

# 2019 | ANNUAL REPORT

INVESTING IN A BRIGHTER FUTURE, TODAY.

Celebrating 2019, the inaugural year whereby dividends from CBIC are used by the Brisbane City Council to buy or create more parks, sporting fields and green space.







“ It will be Council’s biggest investment in parks and green space and will be funded by dividends from CBIC ”

## FOREWORD



In April this year I announced I will be fast-tracking the delivery of more parks, sporting fields and green space for the residents of Brisbane. It will be Council’s biggest investment in parks and green space and will be funded by dividends from CBIC.

As the city’s future fund I can not think of a better use of CBIC’s dividend than the creation of more parks and green space. Brisbane residents have told us they want more green space with new places to relax and this five-year program will deliver more land for community sport and recreation.

I have been involved with CBIC since its inception in 2008 and am delighted with its ongoing success. The original seed funding of \$135 million is now worth \$268 million and it has paid a total \$131 million in annual dividends.

Similar in nature to other sovereign wealth funds around the world, including the Commonwealth Future Fund, CBIC serves as a testament to this administration’s commitment to financial responsibility.

In closing I would like to thank departing Chairman Ted Marchant for his three years of service and welcome to the board Geoff Rodgers who joined on the 1st of January 2019. I would also like to congratulate the team at CBIC for their achievements this year and am confident of their continued success.

**The Right Honourable,  
the Lord Mayor of Brisbane,  
Adrian Schrinner**

# 01 CHAIRMAN & CEO'S REPORT

**T**he past year has been one of the most significant in CBIC's history. Financially CBIC continued to outperform its investment benchmarks and delivered a \$20m dividend for a fourth consecutive year. During the year CBIC also launched its website and broadened its investment markets with the acquisition of a commercial office property in Parramatta. And finally the Lord Mayor's announcement dedicating future CBIC dividends to more green spaces for the residents of Brisbane aligns with CBIC's focus on responsible and ethical investing practices.

“An overall return of 11.2% against a benchmark of CPI + 4.5% to 5.5% allowed the fund to pay a dividend of \$20m for the fourth consecutive year”

## INVESTMENT HIGHLIGHTS

Work continued on further improving the fund's risk profile during the year. Improved geographic, sector and tenant diversification was achieved with the acquisition of an office building in Parramatta, NSW and the completion of the new Brisbane City Council's Field Services Group facility at Eagle Farm, Qld. The acquisition and development activity was funded by cash, asset disposals and modest levels of debt.

The fund as well as the underlying cash and property portfolios outperformed their respective benchmarks again. An overall return of 11.2% against a benchmark of CPI + 4.5% to 5.5% allowed the fund to pay a dividend of \$20m for the fourth consecutive year.

“Sustainable and ethical investing remain core CBIC's investment and operational practices.”





## RESponsible Investing

Sustainable and ethical investing remain core to CBIC's investment and operational practices. During the year CBIC continued to focus on the environmental impact of its investment portfolio and enhanced its strategic, operational and governance disciplines.

A website was launched in February with a full suite of historic annual reports available. Corporate governance and board capabilities were also enhanced with the appointment of a dedicated Company Secretary, Margot Blue, and the appointment of an additional board member, Patrice Sherrie.



### PERFORMANCE

Outperformed all benchmarks



### MILLIONS IN DIVIDENDS

Paid \$20 million annual dividend

“ The overall fund as well as the underlying cash and property portfolios outperformed their investment benchmarks again ”

## Looking Forward

Focus remains on assembling and maintaining a portfolio of core-style, defensive assets capable of delivering consistent dividends and sustainable growth to the Shareholder. The current rebalancing strategy of cycling out properties when appropriate and introducing new properties will continue to improve the fund's risk profile and its prospect for future outperformance.

On behalf of the board we would like to thank Ted Marchant for his contribution during his tenure and acknowledge the continued efforts and commitment of the Board of Directors and the management team during the year.

We would also like to acknowledge the continued support of CBIC's shareholder under the leadership of The Right Honourable, the Lord Mayor of Brisbane, Adrian Schrinner.



*Geoff Rodgers*

Geoff Rodgers OAM | Chairman



*Gary Coleman*

Gary Coleman | CEO

# 02 OBJECTIVE & 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







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

**C** BIC is a specialist real estate investment manager focussed on delivering superior risk adjusted long term returns to our shareholder.

We have a strong commitment to Responsible Investing principles to ensure the impacts of our decisions are positive to both the environment and community.

Environmental, Social and Governance principles have evolved from a source of

cost to a creator of value and buildings which uphold higher environmental standards may receive better pricing on sale and reflect higher returns during their ownership through improved net rents.

CBIC's commitment to Responsible Investing is centred on environmental stewardship of our assets and the neighbourhood in which they stand, along with transparency and disclosure, both within the organisation and within

the broader supply chain in addition to the health, safety and wellness of the occupants

During the year we embarked on an ESG rating of the portfolio by utilising a proprietary ESG benchmarking tool to understand the portfolios operational performance and benchmark improvements.



## SUSTAINABILITY

Aspiring to meet best-in-class sustainability standards



## DIRECT BENEFITS

Directly benefiting the people of Brisbane



## PROTECTION

Protecting and enhancing value across the portfolio



## ENVIRONMENTAL

CBIC is implementing environmental policies which lead to energy, waste and water efficiencies which reduce operating expenses, growing the value of our assets and contributing positively to environmental sustainability.

Our buildings, where applicable, will meet Green Building Council of Australia standards for Greenstar certification during construction and we look to achieve the highest possible NABERS rating for new acquisitions.

CBIC will also focus on creating a positive impact in buildings it acquires which have a lower NABERS rating than the broader portfolio and make capital investment into building management systems and services to improve the NABERS rating of the building and improve the positive impact it has on occupants.





## 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 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'.

## SOCIAL

Real estate is an asset class which has a significant impact on our everyday lives and therefore it is important to CBIC to consider how our buildings interact with all stakeholders.

We have and will continue to explore policies which improve our standing in our communities with

- Customers
- Employees
- Suppliers
- Creditors
- Statutory bodies
- Regulators.

A diverse and inclusive workplace contributes not only to employee wellbeing and creating a firm which becomes an employer of choice but also has a positive impact on returns to all stakeholders. CBIC is proud that females make up 70% of our workforce and continues to look for opportunities for women to build on their skills and experience within our organisation.

## OUR COMMITMENT TO RESPONSIBLE INVESTING INCLUDES:

Environmental	Social	Governance
<ul style="list-style-type: none"> <li>• Energy, waste and water efficiency</li> <li>• Indoor environmental quality</li> <li>• Materials and resources</li> <li>• Outdoor environment quality and biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>• Health, safety and security of building occupants</li> <li>• Accessibility for disabled persons</li> <li>• Gender diversity <b>where possible</b></li> <li>• Strategic FM monitoring</li> </ul>	<ul style="list-style-type: none"> <li>• Effective corporate governance structure</li> <li>• Risk management systems</li> <li>• Sub-contractor selection &amp; monitoring</li> <li>• Supply chain fidelity.</li> </ul>

# 04 OPERATIONAL REPORT

## FINANCIAL PERFORMANCE

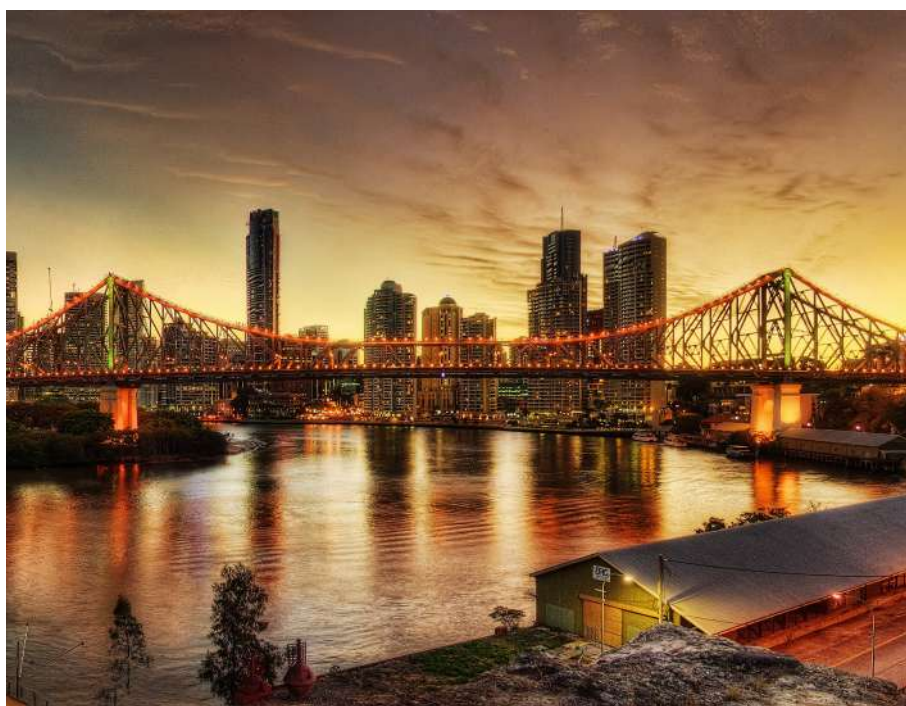
CBIC achieved a net comprehensive income of \$29.9 million for the year representing an increase of 17% on the previous year.

