

ANNUAL REPORT 2016



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FOREWORD

“A STABLE AND SECURE INCOME STREAM CONTINUES TO UNDERPIN CBIC’S PERFORMANCE.”

C BIC has delivered another strong result in 2016 with an \$18.9 million profit. The Board’s strategy of focusing on development of and investment in commercial property has provided returns of 7.5% for the 2016 year, above benchmark returns again for the seventh consecutive year.

CBIC added to its investment portfolio with the completion of the Wynnum Central mixed use development during the year. This includes the Wynnum library, Woolworths and retail outlets. This development has not only been a successful financial investment for CBIC but has also provided an exceptional

new library for the benefit of the community at no capital cost to Brisbane City Council and Brisbane’s residents.

Construction of the North Brisbane Regional Business Centre at Chermside commenced this year and is progressing well towards completion in 2017. Upon completion, this facility will contain the new Council library, again at no capital cost to Council, as well as modern offices from which Council staff will continue to provide service to the local community.

I congratulate Ted Marchant as Chairman for his stewardship of CBIC, as well as his fellow Board members for their commitment in delivering a strong result for Brisbane ratepayers in 2016.

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

01

Chairman's Report



Ted Marchant | Chairman

“2016 HAS DELIVERED ANOTHER OUTSTANDING FINANCIAL RESULT FOR CBIC.”

C BIC's investment strategy to date has positioned the business well to take advantage of a rising commercial property market, whilst also maintaining significant cash reserves that will facilitate an expansion of the investment strategy over the coming years. This has resulted in another outstanding year that delivered an \$18.9 million profit.

Returns generated in 2016 increased CBIC's net assets to \$270 million. This return exceeds our long term investment benchmark, CPI plus 4.5% - 5.5%, for the seventh straight year.

Achievements

Since its inception in 2008 with net assets of around \$135 million, CBIC has doubled its net asset base having grown to over \$270 million in net assets. CBIC has undertaken more than a dozen property projects as well as investing in the equity markets over the past years.

Since inception, the company has paid \$50million in dividends to Brisbane City Council (Council) in addition to the doubling of net assets.

The combination of this asset growth and dividend payments to Council represent a 137% increase in value since 2008.

Our mixed use development Wynnum Central was completed in May and has revitalised the suburb with a new library and new park, a supermarket and retail outlets. The North Regional Business Centre, incorporating the Chermide library, will be completed in the coming year and will further enhance this growth suburb.

With developments such as these, CBIC's investment strategy continues to not only deliver financial returns and a long term growth plan, but also supports Council's efforts in revitalising and growing communities.

HIGHLIGHTS



Settlement of the 24-26 Augustus Street, Toowong site acquisition.

FEB



The mixed use development Wynnum Central, located at 145 Florence Street, Wynnum was completed.

MAY



Development Approval for a 2,336m² retail development at 225 Progress Road, Richlands was obtained.

JUN



Construction of the North Regional Business Centre at Chermide commenced.

JUL



Financial highlights

The performance of the CBIC property portfolio in 2016 was again a highlight, achieving a solid return of 13.5% in the year. This return indicates an outperformance to The Property Council / IPD Australia All Property Index benchmark by 0.7%.

CBIC's strategic focus on developing sites to hold long term, combined with a focus on cost control and leasing initiatives across its existing investment property portfolio continues to deliver strong returns and underpins the company's financial strength. CBIC benefitted from continued fair value gains through the year that are a reflection of the quality of the assets held by CBIC in its portfolio.

CBIC held a substantial allocation to cash throughout the year with \$107.4 million on hand at year end, with returns of 2.34% outperforming the cash benchmark of 2.24%.

The Board has renewed its focus on investing in the property sector where the business continues to outperform, divesting the balance of CBIC's underperforming share portfolio during the year.

At 30 June 2016, CBIC's \$270.1 million in net assets comprised of \$107.4 million in cash, \$161.1 million in property, \$4.8 million in Receivable Income and \$1.6 million in other assets, less liabilities of (\$4.8) million.

Looking forward

Having leveraged its relationship with Brisbane City Council (BCC) significantly, and outperformed the market in generating material financial returns in doing so, CBIC is looking to a future with the prospects that this advantage may be somewhat less prevalent going forward. Material headway has been made over our 8 year history in delivering new workplaces to suit BCC's various occupancy requirements. Significant value has been generated in redevelopment of surplus BCC landholdings. However, opportunities such as these will be fewer over time.



In response to this, CBIC are at the start of a period of transition. Our business must reposition itself to become a market facing property industry participant. Our success in the future will rely on the industry supporting us.

The property market currently is facing interesting headwinds where material strength in capital markets is somewhat at odds with occupier sentiment, the income stream from which in fact underwrites capital value for any investor. This divergence of capital sentiment as compared to occupier sentiment suggests a potential future risk to value growth irrespective of yield compression. In the context where global interest rates are anticipated to increase over the foreseeable future, these factors may point to some reversionary pressure on commercial values in the medium term.

In light of this, the Board have diversified CBIC's investment strategy to ensure that our ability to meet return expectations is preserved into the future, with a less significant reliance on valuation growth. An increased portfolio allocation to investment in development and funding opportunities will be pursued as a result. In addition, the Board is strategically seeking to diversify geographically outside of Brisbane as an appropriate portfolio risk mitigation strategy.

Whilst CBIC will continue to make direct investments that are wholly owned, in implementing this strategy a greater

proportion of projects are likely to be delivered in partnership with other property participants, similar to our successfully operating Toowong joint venture. In this way CBIC will benefit from an extended and diversified reach in terms of expertise, resourcing and delivery capability, and we will also be seen to be supporting the property industry – partnering with it, funding it.

Our balance sheet is well placed to respond to investment opportunities as they arise, with significant uncommitted cash available for investment.

I would like to acknowledge and thank my fellow Board Members for their contribution over the year and take this opportunity to thank the outgoing CEO Mark Mazurkiewicz and incoming CEO Kirsty Smith and the CBIC team for their continued influence in CBIC having achieved another very successful result in the 2016 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.

Handwritten signature of Ted Marchant in black ink.

Ted Marchant
Chairman

02

Operational Report

2016 DELIVERS THE SEVENTH CONSECUTIVE ABOVE BENCHMARK RETURN . CBIC's commitment to delivering dividends to the City of Brisbane continues to be underpinned by strong investment performance.

The low interest rate, low growth environment internationally has seen investors in a hunt for yield in Australian markets, including from offshore investors who are contributing to material yield compression in all property sectors.

As such, capital markets are currently very strong and Brisbane increasingly is being seen as a preference as an investment destination. In this environment, yields on commercial property are continuing to compress.

Despite this environment, CBIC has continued to provide above benchmark returns to the City of Brisbane with another strong result in the 2016 year, recording a 7.5% total return.

2016 Major highlights

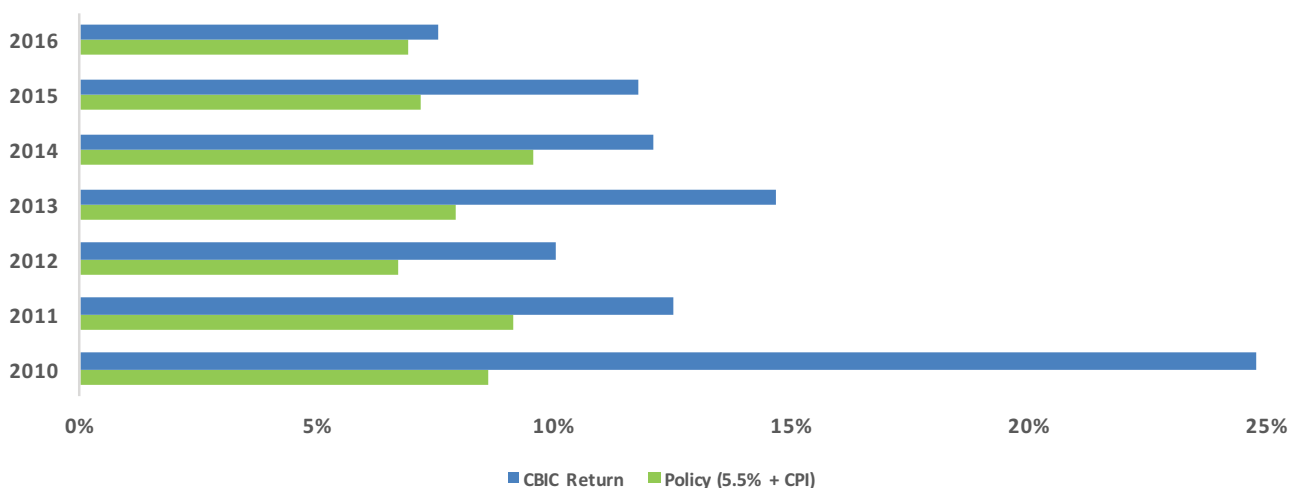
Mixed use Wynnum Central development completed.

