City of Brisbane Investment Corporation

CBIC

ANNUAL REPORT 2018

10 Years Of Asset Creation & Out-performance

SINCE 2008

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FOREWORD

"The decision to establish CBIC has proven to be a successful one with the original $135 million seed funding now worth $259 million and having paid out $111 million in dividends that benefit the ratepayers of Brisbane."

CBIC was established in June 2008 with the goal of providing Brisbane City Council with an alternate funding source to Council's historic reliance on rates revenue.

Similar in origin to the Australian Future Fund and other Sovereign Wealth Funds, CBIC was seeded with existing financial assets and proceeds from the sale of other assets.

Now ten years into its operation, the decision to establish CBIC has proven to be a successful one with the original $135.1 million seed funding now worth $258.5 million, and having paid out $110.7 million in dividends that benefit the ratepayers of Brisbane. In addition to delivering financial benefits to the residents of Brisbane, CBIC has also delivered social benefits through improved community infrastructure in the form of parks, libraries and improved workspaces for Council operations.

I remain committed to delivering a financially responsible Council administration, and CBIC continues to contribute to that commitment. The board and executive at CBIC will continue to monitor investment markets and rebalance between asset classes when appropriate with the goal of generating dividends for the benefit of today's residents, and investing for growth for the benefit of future residents of Brisbane.

In closing I would like to congratulate the team at CBIC for their achievements this year and wish them continued success in the future.

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

01

Chairman and **CEO Report**

"Another successful year of operations has enabled CBIC to pay a $20 million dividend for a third consecutive year."

Investment Highlights

Another successful year of operations has enabled CBIC to pay a $20.0 million dividend for a third consecutive year.

The fund outperformed its overall benchmark for the ninth consecutive year and both the Property Portfolio and Cash Portfolio outperformed their respective benchmarks for the year.

The fund also continued to adapt its asset mix in response to investment markets and individual asset lifecycles. During the year the fund acquired and committed to $106.0 million in direct real estate investments, disposed of $17.6 million in direct real estate investments and successfully received back $26.6 million from funding activities.

Responsible Investing

Environmental, Social, Governance (ESG) – the three central factors to sustainable and ethical investing – continue to drive a large part of the investment philosophy and operations at CBIC.

This commitment is evidenced through; the type of investment activity undertaken during the year, our gender equality ratios, and our disciplined governance practices at both board and management levels.

During the year CBIC took on the repositioning of a Heritage listed building in the Brisbane CBD. The scope includes the refurbishment of internal spaces showcasing its unique character, the provision of equitable access to the foyer, and the introduction of on-floor disabled amenities. The project will contribute to the preservation of the city's heritage whilst still generating a significant commercial return.

The fund also committed to the development of an industrial facility at TradeCoast Central industrial estate, a best-in-class Environmentally Sustainable Development located at Eagle Farm. The development consolidates several of the Council's Field Services Group depots from suburban locations and facilitates an improved transport network for Council's vehicular traffic.

Female staff account for 57% of the workforce demonstrating awareness of the benefits of a diverse and inclusive workplace. Strong governance practices continue to manage risk across the portfolio and ensure compliance with relevant legislation, regulations, codes and standards.

Looking forward

Part of CBIC's business to date has been working with the Shareholder to deliver specific accommodation requirements. To meet these requirements CBIC uses its own balance sheet and in-house capabilities to identify suitable opportunities either on-market or from surplus Council landholdings.

A select number of these properties have been retained over time due to their defensive investment characteristics. These properties now form the ballast to what is an institutional grade, core style, property portfolio capable of delivering consistent dividends and sustainable growth to the Shareholder.

In the year ahead, moderate levels of debt will be used to grow the portfolio. New properties will be introduced, further improving the fund's risk profile through geographic, sector and tenant diversification. Additionally, some short-term value-add initiatives may be undertaken to enhance performance.

Finally, we would like to acknowledge and thank management for their continued commitment and dedication, the Board for its contribution over the year, and the continued support of CBIC's key stakeholders under the leadership of The Right Honourable, the Lord Mayor of Brisbane, Councillor Graham Quirk.

Outperformed all benchmarks

Paid **$20 million** annual dividend

$106 million acquired and committed to direct real estate investments

$18 million disposed of direct real estate investments

$27 million successfully received back from funding activities

ET Marchant

Ted Marchant
Chairman

Gary Coleman
CEO

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Objective and **Strategy**

CBIC maintains a diverse and efficient mix of assets that maximise the level of return for an appropriate level of risk.

Objective

The purpose of CBIC is:

To acquire, dispose of and reasonably invest in assets to enhance the ability of its Shareholder, the Brisbane City Council, to deliver services and other benefits to the citizens of Brisbane.

Strategy

The Investment Policy dictates the investment strategy to be employed in achieving the stated Objective.

The policy requires CBIC to maintain a diverse and efficient mix of assets that maximise the level of return for an appropriate level of risk. The policy also allows for the potential to maintain a higher than normal weighting to property. The bias to domestic property aligns with the Council's property needs as well as the requirement to optimise Council's surplus and underutilised property assets.

Management of the property portfolio is undertaken in-house by a team of real estate professionals providing asset management, development management and capital transaction services.

External investment managers and advisers are used across other asset classes where appropriate.

Asset Allocations

The policy does not require the fund to maintain traditional asset allocations. Maximum limits are placed on domestic bonds, domestic equities and domestic properties and no limit is placed on cash.

Investment limits (as a percentage of the portfolio) are:

Cash	minimum of $5 million or 5%
Domestic Bonds	maximum of 35%
Domestic Equities	maximum of 50%
Domestic Properties	up to 95%

Benchmarks

The Shareholder has set a long-term target return of CPI plus 4.5% to 5.5% for the mandate. The CPI measure will be the mid-point of the target range set by the Reserve Bank of Australia.

The individual asset class portfolios are measured against the following indices:

Asset Class	Benchmark Index
Cash	Bloomberg AusBond Bank Bill Index
Domestic Bonds	Bloomberg AusBond Composite Index
Domestic Equities	Standard and Poor's ASX 200 Accumulation Index
Domestic Properties	IPD Australian Property Fund Index – Core Wholesale

03

Responsible **Investing**

CBIC ensures the impacts of its decisions are positive to both the environment and community.

CBIC has a strong commitment to integrating Responsible Investing principles into its investment decisions to ensure the impacts of its decisions are positive to both the environment and community.

Previously considered a cost, it is becoming more evident that ESG factors positively impact the long-term performance of investments. ESG factors are therefore central to the design, development and on-going management of CBIC's direct real estate assets and other investments.

- Aspiring to meet best-in-class sustainability standards
- Directly benefiting the people of Brisbane
- Protecting and enhancing value across the portfolio

Environmental

CBIC aspires to meet best-in-class sustainability standards in all aspects of its operations. We ensure that our decisions contribute to improvements in environmental sustainability by continually monitoring the portfolio for Energy, Waste and Water usage, and looking to improve performance through increased monitoring measures.

Social

CBIC has designed and developed properties which directly benefit the people of Brisbane. Examples of these benefits include; libraries, parks, equitable access where possible and community group meeting rooms and external spaces.

CBIC constantly explores new ways to create a diverse and inclusive workplace. CBIC is proud that females make up 57% of our workforce and continues to look for different opportunities for women to build on their skills and experience within our organisation.

Governance

CBIC's Corporate Governance structure is designed to protect and enhance value across the portfolio. Our active approach to risk management includes a proprietary risk framework to manage risks across the portfolio and operations ensuring compliance with relevant legislation, regulations, codes and standards.

CBIC is a beneficial enterprise under the City of Brisbane Act 2010 (Qld). It is also a registered Australian Proprietary Company, Limited by Shares under the Corporations Act 2001 (Cth). Accordingly, CBIC is required to be audited on an annual basis by the Auditor-General of Queensland under the Auditor-General Act 2009 (Qld).

Annual internal audits are also conducted by the Brisbane City Council's assurance division.

Our governance framework is also guided by the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations – 3rd Edition'.

Our commitment to Responsible Investing includes:

Environmental	Social	Governance
• Energy, waste and water efficiency • Indoor environmental quality • Materials and resources • Outdoor environment quality and biodiversity	• Health, safety and security of building occupants • Accessibility for disabled persons • Gender diversity where possible • Location and transportation	• Effective corporate governance structure • Risk management systems • Sub-contractor selection and monitoring

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Operational **Report**

CBIC recorded a net comprehensive income of $26 million for the financial year.

