'Connell Terrace, Bowen Hills for a lease term of 51 years and 3 months commencing from 19 June 2014. The initial rent is \$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 period is \$5.7 million.

The company also leases office spaces and a shipyard facility to Council with remaining lease term of 7 years to 50 years. Total rental earned during the year in relation to these leases amounted to \$5,772,691 (2014: \$6,969,935); gross of lease incentive amortisation totalling \$133,260 (2014: \$307,885). 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/(payable) from/to Council in relation to these transactions was (\$4,208) (2014: \$120,500).



15. NON CURRENT LIABILITIES

Rental liability (refer Note 10)

	2015 \$	2014 \$
	18,273	78,933
	18,273	78,933

A monthly rental guarantee is being paid to Dexu over 18 months from the date of settlement of Cullen Avenue, Eagle Farm, less any rent received by tenants in that period. There are currently no tenants in the vacant tenancy area and the rental guarantee of \$122,211 as at 30 June 2015 will be extinguished in September 2016. The total liability is split between long term and short term (Refer to Note 10).

16(a). CAPITAL COMMITMENTS

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

Not later than 1 year	29,975,066	1,021,736
Later than 1 year but not later than 5 years	8,039,667	-
Later than 5 years	-	-
	38,014,733	1,021,736

Capital commitments for the 2015 year include the construction contracts for the library and retail facility at 145 Florence Street, Wynnum and new regional business centre and library at 375 Hamilton Road, Chermside.

16(b). OPERATING COMMITMENTS

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

Not later than 1 year	279,662	106,115
Later than 1 year but not later than 5 years	29,088	8,492
Later than 5 years	-	-
	308,750	114,607
TOTAL COMMITMENTS	38,323,483	1,136,343

17. 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:

Not later than 1 year	8,062,948	6,424,757
Later than 1 year but not later than 5 years	29,340,784	25,823,703
Later than 5 years	94,370,934	99,009,139
	131,774,665	131,257,599

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

18. CONTINGENT LIABILITIES

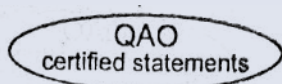
As part of the Green Square sale agreement, CBIC agreed to the following:

- 1) A one off payment of \$480,000 is payable by CBIC if Papuan Oil Search Limited surrenders its tenancy area of 353m² 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 rate of \$570/m² per annum. gross by 353m² 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.

As part of the development at the 375 Hamilton Road, Chermside, CBIC has provided a bank guarantee to Queensland Urban Utilities for \$85,000. The bank guarantee is in relation to CBIC satisfactorily completing works in relation to water and sewage on the site. These works are expected to be completed by December 2016.

19. 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.

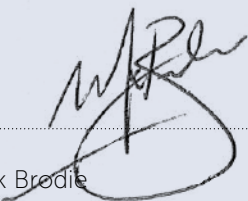


DIRECTORS' DECLARATION

The Directors of the company declare that:

1. The financial statements and notes, as set out on pages 31 to 52:
 - (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 2015 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, 13 August 2015



Maria Roach
Brisbane, 13 August 2015

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 2015, 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.

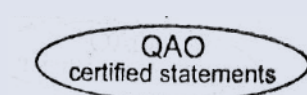
I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

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 2015 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.



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



Queensland Audit Office
Brisbane