The repositioning of the portfolio away from financing and residential development activities saw a decrease in earnings in 'Interest' and 'Residential Development' and an increase in 'Rental income' and 'Fair value gains' from investment properties.

Fund Manager expenses remained stable at \$2.4 million. As a percentage of net asset value this equates to approximately 0.83% which compares favourably to an industry range of 0.6% to 1.3%.

Income	2019	2018
Rental income – net	13,505	11,822
Interest – net	652	4,434
Residential Development – net income	600	2,741
Distribution income	367	394
Fair value gains on property assets	17,727	5,125
Gain on sale of investments	90	4,069
Other income	-	199
<b>Total income</b>	<b>32,941</b>	<b>28,784</b>

Expenses	2019	2018
General and administration expenses – Investment activity	619	899
Fund Manager expenses	2,394	2,359
Total expenses	3,013	3,258
Fair value gain/(loss) on equity investments (unrealised)	-	-
<b>Total net comprehensive income</b>	<b>29,928</b>	<b>25,526</b>

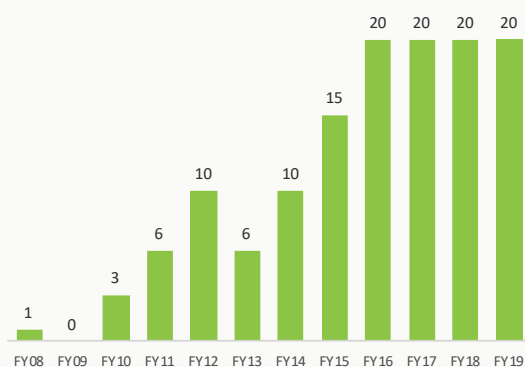


“CBIC achieved a net comprehensive income of \$29.9 million for the year representing an increase of 17% on the previous year.”



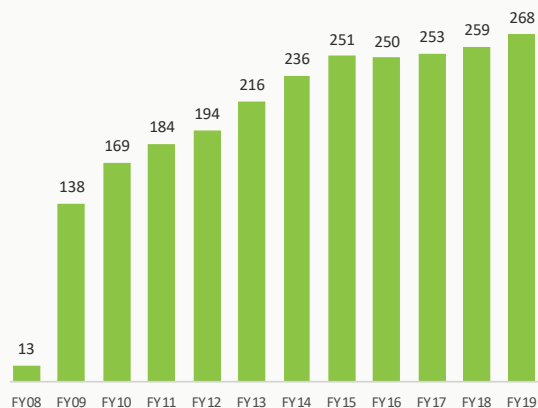
Dividends paid to the shareholder since inception now total \$130.7 million with FY19 being the fourth consecutive year of a \$20.0 million dividend.

**Annual Dividends (\$'000s)**  
FY08-FY19



As well as generating a consistent source of dividend CBIC's initial seed funding of approximately \$135.1 million in 2009 has grown to \$268.5 million as at 30 June 2019.

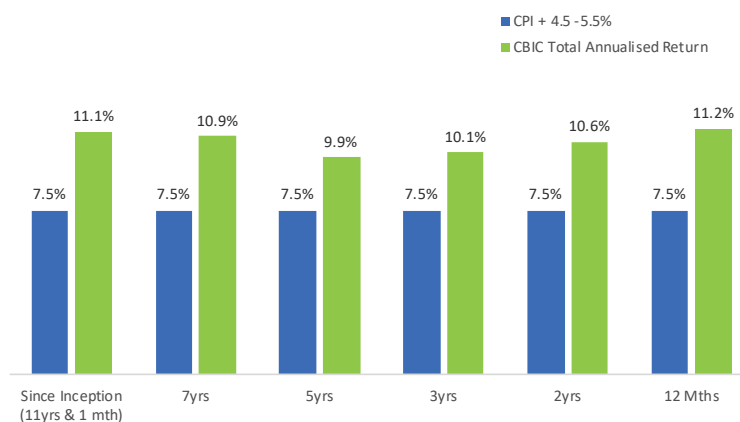
**Net Asset Value (\$'000s)**  
FY08-FY19



## INVESTMENT PERFORMANCE

CBIC continued to outperform its investment benchmark delivering a return of 11.2% against a benchmark of 7.5% for the year. Since its inception in June 2008 CBIC has now delivered an annualised return of 11.1% against its benchmark of 7.5%

**Annualised Returns**  
FY08-FY19



## INVESTMENT ACTIVITY

During the year the fund focussed its activities on passive investment strategies as opposed to the more active development, trading and funding activities of previous years.

Development activity for the year was limited to the completion of the Field Services Group depot at Trade Coast, Eagle Farm. The development provided significant development profit for the year and will also underpin future earnings and growth prospects of the fund.

The value-add initiative at 262 Adelaide Street continued with the refurbishment works now completed. The works comprised

repositioning the underperforming CBD heritage office building to modern office accommodation and the provision of equitable access and on-floor disabled amenities.

The acquisition of 9 Georges Street, Parramatta was completed in February 2019. The acquisition improves the portfolio's geographic risk profile and provides a short term, value-add initiative through the refurbishment and leasing of 2 vacant levels.

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

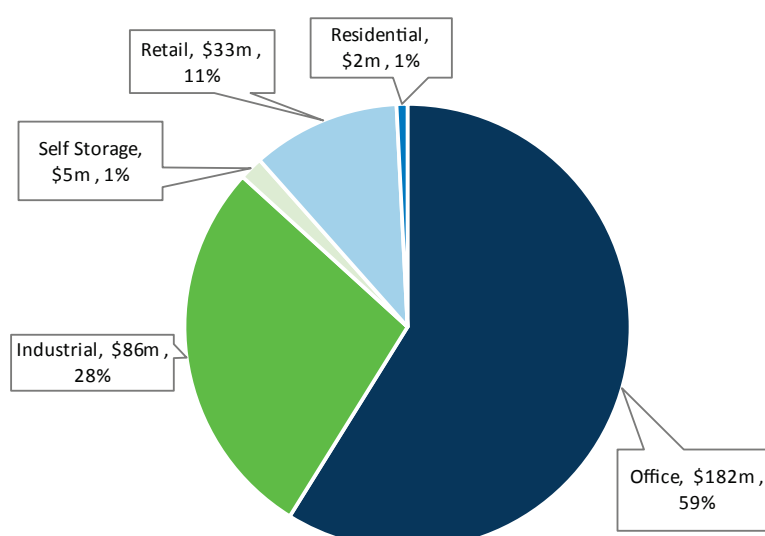
## CBIC PORTFOLIO

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

During the year the portfolio further invested in the office sector with the acquisition of 9 George Street, Parramatta in western Sydney. The portfolio also increased its weighting to the industrial sector through the completion of Brisbane City Council's Field Services Group facility at Eagle Farm, Brisbane. The investment activity improves the portfolio's sector and geographic risk profile. We note that CBIC also made the decision to divest out of South Regional Business Centre (Brisbane Office Asset) and 16 Industrial Avenue, Wacol (Brisbane Industrial Asset). These assets are included in the table below.

Key metrics	FY19	FY18
Total Investments	10	10
Net lettable area <sup>1</sup>	60,017	41,428
Occupancy <sup>2</sup>	95%	100%
Weighted average lease expiry (years) <sup>3</sup>	10.8	11.3
Weighted average cap rate <sup>4</sup>	6.27%	6.53%

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



June 2019 / \$309m





## Property Markets

### BRISBANE OFFICE MARKET

During the year, in line with most Australian office markets, the Brisbane office market experienced significant yield compression and vacancy rates for Brisbane CBD and Fringe markets have reduced over the year. Despite this, forecast rental growth for office space in Brisbane is expected to remain subdued for the next few years.

CBIC's portfolio has been constructed to provide our shareholder with a consistent rental income stream whilst taking advantage of opportunities for above average returns from repositioning assets. The majority of the portfolio is long WALE office assets with a tactical tilt to growth assets which can be repositioned, for example 262 Adelaide Street Brisbane.

The outlook for the office market is that these trends of modest rental growth and historically low yields are expected to continue in the absence of any significant domestic or global economic shock.

### NSW OFFICE MARKET

The office market in New South Wales has enjoyed significant rental growth in the past year which is expected to continue into the short to medium term. This growth is countercyclical to the Brisbane market and has allowed CBIC to diversify its investment risk across markets and provide secure and growing income for our shareholder.

Yields in this market have also compressed to historical lows underpinning capital growth of CBIC's assets in the New South Wales market.

Economic forecasts for this market are that these trends are expected to continue for the next few years, underpinning both rental and capital growth to our assets.

### BRISBANE INDUSTRIAL MARKET

The Brisbane industrial property market continues to perform well underpinned by a recovering Queensland economy and changes in the logistics and retail industries. Continued yield compression has delivered strong investment returns for industrial property with rental growth expected to pick up over the next few years.

Amongst Brisbane's industrial precincts, The Trade Coast is one of Brisbane's premium locations with access to significant infrastructure, including the Brisbane Airport, Port of Brisbane and significant road networks, as well as being close to the CBD.

The outlook for the industrial market is to continue to show improved rental growth over the medium term. CBIC's investment in Eagle Farm is underpinned by fixed returns and will continue to outperform over the long term.

