



PHOTOGRAPH BY: Lenny K Photography

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FOREWORD

“CBIC’S DIVERSIFIED INVESTMENTS CONTINUE TO DELIVER STRONG RETURNS.”

Our city’s future fund, CBIC, has delivered another strong result in 2017 with a \$23.0 million profit as well as helping to build our local economy while creating new and innovative jobs. The Board’s strategy of focusing on diversified property investments has provided a return on equity of 8.5% for the 2017 year, above benchmark returns again for the eighth consecutive year.

CBIC added to its investment portfolio with the completion of the award winning North Regional Business Centre and Library in Chermside. 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.

Council staff now have modern facilities from which they 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 2017.

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

01

Chairman's Report



Ted Marchant | Chairman

**“CBIC DELIVERED
ANOTHER RECORD \$20
MILLION DIVIDEND IN 2017.”**

C BIC diversified its investment strategy in 2017, investing in the residential property sector as well as riding the commercial property market. Despite the diversified investment strategy, significant cash reserves have been maintained in order to select opportunities that will contribute to CBIC's long term financial performance. This strategy has resulted in another outstanding year that delivered a \$23 million profit.

Returns generated in 2017 increased CBIC's net assets to \$273 million, and exceeded the long-term investment benchmark for the eighth 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 \$273 million. CBIC has undertaken more than a dozen property projects, and continues to exclusively invest in the property market, having exited the equity markets over the past years.

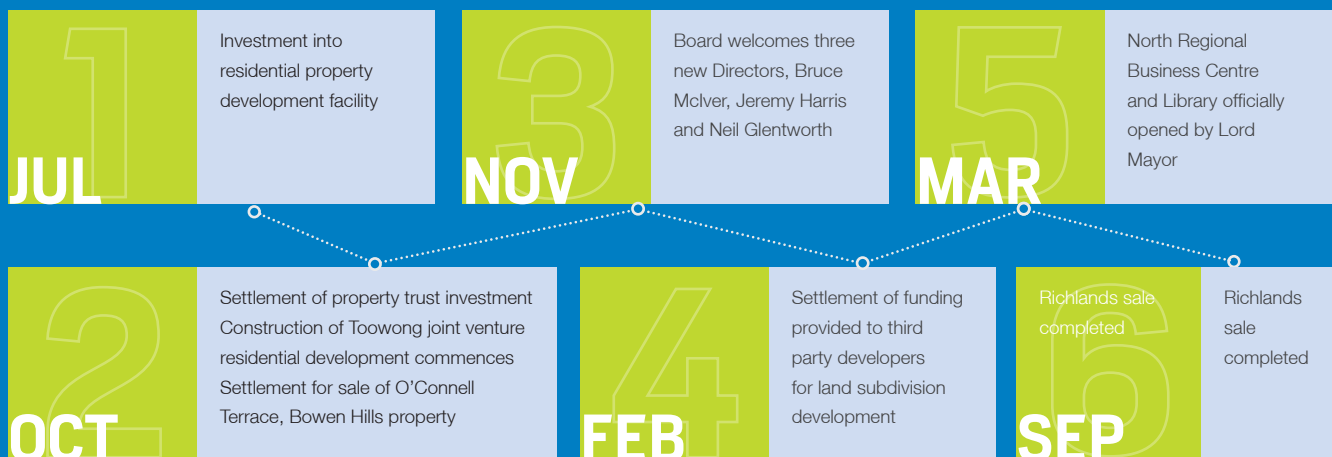
Since inception, the company has paid \$90 million in dividends to Brisbane City Council (Council) in addition to the doubling of net assets.

The combination of this asset growth and dividend payments to Council (\$70 million to end of the 2017 financial year) represents a 154% increase in value since 2008.

The North Regional Business Centre, incorporating the Chermside Library, was completed during the year and has enhanced this growth suburb as well as provided Council with modern facilities that will service the local community.

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



Financial highlights

The performance of the CBIC property portfolio in 2017 was again a highlight, achieving a solid return of 11.3%, again outperforming the long-term (5 year average) Mercer/IPD Australian Monthly Property Fund Index - Core Wholesale benchmark.

CBIC's strategic focus on constructing sites to hold long term, combined with a focus on cost control 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 returns of 2.49% outperforming the cash benchmark of 1.82%.

The Board has continued its focus on investing in the property sector, where the business continues to outperform, by diversifying into the residential property sector. The rising development market in conjunction with the contracting availability of development finance created opportunities for CBIC to partner with experienced developers in both joint venture and funding transactions.

The Board further diversified its property interests during the year by investing in property trusts with experienced operators that allowed CBIC to leverage and benefit from the operators' sector specific skills and experience.

At 30 June 2017, CBIC's \$273.0 million in net assets comprised \$104.0 million in cash, \$154.5 million in property and \$23.6 million in receivables, with liabilities of (\$9.1) million.

Looking forward

In past years, CBIC has leveraged its relationship with its sole shareholder, Brisbane City Council through acquisition of surplus sites and generating capital value from Council accommodation requirements. As a result, CBIC has outperformed the market however the prospects to replicate



this methodology in the future are more limited.

Despite soft tenant demand, the commercial property market has experienced unprecedented capital market activity over the past 12 months for long WALE and secure income assets. New commercial property development opportunities have therefore been limited although there are a number of tenants currently in the market that may provide investment opportunities for CBIC.

The Board is closely monitoring the capital markets with potential for downward market movements to negatively impact the existing CBIC property portfolio. In light of this, the Board have diversified CBIC's investment strategy to preserve our ability to meet return expectations into the future, with less reliance on fair value gains.

Driven by a combination of market conditions creating opportunity as well as strategically moving towards a more diversified investment portfolio, CBIC will continue to make direct investments that are wholly owned as well as manage the secure and stable income stream that underpins the financial longevity of the organisation.

The Board is also strategically managing its geographic portfolio risk by making investments outside of Brisbane as well as managing its sector risk by partnering with

experienced operators in various specialised sectors.

Going forward, a greater number of investments are likely to be delivered in partnership with other property participants. This will enable CBIC to benefit from an extended and diversified platform in terms of expertise, resourcing and delivery capability, through co-investing and partnering within the property industry.

Our balance sheet is well placed, with substantial cash holdings and zero debt, to respond to investment opportunities as they arise.

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 Kirsty Smith and incoming CEO Gary Coleman as well as the CBIC team for their continued dedication having achieved another very successful result in the 2017 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.

Ted Marchant
Chairman

02

Operational Report

2017 DELIVERS EIGHTH CONSECUTIVE ABOVE BENCHMARK RETURN. CBIC's commitment to delivering dividends to the City of Brisbane continues to be underpinned by strong investment performance.

With the Australian investment market mirroring the international low interest rate and low economic growth trend, the Australian commercial property market has experienced unprecedented demand from yield chasing offshore investors who are

contributing to significant yield compression in all property sectors.

As such, capital markets across Australia are currently very strong, as evidenced by Brisbane being increasingly targeted as a preferred investment destination.

CBIC has continued to provide above benchmark returns to Council, through diversified income streams that are becoming less reliant on fair value capital gains, with another strong result in the 2017 year, recording a 8.5% return on equity.