North Regional Business Centre commenced construction.

Acquisition of the Augustus Residences site at Toowong.

Development Approval secured for a convenience retail development at Richlands.

NET PROFIT RETURNS 2009 - 2016



In doing so, CBIC has exceeded its long term investment return benchmark of CPI plus 4.50% to 5.50% for the seventh consecutive year.

Net assets

The 2016 year provided an increase of \$19 million in net assets, representing a 7.5% growth over the 12 month period. CBIC has also positioned itself for strong future growth in both income and net assets due to the underlying quality of its existing property portfolio as well as the developments being undertaken that will be held as investment properties upon completion.

Since its inception in 2008, CBIC's net assets have doubled in value from its initial capital of \$135 million, as illustrated by the graph below.

CBIC's commercial property portfolio continued to enjoy upward swings in

fair value, reflecting the quality of the properties held. The mixed use Wynnum Central development was completed during the year, and not only made a strong contribution to the profit result but also delivered material community facilities to the local area.

225 Progress Road Richlands achieved a development approval for a convenience retail project. The 11,288m² former site office for the construction of Richlands Train station has been approved for a 2,336m² retail development incorporating a gym, retail outlets and drive through food outlets.

The North Regional Business Centre at Chermside that includes the library and council offices continues to track towards completion, at which time it will provide a further boost to the recurring income stream of CBIC.

The Board also took the decision to put the 41 O'Connell Terrace Bowen Hills property

to the market given the weight of capital searching for quality assets. The Board took the strategic decision to lock in the strong rise in value of this quality asset whilst the market was favouring sellers.

Equities investments

During the 2016 year, CBIC's equities investment, held with All Star IAM, continued to underperform. CBIC undertook a strategic re-allocation of its portfolio and as a result, redeemed all of its managed equity investment that was valued at \$14.4 million at 30 June 2015.

The managed equities for 2016 recorded a negative return of 6.1%.

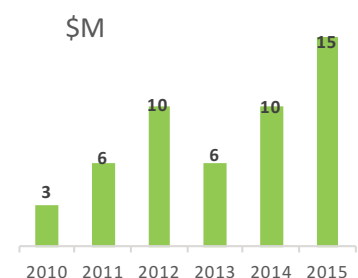
Dividend payments

Since the inception of CBIC in mid-2008 through to end of the 2016-2016 financial year, a total amount of \$50.0 million in dividends has been paid to Council.

No dividend was paid during 2015/16, however a \$20.0 million dividend was paid in July 2016, following the completion of end of financial year management accounts.

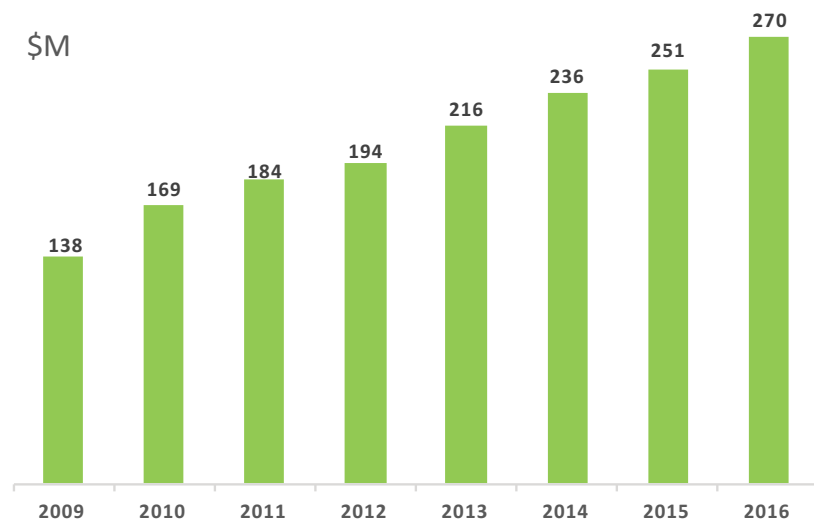
This payment subsequent to year end brings the total dividend payments to Council to \$70.0 million to date.

DIVIDEND PAYMENT 2010 - 2016



TOTAL DIVIDENDS PAID **\$50M**

NET ASSET GROWTH 2009 - 2016



**CBIC NET
ASSETS
HAVE
DOUBLED
SINCE
INCEPTION**



Investment property

CBIC's property portfolio has performed well in an environment where occupier demand conditions remain challenging within the Brisbane office market. The portfolio achieved an annualised total return of 13.5% for the 2016 year.

CBIC has increased its occupancy level from 94% last year to 99% at 30 June, as a result of a strong leasing result on 41 O'Connell Terrace. This is a strong achievement in the context of the current tenancy market for commercial property. This includes 41 O'Connell Terrace, Bowen Hills which has a remaining vacancy of 374m² after a major government tenant committed to one floor (1,514m²) in the last year.

The property portfolio has an improved weighted average lease expiry (WALE) profile of 11.51 years (calculated on income), increasing from 10.6 years the prior year. CBIC's property assets enjoyed continued fair value gains of \$14.0 million, the major contributors being 41 O'Connell Terrace Bowen Hills, the recently completed Wynnum Central development recognising its completed value, along with the South Regional Business Centre.

Revenue and profits

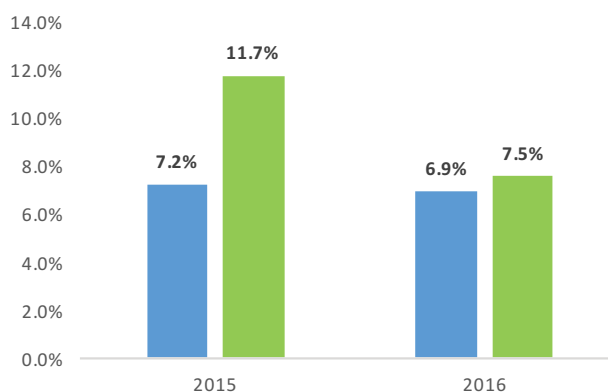
As illustrated on the following page, revenue and profit achieved highlights the sustained and profitable nature of CBIC over time.

TOTAL PROPERTY RETURN
13.5%

WALE (INCOME)
11.51 YRS

OCCUPANCY
99%

RETURN COMPARISON



The total property return of 13.5% compares very favourably against its benchmark of 12.7% (The Property Council / IPD Australia All Property Index).



Key drivers underlying the net profit were:

Significant fair value increases achieved across CBIC's existing property portfolio.

Recurring income stream provided by the commercial property portfolio, underpinned by quality tenants and a strong WALE.

Focus on efficiency and cost management has resulted in continued low overheads even with increased activity.

Managed equity investments redeemed with increased cash holding.

CBIC will continue to build on its strong recurring income streams in coming years as it looks to invest in high quality property investments and develop sites such as the North Regional Business Centre into long term investment properties.

CBIC recorded a net comprehensive income of \$18.9 million and a return of 7.5% for the year ended 30 June 2016. This resulted from \$26.4 million in revenue and \$7.5 million in expenses, including a \$0.8 million negative return on the redemption of the balance equity investment, as well as a \$0.5 million recognition of a doubtful debt as a result of a disputed exit price.

Despite the fluctuating share market and uncertain property conditions, CBIC continues to deliver strong returns due to its quality property portfolio and strong balance sheet. Investment markets in general are lowering expectations for returns and as such, there are substantial opportunities to sell quality assets. However with a weight of capital competing for reduced yields, a marked increase in competition is evident when in the market to purchase new properties. The CBIC Board has taken a risk management decision to broaden its geographic area of review for potential investments as well as investigating other property sectors such as financing and investing in third party developments.

REVENUE AND NET PROFIT 2012 - 2016



CONTINUED SOLID RESULTS FOR CBIC

Operating Results

REVENUE
\$26.4M

EXPENSES
\$7.5M

NET PROFIT
\$18.9M

RETURN
7.5%

Review of results

The table to the right identifies that CBIC has achieved strong recurring revenue growth (16%) from its commercial property portfolio.

The Board's Committees and CEO continue to focus on increasing revenue, managing overhead costs and delivering projects on budget.

CBIC asset mix

CBIC has maintained a substantial allocation to cash as it investigates potential investments. The Toowong project acquisition, the new library and retail facility at Wynnum along with works to date on the North Regional Business Centre has contributed to a 44.5% increase in CBIC's property assets in the 2016 year.