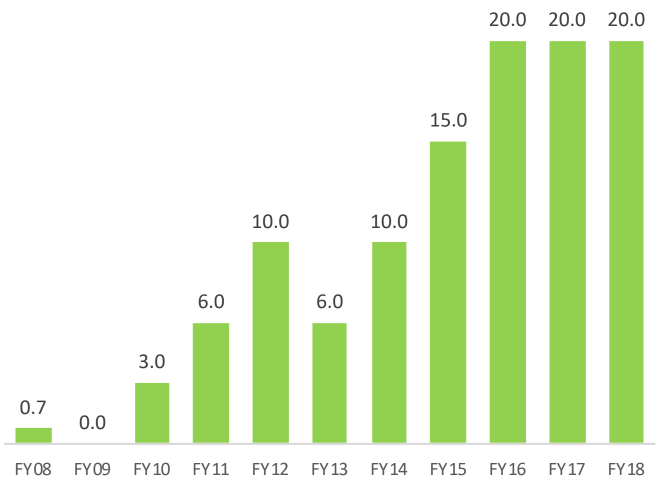
Financial Performance

CBIC recorded a net comprehensive income of $25.5 million for the financial year. This result was made up of $28.8 million in revenue and $3.3 million in expenses. The $2.4 million of Fund Manager expenses as a percentage of net asset value is approximately 0.90%. This compares favourably to an industry standard of approximately 0.7% to 1.5%.

Income	**2018 $'000**	**2017 $'000**
Rental income – net	11,822	9,446
Interest – net	4,434	5,250
Residential Development – net income	2,741	-
Distribution income	394	352
Fair value gains on property assets	5,125	7,387
Gain on sale of investments	4,069	3,896
Other income	199	260
Total income	**28,784**	**26,591**
Expenses	**2018 $'000**	**2017 $'000**
General and administration expenses – Investment activity	899	701
Fund Manager expenses	2,359	2,387
Total expenses	**3,258**	**3,088**
Fair value gain/(loss) on equity investments (unrealised)	-	(540)
Total net comprehensive income	**25,526**	**22,963**

“The decision to establish CBIC has proven to be a successful one with the original $135 million seed funding now worth $259 million and having paid out $111 million in dividends that benefit the ratepayers of Brisbane.”

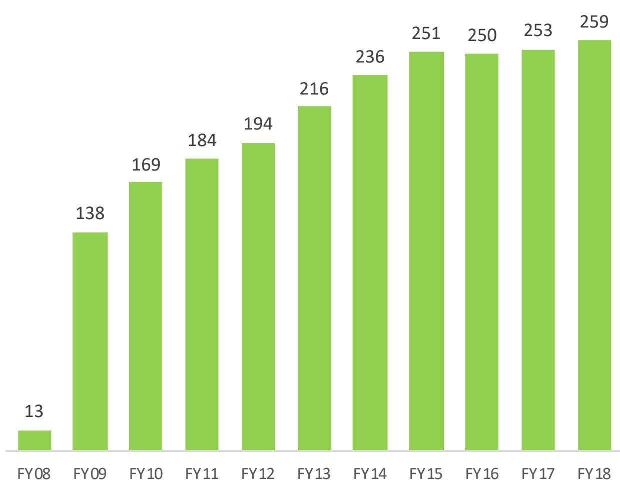
Annual Dividends ($'000s)
FY08-FY18



Total dividends paid to the Shareholder since inception now amount to $110.7 million with FY18 being the third consecutive year of a $20.0 million dividend.

As well as generating a consistent source of dividend since inception, CBIC's initial seed funding of approximately $135.1 million in 2009 has grown to $258.5 million as at 30 June 2018.

Net Asset Value ($'000s)
FY08-FY18



- Outperformed all benchmarks
- Paid **$20 million** annual dividend
- **$106 million** acquired and committed to direct real estate investments
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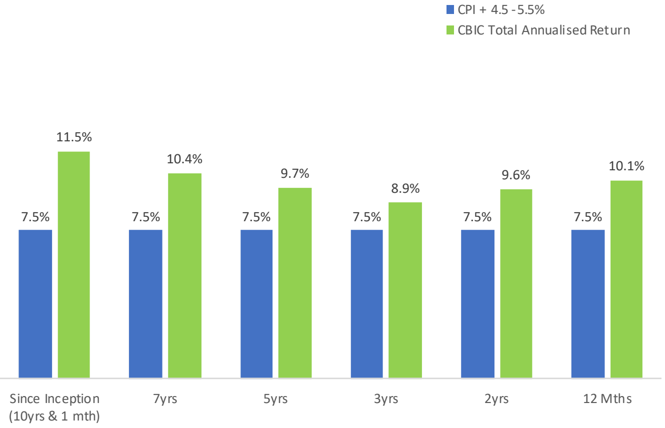
- **$27 million** successfully received back from funding activities

Investment Performance

Annualised Returns
FY08-FY18



CBIC continued to outperform its long-term investment benchmark delivering a return of 10.1% against a benchmark of 7.5% for the year. Since its inception in June 2008 CBIC has now delivered an annualised return of 11.5% against its benchmark of 7.5%.

The underlying Property and Cash Portfolios outperformed their respective benchmarks for the year and the Funding Portfolio, which comprises a small tactical allocation to real estate debt funding, was accretive to the performance for the year.

Investment Activity

The fund undertook significant investment activity during the 12 months. It acquired and committed to $106.0 million in direct real estate investments, disposed of $17.6 million in direct real estate investments and successfully received back $26.6 million from funding activities.

Acquisitions

Acquisitions and commitments during the period included:

- 262 Adelaide Street, Brisbane
- 99 Georgiana Terrace , Gosford
- Trade Coast Central, Eagle Farm

CBIC acquired 262 Adelaide Street, Brisbane as a value-add initiative. The underperforming CBD heritage office building will be repositioned to offer modern office accommodation showcasing its unique internal character. The completed refurbishment will contribute to preserving the city's heritage and also benefit future occupants with the provision of equitable access and on-floor disabled amenities.

99 Georgiana Terrace, Gosford was acquired to strategically manage the portfolio's geographic risk and further underpin the fund's dividend and growth prospects. CBIC will also look to enhance the investment by leveraging one of its core competencies, the management of government occupied office accommodation.

CBIC also committed to delivering the Brisbane City Council's Field Services Group facility at Eagle Farm. The development will enhance the fund's short-term performance through development profit, and enhance long term performance by further underpinning the dividend and growth prospects of the fund.

Disposals

Disposals during the period included the sale of two assets. Green Square 3, located in Fortitude Valley was market tested and ultimately sold to the State Government for the expansion of Fortitude Valley State School. The second disposal located at Richlands was sold to a local developer.


REFIT COMPLEX

05

Property **Portfolio**

The CBIC property portfolio maintains a bias towards the Australian office sector which continues to outperform other traditional real estate sectors.

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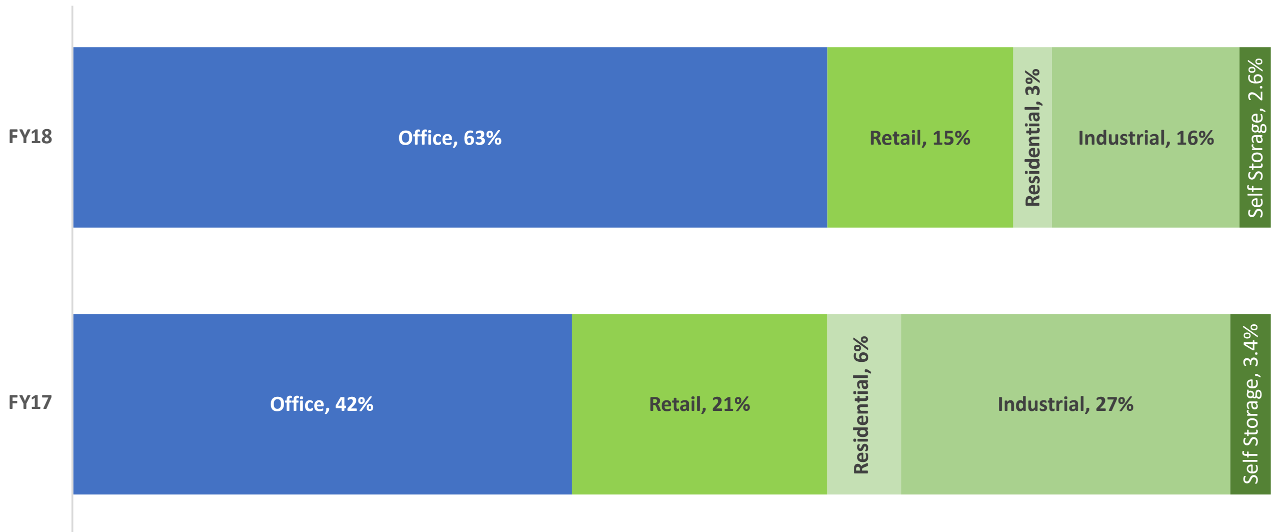
During the year the portfolio further invested in the office sector with the acquisition of 262 Adelaide Street, Brisbane and 99 Georgiana Terrace, Gosford. The portfolio also increased its exposure to the industrial sector through the commitment to the Brisbane City Council's Field Services Group facility at Eagle Farm, Brisbane. The investment activity improves the portfolio's sector and geographic risk profile.

