



ANNUAL REPORT 2023

ATTRIBUTION

Content from this annual report should be attributed as: City of Brisbane Investment Corporation Annual Report FY23.

ABOUT THIS ANNUAL REPORT

This annual report summarises the activities and performance of the City of Brisbane Investment Corporation (CBIC) for the period FY23. The annual report details CBIC’s activities and performance against its purpose and objectives as set out by Brisbane City Council, the CBIC Board, CBIC’s strategic plan and its previous annual reports.

The annual report demonstrates CBIC’s commitment to delivering efficient and sustainable investments for the people of Brisbane.

The annual report is accompanied by financial statements. CBIC prepares annual financial statements in accordance with Australian Accounting Standards for auditing by the Queensland Auditor-General in accordance with the *Auditor-General Act 2009*.

This is CBIC’s fifteenth annual report since its establishment. Previous annual reports are available on our website at <https://cbic.com.au/latest-from-cbic/>

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More information about CBIC and its activities and services is available on our website at www.cbic.com.au

ACKNOWLEDGEMENT OF COUNTRY

CBIC acknowledges the traditional custodians of the land and their unique relationship with their ancestral country. We pay respect to all Aboriginal and Torres Strait Islander peoples of Brisbane and all of the regions in which we work and recognise their strength and wisdom.



CONTENTS

| | |
|------------------------------------|-----------|
| ABOUT CBIC | 4 |
| <i>Our Role</i> | 4 |
| <i>Our Values</i> | 4 |
| <i>Our Purpose and Objective</i> | 4 |
| ACHIEVEMENTS AND HIGHLIGHTS | 5 |
| LORD MAYOR’S FOREWORD | 6 |
| CHAIR REPORT | 7 |
| OUR PERFORMANCE | 8 |
| <i>Responsible Investing</i> | 9 |
| <i>Development Strategy</i> | 10 |
| <i>Investment Strategy</i> | 10 |
| <i>Reinvesting in Brisbane</i> | 11 |
| <i>Case Study</i> | 12 |
| <i>Property Portfolio</i> | 13 |
| GOVERNANCE | 16 |
| FINANCIAL STATEMENTS | 20 |

ABOUT CBIC

OUR ROLE

City of Brisbane Investment Corporation (CBIC) is a high-performing Urban Wealth Fund that invests to build a better Brisbane through strong, sustainable, and socially responsible investments, and unlocking the development opportunities within Brisbane City Council's (BCC) portfolio.

Since its inception in 2008, CBIC has worked with BCC to invest in the region's economic growth and return community benefits. CBIC's investments make a tangible contribution towards future environmental and social policy initiatives for the people of Brisbane.

CBIC is wholly owned by BCC and overseen by an experienced Board. CBIC's in-house team of real estate professionals provide asset management, development management and capital transaction services while managing the day-to-day CBIC property portfolio.

OUR VALUES



Getting things done



Working together



Responsive customer service



Passion for Brisbane

We live up to our values by being adaptive to our Shareholder and customer's needs, being open and transparent in our communication and delivering beneficial social, economic and community outcomes for Brisbane.

OUR PURPOSE AND OBJECTIVE

CBIC is invested in a better Brisbane, unlocking development and investment opportunities across its diverse asset portfolio. Our work makes a tangible contribution to the well-being of the local and wider community, now and into the future.

CBIC's purpose is to support our Shareholder build a better Brisbane for its citizens. We do this by managing a high performing Urban Wealth Fund that unlocks future investment growth by acquiring, developing and managing diversified assets. We contribute towards future environmental and social policy initiatives for the people of Brisbane.

CBIC's objective is to grow its existing assets under management over time, underpinned by strong risk management and responsible investing principles. The investment strategy to achieve this objective is informed by the Investment Policy, requiring CBIC to maintain a diverse and efficient mix of assets that maximises the level of return for an appropriate level of risk. This strategy allows for a higher weighting to property, especially domestic property that aligns with BCC's accommodation needs and enhances the value of under-utilised assets.

ACHIEVEMENTS AND HIGHLIGHTS FY23

Building on its strong economic, environmental, social and governance record, CBIC has again achieved a series of positive outcomes for Brisbane in 2022-23.

CBIC's property portfolio generated a positive return of 0.79% per cent for 2022-23. This result outperformed the MSCI/Mercer Australia Core Wholesale Index (pre fees) which entered negative ground in the order of -0.8%.

CBIC's Overall Return has delivered an average return of 11.06% since inception outperforming the long-term benchmark.