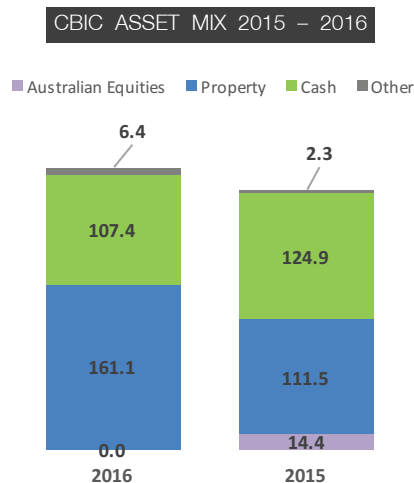
CBIC's cash assets as at 30 June 2016 were \$107.4 million (2015: \$124.9 million). CBIC held a minimum \$5.0 million in cash reserves and the remaining funds were fully invested in term deposit investments with major financial institutions and the Queensland Treasury Corporation's Capital Guaranteed Cash Fund.

Details of CBIC's comprehensive income for the year ended 30 June 2016 and the prior year are as follows.

Income	2016 \$'000	2015 \$'000
Interest	3,535	4,459
Rental income	8,274	7,118
Distribution income	264	482
Fair value gains on property assets	14,027	18,918
Gain on sale of investments	0	2,854
Other income	174	84
Total income	26,274	33,915
Expenses		
General and administration expenses	1,914	1,505
Building expenditure	3,402	2,233
Remuneration costs	1,136	1,200
Loss on disposal of financial asset	5,235	0
Total expenses	11,687	4,938
Fair value gain (loss) on equity investments (unrealised)	(879)	(1,244)
Decrecognition of available for sale financial asset	5,235	0
Total comprehensive income	18,943	27,733

Source: CBIC Audited Profit and Loss Statement for the year ended 30 June 2016

“AVERAGE CASH FUND RETURNS FOR THE YEAR WERE 2.34% RESULTING IN AN OUT PERFORMANCE OVER THE ANNUAL AVERAGE RATE OF ITS BENCHMARK, THE BLOOMBERG AUSBOND BANK BILL INDEX AT 2.24%.”



Average cash fund returns for the year were 2.34% resulting in an out performance over the annual average rate of its benchmark, the Bloomberg AusBond Bank Bill Index at 2.24%.

The CBIC management team has continued the strong focus on cash flow management, in conjunction with oversight by the Board's Committees. CBIC's focus on cash flow management has maximised returns in the 2016 year, whilst meeting CBIC's financial obligations for ongoing operations, new investments and future expenditure 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 \$251.1 million to \$270.1 million, an increase of 7.5% over the year.



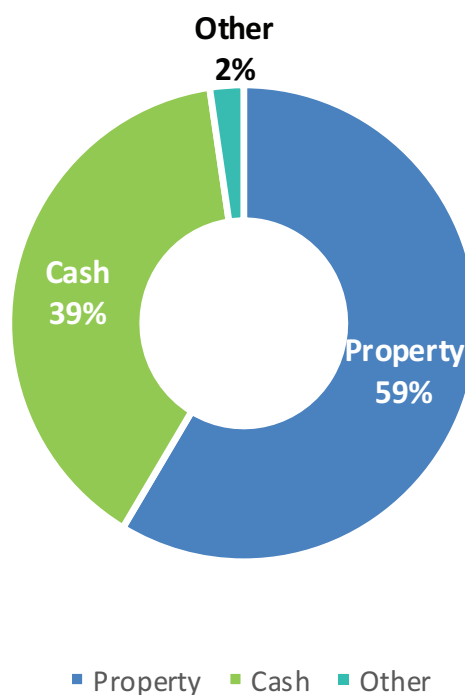
2016 Asset breakdown

As at 30 June 2016, approximately 39% of CBIC's investments were held as cash, with the property portfolio growing to 59% (2015: 44%). Other assets comprise receivables and lease incentives that 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 completion of CBIC's new development at 145 Florence Street, Wynnum as well as the commencement of construction of the North Regional Business Centre.

	2016 \$M	2015 \$M	Increase/ (decrease) \$M
Australian equities*	0	14.4	(14.4)
Property#	161.1	111.5	49.6
Cash	107.4	124.9	(17.5)
Receivables and other	6.4	2.3	4.1
Total assets	274.9	253.1	21.8
Total liabilities	(4.8)	(2.0)	(2.8)
Total net assets	270.1	251.1	19.0

*Net of management fees | #Includes inventory



03

Property Summary

**STRONG PROPERTY PORTFOLIO
RETURN OF 13.5% UNDERPINS
CBIC'S NET ASSET GROWTH**

Strong contributions to the property portfolio return include:

The completion of the mixed use Wynnum Central development delivered a substantial rise in value.
A 29% capital value uplift in 41 O'Connell Toe Bowen Hills.

Continued recurring income stream provided by rental income across the portfolio.
Solid weighted average lease expiry profile (WALE) for each property.

Industrial property portfolio occupancy at 100%, with a WALE (income) of 9 years.

The total annualised return on CBIC's property portfolio for the 2016 year was 13.5% compared to 22.1% in 2015, with a lesser contribution to return from fair value gains than in previous years. Performance of the property portfolio once again exceeded the IPD benchmark of 12.7% for the year.

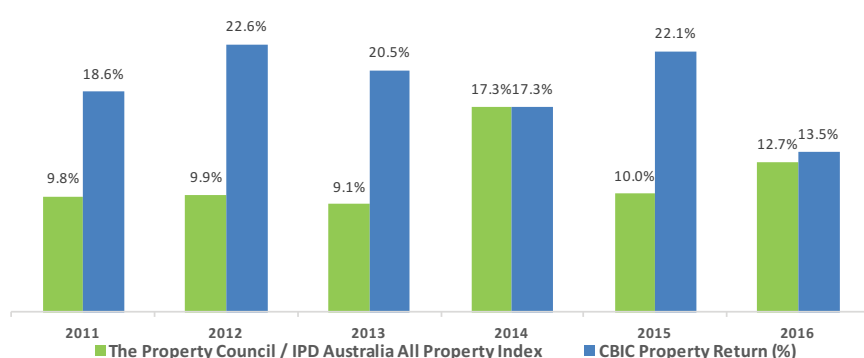
CBIC's property portfolio increased to \$161.1 million from \$111.5 million in 2015, representing a 44.5% increase, resulting from valuation gains combined with the acquisition of the Toowong project, construction costs expended on the North Regional Business Centre and Wynnum Central.

Significant milestones achieved by CBIC include the completion of construction of the new library and retail facility at Wynnum Central, as well as the entry into a construction contract to commence works on the North Regional Business Centre and Library at Chermide.

The 2016 year was one of steady growth for CBIC with continued fair value growth across the existing property portfolio.

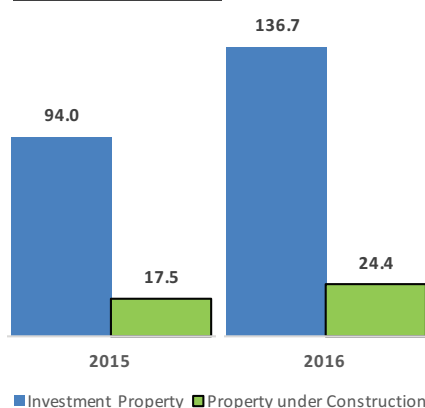
CBIC also committed to its first residential development project by entering into a joint venture to deliver a 90 unit residential development in Toowong. CBIC acquired a controlling interest in that project which will deliver a combination of returns including interest income that will contribute to net profit over the term as well as a profit share that will be recognised upon completion of the project.

CBIC PROPERTY RETURN V IPD RETURN



Key Metrics	2016	2015
Portfolio value (\$M)	161.1	111.5
Total Properties	9	8
Net lettable area (m ²)	35,866	30,395
Occupancy by area (%)	99%	93.8%
WALE (income) (years)	11.51	10.6
Income Yield (%)	4.6 %	5.2%
Annualised Return (%)	13.5 %	22.1%

PROPERTY ASSETS



Existing investment property

CBIC's annualised rental yield of 4.6% (after amortisation of incentives) is less than the 2015 yield of 5.2%. This is due to the value growth in excess of rental growth, as well as Wynnum Central coming online just prior to the end of the financial year and as such only reporting a small amount of income for the year.

CBIC completed the Wynnum Central mixed use development during the year and will continue to hold it as an income producing investment property. This development has demonstrated the value add capabilities of CBIC in having delivered both income and capital returns, as well as a tangible boost to the local area through development of Council assets and delivery of community facilities.



OF THE \$161.1 MILLION IN PROPERTY ASSETS, \$24.4 MILLION RELATES TO PROPERTY UNDER CONSTRUCTION

Investment properties under construction

As at 30 June 2016, CBIC had two projects in development phase that are intended to be held as investment properties upon completion.

North Regional Business Centre 375 Hamilton Road, Chermide

Construction of the new North Regional Business Centre and library on the site is well advanced with completion in the forthcoming year.

225 Progress Road, Richlands

CBIC obtained a development approval in June 2016 for a convenience retail centre incorporating food outlets and drive through that will service the local community and rail commuters.