Key metrics	FY18	FY17
Total Investments	10	10
Net lettable area[1]	41,428	34,031
Occupancy[2]	100%	100%
Weighted average lease expiry (years)[3]	11.3	12.9
Weighted average cap rate[4]	6.53%	6.94%

1. NLA excludes self storage & residential holdings
2. Occupancy excludes development and self storage properties
3. WALE excludes development and self storage properties
4. WACR excludes development and self storage properties



Southern Regional Business Centre
665 Fairfield Road, Yeerongpilly QLD

Property Summary	
Ownership	100%
Acquisition date	2012
Site Area	3,600m^2
Total area (NLA)	4,198m^2
Occupancy	100%
WALE (income)	8.98 years
Rent Review Structure/s	Annual fixed 3.5%
Tenant/s	Brisbane City Council
Value Range	$25-$35 million

Since construction in mid-2012, the South Regional Business Centre (SRBC) has provided the Brisbane City Council with a high standard of accommodation to conduct business operations in the south Brisbane area.

SRBC was purpose built to a 5-star Green Star rating and 4-star NABERS rating to reflect CBIC's ongoing commitment to environmental sustainability.

The facility is located adjacent to the Yeerongpilly train station, eight kilometres from the Brisbane CBD and will adjoin the $850 million mixed-use, lifestyle precinct known as Yeerongpilly Green, which is set for completion by 2028. Yeerongpilly Green will include up to 1,200 residences, a shopping and dining precinct, supermarket and boutique hotel, further underpinning SRBC's location.

Northern Regional Business Centre
375 Hamilton Road, Chermside QLD

Property Summary	
Ownership	100%
Acquisition date	2015-2017
Site Area	5,010m^2
Total area (NLA)	6,058m^2
Occupancy	100%
WALE (income)	13.68 years
Rent Review Structure/s	Annual fixed 3.5%
Tenant/s	Brisbane City Council
Value Range	$40-$50 million

The Northern Regional Business Centre (NRBC) was developed with a commitment to environmental sustainability as well as providing a community facility for the benefit of the residents of Brisbane.

To underline CBIC's commitment to reducing greenhouse gasses and employ efficient water and energy consumption measures, the NRBC has been built to target a 4 star Green Star rating and 5 star NABERS rating.

The NRBC contains a state-of-the-art public library which is considerably larger than the previous library at Chermside and designed to accommodate for community programs and advancements in modern technology.

The NRBC is positioned adjacent to the Chermside pool, less than 400m from the Chermside Shopping Centre, and a short walk to a bustling public transport hub. The property's proximity to the Westfield Chermside Shopping Centre, a designated Principle Centre under the Brisbane City Plan, ensures the NRBC will benefit from future economic activity and investment into the surrounding precincts.

99 Georgiana Terrace
Gosford NSW

Property Summary	
Ownership	100%
Acquisition date	2018
Site Area	4,250m^2
Total area (NLA)	7,542m^2
Occupancy	100%
WALE (income)	9.51 years
Rent Review Structure/s	Fixed 3.5%
Tenant/s	Commonwealth Government of Australia
Value Range	\$40-\$50 million

During 2017 the Federal Government undertook an initiative to decentralise Australian Government services from Sydney, Melbourne and Canberra to regional locations. Gosford, located approximately 75 kilometres north of the Sydney CBD, was a beneficiary of this initiative with the establishment of the Australian Taxation Office and National Disability Insurance Agency operations.

The office building was built to a 5-star Green Star rating an 4.5-star NABERS rating, satisfying the Commonwealth Government's requirement to promote the reduction of greenhouse emissions and ensure the environmental sustainability of the buildings it occupies. This is also consistent with CBIC's commitment to the environment.

The acquisition diversifies CBIC's property portfolio geographically, and the Federal Government lease covenant further underpins the defensive nature of the portfolio's income stream.

262 Adelaide Street
Brisbane QLD

Property Summary	
Ownership	100%
Acquisition date	2017
Site Area	445m²
Total area (NLA)	2,388m²
Value Range	circa $20 million

CBIC acquired the mostly vacant heritage building with a view to reposition it from an underperforming C-Grade office building into a highly modern, character style office property.

Upon completion, the refurbished 262 Adelaide Street will have equitable access with the introduction of a chair lift from street level to the building's foyer and the provision of on floor disabled and ambulant amenities. These additions demonstrate CBIC's commitment to responsible investing.

The completed project will help contribute to an improved streetscape and to the preservation of Brisbane city's heritage. The refurbishment is anticipated to be completed during the latter part of the 2019 calendar year.

Industrial
Portfolio

Lot 10, TradeCoast Central
Eagle Farm QLD

Property Summary	
Ownership	100%
Acquisition date	under development
Site Area	5.8ha
Total area (NLA)	9,300m^2 (plus 3ha hardstand)
Occupancy	100%
WALE (income)	15 years (post completion)
Rent Review Structure/s	Annual fixed 3.5%
Tenant/s	Brisbane City Council
Value Range	$50-$60 million upon completion

CBIC is developing a state of the art industrial facility within TradeCoast Central, a master planned industrial development located in Eagle Farm. The facility will consolidate the relocation of various Field Services Group operations from suburban areas across Brisbane and provide an improved network location.

As a master planned estate, TradeCoast Central has a long term commitment to environmental sustainability. The scale of the TradeCoast Central development affords the opportunity to identify, assess and integrate best practice social, economic and environmental outcomes into the planning, design and construction of the development, whilst minimising the impact on the environment.

The development is expected to be completed by mid to late 2019.

Industrial
Portfolio

Rivergate Shipyard
Murarrie QLD

Property Summary	
Ownership	100%
Acquisition date	2011
Site Area	20,127m^2
Total demised area	10,961m^2
Occupancy	100%
WALE (income)	15.89 years
Rent Review Structure/s	Annual fixed 3.5%
Tenant/s	Brisbane City Council, Rivergate Marina and Shipyards Pty Ltd.
Value Range	$20-$30 million

Rivergate Marina and Shipyard Pty Ltd is one of Queensland's premiere commercial and recreational marina and shipyards. CBIC holds multiple real estate interests in the complex including strata titled warehouses and hardstand areas.

The Brisbane City Council uses the facility to meet the operations and maintenance needs of their fleet of CityCat and ferry vessel. The other major tenant Rivergate Marina and Shipyards Pty Ltd operates the overall marina and shipyard operations.

The marina maintains a competitive advantage given its prime riverfront location and deep water access on any tide which is unusual for an east coast marina in Australia.

16 Industrial Avenue
Wacol QLD

Property Summary	
Ownership	100%
Acquisition date	2011
Site Area	21,750m^2
Total area (NLA)	5,039m^2
Occupancy	100%
WALE (income)	1 year
Rent Review Structure/s	Annual fixed 4.0%
Tenant/s	Brisbane City Council
Value Range	$5-$15 million

16 Industrial Avenue, Wacol, is an industrial warehouse and office space that is currently leased by Brisbane City Council to accommodate its vehicle fleet maintenance operations. The property offers excellent vehicular connectivity due to its proximity to the surrounding road network.

The existing improvements include 639m^2 of office space and a 4,400m^2 high bay portal framed warehouse. There is potential to further develop the site with approximately 8,782m^2 of vacant land at the rear of the existing facilities with separate access.

The rear expansion land provides CBIC a near term opportunity to add value through the provision of additional warehouse and office space, or expansion of the hardstand area.

145 Florence Street
Wynnum QLD

Property Summary	
Ownership	100%
Acquisition date	2015-2016
Site Area	6,145m^2
Total area (NLA)	5,388m^2
Occupancy	100%
WALE (income)	14.01 years
Rent Review Structure/s	Fixed
Tenant/s	Woolworths, Brisbane City Council
Value Range	$30-$40 million

Adjacent to the recently refurbished heritage Wynum Community Centre, the property has made a significant contribution to the business district of Wynnum both commercially and socially.