Property Portfolio Return vs Benchmark

Outperforming FY2023 MSCI/Mercer Australia Core Wholesale Fund Index (pre fees) by 1.59%



NABERS Rating

Improved the NABERS rating across the portfolio for Energy by 0.4 stars and Water by 0.5 stars.

99 Georgiana Tce, Gosford received Carbon Neutral status.



FY23 Dividend

\$9.5m Dividend paid in FY23. \$190.2m in total dividend payments since inception.



Active Asset Management

Increased occupancy to 98.2% across the portfolio.

LORD MAYOR'S FOREWORD



As our city prepares to welcome thousands of visitors from around the world to the 2032 Olympic and Paralympic Games in less than nine years' time, access to high-quality greenspace has never been more critical.

Over the last 12 months, our parks and shared spaces have continued to help bring our community together. Thanks to CBIC and its continued high performance, we can grow and enhance our city's 2,100 parks, sports facilities, and outdoor spaces – from suburban parks to iconic green spaces like Victoria Park/Barrambin.

Despite challenging markets, in the last financial year CBIC managed to again outperform benchmarks and deliver \$9.5 million in dividends back into our Green Future Fund. It continues CBIC's track record of strategic and socially responsible investments for the benefit of Brisbane and its residents.

I have been involved with CBIC since its inception in 2008. As then Chair of Council's Finance Committee, I was proud to sponsor its establishment and I am delighted with its ongoing success. Fifteen years later, the original seed funding of \$135 million has grown to \$339 million and it has paid a total of \$190.2 million in annual dividends.

“As an invaluable partner for Council in delivering new public assets, their work has never been more important to ensure that we can continue to build a clean, green future Brisbane.”

The past year has seen Council continue to rebuild following the 2022 floods with community spaces rebuilt, as well as new spaces now open for the people of Brisbane to enjoy.

We have been able to do this, in part, thanks to CBIC. As an invaluable partner for Council in delivering new public assets, their work has never been more important to ensure that we can continue to build a clean, green future Brisbane.

The CBIC team have worked tirelessly to maximise the value of BCC's property portfolio and ensure that land is managed with the benefit of its ultimate owners in mind – the people of Brisbane. Each of the city's 1.3 million residents will share in the success of this fund, which helps to build and enhance the great outdoors and lifestyle for which Brisbane is well known.

I extend my thanks and appreciation to the CBIC Board, management, and staff for the efforts over the last 12 months and congratulate them on 15 years of growth and success.

They continue to provide a dedicated service to the people of Brisbane that contributes to our city and makes Brisbane an even better place to live.

Adrian Schrinner
The Right Honourable,
the Lord Mayor of Brisbane

CHAIR AND CEO REPORT

On behalf of CBIC we are pleased to present the Annual Report for CBIC for the financial year ended 30 June 2023.

Over the last 12 months we have seen significant macro-economic factors negatively impact the value of real estate in Australia. CBIC has not been immune to these economic effects which have come after many years of sustained growth in the capital value of CBIC's property portfolio. CBIC's property valuations decreased by \$12.55 million in the last financial year – 2022 saw an increase of \$27.63 million.

As at 30 June 2023 CBIC's assets under management totalled \$364 million. Despite these increased headwinds the CBIC property portfolio exceeded MSCI/Mercer Australia Core Wholesale Fund Index by 1.59% and the company successfully negotiated the sale of an office building at 9 George Street Parramatta for \$49.6 million.

In 2022-2023 CBIC generated a profit, after property asset revaluations, of \$295,000. CBIC's significant accumulated profits and funds from operations allowed it to return a dividend of \$9.5 million to Brisbane City Council (BCC). This brings the total dividends paid to BCC since CBIC's inception to \$190.2 million. These dividends assist in building a better Brisbane by helping to fund BCC's programme for the creation and upgrade of parks and green space across the city.

CBIC has continued its ESG informed investment strategy by commencing construction of a specialist disability accommodation project in East Brisbane and improving its NABERS rating across the portfolio. CBIC's strategy continues to focus upon investing in diversified assets including the

“As Brisbane's Urban Wealth Fund, we will keep investing to ensure we can contribute to the future environmental and social policy initiatives for the people of Brisbane.”

development of quality investments. CBIC aims to grow its assets under management by leveraging the needs of our Shareholder BCC and where appropriate building relationships with third parties.