2017 Major highlights

North Regional Business Centre and Library completed

Sale of Bowen Hills property

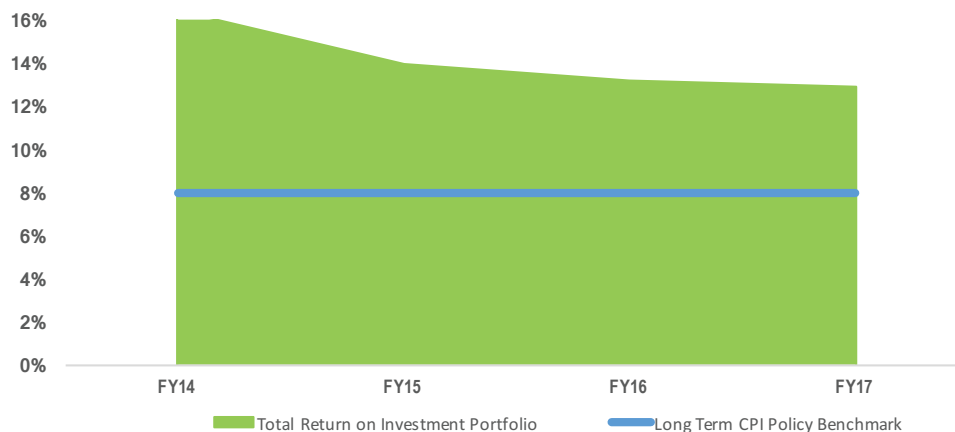
Funding of third party development

Investment into residential property development facility

Augustus Residences site at Toowong commences construction

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

LONG TERM PORTFOLIO TOTAL RETURNS



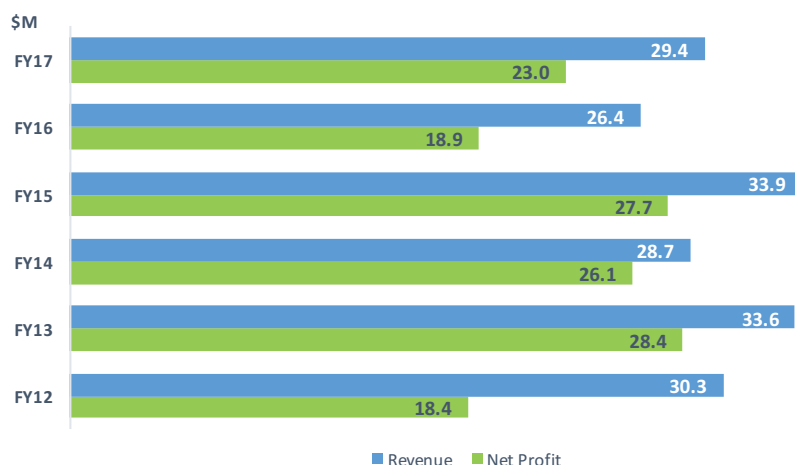
Revenue and profits

The 2017 revenue and profit numbers further highlight the sustainable and profitable nature of CBIC over an extended period. CBIC has also positioned itself for strong future income growth 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.

CBIC added the North Regional Business Centre into its long-term investment property portfolio upon its completion during the year, further bolstering the strong recurring income stream.

CBIC recorded a net comprehensive income of \$23.0 million and a return on equity of 8.5% for the year ended 30 June 2017. This resulted from \$29.4 million in revenue and \$6.4 million in expenses.

REVENUE AND NET PROFIT 2012 -2017



Continued solid results for CBIC



Key drivers underlying the net profit were:

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.

Sale of asset monetising fair value gains

Increased interest revenue from cash management strategies and development funding

OPERATING RESULTS

Revenue \$29.4m	Net profit \$23.0m
Expenses \$6.4m	Return 8.5%

Review of results

As can be seen in the financial summary, CBIC has achieved strong recurring rental income growth (33%) 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 commencement and completion of construction on the North Regional Business Centre increased the property values with the Bowen Hills sale decreasing the overall property holdings by 5% in the 2017 year.

The CBIC management team has continued the strong focus on cash flow management to maximise returns in the 2017 year, whilst meeting CBIC's financial obligations for ongoing operations, new investments and future expenditure for new developments.

CBIC's cash and receivable assets as at 30 June 2017 were \$127.6 million (2016: \$112.1 million).

As at 30 June 2017, approximately 37% of CBIC's assets were held as cash, with the property portfolio at 55% (2016: 59%). Receivables include joint venture and third party developer loans.

CBIC's comprehensive income for the financial year

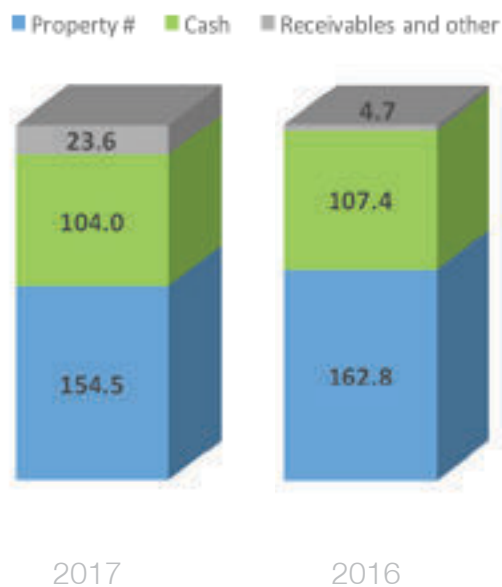
Income	2017 \$'000	2016 \$'000
Rental income	11,008	8,274
Interest	5,250	3,535
Distribution income	352	264
Fair value gains on property assets	8,629	14,027
Gain on sale of investments	3,896	0
Other income	260	174
Total income	29,395	26,274
Expenses		
General and administration expenses	1,665	1,914
Remuneration costs	1,423	1,136
Building expenditure	2,804	3,402
Loss on disposal of financial asset	0	5,235
Total expenses	5,892	11,687
Fair value gain/(loss) on equity investments (unrealised)	(540)	(879)
Decrecognition of available for sale financial asset	0	5,235
Total comprehensive income	22,963	18,943

Source: CBIC Audited Profit and Loss Statement for the year ended 30 June 2017



“AVERAGE CASH FUND RETURNS FOR THE YEAR WERE 2.49%, OUTPERFORMING THE BLOOMBERG AUSBOND BANK BILL INDEX OF 1.82%”

CBIC ASSET MIX 2016 – 2017

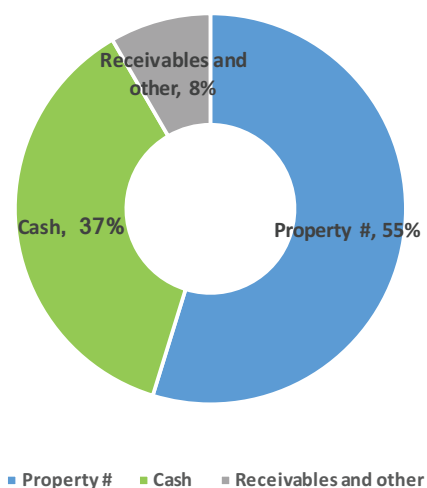


2017 Asset breakdown

As outlined in the table below, Net Assets have increased from \$270.1 million to \$273.0 million, being an increase of 1.1% over the previous year.

	2017 \$M	2016 \$M	Increase/ (decrease) \$M
Property#	154.5	162.8	(8.3)
Cash	104.0	107.4	(3.4)
Receivables and other	23.6	4.7	18.9
Total assets	282.1	274.9	7.2
Total liabilities	(9.1)	(4.8)	(4.3)
Total net assets	273.0	270.1	2.9

#Includes inventory

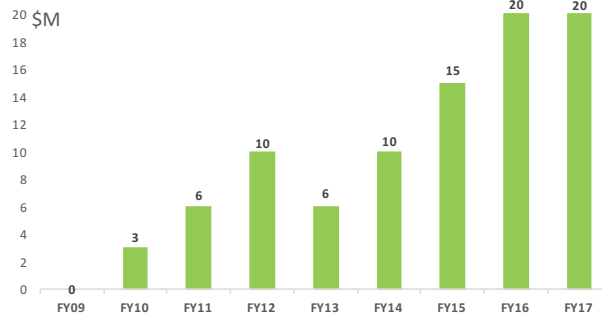


Dividend payments

Since the inception of CBIC in mid-2008 through to end of the 2017 financial year, an amount of \$70.0 million in dividends has been paid to Council

A further dividend of \$20 million was paid in July 2017 in respect of the 2016/17 year, following the completion of the annual financial statements.