The introduction a full line Woolworths supermarket to the business district provides the residents and workers of Wynnum with a much improved retail offering. Social benefits of the project include the creation of an adjacent park and a state of the art library facility comprising traditional library resources, public meeting spaces and children's area.

Over recent years the bayside suburb has experienced notable gentrification. This evolving demographic is anticipated to support the continued retail trade growth and patronage of the centre.

Augustus Street
Toowong QLD

Property Summary	
Ownership	Joint Venture
Project	2015-2018
Site Area	2,102m^2
Apartments	90
Value Range (CBIC %)	\$20-\$30 million

Alongside funding partner Bankwest, CBIC helped deliver 90 apartments to help accommodate the growing population base surrounding the Toowong Village commercial precinct.

Due to its close proximity to the Brisbane CBD, the University of Queensland, and multiple public transport alternatives, Toowong is becoming an increasingly popular residential option with CBD commuters and students. Consistent with the South East Queensland Regional Plan the project has delivered much needed housing in a key growth node and transport corridor.

The development maintains the suburban feel of Augustus Street by integrating the complex into the existing residential streetscape through landscaped courtyards and pedestrian access gates to ground floor apartments.

The project achieved practical completion at the end of April 2018 and has been a success with approximately 90% of the apartments sold to date.

06

Corporate **Governance**

CBIC's Corporate Governance structure is designed to protect and enhance value across the portfolio.

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
Bill Lyon	*	*	2	2	2	2	4	13
Bruce McIver	9	9	5	5	*	*	12	13
Colin Jensen	*	*	*	*	*	*	9	13
David Askern	*	*	*	*	*	*	5	5
Jerry Harris	*	*	*	*	6	6	13	13
Maria Roach	*	*	5	5	6	6	11	13
Neil Castles	8	9	5	5	*	*	13	13
Neill Ford	5	9	*	*	*	*	9	13
Neil Glentworth	1	2	*	*	*	*	0	1
Shannon Brandon	*	*	*	*	*	*	5	8
Ted Marchant	7	9	*	*	*	*	13	13

A = Number of meetings attends

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
Board of **Directors**

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

Neill Ford
Director

Neill Ford, who started out as a cab driver, some 40 odd years ago, is now Managing Director of USA Autos, a company importing and selling Vintage and Classic cars in Queensland and Australia.

Currently an active member of the Lord Mayor's Business Round Table, a non-Executive Director of CBIC (City of Brisbane Investment Corporation), a non-Executive Director of Taxi Industry Australia Insurance Brokers Pty Ltd (TIAIB) and also Chairman of Taxis Australia Pty Ltd representing 10,000 Taxis across Australia.

Neill helped grow Yellow Cabs into the best Cab Company in Australia selling his interest to Cabcharge Australia Ltd at the end of the 2017 financial year. He has maintained his Taxi Licence portfolio and his real estate portfolio with long term leases to Cabcharge Australia Ltd.

Colin Jensen
Director

Colin Jensen is Chief Executive Officer of Brisbane City Council, serving a population of 2.4 million people and managing an asset base of $22.5 billion.

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 CitySmart and was recognised as one of Australia's top 100 most influential engineers for eight consecutive years.

He was awarded the Queensland 2010/11 National Emergency Medal for sustained service by the Governor-General for the role he played in the January 2011 floods.

Bruce McIver
Director

Bruce is a non-executive director of Australia Post, Nimrod Resources and Rail Technology Group and the Chairman of the McIver Group of Companies He has served on a number of Boards with Property Holdings, both in Queensland and Interstate.

Bruce has had positions and currently holds positions with the Logistics and Transport Industry, in Politics, and is also a Fellow of the Australian Institute of Company Directors.

Jerry Harris
Director

Jerry Harris is a professional non-executive director and consultant, and is also a member of the advisory board of Redlands Economic Development.

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.

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 resigned his position on 14 August 2017.

David Askern
Company Secretary

David was the Chief Legal Officer of Brisbane City Council and managed Council's internal legal service provider.

David has had 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. David resigned his position on 2 March 2018.

Shannon Brandon
Company Secretary

Shannon Brandon is the Legal Counsel Corporate Governance and Commercial of Brisbane City Council and currently assists in managing Council's internal legal service provider, City Legal.

Shannon has more than nine years of experience in all aspects of the law, with particular emphasis on drafting and interpretation of legislation affecting local government, commercial contracting and governance arrangements for local government and corporations.

Shannon was appointed as CBIC Company Secretary on 6 November 2017 and resigned from her position on 13 September 2018.

Bill Lyon
Alternate 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.

Bill's previous roles include CEO Redland City Council and Executive General Manager roles with Energex and Telstra.

08

Financial **Statements**

Audited **Results 2018**

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

FINANCIAL STATEMENTS AND DIRECTORS REPORT
FOR THE YEAR ENDED 30 JUNE 2018

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

DIRECTORS’ REPORT

The Directors present their report together with the financial report of City of Brisbane Investment Corporation Pty Ltd and its subsidiaries (“the Group”) for the financial year ended 30 June 2018.

Directors

The names of the Directors in office during the financial year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Edward Marchant (Chair) – Appointed 16 November 2015

Neil Castles (Director) – Appointed 16 November 2015

Maria Roach (Director) – Appointed 2 June 2008

Neill Ford (Director) – Appointed 10 September 2012

Colin Jensen (Director) – Appointed 20 September 2010

Bruce McIver (Director) – Appointed 1 November 2016

Jeremy Harris (Director) – Appointed 1 November 2016

Neil Glentworth (Director) – Resigned 14 August 2017

William Lyon (Alternate of Colin Jensen) – Appointed 22 May 2016

Principal Activities

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

Operating Results

The result of the Group for the financial year ended 30 June 2018 was a net profit of $25.5 million (2017: $23.5 million) and total comprehensive income of $25.5 million (2017: $23.0 million).

Review of Operations

The main sources of revenue were interest revenue from cash held on deposit, fair value gains from investment properties, interest revenue from third party finance facilities, sales revenue from property development and rent generated from the Group’s investment properties.

During the year the Group’s operations included the following asset transactions:

- The sale of properties at Progress Road, Richlands, Qld in September 2017 for $3.0 million (excluding sale costs) and Green Square Close, Fortitude Valley, Qld in March 2018 for $15.0 million (excluding sale costs).
- The purchase of a property at Adelaide Street, Brisbane, Qld for $10.0 million (including transaction costs) was completed in December 2017. Refurbishment of this property is currently underway.
- The purchase of a property at Georgiana Terrace, Gosford, NSW for $46.0 million (including transaction costs) was completed in April 2018.
- The Group has a 52% interest in a joint venture residential property development at Toowong, Qld that was completed in April 2018. Of the 90 apartments constructed, 61 have settled by 30 June 2018.
- Developer financing provided to third parties in respect of residential development projects located in Fortitude Valley, Qld and Ormeau, Qld were fully repaid during the year.

Significant Change in State of Affairs

There has been no significant change in the state of affairs of the Group during the financial year.

Likely Developments

In the future the Group expects to continue to grow its business, with a focus on property investment and property development activities.

Events after Balance Date

In July 2017, the Company declared and paid a dividend to BCC amounting to $20.0 million with respect to the 2017 financial year. The Company declared a further dividend of $20.0 million on 31 July 2018 for the 2018 financial year.

Other than the above there are no other matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect either the Group’s operations in future years, the results of those operations in future years or the Group’s state of affairs in future years.

DIRECTORS'
REPORT

Director's Benefits

During the financial year, Directors of the company have received or become entitled to receive Directors' fees totalling $279,1010 (2017: $300,661)

Indemnification and Insurance

The insurance premium for a policy of insurance indemnifying Directors and officers is paid by the Group's parent entity, Brisbane City Council.

The Group's auditor, Queensland Audit Office, has not been indemnified by the Group.

Rounding of Amounts

The Group is a type of entity referred to in ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191 and therefore the amounts contained in the financial statements have been rounded to the nearest $1,000 unless otherwise stated.

Directors' Meetings

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

Name	A	B
Edward Marchant (Chair)	13	13
Neil Castles	13	13
Neill Ford	9	13
Jeremy Harris	13	13
Colin Jensen	9	13
Bruce McIver	12	13
Maria Roach	11	13
Neil Glentworth	-	1
William Lyon (Alt of Colin Jensen)	4	13

A – Number of meetings attended

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

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration is set out on page 4 of this Directors' report.

Signed in accordance with a resolution of the Board of Directors.