### RETAIL PROPERTY MARKET

Growth in GDP is expected to slow towards the end of 2019, reflecting weaker consumer spending and the anticipated dwelling investment downturn. Consumer demand, held back by weak household income growth, has fed into lower retail turnover in the past three quarters.

However, non discretionary retail, such as the assets within CBIC's portfolio, have largely resisted the fall in turnover, with well positioned centres continuing to trade reasonably well.

## OFFICE PORTFOLIO



## Southern Regional Business Centre

665 Fairfield Road, Yeerongpilly QLD

PROPERTY SUMMARY	
Ownership	100%
Acquisition date	2012
Site Area	3,600m <sup>2</sup>
Total area (NLA)	4,198m <sup>2</sup>
Occupancy	100%
WALE (income)	7.98 years
Rent Review Struture/s	Annual fixed 3.5%
Tenant/s	Brisbane City Council
Value Range	\$30-\$40 million

The South Regional Business Centre (SRBC) is a 4.5 -star NABERS rated building reflecting CBIC's ongoing commitment to Responsible Investment and is located adjacent to Yeerongpilly Green.

With 69% of CBIC's portfolio centred on Brisbane and 58% concentration in the office sector, the decision to offer SRBC for sale through a competitive sale process was taken.

At the time of writing, a significant number of offers have been received in excess of book value and discussions continue with a target group.



## OFFICE PORTFOLIO



## North Regional Business Centre & Library

375 Hamilton Road, Chermside QLD

### PROPERTY SUMMARY

Ownership	100%
Acquisition date	2015-2017
Site Area	5,010m <sup>2</sup>
Total area (NLA)	6,058m <sup>2</sup>
Occupancy	100%
WALE (income)	12.75 years
Tenant/s	Brisbane City Council
Value Range	\$40-\$50 million

Purpose built by CBIC for the Council, NRBC was designed and built to reflect CBIC's commitment to reducing greenhouse gasses and employ efficient water and energy consumption measures and recently achieved a 5 Star NABERS rating.

Reflecting the high standard the building was constructed to, this asset will provide a long term rental stream with low capex requirement, maximising returns for our shareholder.

The property's proximity to the Chermside Shopping Centre, ensures the NRBC will continue to be a core asset within the CBIC portfolio.

## OFFICE PORTFOLIO



## 262 Adelaide Street

Brisbane QLD

PROPERTY SUMMARY	
Ownership	100%
Acquisition date	2017
Site Area	445m <sup>2</sup>
Total area (NLA)	2,351m <sup>2</sup>
Value Range	circa \$20 million

The whole of building refurbishment works have been mostly completed including equitable access, a new lift, new air-conditioning services and fitouts to the majority of floors.

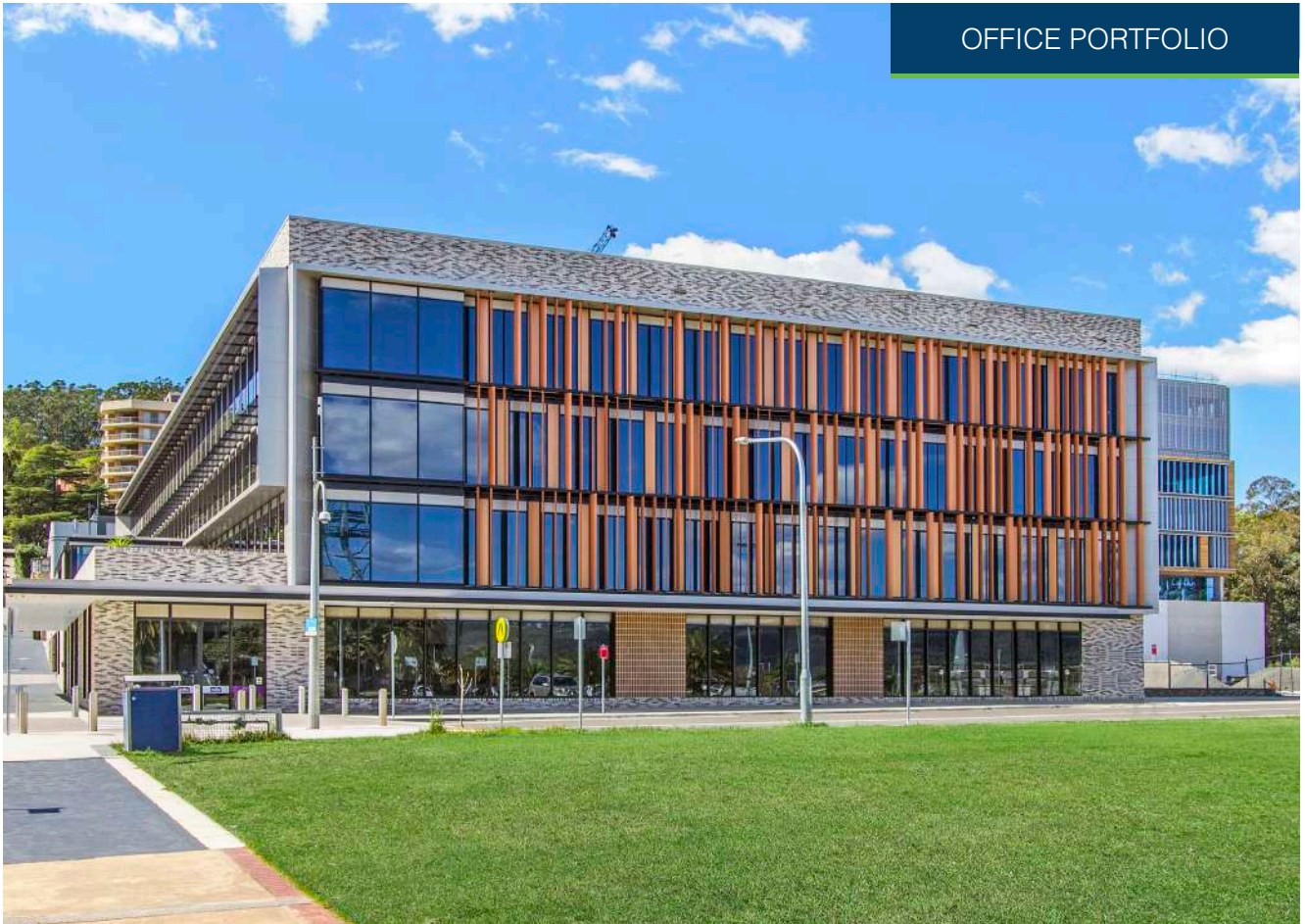
In line with CBIC's focus on Responsible Investing, 262 Adelaide Street now has equitable access which also improves marketability for the office space. The building services replacement has significantly reduced the energy footprint of the asset and will enable the highest NABERS rating to be achieved , improving our overall portfolio result.

The building has attracted high quality tenants from design and IT industrials, reflecting the high level of finishes and energy efficient operation.

262 Adelaide Street has improved the streetscape in this precinct and added to the preservation of Brisbane's heritage buildings.