DIVIDENDS DECLARED FY10 - FY17



TOTAL DIVIDENDS PAID \$90M

Operating Results

REVENUE
\$29.4M

EXPENSES
\$6.4M

NET PROFIT
\$23M

RETURN
8.5%

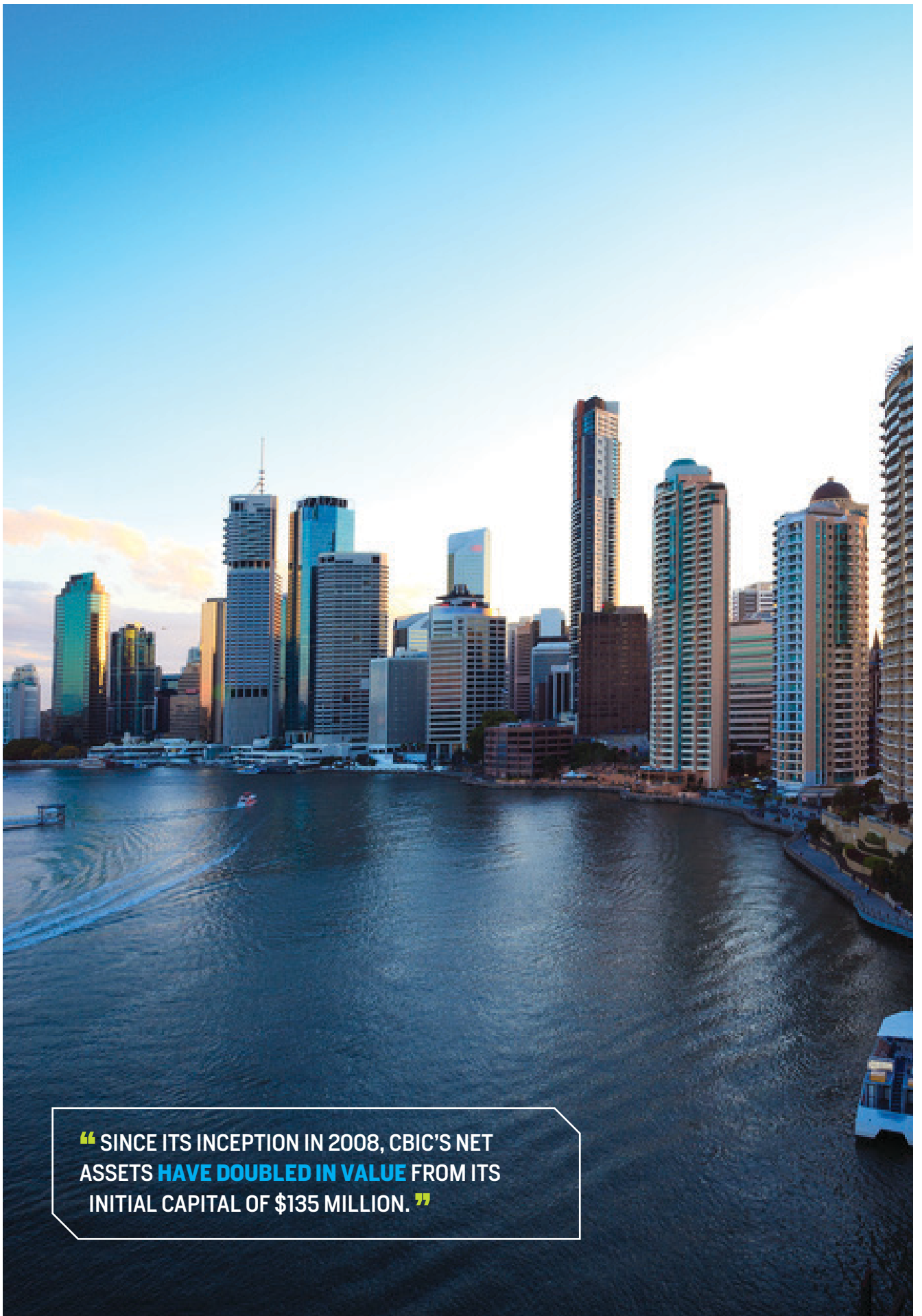
Net Assets

The 2017 year provided an increase of \$3 million in net assets, representing a 1.1% growth over the 12 month period. 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.

NET ASSET GROWTH 2009 – 2017



CBIC NET ASSETS HAVE DOUBLED SINCE INCEPTION



“ SINCE ITS INCEPTION IN 2008, CBIC’S NET ASSETS **HAVE DOUBLED IN VALUE** FROM ITS INITIAL CAPITAL OF \$135 MILLION. ”

03

Property Summary

STRONG PROPERTY PORTFOLIO RETURN UNDERPINS CBIC'S NET ASSET GROWTH

Strong contributions to the property portfolio return include:

Gain on sale of 41 O'Connell Terrace, Bowen Hills as well providing substantial cash inflow.

Continued recurring income stream provided by rental income across the portfolio.

Completion of North Regional Business Centre and Library delivering a substantial rise in value.

Solid weighted average lease expiry profile (WALE).

Full year of rental income from the Wynnum property after completing construction in 2016.

CBIC's property portfolio has performed well in an environment where tenant demand conditions remain challenging within the Brisbane office market.

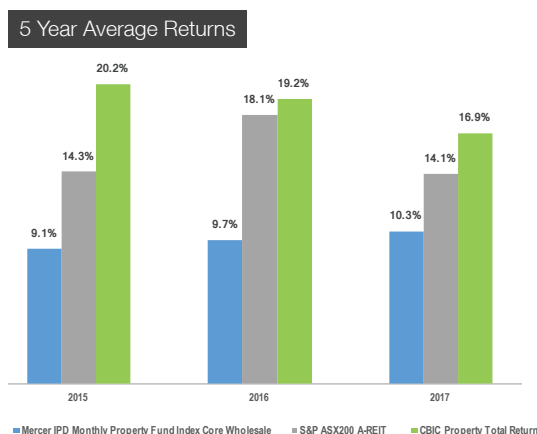
Significant milestones achieved by CBIC include the completion of construction of the North Regional Business Centre and Library at Chermside that delivered a substantial rise in value, and the sale of 41 O'Connell Terrace Bowen Hills.

CBIC's property portfolio decreased to \$154.5 million from \$162.8 million in 2016, representing a 5% decrease after the disposal of the Bowen Hills property, offset by valuation gains, the acquisition and construction commencement of the Toowong project and

rise in value upon completion of the North Regional Business Centre and Library.

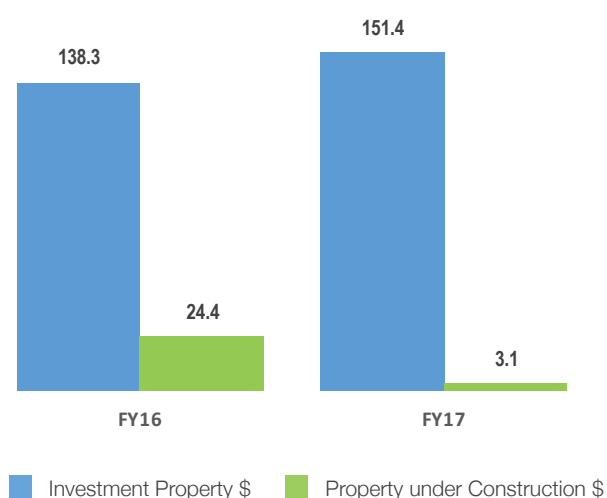
The 2017 year was one of steady growth for CBIC with continued fair value growth across the existing property portfolio. The total annualised return on CBIC's property portfolio for the 2017 year was 11.3% compared to

13.5% in 2016, with a lesser contribution to return from fair value gains than in previous years. Performance of the property portfolio was slightly under the IPD benchmark of 12.0% for the year with CBIC returns outperforming the benchmark over the 5-year period.



Key Metrics	FY16	FY17
Portfolio value (\$M)	162.8	154.5
Total Properties	9	8
Net lettable area (m ²)	35,866	35,225
Occupancy by area (%)	99%	100%
WALE (income) (years)	11.51	12.81
Income Yield (%)	4.6%	5.7%
Annualised Return (%)	13.5%	11.3%

PROPERTY ASSETS



TOTAL PROPERTY RETURN
11.3%

WALE (INCOME)
12.81

OCCUPANCY
100%

Existing investment property

CBIC completed its development of the North Regional Business Centre 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.