ET Marchant

Edward Marchant
Director
Brisbane, 31 July 2018

Neil Castles
Director
Brisbane, 31 July 2018

AUDITOR'S
INDEPENDENCE DECLARATION

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 financial year ended 30 June 2018, 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.

QUEENSLAND
26 JUL 2018
AUDIT OFFICE

P J FLEMMING
as delegate of the Auditor-General of Queensland

Queensland Audit Office
Brisbane

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 $'000	2017 $'000
Revenue			
Development sales	2	17,730	-
Rental	2	15,075	12,250
Interest	2	4,550	5,355
Distribution	2	394	352
Other		199	260
		37,948	18,217
Other income			
Fair value gain on investment property	8	5,125	7,387
Gain on sale of investment property	2	4,069	3,896
		9,194	11,283
Total income		47,142	29,500
Expenses			
Development cost of goods sold	3	14,989	-
Property expenses and outgoings	3	3,253	2,804
Management and other administration expenses	3	2,444	2,440
Other expenses	3	930	753
Total expenses		21,616	5,997
Net profit for the period attributable to members of the company		25,526	23,503
Other comprehensive income (expense)			
Net unrealised fair value gain (loss) on available for sale financial assets arising during the year	9	-	(540)
Total comprehensive income attributable to members of the company		**25,526**	**22,963**

The consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Notes	2018 $'000	2017 $'000
Current assets			
Cash and cash equivalents	4	82,150	104,049
Loans and receivables	5	3,319	23,574
Inventories	6	16,712	9,787
Non current assets held for sale	7	-	2,950
		102,181	140,360
Non current assets			
Investment property	8	179,765	136,417
Investment in property trusts	9	5,281	5,301
		185,046	141,718
Total assets		287,227	282,078
Current liabilities			
Accounts payable and accrued expenses	11	3,629	1,711
Joint operation development loan	12	-	1,045
Rental liability	12	1,120	1,323
		4,749	4,079
Non current liabilities			
Accounts payable and accrued expenses	11	138	138
Rental liability	12	3,795	4,842
		3,933	4,980
Total liabilities		8,682	9,059
Net assets		278,545	273,019
Shareholder's equity			
Share capital	13	140,902	140,902
Other capital contribution		1,897	1,897
Fair value reserve	13	(540)	(540)
Retained profits		136,286	130,760
Total shareholder's equity		**278,545**	**273,019**

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 2018

	Total $'000	Share capital $'000	Other capital contrib. $'000	Fair value reserves $'000	Retained Profits $'000
2017					
Balance at 1 July 2016	270,056	140,902	1,897	-	127,257
Net profit	23,503	-	-	-	23,503
Other comprehensive income (expense)	(540)	-	-	(540)	-
Dividend paid to shareholder	(20,000)	-	-	-	(20,000)
Balance at 30 June 2017	**273,019**	**140,902**	**1,897**	**(540)**	**130,760**

	Total $'000	Share capital $'000	Other capital contrib. $'000	Fair value reserves $'000	Retained Profits $'000
2018					
Balance at 1 July 2017	273,019	140,902	1,897	(540)	130,760
Net profit	25,526	-	-	-	25,526
Other comprehensive income (expense)	-	-	-	-	-
Dividend paid to shareholder	(20,000)	-	-	-	(20,000)
Balance at 30 June 2018	**278,545**	**140,902**	**1,897**	**(540)**	**136,286**

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 $'000	2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		36,746	10,372
Payments to suppliers and employees		(7,209)	(9,410)
Distributions received		394	352
Interest received		5,708	2,688
Interest paid		(233)	-
Payment of rental liability		(1,273)	(914)
Payment for inventory		(21,712)	(3,445)
Net cash inflows (outflows) from operating activities	4	12,421	(357)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net proceeds from sale of investment property		17,634	51,165
Payment for investment property acquisitions and additions		(47,580)	(12,832)
Payment for lease incentive		-	(1,000)
Refund (payment) for investment in property trust		20	(5,841)
Loans advanced		(1,785)	(15,488)
Loans repaid		18,436	-
Net cash inflows (outflows) from investing activities		(13,275)	16,004
CASH FLOWS FROM FINANCING ACTIVITIES			
Joint operation development loan proceeds	12	12,300	1,045
Joint operation development loan repaid	12	(13,345)	-
Dividends paid	18	(20,000)	(20,000)
Net cash inflows (outflows) from financing activities		(21,045)	(18,955)
NET INCREASE / (DECREASE) IN CASH HELD		(21,899)	(3,308)
Cash and cash equivalents at the beginning of the year		104,049	107,357
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	**82,150**	**104,049**

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 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

City of Brisbane Investment Corporation Pty Ltd and its subsidiaries ("the Group") comprises a group of companies and a trust domiciled in Australia. Brisbane City Council ("BCC") is the ultimate parent of the Group.

The principal place of business of the Group is at Level 21, 12 Creek Street, Brisbane, Qld and the registered office is located at Level 23, 266 George Street, Brisbane, Qld.

(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.

While its owner is a not for profit entity, the Group is a for-profit entity and the financial statements are prepared on a for-profit basis. All balances are stated in Australian dollars.

The financial report has been prepared on an accrual basis and is based on historical costs, except for:

- Investment property at fair value
- Investment in property trusts at fair value
- Non current assets held for sale at fair value less costs to sell.

(b) Basis of consolidation

The consolidated financial statements reflect 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 Trust (100% owned by CBIC);
- CBIC Investment Pty Ltd (100% owned by CBIC);
- BrisDev Pty Ltd (Dormant - 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.

(c) Rounding and Comparatives

Unless otherwise stated, amounts have been rounded to the nearest $1,000 in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. Consequently, rounded balances in the notes may not exactly agree to the primary statements.

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

(d) Use of judgements and estimates

When preparing the financial statements management undertakes a number of judgements and estimates about the recognition and measurement of assets, liabilities, income and expenses. The impact of any revisions to these judgements and estimates are recognised in the period in which the revision is made.

The following are the judgements and estimates that have the most significant effect on the financial statements:

- Investment property – Estimating the fair value using valuation techniques including directly comparable market sales, discounted cashflow models and income capitalisation
- Loans and receivables – Judgement in assessing the collectability of loans and receivables
- Inventories – Judgement in determining the net realisable value of inventory exceeds the carrying amount.

(e) Standards issued but not yet effective

Australian Accounting Standards and Interpretations that have been recently issued or amended but are not yet effective and have not yet been adopted by the Group for the year ended 30 June 2018 are outlined below.

(i) AASB 15 Revenue from Contracts with Customers

This standard introduces a new revenue recognition model and is applicable to the Group's annual reporting period commencing on 1 July 2018.

The Group mainly derives revenue from rental income, development sales income, gains on sale of investment property and interest income. The recognition of revenue under the new standard is not anticipated to have a material impact on the amounts recognised in the financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) AASB 16 Leases

This standard 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.

The standard 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. The standard requires enhanced disclosures about exposures to leases for both lessees and lessors and is applicable to the Group's annual reporting period commencing on 1 July 2019.

The Group holds minimal leases where it is the lessee and therefore the standard is not anticipated to materially impact the Group in terms of expenditure.

(iii) AASB 9 Financial Instruments

This standard introduces new financial instrument classification, measurement and derecognition criteria for financial assets and financial liabilities. It includes a new impairment model for financial assets. This standard is applicable to the Group's annual reporting period commencing on 1 July 2018.

Financial assets such as cash, deposits, trade and loan receivables will continue to meet the requirements to be measured at amortised cost. Under the new standard, financial assets such as investment in property trusts which are currently measured at fair value through other comprehensive income will be measured at fair value through profit and loss from 1 July 2018. Financial liabilities such as accounts payable, joint operation development loan and rental liabilities will continue to be measured at amortised cost.

The Group will not need to restate comparative figures for financial instruments on adopting this standard.

There are no other standards that are not yet effective that would be expected to have a material impact on the Group's financial statements.

(f) 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. Cash flows are included in the Consolidated 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.

(g) 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 operation require the unanimous consent of the parties sharing control. As such, the BrisDev Trust recognises its proportional interest in the joint operation assets, liabilities, revenue and expenses.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

2. REVENUE AND OTHER INCOME

Development sales

Development sales revenue is recognised when the significant risks and rewards of ownership have transferred to the customer. This occurs at the settlement date for each of the individual properties sold.

	2018 $'000	2017 $'000
Sales of properties developed	17,730	-

Rental

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. The cost of lease incentives granted are recognised as a reduction of rental revenue on a straight-line basis from the lease commencement date to the end of the lease term.