CBIC has a strong relationship with its Shareholder, BCC. On behalf of the Board and the staff of CBIC we wish to thank the Right Honourable, the Lord Mayor of Brisbane, Adrian Schrinner and the Chair of Finance, Councillor Fiona Cunningham and their teams for their ongoing support and vision for the success of CBIC.

FY 2023 saw a number of changes to the CBIC Board including the departure of directors Bruce McIver AM and Colin Jensen (who took on the role of acting Chair in 2022). The Board wishes to thank Mr McIver AM, Mr Jensen and his alternate Anne Lenz for their contribution to the leadership and growth of CBIC. In November 2022 Simone Desmarchelier was appointed Independent Chair of CBIC and was joined by new director Stewart Walls.

We wish to thank the Board and the staff at CBIC for their valued contribution to the business, and their professionalism and expertise in assisting to build a better Brisbane. We also wish to thank Ms Kirsty Rourke for her service to CBIC, the last three years as CEO, and acknowledge her achievements.

CBIC's focus continues to be supporting BCC's vision for Brisbane. As Brisbane's Urban Wealth Fund, we will keep investing to ensure we can contribute to the future environmental and social policy initiatives for the people of Brisbane.

Simone Desmarchelier
Chair



Tom Voysey
Acting CEO



OUR PERFORMANCE

During a challenging year, CBIC outperformed the MSCI industry benchmark, highlighting the stability of its long WALE (weighted average lease expiry) core assets.

The disposal of 9 George Street, Parramatta in December 2022 reduced our exposure to the office sector which is facing the challenges of increased vacancy and declining valuations. The funds from the disposal reduced our debt, giving CBIC significant headroom for future acquisitions.

Our multi tenanted office asset at 33 Allara Street, Canberra welcomed three new tenants, with full occupancy being reached in the retail component. The introduction of new tenants and extension to key sitting tenants has resulted in the building reaching 98% occupancy.

Responsible investment principles underpin our investment and development strategies.

The management of CBIC's property portfolio is undertaken by in-house teams who have capabilities across investment

management, asset management, property management, development management and transaction management.

The last 12 months have been challenging for all in this industry, with rising interest rates and other market pressures resulting in falling property valuations. Due to these challenges, a positive return was rare among property funds over the last year.

CBIC delivered a \$9.5 million dividend to the Shareholder for continued investment into programs to update and provide green spaces across Brisbane.

FURTHER
IMPROVEMENTS
WERE MADE TO
THE PORTFOLIO'S
NABERS RATING



Improving
Energy
by 0.4 stars



Improving
Water
by 0.5 stars



Asset at 99 Georgiana
Tce, Gosford received
Carbon Neutral status



RESPONSIBLE INVESTING

As an Urban Wealth Fund, CBIC is dedicated to enhancing Brisbane, ensuring that our investment decisions yield ongoing benefits for the community for many years to come.

Building upon momentum of last year, with the approval of CBIC's first ESG strategy, further initiatives and programs included:



Commenced construction of Specialist Disability Accommodation (SDA) at East Brisbane



Installed EV charging stations at Canberra asset



Completed civil works to facilitate the construction of SDA at Everton Park



Secured our first NABERS water rating for Canberra



Maintained or improved NABERS Energy rating across the portfolio



Preparation for first report as a signatory to the United Nations Principles for Responsible Investment (UNPRI)

NABERS RATING

FY 2022

| | m ² | Energy | Water |
|------------|----------------|--------|-------|
| ATO | 7,292* | 5.5 | 5 |
| Parramatta | 5,479 | 3.5 | 2.5 |
| NRBC | 6,058 | 4.5 | 4.5 |
| Allara | 9,736 | 4.5 | N/A |
| Portfolio | 28,565 | 4.6 | 4.1 |

FY 2023

| | m ² | Energy | Water |
|-----------|----------------|--------|-------|
| ATO | 7,292* | 5.5 | 5.5 |
| NRBC | 6,058 | 5 | 4.5 |
| Allara | 9,736 | 4.5 | 4 |
| Portfolio | 23,086 | 5.0 | 4.6 |

*NOTE: ATO Gosford site contains NLA which is not rateable for NABERS purposes.



DEVELOPMENT STRATEGY

Through the implementation of the Real Estate Development Strategy we continued our focus on core assets, while investigating new asset sectors like Build to Rent (BTR) housing and renewable energy projects.

CBIC’s focus on core assets ensures that we strengthen and optimise our heritage in delivering commercial and industrial assets within the Brisbane market that deliver accommodation or social infrastructure needs for BCC.