## OFFICE PORTFOLIO



## 99 Georgiana Terrace

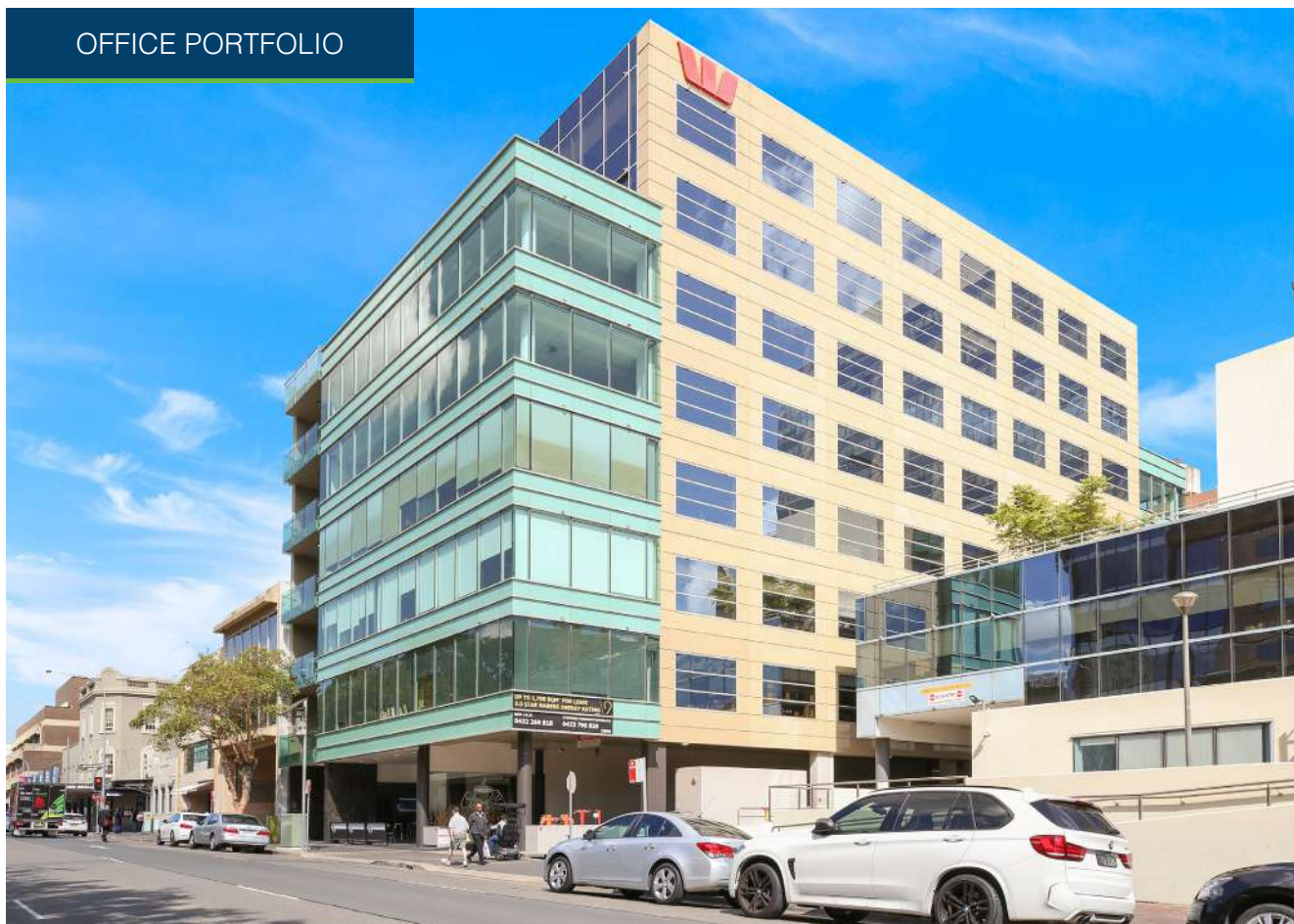
Gosford NSW

PROPERTY SUMMARY	
Ownership	100%
Acquisition date	2018
Site Area	4,250m <sup>2</sup>
Total area (NLA)	7,542m <sup>2</sup>
Occupancy	100%
WALE (income)	8.27 years
Tenant/s	Commonwealth Government of Australia
Value Range	\$40-\$50 million

Acquired in early 2018, the ATO Gosford has performed in line with CBIC's acquisition thesis, providing the portfolio with interstate diversification and a long WALE asset with a secure income stream.

Achieving a NABERS of 5.5 stars, this asset will continue to underpin the portfolio with steady rental and low capex requirements, underpinned by the covenant of the federal government.

## OFFICE PORTFOLIO



## George Street Offices

9 George Street, NSW

PROPERTY SUMMARY	
Ownership	100%
Acquisition date	2019
Total area (NLA)	5,519m <sup>2</sup>
Occupancy	70%
WALE (income)	2.46 years
Rent Review Structure/s	Various
Tenant/s	Westpac, Macquarie, NSW government & various
Value Range	\$40-\$45 million

9 George Street Paramatta is ideally located in the legal precinct of Paramatta immediately opposite Family, Local and District Courts. An 8-level B-Grade building with floor plates averaging 848 sqm, the building offers both excellent full floor options for tenants and is easily subdivided for smaller tenants.

Management initiatives include a full refurbishment of the vacant floors bringing them to a high standard thereby taking advantage of the improving Parramatta and Sydney office market. A common area refurbishment including the foyer and toilets is also being undertaken to ensure the long term commercial attractiveness of the property and enhancing CBIC's investment in this market. The asset achieved a 3 Star NABERS rating.



## INDUSTRIAL PORTFOLIO



## 20 Tradecoast Drive Tradecoast Central

Eagle Farm QLD

### PROPERTY SUMMARY

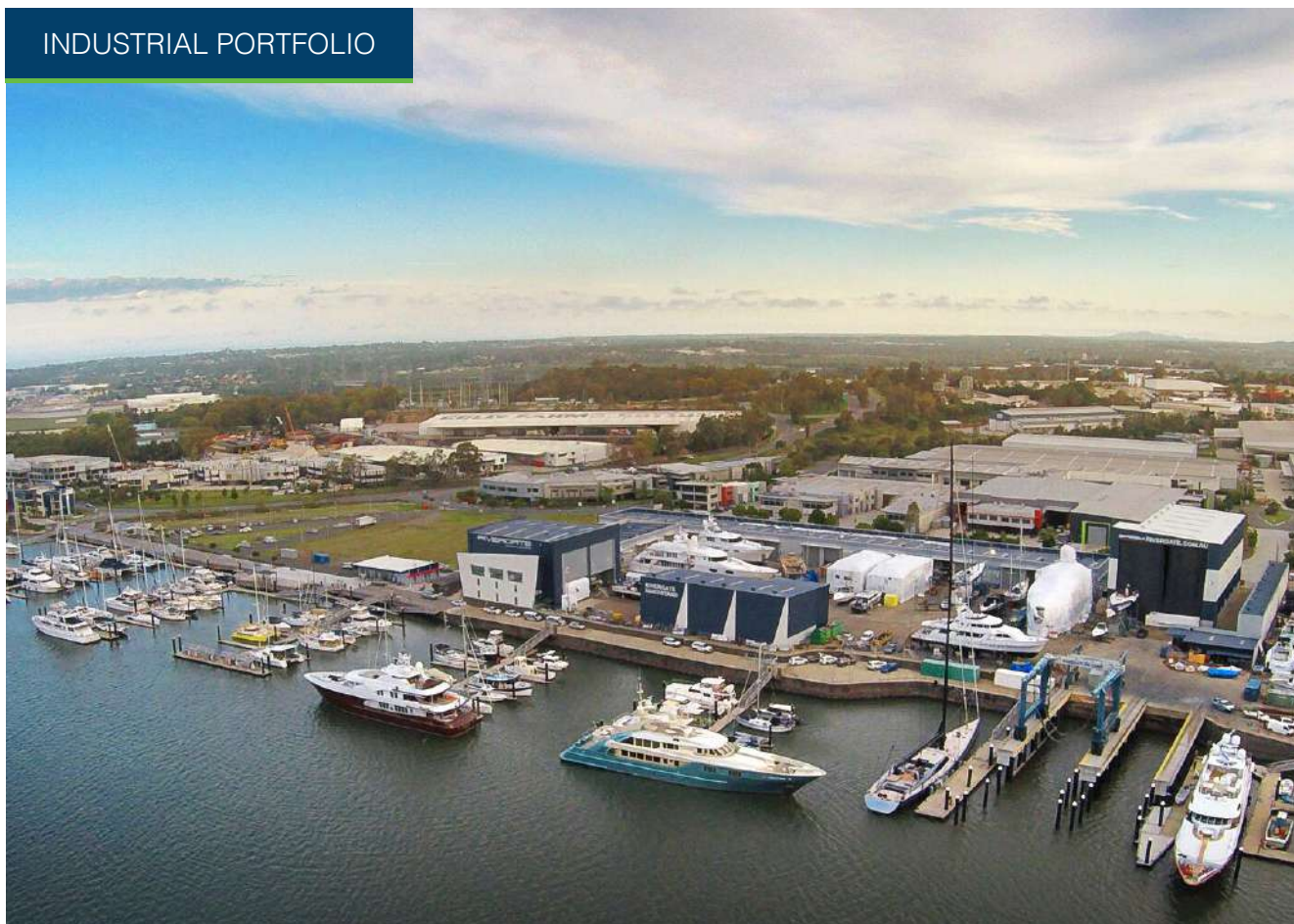
Ownership	100%
Acquisition date	2018
Site Area	5.8ha
Total area (NLA)	12,888m <sup>2</sup> (plus 3ha hardstand)
Occupancy	100%
WALE (income)	15 years (post completion)
Tenant/s	Brisbane City Council
Value Range	\$50-\$60 million

CBIC recently completed the development of 20 Tradecoast Drive and the facility, leased to Brisbane City Council, has consolidated various operations from suburban areas across Brisbane to provide operational efficiencies for the various business units of Council.

As a master planned estate, TradeCoast Central has a long term commitment to environmental sustainability which affords them the opportunity to integrate best practice Responsible Investing outcomes in line with CBIC's vision regarding ESG.

The asset was completed in June 2019 and comprises over 12,000m<sup>2</sup> of office, warehouse and laboratory accommodation. Ancillary improvements include hardstand areas and external storage.

## INDUSTRIAL PORTFOLIO



## Rivergate Shipyard

Murarrie QLD

PROPERTY SUMMARY	
Ownership	100%
Acquisition date	2011
Site Area	20,127m <sup>2</sup>
Total demised area	10,961m <sup>2</sup>
Occupancy	100%
WALE (income)	15.17 years
Tenant/s	Brisbane City Council, Rivergate Marina and Shipyards Pty Ltd.
Value Range	\$20-\$30 million

CBIC's holdings in the Rivergate Marina, Queensland's premiere commercial shipyard continues to show excellent investment returns whilst providing our tenants, with Brisbane City Council being a major tenant, with premiere shipyard and marina facilities.

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.



## INDUSTRIAL PORTFOLIO



## 16 Industrial Avenue

Wacol QLD

### PROPERTY SUMMARY

Ownership	100%
Acquisition date	2011
Site Area	21,750m <sup>2</sup>
Total area (NLA)	5,039m <sup>2</sup>
Occupancy	100%
WALE (income)	0.75 years
Tenant/s	Brisbane City Council
Value Range	\$7.5–\$12 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 639 sqm of office space and a 4,400 sqm high bay portal framed warehouse. There is potential to further develop the site with approximately 8,782 sqm of vacant land at the rear of the existing facilities with separate access. The rear expansion land provides a near term opportunity to add value through the provision of additional warehouse and office space.