	2018 $'000	2017 $'000
Gross rent	13,670	11,222
Straight line rent adjustment	1,670	1,242
Amortisation of lease fitout incentive	(265)	(214)
	15,075	12,250

Interest

Interest revenue relates to cash and cash equivalents and finance income from loans receivable. Finance income, including fees and fixed fee remuneration, and interest are recognised when the right to receive payment is established using the effective interest method.

	2018 $'000	2017 $'000
Interest	4,550	5,355

Distributions

Distribution income is recognised when the right to receive payment is established.

	2018 $'000	2017 $'000
Distributions	394	352

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

2. REVENUE AND OTHER INCOME (continued)

	2018 $'000	2017 $'000
Gain on sale of investment property (refer (i))		
Proceeds from sale of investment property	18,000	52,000
Rental liability	-	(7,036)
Selling expenses	(366)	(538)
Gain on rental liability reassessment	147	52
Net proceeds	17,781	44,478
Book value of investment property sold	(13,712)	(40,582)
Gain on sale of investment property	4,069	3,896

(i) Gain relates to sale of properties referred to in Notes 7 and 8.

3. EXPENSES

Development cost of goods sold

Development cost of goods sold is the cost of inventories (properties) that have been sold during the period. It is recognised as an expense upon recognition of the sale of the properties developed.

	2018 $'000	2017 $'000
Cost of development properties sold	14,989	-

Property expenses and outgoings

Property expenses and outgoings include rates, taxes and other property outgoings incurred in relation to the effective operation of the properties.

Expenditure 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. Expenditure incurred in the acquisition or construction of assets are treated as capital expenditure and recognised as part of the cost of that asset.

	2018 $'000	2017 $'000
Property expenses and outgoings	3,253	2,804

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

3. EXPENSES (continued)

Management and other administration expenses

	2018 $'000	2017 $'000
Employee benefits and related costs		
Wages and salaries (including leave benefits and contractors)	1,291	972
Superannuation contributions	92	88
Payroll tax	59	48
Recruitment	42	47
Other employee related costs	38	53
	1,522	1,208
Directors' costs		
Directors' fees	262	278
Superannuation contributions	17	23
Payroll tax	13	14
	292	315
Other administration expenses		
Professional fees	117	430
IT and communications	113	136
Rent	122	113
Corporate memberships and subscriptions	89	28
Audit fees	85	53
Other	104	157
	630	917
	2,444	2,440

Superannuation contributions are paid to various defined contributions plans in accordance with contracts of employment and minimum statutory requirements. The Group has no legal or constructive obligations to pay amounts in addition to these contributions, which are recognised as an expense in the period that relevant employee services are received.

Audit Fees paid/payable to Queensland Audit Office

Total audit fees quoted by the Queensland Audit Office relating to the Group financial statements are $45,600 (2017: $39,064 actual). In addition, total audit fees quoted by the Queensland Audit Office relating to the audit of financial statements of CBIC Investment Pty Ltd and BrisDev Trust are $17,500 (2017: $15,513 actual).

No other services were performed during the reporting period.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

3. EXPENSES (continued)

Other expenses

	2018 $'000	2017 $'000
New business costs	242	220
Other joint operation expenses	402	334
Interest	170	94
Investment management fees	116	105
	930	753

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less.

Reconciliation of cash	2018 $'000	2017 $'000
Cash balance comprises:		
Cash at bank and at call	82,150	78,980
Short-term investments	-	25,069
Cash and cash equivalents	82,150	104,049

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

4. CASH AND CASH EQUIVALENTS (continued)

Reconciliation of total comprehensive income to net cash inflows (outflows) from operating activities

	2018 $'000	2017 $'000
Total comprehensive income for the period	25,526	22,963
Non-cash items		
Provision for doubtful debts	-	(521)
Gain on sale of investment property	(4,069)	(3,896)
Straight line rent adjustment	(1,670)	(1,242)
Fair value gain on investment property	(5,125)	(7,387)
Fair value loss on available for sale financial assets	-	540
Amortisation of lease incentive	265	214
Changes in operating assets and liabilities		
Decrease / (increase) in receivables	3,603	(2,805)
Increase / (decrease) in accounts payable and accrued expenses	1,919	(2,890)
Increase in inventory	(6,925)	(4,419)
Decrease in rental liability	(1,103)	(914)
Net cash inflows (outflows) from operating activities	12,421	(357)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

5. LOANS AND RECEIVABLES

Trade and other receivables and loans are measured at amortised cost using the effective interest method.

Loans receivable include finance provided to third parties in order to undertake development activities. Facilities are secured by mortgage or the acquisition of beneficial title to secured subordinated notes. These loans were substantially repaid during the year ended 30 June 2018 and the remaining loan balance was repaid in July 2018.

	2018 $'000	2017 $'000
Current		
Interest receivable	131	168
Trade and other receivables	499	2,282
	630	2,450
Loans receivable	2,689	21,124
	3,319	23,574

6. INVENTORIES

Inventories consist of properties being developed for future sale. They 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.

	2018 $'000	2017 $'000
Property constructed and/or under construction at cost	16,712	9,787

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

7. NON CURRENT ASSETS HELD FOR SALE

Non current assets held for sale comprise assets which the Group has identified as available for immediate sale in their present condition, and are expected to be sold within the next twelve months. Immediately before classification as held for sale the assets are remeasured in accordance with the Group's accounting policies. Thereafter these assets are measured at the lower of their carrying amount and fair value less costs to sell. Refer Note 10 for further fair value information.

At 30 June 2017 the Group owned a property at Progress Road, Richlands, Qld that was under an unconditional contract for sale, with settlement due to occur in late September 2017. This asset was reclassified as a non current asset held for sale under current assets at 30 June 2017.

	2018 $'000	2017 $'000
Investment property held for sale (at fair value less costs to sell)		
Opening balance at 1 July	2,950	40,285
Reclassification from investment property	-	2,950
Additions	12	-
Book value of property sold (refer (i))	(2,962)	(40,285)
Closing balance at 30 June	-	2,950

(i) the sale of property at Progress Road, Richlands, Qld ($3.0 million excluding sale costs) (2017: O'Connell Terrace, Bowen Hills, Qld ($52.0 million excluding sale costs)).

8. INVESTMENT PROPERTY

Investment property is property held to earn rental income and/or for capital appreciation and property that is being constructed or developed for future use as an investment property.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Refer Note 10 for further fair value information.

Investment properties under construction are measured at cost until construction or development reaches a stage where it is determined that fair value can be measured reliably.

Lease incentives provided to tenants are capitalised and amortised over the lease periods to which they relate. The carrying amount of lease incentives are included in the value of the investment property.

Gains or losses arising from changes in the fair value of investment properties are recognised in profit or loss in the period in which they arise. The gain or loss on disposal of an investment property, which is calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in profit or loss in the period of disposal.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

8. INVESTMENT PROPERTY (continued)

	2018 $'000	2017 $'000
Existing investment property		
Opening balance at 1 July	136,200	98,050
Acquisitions of investment property (refer (i))	46,033	-
Additions	237	197
Lease incentives	-	1,000
Amortisation of lease incentives	(265)	(214)
Straight line rent adjustment	1,670	1,242
Net fair value gain / (loss)	5,125	(575)
Book value of property sold (refer (ii))	(10,750)	-
Transfer of construction projects completed (refer (iii))	-	36,500
Closing balance at 30 June	178,250	136,200
Investment property under construction		
Opening balance at 1 July	217	19,070
Additions	1,298	12,668
Net fair value gain	-	7,929
Transfer of construction projects completed (refer (iii))	-	(36,500)
Reclassified to non current assets available for sale	-	(2,950)
Closing balance at 30 June	1,515	217
	179,765	136,417

Significant investment property transactions during the period were:

(i) the purchase of a property at Georgiana Terrace, Gosford, NSW was completed in April 2018. The consideration paid was $46.0 million (including transaction costs of $2.5 million).

(ii) the sale of a property at Green Square Close, Fortitude Valley, Qld ($15.0 million excluding sale costs)

(iii) Completion of the construction of the investment property located at Hamilton Road, Chermside, Qld in March 2017.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

9. INVESTMENT IN PROPERTY TRUSTS

Investment in property trusts are classified as available for sale financial assets. They are measured at fair value with changes in fair value being 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.

The Group recognised a fair value gain on these investments at 30 June 2018 of $Nil million (2017: $0.5 million loss representing the transaction costs associated with their initial acquisition). Refer Note 10 for further fair value information.

	2018 $'000	2017 $'000
Investment in property trusts at fair value		
Opening balance at 1 July	5,301	-
Acquisitions	(20)	5,841
Net fair value gain/(loss) in other comprehensive income	-	(540)
Closing balance at 30 June	5,281	5,301

10. 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.