CBIC acquired units in trusts that own self storage assets in Victoria and Western Australia. These assets are managed by an experienced third party with sector specific experience and an established track record of investing in, and enhancing, high quality self storage facilities.

Development projects in delivery phase

As at 30 June 2017, CBIC had one project in development phase that is intended to be divested upon completion.

Construction of 90 units at 24-26 Augustus Street, Toowong commenced in October 2016, with completion targeted for March 2018. Funding for the project was secured during the year from BankWest.

Funding

In response to a requirement for further diversification within the portfolio, CBIC provided senior and mezzanine funding to a landmark residential development located in Fortitude Valley and a residential land subdivision located at Ormeau.



NORTH REGIONAL BUSINESS CENTRE AND LIBRARY, CHERMSIDE

PROPERTY SUMMARY

Total area (NLA)	6,671m ²
Valuation	\$37.5M
Valuation date	30 June 2017

DATE COMPLETED: MARCH 2017

North Regional Business Centre and Chermside Library offers the community a newly upgraded and vibrant library. By bringing these community services together within the one purpose-built community precinct, the development has made it more convenient for the community to access local government services and information.

Boasting 3,000m², Chermside Library is 50% larger than the previous library, and significantly improves presentation and display of the library's 80,000 items. The May 2017 customer satisfaction survey results reflect extremely high library satisfaction with 97% of respondents satisfied with the new Chermside Library.

In July 2017, the development won a construction award for Community Service Facilities at the 2017 Master Builders Housing & Construction Awards (Brisbane).



145 FLORENCE STREET, WYNNUM

PROPERTY SUMMARY

Total area (NLA)	5,689m ²
Valuation	\$30.0M
Valuation date	30 June 2017

DATE COMPLETED: MAY 2016

CBIC's Wynnum Mixed Use Development has created an important community asset, delivering much-needed local retail space and a brand new public library. Located on the former Wynnum State School site, the development sits at the heart of Wynnum's retail precinct. It is less than 300 metres from Wynnum Central Train Station and surrounded by residential areas.

The Wynnum Library has proven to be a significant attractor of foot traffic with a 57 percent increase in customer visitation since opening, and the Wynnum Woolworths has been one of that company's strongest new performers.

This investment, which is 99% leased to Council and Woolworths, will provide CBIC with a secure income stream.

The Wynnum Mixed Use Development won a construction award for Retail Facilities at the 2017 Master Builders Housing & Construction Awards (Brisbane) and is a finalist in the PCA 2017 Queensland Retail Property of the Year Awards.



225 PROGRESS ROAD, RICHLANDS

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

The site was sold for \$3 million in September 2017.



37 AND 41 O'CONNELL TERRACE, BOWEN HILLS

On 31 October 2016, CBIC settled the sale of 37 and 41 O'Connell Terrace, Bowen Hills for \$52 million (at a 6.38% capitalisation rate). The property was purchased by real estate advisory firm VennCap on behalf of a private investor.

41 O'Connell Terrace was a state-of-the-art commercial office asset constructed in 2013 by leading contractors Hutchinson Builders. The building comprised 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.

When sold, just under 60 per cent of the net lettable area of the building was occupied by the Queensland State Government (Health Services Queensland) and 30 per cent was occupied by the Brisbane City Council (Legacy Way Tunnel Control Centre).

The 51 bay public car park at 37 O'Connell Terrace, Bowen Hills also formed part of the sale.



SOUTH REGIONAL BUSINESS CENTRE, YEERONGPILLY

PROPERTY SUMMARY

Total area (NLA)	4,198m ²
Occupancy	100%
Valuation	\$26.5M
Valuation date	30 June 2017
WALE (income)	10 years
Income return	7.86%

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.

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 2017 the WALE based on income for SRBC is 10 years and the net income return on the property, based on the current fair value, is 7.86%.



25 GREEN SQUARE CLOSE, FORTITUDE VALLEY

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 2,431m² in area. The site is leased back by Brisbane City Council until December 2018.

CBIC is currently investigating new opportunities for the site, which will be repurposed once Brisbane City Council vacate.

PROPERTY SUMMARY

Total area (NLA)	2,431m ²
Occupancy	100%
Valuation	\$10.75M
Valuation date	30 June 2017
WALE (income)	1.48

DATE ACQUIRED: JUNE 2015



RIVERGATE SHIPYARD, MURARRIE

PROPERTY SUMMARY

Total area (NLA)	11,197m ²
Occupancy	100%
Valuation	\$21.5M
Valuation date	30 June 2017
WALE (income)	16.97 years
Income return	7.09%

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 2017 the WALE (income) for the Rivergate property is 16.7 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 7.09% as at 30 June 2017.



16 INDUSTRIAL AVENUE, WACOL

Potential to expand operations or further development

PROPERTY SUMMARY

Total area (NLA)	5,039m ²
Occupancy	100%
Valuation	\$9.95M
Valuation date	30 June 2017
WALE (income)	2.5 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 5,039m², 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 2017 the WALE (income) for Wacol is approximately 2.5 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:

Preservation of capital.

Financial sustainability through strategic
planning and diversification of portfolio
allocations.

Robust investment analysis ensuring
appropriate risk and return proposition.

Balancing income and capital returns to
meet strategic objectives.

Managing risk at the corporate, portfolio
and transactional levels.

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 in accordance with their respective charters.

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

the long term 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 portfolio 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 Mercer/IPD Australian Monthly Property Fund Index – Core Wholesale
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.

Same in 2017

1. Ted Marchant
2. Neil Castles
3. Maria Roach

4. Neill Ford
5. Colin Jensen

6. David Askern –
Company Secretary

New in 2017

1. Bruce McIver
2. Jerry Harris
3. Neil Glentworth

4. Bill Lyon – *Alternate
Director for Colin
Jensen*

5. Gary Coleman -
CEO



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.

**Neill Ford****DIRECTOR**

Neill was the Managing Director of Yellow Cabs (Qld) Pty Ltd, until he sold the business in August 2017. Yellow cabs operates a fleet of 1200 taxis and Courier vans in South East Queensland, Rockhampton Bundaberg and Yeppoon As Chair of Taxis Australia, Neill represents 10,000 taxis across Australia.

Neill is a member of the Lord Mayor's Business Round Table and is also a Fellow of the Australian Institute of Company Directors (AICD) and the Australian Institute of Management.

**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).

**Bruce McIver****DIRECTOR**

Bruce is also non-executive Director of Australia Posts & Rail Technology Group. Bruce is the Chairman of the McIver Group of Companies and has served on a number of Boards with property holdings, both in Queensland and Interstate.

Bruce currently holds a number of positions with the Logistics & Transport Industry, and is also a Fellow of the Australian Institute of Company Directors.

Bruce was appointed as a CBIC Director on 1 November 2016.



Jerry Harris

DIRECTOR

Jerry Harris is a professional non-executive director, and is also a member of the advisory boards of the Sarina Russo Group, Redlands Economic Development and Habitat for Humanity.

Jerry enjoyed a lifetime executive career with News Corporation of which ten years were spent in Brisbane as Chief Executive Officer of Queensland Newspapers, before being appointed to a national role as Managing Director, Group Newspapers and Digital Products.

He was a member of the News Limited board for over 20 years.

Jerry is graduate of the Australian Institute of Company Directors.

Jerry was appointed as a CBIC Director on 1 November 2016.



Neil Glentworth

DIRECTOR

Neil founded Glentworth in 2006, growing the business from his kitchen table into a respected national professional services company. Neil is now

the Executive Chairman of Glentworth, working with clients each day to solve the most complex of business problems through data and information.

Neil was appointed as a CBIC Director on 1 November 2016 and resigned his position on 14 August 2017.



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.

Michael has resigned his position as CBIC Director as of 1 November 2016.



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.

Jane has resigned her position as CBIC Director as of 1 November 2016.



Bill Lyon

ALT. DIRECTOR FOR COLIN JENSEN

Bill is currently the Divisional Manager Organisational Services for Brisbane City Council, having joined in May 2017.

Bill holds a Bachelor of Business (International Business and Marketing), an Associate

Diploma in Electrical Engineering (Telecommunications) and is a Graduate of Australian Institute of Company Directors (AICD).