Development projects in delivery phase

As at 30 June 2016, CBIC had one project in development phase that is intended to be divested upon completion.

The acquisition of 24-26 Augustus Street, Toowong settled in February 2016, with the project benefiting from having already secured development approval at that time.

The presale of units within Augustus Residences Toowong continues, ahead of an anticipated commencement of construction in late 2016.



NORTH REGIONAL BUSINESS CENTRE, CHERMSHIRE

New regional business centre and library
plus future development site

PROPERTY SUMMARY

Total area (NLA)	6,000m ²
Valuation	\$15.8M
Valuation date	June 2016

DATE ACQUIRED: JUNE 2015

CBIC are developing the new North Regional Business Centre at Chermshire with completion targeted for late 2016. This new facility will be home to one of Brisbane's largest and most modern libraries as well as provide brand new office accommodation for the local Councillor and Business Centre for Council.

The site, on the corner of Kittyhawk Drive and Hamilton Road, sits adjacent to the Chermshire Pool and the Kedron Wavell Services Club. Designed with GreenStar design principles, the NRBC will provide CBIC with a modern and fully tenanted investment.

A future development site immediately adjacent to this current project will give CBIC scope to provide additional development options in this location.



145 FLORENCE STREET, WYNNUM

New library and retail development
supporting the local community

PROPERTY SUMMARY

Total area (NLA)	5,400m ²
Valuation	\$28.0M
Valuation date	May 2016

DATE COMPLETED: MAY 2016

CBIC purchased a site located at 145 Florence Street, Wynnum in early 2015. The new Wynnum Library and Woolworths was completed in 2016 and has been trading well since it opened in May and the adjacent park that was constructed by CBIC as part of the development has been delivered for the benefit of the local community.

This investment will provide CBIC with a steady income stream from long term leases to Woolworths and Council.



225 PROGRESS ROAD, RICHLANDS

Strong development potential for retail
servicing commuters and local residents

CBIC purchased this vacant site at 225 Progress Road, Richlands in 2015. Since this acquisition, CBIC has added significant value to the site through the development of a retail scheme, achieving planning approval and securing early tenancy pre-commitment.

PROPERTY SUMMARY

Total area (NLA)	11,288m ²
Valuation	\$3.25M
Valuation date	June 2016

DATE ACQUIRED: JUNE 2015



41 O'CONNELL TERRACE, BOWEN HILLS

Achieved 95% occupancy in 2016

PROPERTY SUMMARY

Total area (NLA)	7,643m ²
Occupancy	95%
Valuation	\$35.5M
Valuation date	June 2016
WALE (income)	9.15 years

DATE ACQUIRED: JUNE 2014

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 7,643m² of total lettable area. The building achieved a 5 star Green Star as built accreditation, which represents 'Australian Excellence' in environmentally sustainable construction.

As at 30 June 2016 the WALE (income) for 41 O'Connell Terrace is 9.15 years and the net income return on the property, based on the current fair value, is 6%.

Having secured agreement with a State Government tenant to lease the remaining full floor available, an on market campaign for the sale of this asset, along with associated car park at 37 O'Connell Terrace, commenced in May 2016.



SNEYD STREET CAR PARK

Good patronage to the local area

PROPERTY SUMMARY

Total area (NLA)	1,795m ²
Valuation	\$1.5M
Valuation date	June 2016

DATE CONSTRUCTED: NOVEMBER 2014

CBIC manages 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. 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.



SOUTH REGIONAL BUSINESS CENTRE, YEERONGPILLY

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	\$26.5M
Valuation date	June 2016
WALE (income)	11 years
Income return	7.9%

DATE CONSTRUCTED: JUNE 2012

The South Regional Business Centre (SRBC) office building has provided strong income and capital returns 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 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.

As at 30 June 2016 the WALE (income) for SRBC is 11 years and the net income return on the property, based on the current fair value, is 7.7%.



25 GREEN SQUARE CLOSE, FORTITUDE

Future development site in excellent fringe CBD location

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 until December 2016 (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 decides to vacate.

PROPERTY SUMMARY

Total area (NLA)	2,573m ²
Occupancy	100%
Valuation	\$10.75M
Valuation date	June 2016
WALE (income)	0.5

DATE ACQUIRED: JUNE 2015



RIVERGATE SHIPYARD, MURARRIE

Rivergate Shipyard continues to provide strong
income and capital growth

PROPERTY SUMMARY

Total area (NLA)	11,031m ²
Occupancy	100%
Valuation	\$22M
Valuation date	June 2016
WALE (income)	17.7 years
Income return	7.75%

DATE ACQUIRED: FEBRUARY 2011

The Rivergate Shipyard and associated buildings continue to provide good diversification for CBIC's property portfolio.

This asset 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 2016 the WALE (income) for the Rivergate property is 17.7 years. This includes other lease commitments for the site, both of which were renewed during the 2016 year. The net income return on the property, based on the current fair value, is 7.75% as at 30 June 2016.



16 INDUSTRIAL AVENUE, WACOL

Potential to expand operations or further development

PROPERTY SUMMARY

Total area (NLA)	5,035m ²
Occupancy	100%
Valuation	\$10.8M
Valuation date	June 2016
WALE (income)	6 years
Income return	7.3%

DATE ACQUIRED: NOVEMBER 2011

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 2016 the WALE (income) for Wacol is approximately 6 years and the net income return on the property, based on the current fair value, is 7.3%.

04

Investment Philosophy

CBIC'S
investment
philosophy
is built and
maintained on
the following key
assumptions:

Financial sustainability through strategic
planning and diversification of portfolio
allocations.

Robust investment analysis ensuring
appropriate risk.

Balancing income and capital returns to
meet strategic objectives.

Managing risk at the corporate and
transactional level.

Maintaining liquidity to fund operational
and investment requirements.

C BIC's primary strategic
objective is to deliver
superior returns for
Council through investing in high
quality assets that deliver
appropriate returns in respect of
the underlying asset.

Key investment decisions and
strategies are supported by high

quality management, adoption of
risk and governance frameworks,
and further supported and
monitored by the Board and its
Committees according to their
respective charters.

The Board of Directors and other
officers of the company meet
regularly to review and advise

on the strategic direction of the
company including an annual
strategy day as well as reviewing
the business plan annually.

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.



“CBIC’S PRIMARY STRATEGIC OBJECTIVE IS TO DELIVER SUPERIOR RETURNS FOR COUNCIL THROUGH INVESTING IN HIGH QUALITY ASSETS THAT DELIVER APPROPRIATE RETURNS IN RESPECT OF THE UNDERLYING ASSET.”

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 also measures 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 project developments and direct property investments in the Brisbane market.

The Board regularly reviews and approves each investment 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 Board reviews this criteria to ensure that it is suitable for CBIC's stage of business growth and when investment decisions 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.

CBIC can make both direct and indirect property investments. For each property investment and/or development project, the Board and/or its Investment Review Committee must consider current property metrics and any research information outlining current market evidence around 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.



Ted Marchant

CHAIRMAN

Ted is currently a non-executive director of a number of companies in the financial services and not-for-profit sectors in Brisbane.

He has significant experience in commercial and investment banking as well as property management and development.

With qualifications in Commerce and Law from the University of Queensland, Ted is a Fellow of the Australian Institute of Company Directors, CPA and FINSIA and admitted as a solicitor in Queensland.



Neil Castles

DIRECTOR

Neil currently works as the Chief Finance Officer of Western Downs Regional Council. Prior to this, Neil was the Director-General of both the Department of Housing and Public Works and the Department of Local Government. Previously Neil worked as a senior executive of Queensland Treasury Corporation, the State of Queensland's central financing authority,

for more than 20 years and he was also the Deputy Director-General Finance Procurement and Legal of Queensland Health.

Neil has also been a director and company secretary of a number of the Queensland Government's special purpose companies.



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 Practising Accountant (CPA). She is a former member of the Australian Government Takeovers Panel.



Michael Knox

DIRECTOR

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

He has been Chairman of the Advisory Committee of School of Economics and Finance at the

Queensland University of Technology and Governor of the American Chamber of Commerce from 1997 to 2007. Michael is the Immediate Past President of the Economic Society of Australia (Qld) Inc as of 2013.



Neill Ford

DIRECTOR

Neill is Managing Director of Yellow Cabs (Qld) Pty Ltd, a company operating a fleet of 1200 taxis and Courier vans in South East Queensland and 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 (AICD) and the Australian Institute of Management.



Jane Edwards

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.



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).



Craig Spencer

DIRECTOR

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

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

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

Craig has resigned his position as CBIC Director as of 15 September 2016.



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.



Greg Evans

ALT. 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.



Kirsty Smith

CHIEF EXECUTIVE OFFICER

Kirsty is a property professional with significant industry experience across both public and private sectors in various real estate sectors, most recently as General Manager Developments Qld for Grocon. Her property experience has been built following an early career in finance and business

management roles, including with Macquarie Bank and Coca-Cola Amatil.