Fair value measurement hierarchy

Non-financial assets measured at fair value include investment properties, investment in property trusts and non current assets held for sale. The carrying amount of other financial assets and liabilities reasonably equates to their fair value.

The methods used to estimate fair values comprise:

- Level 1 – the fair value is calculated using quoted prices in active markets for identical assets and liabilities;
- Level 2 – the fair value is estimated using inputs that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

10. FAIR VALUE MEASUREMENT (continued)

	Level 2		Level 3		Total	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Investment properties	-	10,750	179,765	125,667	179,765	136,417
Non current assets held for sale	-	-	-	2,950	-	2,950
Investment in property trusts	-	-	5,281	5,301	5,281	5,301
Total	-	10,750	185,046	133,918	185,046	144,668

Reconciliation of level 3 fair value measurements

The following table shows the movements of investment propxerties in Level 3 of the fair value measurements hierarchy. Corresponding tables for non current assets held for sale and investment in property trusts are shown in Notes 7 and 9 respectively.

	2018 $'000	2017 $'000
Investment Properties		
Opening balance at 1 July	125,667	103,120
Transfers into level 3	-	3,250
Transfers out of level 3	-	-
Straight line rent adjustment	1,670	1,242
Net fair value gain in income statement	5,125	7,354
Acquisitions and additions	47,568	12,865
Reclassification to non current assets held for sale	-	(2,950)
Other	(265)	786
Closing balance at 30 June	179,765	125,667

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

10. FAIR VALUE MEASUREMENT (continued)

Valuation techniques and inputs

Investment properties, investment in property trusts and non current assets held for sale are measured at fair value. These assets are classified as level 3 as the fair value is substantially derived from unobservable inputs.

Except for the property at Georgiana Terrace, Gosford, NSW which was valued as at 3 April 2018, all Independent valuations were performed as at 30 June 2018. The independent valuations were performed by qualified valuers from Jones Lang LaSalle Advisory Services, Savills Valuations and Colliers International.

The assignment of individual values to individual investment properties is based on the valuer's expertise in the type of investment property concerned and considers recent sales of similar properties in the same geographical location. Valuation methods considered are:

- Discounted cashflow models, and
- Income capitalisation approaches

The income capitalisation approach applies a market capitalisation rate to income. Adjustments are made for any relevant rental reversions including letting up allowances for vacant space, incentives, leasing fees, capital expenditure and other appropriate capital allowances.

Discounted cashflow models consider the present value of net cash flows to be generated from the property, reflecting the expected rental growth rate, void periods, occupancy rates, lease incentive costs and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors the discount rate estimation considers the quality of a building and its location, tenant credit quality and lease terms.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

10. FAIR VALUE MEASUREMENT (continued)

Valuation techniques and inputs (continued)

Key unobservable inputs used in valuations are detailed in the below tables:

Investment property and non current assets held for sale

Valuation method	Significant unobservable input description and range	Relationship of inputs to fair value
	Net passing income	Refer (i) below
Income capitalisation	Market capitalisation rate 6.00% to 7.50% (2017: 6.30% to 7.88%)	Refer (ii) below
	Capital expenditure and lease incentives	Refer (ii) below
	Rental cash flow growth rates 1.59% to 3.50% (2017: 1.82% to 2.98%)	Refer (i) below
	Tenancy / lease occupancy rates	Refer (i) below
Discounted cash flow	Capital expenditure	Refer (ii) below
	Terminal value	Refer (i) below
	Discount rate 6.50% to 9.25% (2017: 6.75% to 9.25%)	Refer (ii) below

Investments in property trusts

Valuation method	Significant unobservable input description and range	Relationship of inputs to fair value
	Net market income	Refer (i) below
Income capitalisation	Market capitalisation rate 7.25% to 8.50% (2017: 7.25% to 8.50%)	Refer (ii) below
	Forecast stabilised maintainable occupancy	Refer (i) below
	Sustainable average storage fees	Refer (i) below
Discounted cash flow	Terminal capitalisation rate 7.50% to 9.50% (2017: 7.50% to 9.50%)	Refer (ii) below
	Discount rate 9.00% to 11.00% (2017: 9.00% to 11.00%)	Refer (ii) below

(i) Increase in the input variable would increase the fair value and a decrease in the input variable would decrease the fair value.

(ii) Increase in the input variable would decrease the fair value and a decrease in the input variable would increase the fair value.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

11. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses are recognised as a liability when the amount owed can be measured reliably and when it is probable the amount will have to be paid, when the goods are received or the service is performed. Amounts are unsecured and normally settle within 30 days.

Accrued employee benefits comprise annual leave and accrued salaries and superannuation. Annual leave represents the amount which the Group has a present obligation to pay resulting from employees' services provided up to balance date. The accrual is based on estimated remuneration rates that will be paid when the liability is expected to be settled and includes related on-costs.

	2018 $'000	2017 $'000
Current		
Trade creditors and accrued expenses	1,842	1,469
PAYG, GST and Payroll Taxes	1,740	212
Accrued annual leave	47	30
	3,629	1,711
Non current		
Trade creditors and accrued expenses	138	138

12. OTHER LIABILITIES

The joint operation development loan is provided by BankWest Limited and is secured by a Registered First Mortgage over the property being developed. This loan was fully repaid in June 2018.

The rental liability relates to amounts payable as rental guarantees in respect of properties sold by the Group. 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

12. OTHER LIABILITIES (continued)

	2018 $'000	2017 $'000
Current		
Joint operation development loan (i)	-	1,045
Rental liability	1,120	1,323
	1,120	2,368
Non current		
Rental liability	3,795	4,842
Reconciliation of changes in liabilities arising from financing activities		
(i) Joint operation development loan		
Opening balance at 1 July	1,045	-
Drawdowns	12,300	1,045
Repayments	(13,345)	-
Closing balance at 30 June	-	1,045

13. SHARE CAPITAL AND RESERVES

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.

The fair value reserve represents the change in the fair value of investments in property trusts as set out in Note 9.

	2018 $'000	2017 $'000
140,901,651 ordinary shares fully paid	140,902	140,902
Fair value reserve	(540)	(540)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

14. RELATED PARTY TRANSACTIONS

(a) Key personnel

Directors

Edward Marchant

Neil Castles

Neill Ford

Jeremy Harris

Colin Jensen

Bruce McIver

Maria Roach

William Lyon (Alternate of Colin Jensen)

Former Directors

Craig Spencer – Resigned 15 September 2016

Michael Knox – Resigned 1 November 2016

Jane Edwards – Resigned 1 November 2016

Neil Glentworth – Resigned 14 August 2017

Greg Evans (Alternate of Colin Jensen) – Resigned 3 March 2017

Company Secretary

Shannon Brandon – Appointed 6 November 2017

David Askern – Resigned 2 March 2018

Management

Gary Coleman – Appointed 1 August 2017

Kirsten Smith – Resigned 14 April 2017

(b) Key management personnel compensation

	2018 $'000	2017 $'000
Short-term employee benefits	553,971	470,437
Post-employment benefits	35,064	40,947
Long-term benefits	-	-
Termination benefits	-	-
Total	589,035	511,384

Colin Jensen, William Lyon, Shannon Brandon, Greg Evans and David Askern did not receive any compensation during the financial year (2017: Nil).

14. RELATED PARTY TRANSACTIONS (continued)

(c) Details of transactions between the Group and Brisbane City Council (BCC), the ultimate and Australian controlling entity are disclosed below:

	2018 $'000	2017 $'000
Infrastructure contributions charged by controlling entity #1	402,480	370,177
Rental Incentives provided to the controlling entity #2	-	500,000
Purchase of materials and services from controlling entity #3	128,005	5,447
Rental income earned from controlling entity #4	10,555,147	8,166,782
Fitout costs recharged to controlling entity #5	-	5,617,875
Dividend in respect of 2017 financial year	20,000,000	-
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 $115,361 (2017: $4,894) and the total amount payable by BCC in relation to the rental income is $50,058 (2017: $921,343) and the fitout costs recharged is $Nil (2017: $1,368,866).

#1 Infrastructure charges in relation to developments undertaken that are determined by BCC 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 In March 2017, the Group completed construction of the BCC North Regional Business Centre and Library at Hamilton Road, Chermside, Qld. BCC entered into a lease agreement with the Group 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, Qld 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. The Group disposed of the property on 31 October 2016.