Bill's previous roles include CEO Redland City Council and

Executive General Manager roles with Energex and Telstra.

Bill was appointed as Alternate Director for Colin Jensen on 22 May 2017.



Greg Evans

ALT. DIRECTOR FOR COLIN JENSEN

Greg was 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.

Greg has resigned his position as Alternate CBIC Director as of 3 March 2017.



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.



Gary Coleman

CHIEF EXECUTIVE OFFICER

Gary has more than 19 years' experience in property, investment and consulting. He was responsible for administering QIC's \$10 billion property portfolio and leading investment strategy for Lasalle Investment Management Australia. He has provided strategic leadership and advice to funds and portfolio

managers, government and major corporates.

In his most recent role Gary provided strategic advice to the Retail Employees Superannuation Trust, with a focus on their \$4 billion real estate platform comprising investments in wholesale funds, club and direct investments across the office,

retail, student accommodation and multifamily housing sectors.

He has extensive experience in investment strategy, property portfolio management, governance and due diligence.

Gary was appointed as CBIC's new CEO on 1 August 2017.



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.

Kirsty resigned her position as CBIC CEO as of 14 April 2017.

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

Set the long term investment strategy for CBIC. 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 2017 are tallied below along with the number of meetings attended by each Director.

Director	Investment Review		Finance & Audit		Business & protocol		Board Meetings	
	A	H	A	H	A	H	A	H
Bruce McIver	4	4	4	4	*	*	8	8
Colin Jensen	*	*	*	*	*	*	9	12
Craig Spencer	*	*	*	*	*	*	0	3
David Askern	*	*	3	6	3	5	10	12
Greg Evans	*	*	*	*	3	3	*	*
Jane Edwards	*	*	*	*	2	2	4	4
Jerry Harris	*	*	*	*	2	2	8	8
Maria Roach	*	*	7	7	5	5	12	12
Michael Knox	3	3	*	*	*	*	4	4
Neil Castles	6	7	7	7	*	*	11	12
Neill Ford	6	7	*	*	*	*	12	12
Neil Glentworth	4	4	*	*	*	*	7	8
Ted Marchant	7	7	*	*	*	*	12	12

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 2017

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certified statements



Directors' Report

CITY OF BRISBANE INVESTMENT CORPORATION PTY LTD (CONSOLIDATED)
ACN 066 022 455

FINANCIAL STATEMENTS AND DIRECTORS REPORT
FOR THE YEAR ENDED 30 JUNE 2017

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

THE DIRECTORS PRESENT THEIR REPORT TOGETHER WITH THE FINANCIAL REPORT OF THE COMPANY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017.

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

Jane A **Edwards**
Appointed 2 June 2008,
resigned 01 November 2016

Neill D **Ford**
Appointed 10 September 2012

Colin D **Jensen**
Appointed 20 September 2010

Michael J S **Knox**
Appointed 2 June 2008,
resigned 01 November 2016

Maria A **Roach**
Appointed 2 June 2008

Craig G **Spencer**
Appointed 2 June 2008,
resigned 15 September 2016

Neil E **Castles**
Appointed 16 November 2015

Greg C **Evans**
(Alternate of Colin D **Jensen**)
Appointed 20 September 2010,
resigned 3 March 2017

Bruce **McIver**
Appointed 01 November 2016

Jeremy **Harris**
Appointed 01 November 2016

Neil **Glentworth**
Appointed 01 November 2016

Principal Activities

The principal activities of the company during the financial year included property investment, property development, acquisition and disposal activities, investment in property trusts, providing finance facilities to third parties and undertaking short term deposits.

Operating Activities

The result of the company for the financial year ended 30 June 2017 was a total comprehensive income of \$22,963,336.

Review of Operations

The main sources of revenue were interest revenue from cash held on deposit, fair value gains from its investment properties, interest revenue from third party finance facilities and rent generated from the company's investment properties.

During the year, CBIC completed construction of the new BCC North Regional Business Centre and Library at Chermside.

CBIC owns a property at Richlands that is under an unconditional contract for sale, with settlement expected to occur in late September 2017, and therefore has been reclassified as a non-current asset held for sale under current assets.

Events after balance date

In July 2016, CBIC declared and paid a dividend to BCC amounting to \$20.0 million with respect to the 2016 financial year. CBIC declared a further dividend of \$20.0 million on 25 July 2017 for the 2017 financial year.

At the date of signing, there have been no other 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 \$314,942.

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)	12	12
Jane A Edwards	4	4
Neill D Ford	12	12
Colin D Jensen	9	12
Michael J S Knox	4	4
Maria A Roach	12	12
Craig G Spencer #	0	3
Neil E Castles	11	12
Bruce Mclver	8	8
Jeremy Harris	8	8
Neil Glentworth	7	8

A - Number of meetings attended

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

Leave of absence granted

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration is set out on page 35 of the Annual Report.

Signed in accordance with a resolution of the Directors.



Edward Marchant

Director

Brisbane, 25 July 2017



Neil Castles

Director

Brisbane, 25 July 2017

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 2017, 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;
- 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 2017

	NOTE	2017 \$	2016 \$
Income			
Revenue			
Rental income	2(a)	11,007,805	8,273,656
Interest		5,250,403	3,534,974
Distribution income		351,700	263,544
Other income		259,663	174,248
		<u>16,869,571</u>	<u>12,246,422</u>
Other income			
Gain on sale of investment property	2(b)	3,896,145	-
Fair value gain on investment property		8,629,271	14,027,094
		<u>12,525,416</u>	<u>14,027,094</u>
Total income		<u>29,394,987</u>	<u>26,273,516</u>
Expenses			
Employee costs	3(a)	1,107,930	810,264
Directors' fees	3(b)	314,942	325,341
Building expenditure		2,803,924	3,402,246
Other expenses	3(c)	1,665,151	1,913,848
Loss on disposal of financial asset		-	5,235,229
		<u>5,891,947</u>	<u>11,686,928</u>
Net profit for the period attributable to members of the company		<u>23,503,040</u>	<u>14,586,588</u>
Other comprehensive income (expense)			
Net unrealised fair value gain (loss) on available for sale financial assets arising during the year		(539,704)	(878,612)
Derecognition of available for sale financial asset		-	5,235,229
Total comprehensive income attributable to members of the company		22,963,336	18,943,205

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

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Statement of Financial Position



CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	NOTE	2017 \$	2016 \$
CURRENT ASSETS			
Cash and cash equivalents	12	104,048,701	107,356,991
Receivables	4	23,573,777	1,424,620
Inventory	5	9,787,106	5,368,522
Non current assets held for sale	13	2,950,000	40,285,000
Total Current Assets		140,359,584	154,435,133
NON CURRENT ASSETS			
Receivables	4	-	3,335,195
Investment property	6	136,416,594	117,119,846
Investment in property trusts	8	5,301,000	-
Total Non-Current Assets		141,717,594	120,455,041
Total Assets		282,077,178	274,890,174
CURRENT LIABILITIES			
Accounts payable and accrued expenses	9	1,710,792	4,601,552
Joint operation development loan	10	1,045,224	-
Rental liability	10	1,323,211	95,663
Total Current Liabilities		4,079,227	4,697,215
NON CURRENT LIABILITIES			
Accounts payable and accrued expenses	9	137,500	137,500
Rental Liability	10	4,841,656	-
Total Non Current Liabilities		4,979,156	137,500
Total Liabilities		9,058,383	4,834,715
Net Assets		273,018,795	270,055,459
SHAREHOLDER'S EQUITY			
Share capital	11	140,901,651	140,901,651
Other capital contribution		1,897,034	1,897,034
Fair value reserve		(539,704)	-
Retained profits		130,759,814	127,256,774
Total Shareholder's Equity		273,018,795	270,055,459