Kirsty holds a Bachelor of Commerce and a Graduate Diploma in Property Economics, majoring in Development.

Kirsty is also a member of the Queensland Division Council of the Property Council of Australia, a member of the Australian Institute of Company Directors and is a Non-Executive Director of not for profit company Brisbane Housing Company, a leading provider of affordable housing.

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

Review investment opportunities and where appropriate 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.

Business Management and Protocol Committee

developing corporate, strategic and communication plans.

Each committee meeting held during the year ended 30 June 2016 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	3	3	*	*	*	*
T Marchant	6	6	*	*	*	*
J Edwards	*	*	*	*	4	4
N Ford	8	9	*	*	*	*
M Knox	8	9	*	*	*	*
M Roach	*	*	3	3	4	4
C Spencer	*	*	*	*	*	*
P Vincent	3	3	3	3	*	*
N Castles	5	6	3	3	*	*
D Askern	*	*	*	*	4	4
G Evans	*	*	*	*	2	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 \$39,240 inclusive of superannuation 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 2016

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QAO
certified statements

THE DIRECTORS PRESENT THEIR REPORT TOGETHER WITH THE FINANCIAL REPORT OF THE COMPANY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016.

Directors

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

Edward J **MARCHANT** (Chair)
Appointed 16 November 2015

Mark V **BRODIE** (Chair)
Appointed 2 June 2008,
Resigned 16 November 2015

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

Neil E **CASTLES**
Appointed 16 November 2015

Paul J **VINCENT**
Appointed 10 September 2012,
Resigned 16 November 2015

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 2016 was a net profit of \$18,943,205.

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.

City of Brisbane Investment Corporation Pty Ltd ("CBIC") completed construction of a building at 145 Florence Street, Wynnum containing a Brisbane City Council ("BCC") library and retail facility.

CBIC has commenced construction to build a new North Regional Business Centre and library on Chermside land acquired in 2015 financial year.

CBIC is continuing its feasibility of 225 Progress Road, Richlands whereby it is the Company's intention to develop this site as retail and/or commercial use, servicing the local community as well as rail commuters.

In July 2016, CBIC declared and paid a dividend to BCC amounting to \$20.0 million with respect to the 2016 financial year (2015: \$15 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 \$310,588.

Directors' Meetings

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

Names	A	B
Edward J MARCHANT (Chair)	8	8
Mark V BRODIE (Chair)	4	4
Jane A EDWARDS	10	12
Neill D FORD	9	12
Colin D JENSEN	11	12
Michael J S KNOX	11	12
Maria A ROACH	12	12
Craig G SPENCER	8	12
Neil E CASTLES	8	8
Paul J VINCENT	4	4

Note: No Board meetings were held in January 2016.

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.



Ted Marchant

Brisbane, 15 August 2016



Maria Roach

Brisbane, 16 August 2016

AID

Auditor's Independence Declaration

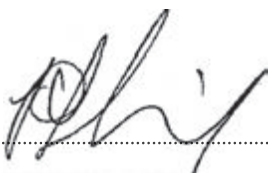
To the Directors of City of Brisbane Investment Corporation Pty Ltd

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 2016, 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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	2016 \$	2015 \$
Income			
Revenue			
Rental income	2(a)	8,273,656	7,117,825
Interest		3,534,974	4,459,322
Distribution income		263,544	481,711
Other income		174,248	83,963
		<u>12,246,422</u>	<u>12,142,821</u>
Other income			
Gain on sale of investment property	2(b)	-	2,854,171
Fair value gain on investment property	6	14,027,094	18,917,591
		<u>14,027,094</u>	<u>21,771,762</u>
Total income		<u>26,273,516</u>	<u>33,914,583</u>
Expenses			
Employee costs	3(a)	810,264	932,345
Directors' fees	3(b)	325,341	318,526
Building expenditure		3,402,246	2,571,659
Investment management fees		14,491	108,604
Other expenses	3(c)	1,899,357	1,006,901
Loss on disposal of financial asset		5,235,229	-
		<u>11,686,928</u>	<u>4,938,035</u>
Net profit for the period		<u>14,586,588</u>	<u>28,976,548</u>
Other comprehensive income (expense)			
Net unrealised fair value gain (loss) on available for sale financial assets arising during the year		(878,612)	(1,243,555)
De recognition of available for sale financial asset		5,235,229	-
Total comprehensive income attributable to members of the company		18,943,205	27,732,993

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

SFP

Statement of Financial Position



STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	NOTE	2016 \$	2015 \$
CURRENT ASSETS			
Cash and cash equivalents	12	107,356,991	124,941,518
Receivables	4	1,424,620	1,688,504
Inventory	5	5,368,522	-
Non current assets held for sale	13	40,285,000	-
Total Current Assets		154,435,133	126,630,022
NON CURRENT ASSETS			
Available for sale financial assets		-	14,391,298
Receivables	4	3,335,195	-
Investment property	6	115,483,236	111,495,480
Property, plant and equipment		-	197,594
Other assets	8	1,636,610	420,000
Total Non-Current Assets		120,455,041	126,504,372
Total Assets		274,890,174	253,134,394
CURRENT LIABILITIES			
Accounts payable and accrued expenses	9	4,601,552	1,745,995
Rental Liability	10	95,663	257,872
Total Current Liabilities		4,697,215	2,003,867
NON CURRENT LIABILITIES			
Accounts payable and accrued expenses	9	137,500	-
Rental Liability	10	-	18,273
Total Non Current Liabilities		137,500	18,273
Total Liabilities		4,834,715	2,022,140
Net Assets		270,055,459	251,112,254
SHAREHOLDER'S EQUITY			
Share capital	11	140,901,651	140,901,651
Other capital contribution		1,897,034	1,897,034
Fair value reserve		-	(4,356,617)
Retained profits		127,256,774	112,670,186
Total Shareholder's Equity		270,055,459	251,112,254

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



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR END 30 JUNE 2016

2016	TOTAL	SHARE CAPITAL NOTE 11	OTHER CAPITAL CONTRIBUTION	FAIR VALUE RESERVES	RETAINED PROFITS
	\$	\$	\$	\$	\$
Balance at beginning of year	251,112,254	140,901,651	1,897,034	(4,356,617)	112,670,186
Net profit	14,586,588	-	-	-	14,586,588
Other comprehensive income (expense)	(878,612)	-	-	(878,612)	-
Reclassification/ (Transfers)	5,235,229	-	-	5,235,229	-
Issue of Share Capital	-	-	-	-	-
Distribution to shareholder - Brisbane City Council	-	-	-	-	-
Balance at end of the year	270,055,459	140,901,651	1,897,034	-	127,256,774

2015	TOTAL	SHARE CAPITAL NOTE 11	OTHER CAPITAL CONTRIBUTION	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*	28,976,548	-	-	-	28,976,548
Other comprehensive income (expense)	(1,243,555)	-	-	(1,243,555)	-
Contribution by owner - Land transfer	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	251,112,254	140,901,651	1,897,034	(4,356,617)	112,670,186

*Net profit and closing Retained profits has been adjusted to reflect the consolidated balance.

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

SCF

Statement of Cash Flows



STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	2016 \$	2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from tenants		9,082,426	7,422,903
Development management fees received		112,500	-
Payments to suppliers and employees		(5,202,086)	(4,374,835)
Distributions received		467,244	543,633
Interest received		3,524,881	4,018,841
Sales proceeds from available for sale financial assets		12,991,914	-
Net GST paid to the Australian Taxation Office		(9,513)	39,433
Sale proceeds from available for sale assets		-	20,700,000
Additions to inventory		(5,300,007)	-
Additions to investment property		(25,224,033)	(12,536,903)
Payment for lease incentive		(4,890,981)	(1,876,590)
Net Cash Flows Provided from (used in) Operating Activities	12	(14,447,655)	13,936,482
CASH FLOWS TO/ FROM INVESTING ACTIVITIES			
Loan to Joint Venture		(3,136,872)	-
Additions to fixed assets		-	(205,776)
Net Cash Flows provided from (used in) Investing Activities		(3,136,872)	(205,776)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	18(a)	-	(15,000,000)
Net Cash Flows provided from (used in) Financing Activities		-	(15,000,000)
NET INCREASE / (DECREASE) IN CASH HELD		(17,584,527)	(1,269,294)
Cash at the beginning of the year		124,941,518	126,210,812
CASH AT THE END OF THE YEAR	12	107,356,991	124,941,518

The Consolidated 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 2016

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 consolidated financial report.

City of Brisbane Investment Corporation and its subsidiaries comprises a group of companies and a trust domiciled in Australia.

(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 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.