CBIC's investment mandate is to acquire and manage properties with either long term cashflows or opportunities to improve the building through value reinstatement. Wacol no longer meets this criteria and accordingly agents have been appointed to conduct an on-market campaign and the asset is expected to sell in FY2020.



## RETAIL PORTFOLIO



## 145 Florence Street

Wynnum QLD

PROPERTY SUMMARY	
Ownership	100%
Acquisition date	2015-2016
Site Area	6,145m <sup>2</sup>
Total area (NLA)	5,388m <sup>2</sup>
Occupancy	100%
WALE (income)	16.60 years
Tenant/s	Woolworths, Brisbane City Council
Value Range	\$30-\$40 million

Located in the central business district of the bayside suburb of Wynnum, 145 Florence Street continues to provide a steady and sustainable income stream from the two major tenants, Woolworths and Brisbane City Council.

Adjacent to the heritage Wynnum Community Centre, the property has brought a positive contribution to the business district of Wynnum. The continuing demographic growth experienced in this catchment will underpin trading for Woolworths and patronage for the Brisbane City Council library.

## OTHER PORTFOLIO



## Augustus Street

Toowong QLD

### PROPERTY SUMMARY

Ownership	Joint Venture
Project	2015-2018
Site Area	2,102m <sup>2</sup>
Apartments	90
Value Range (CBIC %)	\$20-\$30 million

Sales in CBIC's residential development at Toowong, Augustus have continued despite the general slowdown of the residential market. The high quality construction and market-led design of the units has meant that this project has performed as expected during the year.

We expect the sales rate to continue and are confident this project will be finalized early in third quarter 2019 with an excellent financial result for the shareholder.

## OTHER PORTFOLIO



## Storage Sector

WA, Vic

CBIC holds a an interest in a sector specific, pooled investment vehicle that specialises in storage units. The vehicle has exposure to storage units in both Western Australia and Victoria. CBIC's investment strategy for non-traditional and emerging sectors is to partner with reputable operators that manage the investment.







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 & 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 & PROTOCOL COMMITTEE

Developing corporate, strategic and communication plans.



Each committee meeting held during the year ended 30 June 2019  
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 (ALT)	*	*	3	4	5	5	1	14
Bruce Mciver	6	9	4	4	*	*	12	14
Colin Jensen	*	*	*	*	*	*	13	14
Geoff Rodgers	4	4	*	*	*	*	8	8
Jerry Harris	*	*	*	*	5	5	12	14
Maria Roach	*	*	3	4	5	5	12	14
Neil Castles	9	9	4	4	*	*	14	14
Neill Ford	9	9	*	*	*	*	11	14
Patrice Sherrie	*	*	1	1	*	*	0	1
Ted Marchant	5	5	*	*	*	*	6	6
Shannon Brandon	*	*	*	*	*	*	0	2
Margot Blue	4	4	2	2	2	2	6	6

A = Number of meetings attended

H = Number of meetings held during the time the Director held office or was a member of the committee during the year.

\* = Not a member of the relevant committee

## REMUNERATION

Directors are paid by way of fees for their services to CBIC. The Chairman and Directors' fees are \$78,122 and \$39,240 inclusive of superannuation per annum, respectively. Directors who receive their fee as salary income, rather than a fee through a company, are paid statutory superannuation. Brisbane City Council Directors do not receive a fee for their services.

## MANAGING CONFLICTS OF INTEREST

CBIC maintains a structured Corporate Governance Framework which oversees the Conflicts of Interest Policy for Directors and staff. This policy outlines that all decisions are to be made on a sound, independent advisory basis, which is free from personal or commercial pressures and/or influences.

The Conflicts of Interest Policy sets out the approach of CBIC managing actual or potential conflicts of interest which includes the outline of steps required to disclose and manage them.

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

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

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



# 07 CBIC BOARD OF DIRECTORS

The CBIC Board of Directors is charged with the responsibility of making prudent investment decisions and ensuring the long term strategy is consistent with its key objectives.

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

## OUR BOARD

CBIC is directed by a board of business leaders with experience in publicly-listed entities, private companies and government. They ensure CBIC delivers sustainable outperformance in a framework designed to protect and enhance shareholder value.



**Geoff Rodgers OAM**

**CHAIRMAN**

Geoff has over 30 years' experience in strategic communication and is founder and Chairman of Rowland – Queensland's premier communication, creative and digital agency. He is also:

- Chairman of IDS Property
- A Director of IWS Australia and Brothers Rugby Club
- A member of St Vincent de Paul CEO Sleepout Ambassadors group and 2020 Qld Olympic Fundraising Committee

Geoff holds a Bachelor of Business, Diploma in Marketing, Diploma, Company Directors course, and is a Fellow of the Australian Institute of Company Directors and Public Relations Institute of Australia. Geoff was awarded an OAM in the Queen's Birthday 2016 Honours List.



**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.



**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 a non-Executive Director of CBIC, a Chairman 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.



## 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.



## Colin Jensen

### DIRECTOR

Managing an annual budget of \$3 billion and an asset base of \$23.3 billion, Colin Jensen is Chief Executive Officer of Brisbane City Council, serving a population of over 2.4 million people.

Colin oversees the largest local government in Australia and delivers Council's key initiatives in the pursuit of its Brisbane Vision 2031. Prior to joining Council in August 2010, Colin had a successful career in the Queensland Government, most recently as the Coordinator-General and Director-General of the Department of Infrastructure and Planning.

Colin is a director of several boards including CitySmart and the City of Brisbane Investment Corporation (CBIC) and has previously been

named as one of Australia's top 100 most influential engineers for eight consecutive years.

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

He holds a Bachelor of Civil Engineering (Honours), is a fellow of the Australian Academy of Technological Sciences and Engineering (ATSE), and is also an honorary fellow of Engineers Australia.



## Bruce McIver AM

### 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.



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





**Patrice Sherrie**

**DIRECTOR**

Patrice has extensive experience with over three decades spent in chartered accounting and commerce starting with PWC in both Brisbane and Port Moresby. She went on to hold a CEO role for Paridian Property Development Fund and an executive role with Grant Samuel Property. Most recently Patrice has been a Director and consultant to Bentleys Chartered Accountants where she specialised in property transactions and now sits as an independent director on several boards including SunWater, Andersens Floorcoverings and Premise Engineering Consultants.



**Bill Lyons**

**ALT. DIRECTOR FOR COLIN JENSEN**

Bill is currently the Divisional Manager Organisational Services for Brisbane City Council, having joined in May 2017. Bill holds a Bachelor of Business (International Business and Marketing), an Associate Diploma in Electrical Engineering (Telecommunications) and is a Graduate of Australian Institute of Company Directors (AICD). Bill's previous roles include CEO Redland City Council and Executive General Manager roles with Energex and Telstra.



**Margot Blue**

**COMPANY SECRETARY**

Margot Blue is currently CBIC's company secretary. Previously, Margot was a litigation lawyer in both private practice and the Public Service for over 15 years. She has recently completed and obtained GAICD qualifications and sits as a director on a non for profit organisation.

# 08

## FINANCIAL STATEMENTS

### AUDITED RESULTS 2019

01.	Directors' Report	32
02.	Auditor's Independence Declaration	34
03.	Statement of Comprehensive Income	35
04.	Statement of Financial Position	36
05.	Statement of Changes in Equity	37
06.	Statement of Cash Flows	38
07.	Notes to and forming part of the financial statements	39
08.	Directors' Declaration	63
09.	Independent Auditor's Report	64



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

FINANCIAL STATEMENTS AND DIRECTORS REPORT FOR THE YEAR ENDED 30 JUNE 2019

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

## Directors' Report

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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 2019.

#### ■ 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.

Geoffrey Rodgers (Chair)  
*Appointed 1 January 2019*

Neil Castles

Neill Ford

Jeremy Harris

Colin Jensen

Edward Marchant (Chair)  
*Resigned 31 December 2018*

Bruce McIver

Maria Roach

Patrice Sherrie  
*Appointed 3 June 2019*

William Lyon  
(Alternate of Colin Jensen)

#### ■ 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 and undertaking short term deposits. For the financial year ended 30 June 2018, the Group also provided finance facilities to third parties.

#### ■ OPERATING RESULTS

The result of the Group for the financial year ended 30 June 2019 was a net profit of \$29.9 million (2018: \$25.5 million) and total comprehensive income of \$29.9 million (2018: \$25.5 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 purchase of a property at George Street, Parramatta, NSW for \$46.9 million (including transaction costs) was completed in February 2019.
- 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 were settled by 30 June 2018, a further 24 apartments were settled during the financial year ended 30 June 2019, with the remaining 5 apartments anticipated to be settled by 31 July 2019.

#### ■ 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 activities.

## EVENTS AFTER BALANCE DATE

In July 2019, the Company declared and paid a dividend to BCC amounting to \$20.0 million with respect to the 2019 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' BENEFITS

During the financial year, Directors of the company have received or become entitled to receive Directors' fees totalling \$306,032 (2018: \$279,101).