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

2017	TOTAL	SHARE CAPITAL NOTE 11	OTHER CAPITAL CONTRIBUTION	FAIR VALUE RESERVES	RETAINED PROFITS
	\$	\$	\$	\$	\$
Balance at beginning of year	270,055,459	140,901,651	1,897,034	-	127,256,774
Net profit	23,503,040	-	-	-	23,503,040
Other comprehensive income (expense)	(539,704)	-	-	(539,704)	-
Reclassification/ (Transfers)	-	-	-	-	-
Issue of Share Capital	-	-	-	-	-
Distribution to shareholder - Brisbane City Council	(20,000,000)	-	-	-	(20,000,000)
Balance at end of the year	273,018,795	140,901,651	1,897,034	(539,704)	130,759,814

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	-
Balance at end of the year	270,055,459	140,901,651	1,897,034	-	127,256,774

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

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Statement of Cash Flows



CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	2017 \$	2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		10,372,306	9,194,926
Payments to suppliers and employees		(9,305,212)	(5,211,599)
Distributions received		351,700	467,244
Interest received		2,583,203	3,524,881
Sale proceeds from available for sale financial assets		-	12,991,914
Net sale proceeds from available for sale assets		51,164,599	-
Rental liability payment		(914,249)	-
Payment for property trust		(5,840,704)	-
Additions to inventory		(3,444,910)	(5,300,007)
Additions to investment property		(12,831,691)	(25,224,033)
Payment for lease incentive		(1,000,000)	(4,890,981)
Net Cash Flows Provided from (used in) Operating Activities	12	31,135,042	(14,447,655)
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans		(15,488,557)	(3,136,872)
Net Cash Flows provided from (used in) Investing Activities		(15,488,557)	(3,136,872)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan joint operation proceeds		1,045,224	-
Dividends paid	18(a)	(20,000,000)	-
Net Cash Flows provided from (used in) Financing Activities		(18,954,776)	-
NET INCREASE / (DECREASE) IN CASH HELD		(3,308,291)	(17,584,527)
Cash at the beginning of the year		107,356,991	124,941,518
CASH AT THE END OF THE YEAR	12	104,048,700	107,356,991

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 2017

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 Pty Ltd 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 the 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 for profit entity and the financial statements are prepared on a for-profit basis.

(b) 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:

- 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.

(c) 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 as a consequence of the new 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.

- ii) Leases (AASB 16)

AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

AASB 16 requires enhanced disclosures for both lessees and lessors to improve information disclosed about an entity's exposure to leases and is applicable to annual reporting periods beginning on or after 1 January 2019, with early application permitted, for both for-profit and not-for-profit entities.

CBIC holds minimal small value leases of this kind and therefore the standard is not anticipated to materially impact CBIC in terms of expenditure.

CBIC revenue could potentially be impacted by tenants seeking shorter term lease profiles as a result of the new accounting standard.

1.STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(d) 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 (Dormant - 100% owned by CBIC);
- BrisDev Trust (100% owned by CBIC);
- CBIC Investment Pty Ltd (100% owned by CBIC); and
- CBIC Valley Heart Pty Ltd (Dormant - 100% owned by CBIC).

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

(e) 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.

Finance income, including fees and fixed fee remuneration, and interest expense are recognised using the effective interest method. Where facilities are accounted for using the effective interest method, they are classified as Loans and Receivables.

Where the income is calculated as a share of the profit, these facilities are classified as available-for-sale financial assets and the changes in the fair value are recognised in other comprehensive income.

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

(f) Expenditure

Direct labour and materials expenditure incurred in the acquisition or construction of assets are treated as capital expenditure. Assets under construction 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.

(g) 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 building 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 an Investment property are reported within revenue and other expenses respectively and recognised as described in (e) and (f) 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.

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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(h) 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.

(i) 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)
Investment in property trusts (Note 8)

Financial Liabilities

Accounts payable and accrued expenses (Note 9)
Rental liabilities (Note 10)
Joint operation development loan (Note 10)

(j) Cash and cash equivalents

Cash and cash equivalents includes 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 change in value, and bank overdrafts. Cash holdings are continually monitored so as to maximise current market rates in line with the investment policy of CBIC.

The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate and credit risk and investing excess liquidity.

(k) 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.

(l) 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.

(m) 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.

CBIC owns a property at Richlands that is under an unconditional contract for sale, with settlement expected to occur in late September 2017, and therefore has been reclassified as a non-current asset held for sale under current assets.

(n) 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.

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

1.STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) 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 accrued 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.

(q) 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.

(r) 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.

(s) 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.

(t) Joint Operation

The BrisDev Trust holds a 52% interest in an unincorporated joint venture, Augustus Developments Joint Venture, 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 proportional interest in the joint operation assets, liabilities, revenue and expenses.

(u) 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.

(v) Comparatives

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

2. REVENUE AND OTHER INCOME

	2017 \$	2016 \$
(a) Rental income		
Rental income		
Gross rent	11,121,798	8,976,865
Less – amortisation of lease incentive	(113,993)	(703,209)
	<u>11,007,805</u>	<u>8,273,656</u>
(b) Gain on sale of investment property		
Proceeds from sale of investment property	52,000,000	-
Less – Rental liability	(7,035,693)	-
Less – Selling expenses	(538,276)	-
Add – Gain on rental liability reassessment	52,239	-
Net proceeds	<u>44,478,270</u>	<u>-</u>
Less – Carrying value of investment property		
Carrying value of investment property sold	(35,436,170)	-
Carrying value of lease incentives sold	(5,145,954)	-
	<u>(40,582,124)</u>	<u>-</u>
Gain on sale of investment property	<u>3,896,146</u>	<u>-</u>

3. EXPENSES

	2017 \$	2016 \$
(a) Employee costs		
Wages and salaries (including annual leave benefits)	943,638	836,543
Payroll tax	47,805	45,148
Superannuation contributions	88,336	71,811
Contract staff	28,151	6,762
	<u>1,107,930</u>	<u>960,264</u>
Less capitalised wages and salaries	-	(150,000)
	<u>1,107,930</u>	<u>810,264</u>
(b) Director's costs		
Director's fees	277,996	287,876
Superannuation contributions	22,665	22,712
Payroll tax	14,281	14,753
	<u>314,942</u>	<u>325,341</u>

	2017 \$	2016 \$
(c) Other expenses		
Accounting and risk management fees	4,545	12,286
New business expenses	220,419	489,222
Fringe benefits tax	17,964	15,436
Legal fees	78,271	103,100
Advertising and promotion	38,985	10,959
Doubtful debts	-	520,772
IT and computer expenses	123,343	47,855
Consulting fees	347,485	114,572
Audit fees	53,000	35,000
Stationery and supplies	23,757	13,037
Joint operation expenses	333,432	443,167
Rent expense	112,692	-
Telephone and communication	12,949	7,808
Depreciation	-	10,655
Interest expense	94,209	-
Other	204,100	89,979
	1,665,151	1,913,848

(i) Audit Fees

Fees paid to auditors during the year were solely for the purpose of conducting financial statements audit work.

4. RECEIVABLES

	2017 \$	2016 \$
Current		
Interest receivable	168,006	252,250
GST receivable	-	1,003,447
Trade & other receivables	2,281,746	689,695
Provision for doubtful debts	-	(520,772)
	2,449,752	1,424,620
Loan receivable (refer (a))	21,124,026	-
	23,573,777	1,424,620
Non current		
Loan receivable (refer (a))	-	3,335,195

(a) Finance facilities to third parties

During the financial year, the group provided finance to independent third parties in order to undertake development activities. Facilities are secured by mortgage or the acquisition of beneficial title to secured subordinated notes.

CBIC's sensitivity to an expected 1% maximum fluctuation in floating interest rate loans if all other variables were held constant is \$65,978 (2016: \$22,440).