Simultaneously, we recognise the evolving needs of the community and the growing demand for purpose built rental accommodation that provides housing choice and green energy.

By incorporating these emerging asset sectors into our development investigations, we aim to create innovative and sustainable options that cater to the diverse needs of families across different generations as well as delivering stabilised income.

Development opportunities for CBIC are identified through understanding surplus or underutilised BCC sites, on-market and off-market opportunities.



INVESTMENT STRATEGY

The investment strategy is dictated by the Investment Policy, which requires CBIC to maintain a diverse and efficient mix of assets that maximises the level of return for an appropriate level of risk.

This strategy allows for a higher weighting to property, especially domestic property that aligns with Council's accommodation needs and enhances the value of under-utilised assets.

Our focus is on strengthening our risk profile and building on CBIC's strong performance for the city of Brisbane. We continue to expand our holdings by investing in the office, retail, industrial and social infrastructure sectors across different regions.

CBIC must be mindful of prudent, responsible, and reasonable levels or risk for the assets under management. In managing investment risk, CBIC must:

- Predominantly invest in property or property related assets with the balance to be kept in cash and, if considered appropriate, fixed interest

- Adopt a prudent, responsible and reasonable risk profile
- Aim over the longer term for an appropriate diversification within the property asset sector
- Carefully select and monitor investment managers and advisers. This will include communicating with and the interviewing of a range of experts in the investment and wealth creation community. Such experts will include senior managers of investment houses, economists, leaders in the business community particularly in the finance and investment sectors
- Regularly oversee investment performance, investment policy and strategy.

REINVESTING IN BRISBANE

In the past year, dividends from CBIC were invested in BCC’s ‘Delivering Iconic Parks for Brisbane’ project to create and improve parks and green spaces for Brisbane.

Victoria Park

CBIC funds go towards Iconic parks like Victoria Park (Barrambin). New park furniture and shelters have been delivered across the park for public use, as well as a new entrance for the Herston Busway Station, allowing direct access into the park via the Inner Northern Busway.



Bradbury Park

Bradbury Park has been updated with an award-winning nature play space, award-winning scooter track, fitness equipment and basketball half court. The upgrade also included a new amenity block, connecting pathways, and a new car park with 53 spaces.



Colmslie Beach Reserve

Colmslie Park improvements included upgrading the existing playground, creating artwork play sculptures, revegetation planting, new pathways, additional seating and picnic tables and inclusion of a learn to ride track embellishment.



CASE STUDY

East Brisbane SDA

CBIC has invested in specialist disability accommodation at East Brisbane to provide housing for young people in need. Youngcare, Australia's leading specialist disability care provider has been selected as the services provider for East Brisbane, as well as at the second project in Everton Park.

Currently, there are 28,000 young people with disabilities enrolled in the National Disability Insurance Scheme that are searching for an appropriate place to call their own home.

Young Australians are being left behind in aged care, hospital rooms, and rehabilitation centres; accommodation that is not well suited for their age or care needs.

Brisbane-based builder, Chapcon Design and Construct have been appointed as the construction contractor for the project with works getting underway in April 2023 and expected completion by early 2024.

Upon completion, the accommodation will include seven apartments over two levels with a combination of 1- and 2-bedroom apartments designed for high physical support residents.

The land at East Brisbane was acquired from BCC at market value in 2021, with CBIC securing Development Approval in 2022. The site is surplus land from BCC's road widening infrastructure works to Lytton Rd.

CBIC is dedicated to delivering a project that will provide independent living arrangements for young people with a disability in East Brisbane. This project signifies a small but positive step towards a more inclusive society, and CBIC is excited to continue this journey with their dedicated partners.



CASE STUDY

Sale of 9 George Street Parramatta

In 2019, CBIC purchased 9 George Street in Parramatta for \$44.3 million, with the property being CBIC's second investment outside of Brisbane.

The investment thesis was to invest in a capital expenditure program to upgrade the property's environmental NABERS rating, refurbish the common areas and amenities, as well as implement a strategic leasing program to attract and retain quality tenants.

CBIC improved the building from a 3-Star NABERS Energy rating to a 5-star NABERS Energy rating, attracted NSW Government to a long-term lease, retained existing tenants Macquarie Bank and Watts McCray, whilst boosting the building's occupancy from 69% to 87% at the date of sale.