## DIRECTORS' MEETINGS

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

Names	A	B
Geoffrey Rodgers (Chair)	8	8
Neil Castles	14	14
Neill Ford	11	14
Jeremy Harris	12	14
Colin Jensen	13	14
Bruce McIver	12	14
Maria Roach	12	14
Patrice Sherrie*	0	1
Edward Marchant (Chair)	6	6
William Lyon (Alt of Colin Jensen)	1	14

A - Number of meetings attended

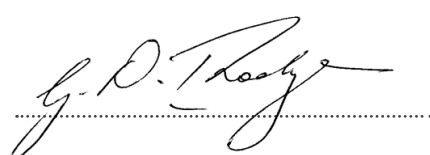
B - Number of meetings held during the time the Director held office during the year

\* Leave of absence granted

## AUDITOR'S INDEPENDANCE DECLARATION

A copy of the Auditor's Independence Declaration is set out on page 37 of the Annual Report.

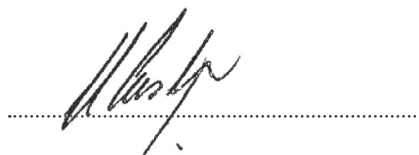
Signed in accordance with a resolution of the Directors.



Geoffrey Rodgers

Director

Brisbane, 30 July 2019



Neil Castles

Director

Brisbane, 30 July 2019




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 2019, 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.



R VAGG  
(as delegate of the Auditor-General of Queensland)  
25 July 2019

Queensland Audit Office  
Brisbane

## Consolidated statement of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 \$'000	2018 \$'000
<b>Revenue</b>			
Development sales	2	6,409	17,730
Rental	2	18,075	15,075
Interest	2	1,267	4,550
Distributions	2	367	593
		26,118	37,948
<b>Other income</b>			
Fair value gain on investment property	8	15,954	5,125
Gain on sale of investment property	2	90	4,069
Net unrealised fair value gain on non-current asset held for sale arising during the year	7	1,773	-
		17,817	9,194
<b>Total income</b>		43,935	47,142
<b>Expenses</b>			
Development cost of goods sold	3	5,809	14,989
Property expenses and outgoings	3	4,570	3,253
Management and other administration expenses	3	2,461	2,444
Finance costs	3	615	-
Other expenses	3	552	930
<b>Total expenses</b>		14,007	21,616
<b>Net profit for the period attributable to members of the company</b>		29,928	25,526
<b>Other comprehensive income</b>			
Net unrealised fair value gain on available for sale financial assets arising during the year		-	-
<b>Total comprehensive income attributable to members of the company</b>		29,928	25,526

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

# Consolidated statement of financial position

AS AT 30 JUNE 2019

	Notes	2019 \$'000	2018 \$'000
<b>Current assets</b>			
Cash and cash equivalents	4	7,806	82,150
Loans and receivables	5	1,248	3,319
Inventories	6	1,113	16,712
Non current asset held for sale	7	40,000	-
		50,167	102,181
<b>Non current assets</b>			
Investment property	8	261,500	179,765
Investment in property trusts	9	5,281	5,281
Property, Plant and equipment		19	-
		266,800	185,046
<b>Total assets</b>		316,967	287,227
<b>Current liabilities</b>			
Accounts payable and accrued expenses	11	4,332	3,629
Interest payable		209	-
Other liability	12	906	1,120
		5,447	4,749
<b>Non current liabilities</b>			
Refundable tenant deposit	11	138	138
Other liability	12	2,909	3,795
Interest-bearing loan	13	20,000	-
		23,047	3,933
<b>Total liabilities</b>		28,494	8,682
<b>Net assets</b>		288,473	278,545
<b>Shareholder's equity</b>			
Share capital	14	140,902	140,902
Other capital contribution		1,897	1,897
Fair value reserve	14	-	(540)
Retained profits		145,674	136,286
<b>Total shareholder's equity</b>		288,473	278,545

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 2019

2018	Total	Share capital	Other capital contrib.	Fair value reserves	Retained Profits
	\$'000	\$'000	\$'000	\$'000	\$'000
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

2019	Total	Share capital	Other capital contrib.	Fair value reserves	Retained Profits
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2018	278,545	140,902	1,897	(540)	136,286
Adjustment on initial application of AASB 9*	-	-	-	540	(540)
Net profit	29,928	-	-	-	29,928
Other comprehensive income (expenses)	-	-	-	-	-
Dividend paid to shareholder	(20,000)	-	-	-	(20,000)
Balance at 30 June 2019	288,473	140,902	1,897	-	145,674

\*On 1 July 2018 (the date of initial application), CBIC assessed the classification, measurement and carrying amount of each financial instrument in accordance with AASB 9. There were no changes to the classification, measurement and carrying amount, except for the fair value loss of \$539,704 on Investment in property trusts. Under the new rules, this is to be measured at fair value through profit and loss. A corresponding adjustment was made to retained earnings as at 1 July 2018.

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 2019

	Notes	2019 \$'000	2018 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		25,962	36,746
Payments to suppliers and employees		(9,744)	(7,209)
Distributions received		367	394
Interest received		1,924	5,708
Interest paid		(181)	(233)
Payment of rental liability		(1,009)	(1,273)
Payment for inventory		(6,374)	(21,712)
<b>Net cash inflows from operating activities</b>	4	10,945	12,421
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net proceeds from sale of investment property		-	17,634
Payment for investment property acquisitions and additions		(87,425)	(47,580)
Refund for investment in property trust		-	20
Loans advanced		-	(1,785)
Loans repaid		2,136	18,436
<b>Net cash (outflows) from investing activities</b>		(85,289)	(13,275)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Joint operation development loan proceeds	12	-	12,300
Joint operation development loan repaid	12	-	(13,345)
Drawdown of Debt	13	20,000	-
Dividends paid	18	(20,000)	(20,000)
<b>Net cash (outflows) from financing activities</b>		-	(21,045)
<b>NET (DECREASE) IN CASH HELD</b>		(74,344)	(21,899)
Cash and cash equivalents at the beginning of the year		82,150	104,049
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	4	7,806	82,150

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



# NFS

NOTES TO & FORM PART OF  
THE FINANCIAL STATEMENT

Notes to and forming part of the financial statements  
FOR THE YEAR ENDED 30 JUNE 2019**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 and the registered office of the Group is at Level 21, 12 Creek 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 ultimate parent 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 asset 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) New and revised standards that are effective for these financial statements****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 has not had a material impact on the amounts recognised in the financial statements.

The Group has not made any adjustments on adopting the new standard.

## 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. Financial liabilities such as accounts payable, interest-bearing loan and rental liabilities continue to be measured at amortised cost.

On adoption of this standard, financial assets such as investment in property trusts are measured at fair value through profit or loss from 1 July 2018. The adoption resulted in an adjustment of \$539,704 to current year's retained earnings.

The Group has not restated comparative figures for financial instruments on adopting this standard.

### (f) Standards issued but not yet effective

## 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 will be applicable to the Group's annual reporting period commencing on 1 July 2019.

On adoption of this standard, the group will recognise a Right of Use Asset as well as a Lease Liability in relation to the head office lease. The adoption of AASB 16 will result in an adjustment of \$30,704 to retained earnings. The standard will not materially impact the Group in terms of expenditure.

### (g) 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 cashflows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

### (h) 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. The joint venture is expected to be dissolved once all the apartments are sold.

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**2. REVENUE AND OTHER INCOME****Development sales**

Development sales revenue is recognised when the transfer of control of ownership has been obtained by the customer. This occurs at the settlement date for each of the individual properties sold.

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Sales of properties developed	6,409	17,730

**Rental**

Rental revenue from investment property is recognised on a straight-line basis over the lease term. 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.

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Gross rent	16,892	13,670
Straight line rent adjustment	1,382	1,670
Amortisation of lease incentive	(199)	(265)
	18,075	15,075

## 2. REVENUE AND OTHER INCOME (continued)

### 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.

	2019 \$'000	2018 \$'000
Interest	1,267	4,550

### Distributions

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

	2019 \$'000	2018 \$'000
Distributions	367	394

	2019 \$'000	2018 \$'000
--	----------------	----------------

### Gain on sale of investment property (refer (i))

Proceeds from sale of investment property	-	18,000
Selling expenses	-	(366)
Gain on rental liability reassessment	90	147
Net proceeds	90	17,781
Book value of investment property sold	-	(13,712)
Gain on sale of investment property	90	4,069

(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.

	2019 \$'000	2018 \$'000
Development cost of goods sold	5,809	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.

	2019 \$'000	2018 \$'000
Property expenses and outgoings	4,570	3,253



### 3. EXPENSES (continued)

#### Management and other administration expenses

	2019 \$'000	2018 \$'000
<u>Employee benefits and related costs</u>		
Wages and salaries (including leave benefits and contractors)	1,226	1,291
Superannuation contributions	97	92
Payroll tax	59	59
Recruitment	18	42
Other employee related costs	36	38
	<u>1,436</u>	<u>1,522</u>
<u>Directors' costs</u>		
Directors' fees	289	262
Superannuation contributions	17	17
Payroll tax	15	13
	<u>321</u>	<u>292</u>
<u>Other administration expenses</u>		
Professional fees	138	117
IT and communications	149	113
Rent	132	122
Corporate memberships and subscriptions	105	89
Audit fees	67	85
Other	113	104
	<u>704</u>	<u>630</u>
	<u>2,461</u>	<u>2,444</u>

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.