5. INVENTORY

	2017	2016
	\$	\$
Property under construction	9,787,106	5,368,522
	9,787,106	5,368,522

6. INVESTMENT PROPERTY

	2017	2016
	\$	\$
(a) Existing Investment property		
Opening balance at 1 July	96,413,390	93,980,000
Subsequent expenditure on investment property	197,706	289,530
Net gain from fair value adjustments to investment property	666,508	10,143,913
Transfer of construction projects completed (refer 6b)	36,500,000	27,138,993
Reclassified to current assets available for sale	-	(35,139,046)
Closing Balance at 30 June	133,777,604	96,413,390
(b) Investment property under construction		
Opening balance at 1 July	19,069,846	17,515,480
Additions - Property being constructed for future use as investment property	12,667,689	24,810,178
Net gain from fair value adjustments to investment property	7,929,059	3,883,181
Transfer of construction projects completed (refer 6a)	(36,500,000)	(27,138,993)
Reclassified to current assets available for sale	(2,950,000)	-
Closing Balance at 30 June	216,594	19,069,846
(c) Carrying amount of lease incentives	2,422,396	1,636,610
Total investment property closing balance at 30 June	136,416,594	117,119,846

CBIC completed construction of the investment property located at 375 Hamilton Road, Chermiside during the year. Investment properties are carried at fair value which has been determined by valuations performed by an independent valuer, as at 30 June 2017 where material changes in value have occurred.

Lease incentive	2,915,000	1,915,000
Accumulated amortisation for the year	(492,604)	(278,390)
Carrying Amount	2,422,396	1,636,610
Lease incentive opening balance at 1 July	1,636,610	420,000
Additions during the year	1,000,000	7,065,773
Accumulated amortisation for the year	(214,214)	(703,209)
Reclassification to assets available for sale	-	(5,145,954)
Carrying Amount	2,422,396	1,636,610

The incentives relate to the fitout contribution costs reimbursed by CBIC to certain tenants. The incentives are amortised over the term of the leases.

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 2017, 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 CFO of CBIC reports directly to the CEO, and has overall responsibility for overseeing all investment property fair value measurements. 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 2016 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 2017

	LEVEL 1 (QUOTED PRICES)	LEVEL 2 (OBSERVABLE INPUTS)	LEVEL 3 (UNOBSERVABLE INPUTS)
Investment properties including lease incentives (Existing)	-	10,750,000	125,450,000
Investment properties (under construction)	-	-	216,594
Non-current assets held for sale*	-	-	2,950,000
Total	-	10,750,000	128,616,594

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
Available for sale financial assets	-	-	40,285,000
Total	-	14,000,000	143,404,846

* Fair value reduced for anticipated disposal costs of \$50,000 (2016: \$500,000).

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 2017	INVESTMENT PROPERTIES (EXISTING)	INVESTMENT PROPERTIES (UNDER CONSTRUCTION)	NON-CURRENT ASSETS HELD FOR SALE	TOTAL
Opening balance at 1 July	87,300,000	15,819,846	40,285,000	143,404,846
Transfers into level 3	36,500,000	3,250,000	2,950,000	42,700,000
Transfers out of level 3	-	-	-	-
Subsequent capitalised expenditure	197,706	-	-	197,706
Net lease incentive movement	785,786	-	-	785,786
Property being constructed for future use as investment property	-	12,667,689	-	12,667,689
Fair value gain/(loss) posted to income statement	666,508	7,929,059	-	8,595,568
Transfer of construction projects completed	-	(36,500,000)	-	(36,500,000)
Reclassification to non-current assets held for sale	-	(2,950,000)	-	(2,950,000)
Disposal	-	-	(40,285,000)	(40,285,000)
Closing balance at 30 June	125,450,000	216,594	2,950,000	128,616,594

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

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 valuation techniques and a transfer is deemed to occur, this is effected at the beginning of the relevant reporting period.

Investment properties under construction totalling \$15.82 million at 1 July 2016 were transferred into level 3 from level 2 during 2017 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 2017 by qualified valuers from Jones Lang LaSalle Advisory Services and Colliers International. The valuers from each of these entities are registered by the Valuers Registration Board of Queensland. The assignment of individual values 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 net passing income would increase (decrease) the fair value
Yield capitalisation rate 6.30% to 7.88% (2016: 5.5% to 8.25%)	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 6.75% to 9.25% (2016: 7.0% to 9.25%)	Increase (decrease) in the discount rate would decrease (increase) the fair value

8. INVESTMENT IN PROPERTY TRUSTS

During the year, CBIC invested in various unlisted property trusts. These investments have a fair value of \$5,301,000 as at 30 June 2017 (2016: Nil). The company recognised a fair value loss on these investments of \$539,704, representing the transaction costs associated with their initial acquisition.

9. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	2017 \$	2016 \$
Current		
Trade creditors and accrued expenses	1,468,140	4,548,156
PAYG, GST and Payroll Taxes	212,450	29,769
Accrued annual leave	30,201	23,627
	1,710,791	4,601,552
Non current		
Trade creditors and accrued expenses	137,500	137,500

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

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:

2017	0-1 YEAR \$	1-5 YEAR \$	OVER 5 YEARS \$	TOTAL CONTRACTUAL CASH FLOWS \$
Financial Liabilities				
Accounts payables and accrued expenses	1,710,791	137,500	-	1,848,291
Joint operation development loan	1,045,224	-	-	1,045,224
Rental liability	1,321,268	4,200,146	2,232,067	7,753,482
Total financial liabilities	4,077,283	4,337,646	2,232,067	10,646,997
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

10. OTHER CURRENT LIABILITIES

	2017 \$	2016 \$
Current		
Joint operation development loan (i)	1,045,224	-
Rental liability (ii)	1,323,211	95,663
	<u>2,368,435</u>	<u>95,663</u>
Non-Current		
Rental liability (ii)	<u>4,841,656</u>	<u>-</u>

(i) The joint operation development loan is provided by BankWest Limited and is secured by a Registered First Mortgage over the property being developed.

(ii) The rental liability relates to amounts payable as rental guarantees in respect of properties sold by the company. Any amounts expected to be settled within 12 months of balance date have been disclosed as current liabilities, with the remaining amount disclosed as non current. The liability has been calculated by discounting the expected payments to their present values.

11. SHARE CAPITAL

	2017 \$	2016 \$
140,901,651 Ordinary shares fully paid up to \$1 each	140,901,651	140,901,651
	<u>140,901,651</u>	<u>140,901,651</u>

12. CASH AND CASH EQUIVALENTS

RECONCILIATION OF CASH

Cash balance comprises:	2017 \$	2016 \$
Cash at bank and at call	78,979,804	63,231,523
Short-term investments	25,068,897	44,125,468
Cash and cash equivalents	<u>104,048,701</u>	<u>107,356,991</u>

CBIC's sensitivity to an expected 1% maximum fluctuation in interest rates if all other variables were held constant is \$1,040,487 (2016: \$1,073,570).

12. CASH AND CASH EQUIVALENTS (continued)

RECONCILIATION OF NET PROFIT FOR THE PERIOD TO THE NET INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES

	2017 \$	2016 \$
Total Comprehensive income for the Period	22,963,336	18,943,205
Non-cash items		
Provision for doubtful debts	(520,772)	520,772
Fair value gain on investment property	(8,629,271)	(14,027,094)
Net unrealised fair value loss on available for sale financial assets	539,704	878,612
Amortisation of lease incentive	214,214	703,209
Depreciation	-	10,655
Changes in operating assets and liabilities		
Decrease / (increase) in receivables	(2,804,634)	61,352
Decrease in accounts payable and accrued expenses	(2,890,761)	2,113,575
Decrease in available for sale investment property	37,335,000	12,991,914
(Increase) in investment in property trusts	(5,840,704)	-
(Increase) in investment property	(9,881,691)	(24,912,767)
(Increase) in investment in lease incentives	(1,000,000)	(6,362,564)
(Increase) in investment in inventory	(4,418,584)	(5,368,522)
(Increase) / Decrease in rental liability	6,069,205	-
	8,171,706	(33,390,858)
Net cash flows from operating activities	31,135,042	(14,447,653)

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.