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

Whilst rental revenue of the Group is recognised on a straight-line basis over the lease term, the amounts disclosed for related party transaction purposes reflect amounts actually payable/receivable for the period in accordance with the relevant lease agreements.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

14. RELATED PARTY TRANSACTIONS (continued)

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

	2018 $'000	2017 $'000
Intercompany loans between the entities	8,079,485	16,988,420

During the 2018 financial year CBIC was repaid $5,805,588 (2017: $5,366,855 advanced to) by the BrisDev Trust and was repaid $3,102,769 (2017: $2,673,974 advanced to) by CBIC Investment Pty Ltd. On consolidation, the loans were eliminated. The loans are unsecured, interest free and with no fixed repayment date.

(e) Details of transactions between the Group and other related parties are disclosed below:

	2018 $'000	2017 $'000
Infrastructure contributions charged by related party	400,400	183,412

At balance date, the total amount payable in relation to these transactions amounted to Nil (2017: Nil).

These infrastructure charges relate to developments undertaken by the group and are determined by the related party in accordance with the relevant charging schedules.

In April 2018, the Group entered into a conditional contract to acquire land at Eagle Farm, Qld from a wholly owned subsidiary of BCC for a contract purchase price is $14.8 million. At 30 June 2018 a deposit of $0.8 million had been paid to a solicitors trust account in respect of this contract. The contract is subject to conditions which have not been satisfied at the date of this report.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

15. COMMITMENTS

(a) Capital commitments

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

	2018 $'000	2017 $'000
Within 1 year	3,313	11,338
1 to 5 years	-	-
Later than 5 years	-	-
	3,313	11,338

Total capital commitments as at 30 June 2018 for CBIC is $3.3 million (2017: Nil). The remainder of the capital commitments at 30 June 2017 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.

(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:

	2018 $'000	2017 $'000
Within 1 year	982	539
1 to 5 years	1,095	823
Later than 5 years	-	-
	2,077	1,362
Total operating and capital commitments	5,390	12,700

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

16. LEASES AS LESSOR

Future operating lease rentals contracted for at balance date but not provided for in the financial statements relate entirely to CBIC and are receivable as follows:

	2018 $'000	2017 $'000
Within 1 year	13,756	11,076
1 to 5 years	55,806	42,184
Later than 5 years	126,338	123,318
	195,900	176,578

The Group has entered into 15 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

	2018 $'000	2017 $'000
Bank Guarantee provided to Queensland Urban Utilities	-	85

The bank guarantee was returned on 10 May 2018. It was in relation to the Group satisfactorily completing additional works in relation to water and sewage at the BCC North Regional Business Centre and Library at Chermside. QUU is a related entity of the Group 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 event occurred subsequent to balance date:

Dividend declaration

A dividend of $20.0 million payable to BCC was declared on 31 July 2018 in respect of the 2018 year.

Other than the above there are no other matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect either the Group's operations in future years, the results of those operations in future years or the Group's state of affairs in future years.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

19. HEAD COMPANY FINANCIAL INFORMATION

The key financial information of the head company, CBIC is detailed as follows:

	2018 $'000	2017 $'000
Assets		
Current assets	96,544	138,215
Non current assets	185,046	141,718
Total assets	281,590	279,933
Liabilities		
Current liabilities	3,574	2,526
Non current liabilities	3,933	4,979
Total liabilities	7,507	7,505
Shareholder's equity		
Share capital	140,902	140,902
Other capital contribution	1,897	1,897
Fair value reserve	(540)	(540)
Retained profits	131,824	130,169
Total shareholder's equity	274,083	272,428
Profit or loss and comprehensive income		
Total profit or loss	21,655	22,765
Total comprehensive income	21,655	22,225

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Categorisation of Financial Instruments

Financial assets and financial liabilities are recognised when the Group becomes party to the contractual provisions of financial instruments. Financial assets and financial liabilities are classified as follows:

	Note	2018 $'000	2017 $'000
Financial assets			
Cash and cash equivalents at amortised cost	4	82,150	104,049
Loans and receivables at amortised cost	5	3,319	23,574
Investment in property trusts at fair value	9	5,281	5,301
		90,750	132,924
Financial Liabilities			
Accounts payable and accrued expenses	11	3,767	1,849
Rental liabilities	12	4,915	6,165
Joint operation development loan at amortised cost	12	-	1,045
Total liabilities		8,682	9,059

Risk Management

The Group's principal financial instruments include cash and cash equivalents and loans, the main purpose of which is to provide adequate financial capability to support the Group's operations, the acquisition of investment properties and management of its financial market risks. The Group has various other financial assets and liabilities such as trade receivables and payables which arise directly from its operations.

The Group's activities expose it to a variety of risks including market risk (such as interest rate risk), liquidity risk and credit risk. The Group's financial risk management activities seek to minimise potential adverse effects of the unpredictability of financial markets on financial performance.

All investment activities must be consistent with the Group'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.

Interest Rate Risk

Interest rate risk refers to possible fluctuations caused by changes in the value of interest bearing financial instruments as a result of changes in market rates.

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

The Group' interest rate sensitivity to an expected 1% maximum fluctuation in interest rates if all other variables were held constant is:

Increase/(decrease) in profit and equity from change in interest rate of:	1% increase		1% decrease	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Cash and cash equivalents	821	1,040	(821)	(1,040)
Loans receivable (floating interest rate)	-	66	-	(66)
Joint operation development loan	-	10	-	(10)

Liquidity Risk

Liquidity risk refers to the ability of the Group to meet its financial obligations as and when they fall due. The Group is exposed to liquidity risk through its normal course of business. The Group manages liquidity risk through continuous monitoring of forecast cash flows to ensuring it maintains adequate access to cash and cash equivalents and borrowings ensuring an appropriate spread of maturities as required.

The following table sets out the contractual maturity of the Group's financial liabilities, calculated based on the undiscounted cash flows relating to the liabilities at reporting date:

2018	0-1 year	1-5 year	Over 5 years	Total
	$'000	$'000	$'000	$'000
Financial Liabilities				
Accounts payable and accrued expenses	3,629	138	-	3,767
Joint operation development loan	-	-	-	-
Rental liability	1,108	4,171	1,062	6,341
Total financial liabilities	4,737	4,309	1,062	10,108

2017	0-1 year	1-5 year	Over 5 years	Total
	$'000	$'000	$'000	$'000
Financial Liabilities				
Accounts payable and accrued expenses	1,711	138	-	1,849
Joint operation development loan	1,045	-	-	1,045
Rental liability	1,321	4,200	2,232	7,753
Total financial liabilities	4,077	4,338	2,232	10,647

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Credit Risk

Credit risk is the risk that the counterparty will not fulfil its obligations under the terms of a financial instrument and will cause financial loss to the Group. The Group has exposure to credit risk on all financial assets recognised on the statement of financial position.

The Group's management considers that all material financial assets are of good credit quality noting:

- in respect of cash and cash equivalents, credit risk is considered negligible since the funds are held with reputable banks and institutions with high quality credit ratings
- In respect of loans and receivables, material amounts receivable are either with a reputable counterparty or the amount receivable has appropriate security to minimise the risk of potential default.

DIRECTORS'
DECLARATION

In the opinion of the Directors of the company:

1. **The consolidated financial statements and notes of City of Brisbane Investment Corporation Pty Ltd for the financial year ended 30 June 2018 are in accordance with the Corporations Act 2001, including:**

    (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the year ended on that date; and

    (b) complying with Accounting Standards and the Corporations Regulations 2001.

2. **There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.**

Signed in accordance with a resolution of the Board of Directors.

Edward Marchant
Director
Brisbane, 31 July 2018

Neil Castles
Director
Brisbane, 31 July 2018

INDEPENDENT
AUDITOR'S REPORT

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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 2018, 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 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the directors' declaration.

Basis for 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's 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 and the *Auditor-General of Queensland Auditing Standards*.

I am also independent 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.

Other information

Other information comprises the information included in the group's directors' report for the year ended 30 June 2018, but does not include the financial report and my auditor's report thereon.

The directors are responsible for the other information.

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AUDITOR'S REPORT

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My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

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*, the Corporations Regulations 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 parent's and 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 parent or group or to cease operations, or has 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 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 judgement and maintain professional scepticism 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.

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- 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 expressing an opinion on the effectiveness of the parent's and group's internal control.
- 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 parent's and 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 parent's or 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 parent or 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 audit of the group. I remain solely responsible for my audit opinion.

I communicate with the company's 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.

QUEENSLAND
3 AUG 2018
AUDIT OFFICE

P J FLEMMING
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

2018 Annual Report

Level 21, 12 Creek Street
Brisbane QLD Australia 4000
Phone 07 3252 1541

City of Brisbane Investment Corporation