## 3. EXPENSES (continued)

## Finance Costs

Finance costs relates to interest and borrowing costs on the interest-bearing loan in place with National Australia Bank. Interest are recognised when the obligation to pay interest payment is established according to the loan agreement.

	2019 \$'000	2018 \$'000
Interest expenses	415	-
Establishment fee	200	-
	615	-

## 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 (2018: \$45,600 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 (2018: \$15,250 actual).

No other services were performed during the reporting period.

## Other expenses

	2019 \$'000	2018 \$'000
New business costs	236	242
Other joint operation expenses	68	402
Interest expenses for financial liabilities not at fair value	181	170
Investment management fees	67	116
	552	930

#### 4. CASH AND CASH EQUIVALENTS

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

##### Cash balance comprises

	2019	2018
	\$'000	\$'000
Cash at bank and at call	7,806	82,150
Cash and cash equivalents	7,806	82,150

##### Reconciliation of total comprehensive income to net cash inflows from operating activities

	2019	2018
	\$'000	\$'000
Total comprehensive income for the period	29,928	25,526
<b>Non-cash items</b>		
Gain on sale of investment property	(90)	(4,069)
Straight line rent adjustment	(1,382)	(1,670)
Fair value gain on investment property	(15,954)	(5,125)
Fair value gain on asset held for sale	(1,773)	-
Amortisation of lease incentive	199	265
<b>Changes in operating assets and liabilities</b>		
(Increase) / Decrease in receivables	(84)	3,603
Increase in accounts payable and accrued expenses	702	1,919
Decrease / (Increase) in inventory	408	(6,925)
(Decrease) in rental liability	(1,009)	(1,103)
<b>Net cash inflows from operating activities</b>	10,945	12,421



## 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. The remaining loan balance was fully repaid in July 2018.

	2019 \$'000	2018 \$'000
<b>Current</b>		
Interest receivable	10	131
Trade and other receivables	1,238	499
	1,248	630
Loans receivable	-	2,689
	1,248	3,319

## 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.

	2019 \$'000	2018 \$'000
Property constructed and/or under construction at cost	1,113	16,712
Inventory		
Opening balance at 1 July	16,712	9,787
Additions	4,923	6,925
Inventory sold	(5,330)	-
Transfer of inventory to investment property (refer (i))	(15,192)	-
Closing balance at 30 June	1,113	16,712

(i) The management has decided against selling 262 Adelaide Street, Brisbane, Qld on completion of its refurbishment.

## 7. NON CURRENT ASSET HELD FOR SALE

Non current asset 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, except for investment property which continue to be measured at fair value. Refer Note 10 for further fair value information.

At 30 June 2019 the Group owned a property at Fairfield Road, Yeerongpilly, Qld and a property at 16 Industrial Avenue, Walco, Qld. These assets satisfied the requirements to be classified as non current asset held for sale and therefore have been reclassified accordingly at 30 June 2019.

	2019 \$'000	2018 \$'000
<b>Investment property held for sale (at fair value)</b>		
Opening balance at 1 July	-	2,950
Reclassification from investment property as of 30 June 18	38,250	-
Additions	(23)	12
Net value gain	1,773	
Book value of property sold (refer (i))	-	(2,962)
Closing balance at 30 June (refer (ii))	40,000	-

(i) Progress Road, Richlands, Qld (\$3.0 million excluding sale costs)

(ii) Fairfield Road, Yeerongpilly, Qld (\$31.0 million excluding sale costs) and 16 Industrial Avenue, Wacol Qld (\$9.0 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 for fit-out 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.

	2019 \$'000	2018 \$'000
<b>Existing investment property</b>		
Opening balance at 1 July	178,250	136,200
Acquisitions of investment property (refer (i))	46,625	46,033
Additions	1,769	237
Lease incentives	-	-
Amortisation of lease incentives	(205)	(265)
Straight line rent adjustment	1,382	1,670
Net fair value gain	1,737	5,125
Book value of property sold (refer (ii))	-	(10,750)
Transfer of construction projects completed (refer (iii))	55,000	-
Transfer from inventory (refer note 6)	15,192	-
Reclassifications to available for sale	(38,250)	-
Closing balance at 30 June	261,500	178,250
<b>Investment property under construction</b>		
Opening balance at 1 July	1,514	217
Additions	39,269	1,298
Net fair value gain	14,217	-
Transfer of construction projects completed (refer (iii))	(55,000)	-
Closing balance at 30 June	-	1,515
	261,500	179,765

Significant investment property transactions during the period were:

- (i) the purchase of a property at George Street, Parramatta, NSW was completed in February 2019. The consideration paid was \$46.6 million (including transaction costs of \$2.6 million).
- (ii) the sale of a property at Green Square Close, Fortitude Valley, Qld (\$15.0 million excluding sale costs)
- (iii) the completion of the construction of the investment property located at TradeCoast Drive, Eagle Farm, Qld in June 2019.



## 9. INVESTMENT IN PROPERTY TRUSTS

Investment in property trusts are classified as financial assets. They are measured at fair value with changes in fair value being recognised in profit or loss in the period in which they arise. The Group did not recognise any change in fair value for the period ending 30 June 2019 (2018: \$Nil). Refer Note 10 for further fair value information.

	2019 \$'000	2018 \$'000
<b>Investment in property trusts at fair value</b>		
Opening balance at 1 July	5,281	5,301
Acquisitions	-	(20)
Net fair value gain/(loss)	-	-
Closing balance at 30 June	5,281	5,281

## 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 property and non current asset 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.

The following table shows assets at as level 3 in accordance with AASB 13 Fair Value Measurement.

	Level 1		Level 2		Level 3		Total	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Investment properties	-	-	-	-	261,500	179,765	261,500	179,765
Non current asset held for sale	-	-	-	-	40,000	-	40,000	-
Investment in property trusts	-	-	-	-	5,281	5,281	5,281	5,281
<b>Total</b>	-	-	-	-	<b>306,781</b>	<b>185,046</b>	<b>306,781</b>	<b>185,046</b>

**10. FAIR VALUE MEASUREMENT (continued)****Reconciliation of level 3 fair value measurements**

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

	<b>Investment Properties</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Opening balance at 1 July	179,765	125,667
Transfers into level 3	-	-
Transfers out of level 3	-	-
Straight line rent adjustment	1,382	1,670
Net fair value gain	429	5,125
Acquisitions and additions	46,879	47,568
Reclassification to non current asset held for sale	(38,250)	-
Transfer of completed construction projects	55,000	-
Transfer of inventory	16,500	-
Other	(205)	(265)
Closing balance at 30 June	261,500	179,765

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 affected at the beginning of the relevant reporting period.

**Valuation techniques and inputs**

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

Except for the property at George Street, Parramatta, NSW which was valued as at 19 December 2018, all other Independent valuations were performed as at 30 June 2019. The independent valuations were performed by qualified valuers from Jones Lang LaSalle Advisory Services, Savills Valuations, Colliers International and Urbis Valuations.

Valuation of the property at Fairfield Road, Yeerongpilly, Qld was based on internal assessment using a combination of income capitalisation approaches, discounted cashflow models and current market rent, adjusted by the expected costs of rectifying the existing cladding system. The assignment of individual values to individual investment property 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.

## 10. FAIR VALUE MEASUREMENT (continued)

### Valuation techniques and inputs (continued)

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.

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

#### Investment property

Valuation method	Significant unobservable input description and range	Relationship of inputs to fair value
Income capitalisation	Net passing income	Refer (i) below
	Market capitalisation rate 5.75% to 7.25% (2018: 6.00% to 7.50%)	Refer (ii) below
	Capital expenditure and lease incentives	Refer (ii) below
Discounted cash flow	Rental cash flow growth rates 1.00% to 7.00% (2018: 1.59% to 3.50%)	Refer (i) below
	Tenancy / lease occupancy rates	Refer (i) below
	Capital expenditure	Refer (ii) below
	Terminal value	Refer (i) below
	Discount rate 6.13% to 7.75% (2018: 6.50% to 9.25%)	Refer (ii) below

#### Investments in property trusts

Valuation method	Significant unobservable input description and range	Relationship of inputs to fair value
Income capitalisation	Net market income	Refer (i) below
	Market capitalisation rate 7.25% to 8.50% (2018: 7.25% to 8.50%)	Refer (ii) below
	Forecast stabilised maintainable occupancy	Refer (i) below
Discounted cash flow	Sustainable average storage fees	Refer (i) below
	Terminal capitalisation rate 7.50% (2018: 7.50% to 9.50%)	Refer (ii) below
	Discount rate 9.00% (2018: 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.

**11. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Accounts payable & 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.

	2019 \$'000	2018 \$'000
<b>Current</b>		
Trade creditors and accrued expenses	4,227	1,842
PAYG, GST and Payroll Taxes	50	1,740
Accrued annual leave	55	47
	<b>4,332</b>	<b>3,629</b>
<b>Non current</b>		
Refundable tenancy deposit	138	138

**12. OTHER LIABILITIES**

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.