	2017 \$	2016 \$
Investment Property (Net of selling costs)	2,950,000	35,139,046
Net lease incentives	-	5,145,954
	2,950,000	40,285,000

14. RELATED PARTY TRANSACTIONS

Key personnel

Directors

Edward J Marchant
Craig G Spencer – Resigned 15 September 2016
Michael J S Knox – Resigned 1 November 2016
Jane A Edwards – Resigned 1 November 2016
Maria A Roach
Colin D Jensen
Neill D Ford
Neil E Castles
Greg C Evans (Alternate of Colin D Jensen) Resigned 3 March 2017
Bruce McIver – Appointed 1 November 2016
Jeremy Harris – Appointed 1 November 2016
Neil Glentworth – Appointed 1 November 2016

Company Secretary

David M Askern

MANAGEMENT

Kirsten Smith
(Commenced 18 April 2016 Resigned 14 April 2017)

(a) Key management personnel compensation

	2017 \$	2016 \$
Short-term employee benefits	494,727	601,081
Post-employment benefits	40,947	42,576
Long-term benefits	-	-
Termination benefits	-	-
Total	535,674	643,657

David Askern and Colin Jensen did not receive any compensation during the financial year (2016: Nil).

(b) Details of transactions between CBIC, including its subsidiaries, and Brisbane City Council (BCC), the ultimate and Australian controlling entity are disclosed below:

	2017 \$	2016 \$
Infrastructure contributions charged by controlling entity #1	370,177	596,612
Rental Incentives provided to the controlling entity #2	500,000	1,825,000
Purchase of materials and services from controlling entity #3	5,447	475,120
Rental income earned from controlling entity #4	8,166,782	6,342,047
Fitout costs recharged to controlling entity #5	5,617,875	-
Dividend in respect of 2016 financial year	20,000,000	-

At balance date, total amount payable to BCC in relation to these services amounted to \$4,894 (2016: \$1,457,500) and the total amount payable by BCC in relation to the rental income is \$921,343 (2016: \$10,236) and the fitout costs recharged is \$1,368,866 (2016: Nil).

14. RELATED PARTY TRANSACTIONS (continued)

Details of transactions between CBIC, including its subsidiaries, and Brisbane City Council (BCC), the ultimate and Australian controlling entity (continued)

- # 1. Infrastructure charges in relation to developments undertaken that are determined by Council in accordance with the relevant charging schedules
- # 2. Rental incentives provided upon entry into a new lease that are offered on normal commercial terms
- # 3. Purchase of materials and services in the ordinary course of business that are acquired on commercial terms
- # 4. On 18 March 2017, CBIC completed construction of the BCC North Regional Business Centre and Library at 375 Hamilton Road, Chermside. BCC has entered into a lease agreement with CBIC for a period of 15 years at market rates.

BCC leased 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 was \$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 was \$5.7 million. CBIC disposed of the property on 31 October 2016.

The company also leases commercial spaces and a shipyard facility to BCC. These transactions were based on normal market commercial terms and conditions as per the valuations completed by independent valuers.

- # 5. Costs of new tenancy fitout recharged to BCC on an actual cost basis.

(c) Details of transactions between CBIC and its Subsidiaries are disclosed below:

	2017 \$	2016 \$
Intercompany loans between the entities	16,988,420	8,947,133

During the 2017 financial year, City of Brisbane Investment Corporation Pty Ltd, loaned \$5,366,855 (2016: \$8,947,133) to the BrisDev Trust and \$2,673,974 (2016: Nil) to CBIC Investment Pty Ltd. On consolidation, the loans were eliminated. The loans are unsecured, interest free and with no fixed repayment date.

(d) Details of transactions between CBIC, including its subsidiaries, and other related parties are disclosed below:

	2017 \$	2016 \$
Infrastructure contributions charged by related party	183,412	-

At balance date, total amount payable in relation to these transactions amounted to NIL (2016: Nil).

Infrastructure charges in relation to developments undertaken that are determined by the related party in accordance with the relevant charging schedules.

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:

	2017 \$	2016 \$
Not later than 1 year	11,338,394	18,337,421
Later than 1 year but not later than 5 years	-	9,880
Later than 5 years	-	-
Total capital commitments	11,338,394	18,347,301

Total capital commitments as at 30 June 2017 for CBIC is \$NIL (2016: \$17,775,121). The remainder of the capital commitments are in relation to BrisDev Trust's 52% interest in the joint operation and CBIC Investment Pty Ltd undrawn loan advances for facilities provided to third party borrowers. The previous year capital commitments relate to CBIC, which included contracts entered into for the construction of the BCC North Regional Business Centre and Library, and BrisDev Trust's 52% interest in the joint operation.

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:

	2017 \$	2016 \$
Not later than 1 year	539,350	731,667
Later than 1 year but not later than 5 years	823,337	1,068,272
Later than 5 years	-	-
Total operating commitments	1,362,687	1,799,939
Total commitments	12,701,081	20,147,240

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:

	2017 \$	2016 \$
Not later than 1 year	11,076,219	10,939,317
Later than 1 year but not later than 5 years	42,184,217	45,964,528
Later than 5 years	123,318,388	131,054,387
	<u>176,578,824</u>	<u>187,958,232</u>

The company has entered into 11 non-cancellable lease arrangements and one cancellable lease arrangement for its investment properties under normal market terms and conditions. While the cancellable lease arrangement has break clauses, it is expected that all tenants will stay for the full term of the lease agreement.

17. CONTINGENT LIABILITIES

As part of the development of the BCC North Regional Business Centre and Library at Chermide, 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. There are additional works required to be undertaken at which time the bank guarantee will be returned. 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 25 July 2017 in respect of the 2017 year.

There were no other material subsequent events.

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	2017	2016
	\$	\$
Current assets	138,214,598	157,857,382
Non current assets	141,717,964	117,119,976
Total assets	279,932,562	274,977,358
LIABILITIES	2017	2016
	\$	\$
Current liabilities	2,663,770	4,775,322
Non current liabilities	4,841,656	-
Total liabilities	7,505,426	4,775,322
SHAREHOLDER'S EQUITY	2017	2016
	\$	\$
Share capital	140,901,651	140,901,651
Other capital contribution	1,897,034	1,897,034
Fair value reserve	-	-
Retained profits	129,628,450	127,403,352
Total shareholder's equity	272,427,135	270,202,037
PROFIT OR LOSS AND COMPREHENSIVE INCOME	2017	2016
	\$	\$
Total Profit or loss	22,579,132	14,732,764
Total Comprehensive income	22,225,098	19,089,381

DD

Directors'
Declaration



DIRECTORS' DECLARATION

The Directors of the company declare that:

1. The consolidated financial statements and notes, as set out on pages 36 to 58:

- (a) comply with Australian Accounting Standards to the extent described in Note 1, 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 2017 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 "E Marchant", written over a horizontal dotted line.

Edward Marchant
Director

Brisbane, 25 July 2017

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

Neil Castles
Director

Brisbane, 25 July 2017

INDEPENDENT AUDITOR'S REPORT

To the Members of City of Brisbane Investment Corporation Pty Ltd

Report on the Audit of the Financial Report

Opinion

I have audited the accompanying financial report of City of Brisbane Investment Corporation Pty Ltd and its controlled entities (the group).

In my opinion, the financial report:

- a) gives a true and fair view of the group's financial position as at 30 June 2017, and its financial performance and cash flows for the year then ended
- b) complies with the Corporations Act 2001, the Corporations Regulations 2001 and Australian Accounting Standards.

The financial report comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and the directors' declaration.

Basis of Opinion

I conducted my audit in accordance with the Auditor-General of Queensland Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of my report.

I am independent of the group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board

APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code. I am also independent of the group in accordance with the auditor independence requirements of the Corporations Act 2001, and confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Responsibilities of the Company for the Financial Report

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

The company's directors are also responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement,

whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 group's internal control.

IAR

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

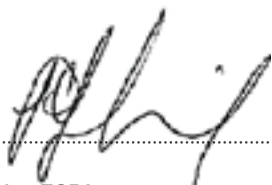
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the group.
- Conclude on the appropriateness of the group's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related

disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



P J Flemming FCPA
as Delegate of the Auditor General of Queensland



Queensland Audit Office
Brisbane

“CBIC HAS DELIVERED ANOTHER STRONG RESULT
IN 2017 WITH A \$23.0 MILLION PROFIT AS WELL AS
HELPING TO BUILD OUR LOCAL ECONOMY WHILE
CREATING NEW AND INNOVATIVE JOBS.”