(c) Basis of consolidation

The consolidated financial report reflects the combined financial performance and position of the following entities which comprise the City of Brisbane Investment Corporation Group of entities:

- City of Brisbane Investment Corporation Pty Ltd (CBIC);
- BrisDev Pty Ltd (100% owned by CBIC); and
- BrisDev Trust (100% owned by CBIC).

The key financial information of the parent entity, CBIC, is detailed in Note 19.

(d) 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.

1.STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest revenue is brought to account when earned and distribution revenue is brought to account when formally declared by the Directors.

(e) 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.

(f) Investment property

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

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

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

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

Investment buildings under construction are included within the Investment Property category and measured at fair value, unless fair value cannot be reliably determined for an individual property (in which case, the property is measured at cost until fair value can be reliably determined). In determining a fair value for investment buildings under construction, a value is determined as at reporting date for an equivalent completed building (using current construction plans and all available relevant information), and this value is adjusted proportionately to reflect the percentage of completion and remaining costs to complete construction as at reporting date.

Rental income and operating expenses from Investment property are reported within revenue and other expenses respectively and recognised as described in (d) and (e) 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 shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognised in the Statement of Comprehensive Income in the period of the retirement or disposal. Net disposal proceeds include selling expenses

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.

(g) 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.

(h) 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)
Receivables (Note 4)

Financial Liabilities

Accounts payable and accrued expenses (Note 9)

(i) 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

1.STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(j) Receivables

Trade and other receivables are stated at their fair value. Where remaining life is greater than one year, fair value is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(k) 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 must be consistent 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.

(l) Assets held for sale or distribution

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the CBIC's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell.

During the 2016 financial year, CBIC listed one of its investment properties located in Bowen Hills for Sale. Management is of the view that the investment property will be sold within the next 12 months, and therefore has been reclassified as a current asset.

(m) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of the inventories includes development costs and borrowing costs directly associated with the projects. Where the inventory is not expected to be realised within twelve months it is classified as non-current.

(n) 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.

(o) 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.

1.STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Taxation

- i) Income Tax
Income of Local Government and public authorities and their subsidiaries are exempt from income tax (including capital gains tax) under the provisions of the Income Tax Assessment Act 1936.
- ii) Goods and Services Tax
Revenues, expenses and non-current physical assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included.

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

(q) 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 include all current and prior period retained profits.

(a) Related party transactions

CBIC is a wholly owned subsidiary of the Brisbane City Council (BCC). CBIC has the ability to access surplus property assets within the BCC 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 BCC, CBIC will provide either cash consideration at a value determined between the two parties or consideration in the form of issuance of ordinary shares.

(b) Joint Ventures

The BrisDev Trust holds a 52% interest in an unincorporated joint venture, Augustus St Developments, which is subject to joint

control, as the strategic, financial and operational policy decisions relating to the activities of the joint arrangement require the unanimous consent of the parties sharing control.

Joint arrangement: A joint arrangement is a contractual arrangement whereby two or more parties undertake economic activities under joint control.

The structure of each joint arrangement is analysed to determine whether the joint arrangement is a joint operation or a joint venture. The classification is dependent on the rights and obligations of the parties to the arrangement. This joint arrangement is a joint operation.

As such, The BrisDev Trust recognises its interest in JV assets, liabilities, revenue and expenses.

(c) 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.

2. REVENUE AND OTHER INCOME

	2016 \$	2015 \$
(a) Rental income		
Rental income		
Gross rent	8,976,865	7,254,748
Less – amortisation of lease incentive	(703,209)	(136,923)
	<u>8,273,656</u>	<u>7,117,825</u>
(b) Gain on sale of investment property		
Proceeds from sale of investment property	-	20,700,000
Less – Lease incentive (refer Note 10)	-	(230,761)
Less – Selling expenses	-	(161,053)
Net proceeds	-	20,308,186
Less – Carrying value of investment property		
Carrying value of investment property sold (refer Note 6(a))	-	(16,696,323)
Carrying value of lease incentives sold (refer Note 8)	-	(757,692)
	-	<u>(17,454,015)</u>
Gain on sale of investment property	<u>-</u>	<u>2,854,171</u>

3. EXPENSES

	2016 \$	2015 \$
(a) Employee costs		
Wages and salaries (including annual leave benefits)	836,543	828,433
Payroll tax	45,148	37,459
Superannuation contributions	71,811	66,453
Contract staff	6,762	-
	<u>960,264</u>	<u>932,345</u>
Less capitalised wages and salaries	(150,000)	-
	<u>810,264</u>	<u>932,345</u>
(b) Director's costs		
Director's fees	287,876	291,441
Superannuation contributions	22,712	13,676
Payroll tax	14,753	13,409
	<u>325,341</u>	<u>318,526</u>

(c) Other expenses

Accounting, internal audit and risk management fees	12,286	19,180
Project expenses	489,222	531,992
Fringe Benefits Tax	15,436	10,831
Legal fees	103,100	104,038
Advertising and promotion	454,126	1,236
Doubtful debts	520,772	-
IT and computer expenses	47,855	54,375
Audit fees – Queensland Audit Office	35,000	25,000
Stationery and supplies	13,037	12,484
Repairs and maintenance	-	216
Telephone and communication	7,808	9,285
Depreciation	10,655	8,181
Other	190,060	230,083
	<u>1,899,357</u>	<u>1,006,901</u>

4. RECEIVABLES

Current

	2016 \$	2015 \$
Distribution receivable	-	203,700
Interest receivable	252,250	440,481
GST receivable	1,003,447	1,002,556
Other receivables	689,695	41,767
Provision for doubtful debts	(520,772)	-
	<u>1,424,620</u>	<u>1,688,504</u>

During the year ended 30 June 2016, CBIC sold its 100% of its interest in the All Star Fund. Whilst the majority of funds have been received in relation to the sale, a provision for doubtful debts was raised for the amount outstanding as at 30 June 2016.

	2016 \$	2015 \$
Non current		
Loans receivable	3,240,000	-
Interest receivable	95,195	-
	<u>3,335,195</u>	<u>-</u>

5. INVENTORY

	2016	2015
	\$	\$
Current		
Property under construction	5,368,522	-
	<u>5,368,522</u>	

6. INVESTMENT PROPERTY

	2016	2015
	\$	\$
(a) Existing Investment property		
Opening balance at 1 July	93,980,000	93,998,826
Additions:		
- Direct acquisition of investment property and completed project	-8,058,776	
- Subsequent expenditure on investment property	289,530	1,179,881
Net gain from fair value adjustments to investment property	10,143,913	7,438,840
Disposal of investment property	-	(16,696,323)
Transfer of construction projects completed (refer 6b)	27,138,993	-
Reclassified to current assets available for sale	(35,139,046)	-
Closing Balance at 30 June	96,413,390	93,980,000
(b) Investment property under construction		
Opening balance at 1 July	17,515,480	25,550
Additions:		
- Land transferred from owner in exchange for issue of shares	-	2,013,251
- Property being constructed for future use as investment property	24,810,178	3,997,928
Net gain from fair value adjustments to investment property	3,883,181	11,478,751
Transfer of construction projects completed (refer 6a)	(27,138,993)	-
Closing Balance at 30 June	19,069,846	17,515,480
Total Investment property Closing Balance at 30 June	115,483,236	111,495,480
(c) Carrying amount of lease incentives (Refer to Note 8)	6,782,564	420,000
(d) Carrying amount of lease incentives transferred to available for sale (Refer to Note 8)	(5,145,954)	-
	<u>117,119,846</u>	<u>111,915,480</u>

CBIC currently has only one project that is being developed for future use as an investment property. This project is a site at 375 Hamilton Road, Chermiside where CBIC is constructing the 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 2016.

7. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly derived from observable inputs or estimated using another valuation technique.

Observable inputs are publicly available data that are relevant to the characteristics of the assets/liabilities being valued. Unobservable inputs are data, assumptions and judgements that are not available publicly, but are relevant to the characteristics of the assets/liabilities being valued. Unobservable inputs are used by CBIC to the extent that sufficient relevant and reliable observable inputs are not available for similar assets/liabilities.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use. At 30 June 2016, the current use of CBIC investment properties and non-current assets held for sale are reflective, in

most cases, of the highest and best use of the asset. One investment property, totalling \$10.75 million, has been valued on the basis that redevelopment of its two separately titled allotments is alternatively reflective of the property's highest and best use.

Valuation policies and procedures

CBIC has an established control framework with respect to the measurement of fair value. The Real Estate and Finance divisions of CBIC have the overall responsibility for overseeing all investment property fair value measurements, including level 3 fair value, and report directly to the CEO. Significant valuation issues are reported to the CBIC Board.

Fair value measurement hierarchy

Non-financial assets measured at fair value include investment properties and non-current assets held for sale.

Available for sale financial assets recognised in the prior 2015 reporting period were carried at fair value. The carrying amount of other

financial assets and liabilities reasonably equates to their fair value.