	2019 \$'000	2018 \$'000
<b>Current</b>		
Joint operation development loan (i)	-	-
Rental liability	906	1,120
	<b>906</b>	<b>1,120</b>
<b>Non current</b>		
Rental liability	2,909	3,795

**Reconciliation of changes in liabilities arising from financing activities**

(i) Joint operation development loan		
Opening balance at 1 July	-	1,045
Drawdowns	-	12,300
Repayments	-	(13,345)
Closing balance at 30 June	-	-



### 13. INTEREST-BEARING LOAN

The Group entered into a \$50.0 million loan facility agreement with National Australia Bank on 20 February 2019 for the acquisition of investment properties. As at 30 June 2019, CBIC has drawn down \$20.0 million from this facility. The loan matures on 29 February 2024.

	2019 \$'000	2018 \$'000
<b>Current</b>		
Bank loan	-	-
Non Current		
Bank Loan	20,000	-
	20,000	-

The assets included in the security pool in accordance with AASB 116 Property, Plant and Equipment are as follows:

- 665 Fairfield Road, Yeerongpilly, Qld
- 375 Hamilton Road, Chermside, Qld
- 7 Rivergate Place, Murarrie, Qld
- 29 Rivergate Place, Murarrie, Qld
- 99 Georgiana Terrace, Gosford, NSW
- 20 TradeCoast Drive, Eagle Farm, Qld
- 145 Florence Street, Wynnum, Qld

### 14. 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 as of 30 June 2018 represented the change in the fair value of investments in property trusts as set out in Note 9.

	2019 \$'000	2018 \$'000
140,901,651 ordinary shares fully paid	140,902	140,902
Fair value reserve	-	(540)

## 15. RELATED PARTY TRANSACTIONS

## (a) Key personnel

## Directors

- Geoffrey Rodgers
- Neil Castles
- Neill Ford
- Jeremy Harris
- Colin Jensen
- Bruce McIver
- Maria Roach
- Patrice Sherrie
- William Lyon (Alternate of Colin Jensen)

## Former Directors

- Neil Glentworth Resigned 14 August 2017
- Edward Marchant Resigned 31 December 2018

## Company Secretary

- Shannon Brandon Appointed 6 November 2017, resigned 13 September 2018
- David Askern Resigned 2 March 2018
- Margot Blue Appointed 12 March 2019

## Management

- Gary Coleman Appointed 1 August 2017

## (a) Key management personnel compensation

	2019	2018
	\$	\$
Short-term employee benefits	620,402	553,971
Post-employment benefits	38,775	35,064
Long-term benefits	-	-
Termination benefits	-	-
Total	659,177	589,035

Colin Jensen, William Lyon and Shannon Brandon did not receive any compensation during the financial year (2018: Nil).

## 15. RELATED PARTY TRANSACTIONS (continued)

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

	2019 \$	2018 \$
Infrastructure contributions charged by ultimate parent entity #1	2,080	402,480
Purchase of materials and services from ultimate parent entity #2	128,680	128,005
Rental income earned from ultimate parent entity #3	10,268,272	10,555,147
Dividend in respect of 2018 financial year	20,000,000	-
Dividend in respect of 2017 financial year	-	20,000,000

At balance date, total amount payable to BCC in relation to these services amounted to \$Nil (2018: \$115,361) and the total amount payable by BCC in relation to the rental income is \$Nil (2018: \$50,058).

1. Infrastructure charges in relation to developments undertaken that are determined by BCC in accordance with the relevant charging schedules
2. Purchase of materials and services in the ordinary course of business that are acquired on commercial terms
3. In June 2019, the Group completed construction of the industrial warehouse at TradeCoast Drive, Eagle Farm, Qld. BCC entered into a lease agreement with the Group for a period of 15 years at market rates.

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.

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

	2019 \$	2018 \$
Intercompany loans between the entities	423,915	8,079,485

During the 2019 financial year CBIC was repaid \$8,508,400 (2018: \$5,805,588) by the BrisDev Trust, and was paid \$5,000 (2018: \$3,102,769) by CBIC Investment Pty Ltd. On consolidation, the loans were eliminated. The loans are unsecured, interest free and with no fixed repayment date.

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

	2019 \$	2018 \$
Infrastructure contributions charged by ultimate parent entity	-	400,400
Purchase of Land	14,775,000	738,750

At balance date, the total amount payable in relation to these transactions amounted to Nil (2018: 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.

**16. COMMITMENTS****(a) Capital commitments**

	2019 \$'000	2018 \$'000
Within 1 year	5,083	3,313
1 to 5 years	-	-
Later than 5 years	-	-
	5,083	3,313

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

Total capital commitments as at 30 June 2019 for CBIC is \$5.1 million (2018: \$3.3 million). The capital commitments at 30 June 2018 are in relation to BrisDev Trust's 52% interest in the joint operation.

**(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:

	2019 \$'000	2018 \$'000
Within 1 year	992	982
1 to 5 years	679	1,095
Later than 5 years	-	-
	1,671	2,077
Total operating and capital commitments	6,754	5,390

**17. 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:

	2019 \$'000	2018 \$'000
Within 1 year	16,157	13,756
1 to 5 years	61,199	55,806
Later than 5 years	111,188	126,338
	188,544	195,900

The Group has entered into 28 non-cancellable lease arrangements for its investment properties under normal market 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 the ultimate parent entity was declared on 30 July 2019 in respect of the 2019 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.

## 19. HEAD COMPANY FINANCIAL INFORMATION

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

	2019 \$'000	2018 \$'000
<b>Assets</b>		
Current assets	48,080	96,544
Non current assets	266,801	185,046
Total assets	314,881	281,590
<b>Liabilities</b>		
Current liabilities	5,393	3,574
Non current liabilities	23,047	3,933
Total liabilities	28,440	7,507
<b>Shareholder's equity</b>		
Share capital	140,902	140,902
Other capital contribution	1,897	1,897
Fair value reserve	-	(540)
Retained profits	143,643	131,824
Total shareholder's equity	286,442	274,083
<b>Profit or loss and comprehensive income</b>		
Total profit or loss	29,381	21,655
Total comprehensive income	29,381	21,655

**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	2019 \$'000	2018 \$'000
<b>Financial assets</b>			
Cash and cash equivalents at amortised cost	4	7,806	82,150
Loans and receivables at amortised cost	5	1,248	3,319
Investment in property trusts at fair value	9	5,281	5,281
		14,335	90,750
<b>Financial Liabilities</b>			
Accounts payable and accrued expenses	11	4,470	3,767
Interest Payable		209	-
Rental liabilities	12	3,815	4,915
Interest-bearing loan	13	20,000	-
Total liabilities		28,494	8,682

**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, interest-bearing loan 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.

## 20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

### 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.

The Group's 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	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Cash and cash equivalents	78	821	(78)	(821)
Loans receivable (floating interest rate)	-	-	-	-
Interest-bearing loan	(200)	-	200	-

### 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 ensure 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:

2019	0-1 year \$'000	1-5 year \$'000	Over 5 years \$'000	Total \$'000
------	--------------------	--------------------	------------------------	-----------------

#### Financial Liabilities

Accounts payable and accrued expenses	4,541	138	-	4,679
Interest-bearing loan	-	20,000	-	20,000
Rental liability	906	2,909	-	3,815
<b>Total financial liabilities</b>	<b>5,447</b>	<b>23,047</b>	<b>-</b>	<b>28,494</b>

2018	0-1 year \$'000	1-5 year \$'000	Over 5 years \$'000	Total \$'000
------	--------------------	--------------------	------------------------	-----------------

#### Financial Liabilities

Accounts payable and accrued expenses	3,629	138	-	3,767
Interest-bearing loan	-	-	-	-
Rental liability	1,108	4,171	1,062	6,341
<b>Total financial liabilities</b>	<b>4,737</b>	<b>4,309</b>	<b>1,062</b>	<b>10,108</b>

## 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.

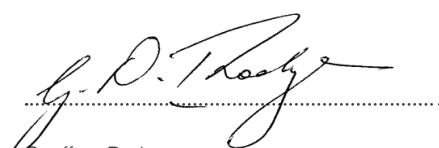


## Directors' Declaration FOR THE YEAR ENDED 30 JUNE 2019

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 2019 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 2019 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.

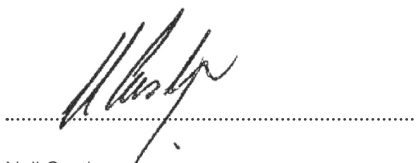
Signed in accordance with a resolution of the Board of Directors.



Geoffrey Rodgers

Director

Brisbane, 30 July 2019



Neil Castles

Director

Brisbane, 30 July 2019

## 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:

- gives a true and fair view of the group's financial position as at 30 June 2019, and its financial performance and cash flows for the year then ended
- 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 2019, 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 2019, but does not include the financial report and my auditor's report thereon.

The directors are responsible for the other information.

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 judgment and maintain professional skepticism throughout the audit. I also:

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

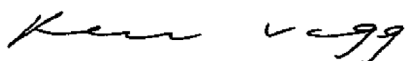
misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for 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.



R VAGG  
(as delegate of the Auditor-General of Queensland)

2 August 2019  
Queensland Audit Office Brisbane