All assets of CBIC for which fair value is measured or disclosed in the financial statements are categorised within the following fair value hierarchy, based on the data and assumptions used in the most recent specific appraisals:

- Level 1 represents fair value measurements that reflect unadjusted quoted market prices in active markets for identical assets and liabilities;
- Level 2 represents fair value measurements that are substantially derived from inputs (other than quoted prices included within level 1) that are observable, either directly or indirectly; and
- Level 3 represents fair value measurements that are substantially derived from unobservable inputs.

Details of these assets measured under each category of the fair value hierarchy are set out in the tables below.

AS AT 30 JUNE 2016	LEVEL 1 (QUOTED PRICES)	LEVEL 2 (OBSERVABLE INPUTS)	LEVEL 3 (UNOBSERVABLE INPUTS)
Investment properties including lease incentives (Existing)	-	10,750,000	87,300,000
Investment properties (under construction)	-	3,250,000	15,819,846
Non-current assets held for sale*	-	-	40,285,000
Total	-	14,000,000	143,404,846

* Fair value reduced for anticipated disposal costs of \$500,000.

AS AT 30 JUNE 2015	LEVEL 1 (QUOTED PRICES)	LEVEL 2 (OBSERVABLE INPUTS)	LEVEL 3 (UNOBSERVABLE INPUTS)
Investment properties including lease incentives (Existing)	-	-	94,400,000
Investment properties (under construction)	-	9,828,567	7,686,913
Available for sale financial assets	14,391,298	-	-
Total	14,391,298	9,828,567	102,086,913

7. FAIR VALUE MEASUREMENT (continued)

Reconciliation of level 3 fair value measurements

The following table presents the movements reconciliation of CBIC's assets in Level 3 of its fair value measurements hierarchy:

AS AT 30 JUNE 2016	INVESTMENT PROPERTIES (EXISTING)	INVESTMENT PROPERTIES (UNDER CONSTRUCTION)	NON-CURRENT ASSETS HELD FOR SALE	TOTAL
Opening balance at 1 July	94,400,000	7,686,913	-	102,086,913
Transfers into level 3	-	5,878,567	-	5,878,567
Transfers out of level 3	(10,500,000)	-	-	(10,500,000)
Subsequent capitalised expenditure	289,530	-	-	289,530
Net lease incentive movement	6,362,563	-	-	6,362,563
Property being constructed for future use as investment property	-	24,810,178	-	24,810,178
Fair value gain/(loss) posted to income statement	9,893,914	4,583,181	-	14,477,095
Transfer of construction projects completed	27,138,993	(27,138,993)	-	-
Reclassification to non-current assets held for sale	(40,285,000)	-	40,285,000	-
Closing balance at 30 June	87,300,000	15,819,846	40,285,000	143,404,846

AS AT JUNE 2015	INVESTMENT PROPERTIES (EXISTING)	INVESTMENT PROPERTIES (UNDER CONSTRUCTION)	NON-CURRENT ASSETS HELD FOR SALE	TOTAL
Opening balance at 1 July	93,998,826	25,550	-	94,024,376
Direct acquisition of investment properties during the year	8,058,776	-	-	8,058,776
Subsequent capitalised expenditure	1,179,881	-	-	1,179,881
Net lease incentives	420,000	-	-	420,000
Land transferred from owner in exchange for issue of shares (refer Note 14(b))	-	1,000,000	-	1,000,000
Property being constructed for future use as investment property	-	3,616,277	-	3,616,277
Net gain from fair value adjustments to investment property	7,438,840	3,045,086	-	10,483,926
Property sold during the year	(16,696,323)	-	-	(16,696,323)
Closing balance at 30 June	94,400,000	7,686,913	-	102,086,913

7. FAIR VALUE MEASUREMENT (continued)

Classification of assets and liabilities into fair value hierarchy levels is reviewed annually and where there has been a significant change to the valuation inputs and a transfer is deemed to occur, this is effected at the beginning of the relevant reporting period.

Investment properties worth \$10.5 million at 1 July 2015 were transferred from level 3 to level 2 during 2016 due to changes in valuation techniques that resulted in valuations for these properties being completed using only observable market inputs (sales prices of comparable properties). Investment properties under construction totalling \$5.88 million at 1 July 2015 were transferred into level 3 from level 2 during 2016 due to the adoption of unobservable inputs (forecast property construction costs) to value investment property construction commencing in the current year.

Investment property and non-current assets held for sale – valuation techniques and inputs

Independent valuations were performed as at 30 June 2016 by qualified valuers from Taylor Byrne, JLL and Colliers International. The valuers from each of these entities are registered by the Valuers Registration Board

of Queensland. The assignment of individual valuers to individual investment properties is based on the valuer's expertise in the type of investment property concerned, as well as with recent sales of similar properties in the same geographical location.

The fair value of certain CBIC investment properties were determined using level 2 market approach valuation techniques. These valuation techniques use prices and other relevant information generated by market transactions involving identical or comparable assets. Market approach valuation techniques employed by the qualified valuers included the sales comparison technique where sales prices of comparable properties are analysed. The most significant inputs employed in this valuation technique are price per square metre of similar properties and land sites.

The fair value of remaining CBIC investment properties and non-current assets held for sale were determined using level 2 or 3 income approach valuation techniques. These valuation techniques convert future amounts (e.g. cash flows or income and expenses) to a single current (discounted) amount. This fair value measurement is determined on the basis of the value indicated by current market

expectations about those future amounts. Income approach valuation techniques employed included the income capitalisation approach and discounted cash flow approach. The income capitalisation approach is undertaken by applying a yield to net income. To the value derived, adjustments are made for any relevant rental revisions including letting up allowances for vacant space, incentives, leasing fees, capital expenditure and other appropriate capital allowances. The discounted cash flow approach involves the discounting of the net cash flow on a monthly basis over the assumed cash flow period at an appropriate rate to reflect risk to derive a market value. The net cash flow comprises the cash inflows less the cash outflows over the cash flow period, with the addition of the terminal value in the final cash flow period. Investment properties under construction (including land) have been valued assuming an 'On Completion' Fully Leased Gross Realisation value. From this 'On Completion' Gross Realisation value, costs associated with the development and construction of the property have been deducted to derive the adopted residual project fair value.

7. FAIR VALUE MEASUREMENT (continued)

The valuation techniques for investment properties and non-current assets held for sale identified as having level 3 inputs are detailed in the below table:

INPUT DESCRIPTION AND RANGE	INTER-RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE
INCOME CAPITALISATION APPROACH	
Net passing income	Increase (decrease) in the capitalisation rate would increase (decrease) the fair value
Yield capitalisation rate 5.5% - 8.25% (2015: 6.5% to 8.75%)	Increase (decrease) in the capitalisation rate would decrease (increase) the fair value
Capital expenditure, construction costs, and incentive payable allowances	Increase (decrease) in additional adjustment allowances would decrease (increase) the fair value
DISCOUNTED CASH FLOW TECHNIQUE	
Rental cash flow growth rates	Increase (decrease) in rental cash flow growth rates would increase (decrease) the fair value
Tenancy / lease occupancy rates	Increase (decrease) in tenancy / lease occupancy rates would increase (decrease) the fair value
Capital expenditure	Increase (decrease) in capital expenditure would decrease (increase) the fair value
Terminal value	Increase (decrease) in the terminal value would increase (decrease) the fair value
Discount rate 7% - 9.25% (2015: 7.75% to 9.5%)	Increase (decrease) in the terminal value would decrease (increase) the fair value

8. OTHER ASSETS

	2016 \$	2015 \$
Lease incentive	1,915,000	600,000
Accumulated amortisation for the year	(278,390)	(180,000)
Carrying Amount	1,636,610	420,000
Lease incentive opening balance at 1 July	420,000	1,314,616
Additions during the year	7,065,773	-
Accumulated amortisation for the year	(703,209)	(136,924)
Reclassification to assets available for sale	(5,145,954)	-
Disposals during the year	-	(757,692)
Carrying Amount	1,636,610	420,000

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.

9. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	2016 \$	2015 \$
Current		
Trade creditors and accrued expenses	4,548,156	1,663,770
GST, PAYG and Payroll Taxes	29,769	31,918
Accrued annual leave	23,627	50,307
	4,601,552	1,745,995
Non current		
Trade creditors and accrued expenses	137,500	-
	137,500	-

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:

2016	0-1 YEAR	1-5 YEAR	OVER 5 YEARS	TOTAL CONTRACTUAL CASH FLOWS
Financial Liabilities				
Accounts payables and accrued expenses	4,601,552	137,500	-	4,739,052
Rental liability	95,663	-	-	95,663
Total financial liabilities	4,697,215	137,500	-	4,834,715

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

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

10. OTHER CURRENT LIABILITIES

	2016 \$	2015 \$
Current		
Rental liability	95,663	257,872
	95,663	257,872
Non-Current		
Rental liability	-	18,273
	-	18,273

11. SHARE & OTHER CAPITAL

	2016 \$	2015 \$
140,901,651 Ordinary shares fully paid up to \$1 each	140,901,651	140,901,651
	140,901,651	140,901,651

12. CASH AND CASH EQUIVALENTS

RECONCILIATION OF CASH

Cash balance comprises:

	2016 \$	2015 \$
Cash at bank	63,231,523	16,620,261
Short-term investments	44,125,468	108,321,257
Cash and cash equivalents	107,356,991	124,941,518

CBIC's sensitivity to an expected 1% maximum fluctuation in interest rates if all other variables were held constant is \$1,073,570 (2015:\$1,249,414).

RECONCILIATION OF TOTAL COMPREHENSIVE INCOME TO THE NET CASH FLOWS FROM OPERATING ACTIVITIES

Total Comprehensive Income	18,943,205	27,732,993
Non-cash items		
Revaluation of available for sale financial assets	878,612	1,243,555
Provision for doubtful debts	520,772	-
Interest revenue	(198,323)	-
Fair value gain on investment property	(14,027,094)	(18,917,591)
Amortisation of lease incentive	703,209	136,924
Depreciation	10,655	8,181
Changes in operating assets and liabilities		
Decrease in receivables	259,675	(222,296)
Decrease in accounts payable and accrued expenses	2,113,575	(491,024)
Decrease in available for sale financial assets	12,991,914	91,386
(Increase) in investment property	(24,912,767)	3,459,738
(Increase) in other assets	(11,731,088)	894,616
	(33,390,860)	(13,796,511)
Net cash flows from operating activities	(14,447,655)	13,936,482

13. NON CURRENT ASSETS HELD FOR SALE

Assets held for sale comprise assets which CBIC has identified as available for immediate sale in their present condition, and are expected to be sold within the next twelve months. These assets are valued at the lower of their carrying amount and fair value less costs to sell. On the sale of these assets a gain or loss is recognised.

	2016 \$	2015 \$
Investment Property (Net of selling costs)	35,139,046	-
Net lease incentives	5,145,954	-
	40,285,000	-

14. RELATED PARTY TRANSACTIONS

(a) Key personnel

Directors

Edward J Marchant
(Chair: Appointed 16 November 2015)

Mark V Brodie
(Resigned 16 November 2015)

Craig G Spencer

Michael J S Knox

Jane A Edwards

Maria A Roach

Colin D Jensen

Neill D Ford

Neil E Castles
(Appointed 16 November 2015)

Paul J Vincent
(Resigned 16 November 2015)

Greg C Evans
(Alternate of Colin D Jensen)

Company Secretary

David M Askern

CEO

Mark E Mazurkiewicz
(Resigned 18 March 2016)

Kirsten Smith
(18 April 2016 to present)

During the financial year, Directors of the company and key management personnel have received or become entitled to receive Directors fees' and compensation totalling \$643,657 excluding payroll tax (2015: \$633,617).

David Askern and Colin Jensen did not receive any compensation during the financial year.

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

The company has recognised in the financial statements amounts for services supplied by BCC to the company. These include legal, accounting, internal audit services and recharge of expenses in the aggregate amount of \$2,896,732 (2015: \$138,566). These transactions were based on normal commercial terms and conditions. At balance date, total amount payable to BCC in relation to these services amounted to \$1,457,500 (2015: \$115,706).

On 20 May 2016, CBIC completed construction of the BCC Library and retail facility at 145 Florence Street, Wynnum. BCC has entered into a lease agreement with CBIC with respect to the Library for a period of 20 years at market rates. The company also leases office spaces and a shipyard facility to BCC with remaining lease term of 6 years to 49 years.

These transactions were based on normal market commercial terms and conditions as per the valuations completed by independent valuers. The total rental income earned during the year in relation to these leases amounted to \$6,342,047 (2015: \$5,772,691).

BCC 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 is \$5.7 million.

During the 2016 financial year, City of Brisbane Investment Corporation Pty Ltd, loaned \$8,947,133 to the BrisDev Trust. On consolidation, the loan was eliminated.

15. COMMITMENTS

15 (a) CAPITAL COMMITMENTS

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

	2016 \$	2015 \$
Not later than 1 year	18,337,421	29,975,066
Later than 1 year but not later than 5 years	9,880	8,039,667
Later than 5 years	-	-
Total capital commitments	18,347,301	38,014,733

Total capital commitments as at 30 June 2016 for CBIC is \$17,775,121. This amount relates to the construction contract for the north regional business centre and library at Chermside. The remainder of the capital commitments are in relation to BrisDev Trust's 52% interest in the Augustus St JV. The previous year capital commitments all related to CBIC, which included contracts entered into for the construction of the Wynnum retail precinct and BCC Library.

15 (b) OPERATING COMMITMENTS

Operating expenditure contracted for at balance date but not provided for in the financial statements relates entirely to CBIC and is payable as follows:

Not later than 1 year	731,667	279,662
Later than 1 year but not later than 5 years	1,068,272	29,088
Later than 5 years	-	-
Total operating commitments	1,799,939	308,750
Total commitments	20,147,240	38,323,483

16. 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:

	2016 \$	2015 \$
Not later than 1 year	10,939,317	8,062,948
Later than 1 year but not later than 5 years	45,964,528	29,340,784
Later than 5 years	131,054,387	94,370,934
	<u>187,958,232</u>	<u>131,774,665</u>

The company has entered into fourteen 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.

One of the investment properties earning rental income is currently listed for sale. Should this property sell soon after balance date, the future lease payments in this note will reduce by the amount of the remaining lease terms. Future lease payments relating to this building at balance date is approx. \$30million.

17. CONTINGENT LIABILITIES

As part of the development of the north regional business centre at Chermside, CBIC has provided a bank guarantee to Queensland Urban Utilities (QUU) 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. QUU is a related entity of CBIC and transactions with this entity are based on standard commercial terms and conditions.

18. SUBSEQUENT EVENTS

At the date of signing, the following non-adjusting events occurred subsequent to balance date:

(a) Dividend declaration

A dividend of \$20 million payable to BCC was declared on 26 July 2016. This amount was paid on 27 July 2016.

(b) Notes investment

On 1 July 2016, CBIC made an investment in a residential apartment project within Brisbane. This investment was undertaken by way of the acquisition of beneficial title to secured subordinated notes for an amount of \$10.15 million.

19. HEAD COMPANY FINANCIAL INFORMATION

The key financial information of the head company, City of Brisbane Investment Corporation Pty Ltd is detailed as follows:

ASSETS	2016	2015
	\$	\$
Current assets	157,857,382	126,630,402
Non current assets	117,119,976	126,504,394
Total assets	274,977,358	253,134,796
LIABILITIES	2016	2015
	\$	\$
Current liabilities	4,775,322	2,003,867
Non current liabilities	-	18,273
Total liabilities	4,775,322	2,022,140
SHAREHOLDER'S EQUITY	2016	2015
	\$	\$
Share capital	140,901,651	140,901,651
Other capital contribution	1,897,034	1,897,034
Fair value reserve	-	(4,356,617)
Retained profits	127,403,352	112,670,588
Total shareholder's equity	270,202,037	251,112,656
PROFIT OR LOSS AND COMPREHENSIVE INCOME	2016	2015
	\$	\$
Total Profit or loss	14,732,764	28,976,950
Total Comprehensive income	19,089,381	27,733,395

DD

Directors'
Declaration



DIRECTORS' DECLARATION

The Directors of the company declare that:

1. The consolidated financial statements and notes, as set out on pages 1 to 58:

- (a) comply with *Australian Accounting Standards*, the *Corporations Act 2001* and *Corporations Regulations 2001*; and
- (b) give a true and fair view of the consolidated financial position as at 30 June 2016 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.

A handwritten signature in dark ink, appearing to read "S. Marichant", written over a horizontal dotted line.

Chairman/Director
Brisbane, 15 August 2016

A handwritten signature in dark ink, appearing to read "M. Reilly", written over a horizontal dotted line.

Director
Brisbane, 16 August 2016



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 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including 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.

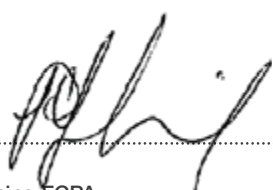
In conducting the audit, the independence requirements of the *Corporations Act 2001* have been complied with. I confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of City of Brisbane Investment Corporation Pty Ltd, would be in the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

Opinion

In my opinion –

(a) the financial report of City of Brisbane Investment Corporation Pty Ltd is in accordance with the *Corporations Act 2001*, including –

- i) giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and



P J Flemming FCPA
(as delegate of the Auditor-General of Queensland)



Queensland Audit Office
Brisbane