After completing the building upgrades and strengthening tenant occupancy, CBIC identified post-COVID market risks to the office sector, recognising an opportunity to exit the Parramatta office market, whilst strategically reducing CBIC's portfolio weighting in the sector.

CBIC successfully repositioned the asset for sale in difficult market conditions with rising debt costs and reduced liquidity, transacting in February 2023 for \$49,600,000. Further validation on the timing of the sale was supported by the MSCI office sector results showing significant write downs in valuations.



PROPERTY PORTFOLIO



Australian Taxation Office

Asset name: Australian Taxation Office

Address: 99 Georgiana Tce, Gosford NSW

Total area (NLA): 7,637m²

Site area: 4,250m²

WALE (income): 4.3 years

- › Completed in 2017, the Australian Taxation Office was purpose built to provide high quality offices for the Australian Taxation Office and the National Disability Insurance Agency.
- › In addition to the main ATO building there is a Heritage listed building which has been converted into a retail café and hairdresser.
- › NABERS energy rating of 5.5 stars.
- › Key asset in the CBIC portfolio with a long WALE, secure income stream, and low capital expenditure.



North Regional Business Centre

Asset name: North Regional Business Centre

Address: 375 Hamilton Rd, Chermide QLD

Total area (NLA): 6,058m²

Site area: 5,010m²

WALE (income): 8.8years

- › Developed by CBIC to hold long term and provide consistent look-through earnings for Shareholders.
- › NABERS energy rating of 5 stars.
- › Ideally located close to Chermide Shopping Centre.
- › Ground floor public library, café, and community facilities.
- › High quality office accommodation on upper floors.
- › Provides a long-term rental stream with a low capital expenditure requirement





Lot 3 & 21, 22 & 23 – Rivergate, Murarrie

Asset name: Lot 3 & 21, 22 & 23 – Rivergate, Murarrie
Address: 7 Rivergate Place, Murarrie
Total area (GLA incl Hardstand): 11,354m²
Site area: 15,910m²
WALE (income): 14 years

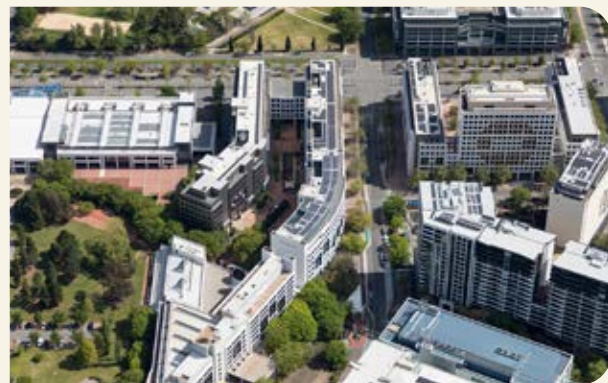
- Situated within the established industrial precinct of Murarrie.
- High transport connectivity to the Port of Brisbane, Brisbane Airport and Gateway Motorway.
- Project continues to show solid investment returns whilst providing tenants with premiere shipyard and marina facilities.



Allara Street Offices

Asset name: Allara Street Offices
Address: 33 Allara St, Canberra ACT
Total area (NLA): 9,752m²
Site area: 3,725m²
WALE (income): 3.7 years

- Positioned in the eastern core of the Canberra CBD, this commanding project has undergone significant refurbishment and upgrades in recent years.
- NABERS energy rating of 4.5 stars.
- Seven levels of office accommodation with ground floor retail, and significant basement parking.
- Occupants include Commonwealth Government and several publicly listed and multi-national organisations.
- Location benefits from private and government investment will continue to enhance this precinct over the medium to long term.



TradeCoast Central

Asset name: TradeCoast Central
Address: 20 TradeCoast Dr, Eagle Farm QLD
Total area (GLA): 9,241m²
Site area: 5.8ha
WALE (income): 11 years

- Developed by CBIC and completed in July 2019.
- Provides significant exposure to the industrial market.
- A strong performer in CBIC's portfolio, this is a long-term core asset currently leased to Brisbane City Council.



Wynnum Shopping Centre

Asset name: Wynnum Shopping Centre
Address: 145 Florence St, Wynnum QLD
Total area (NLA): 5,388m²
Site area: 6,145m²
WALE (income): 12.7 years

- Situated in the business district of Wynnum, the retail project is anchored by Woolworths and Brisbane City Council.
- This asset provides sector diversification to CBIC's portfolio and continues to deliver a steady and sustainable income stream.
- The project delivers strong social benefits to the community with a high-quality library facility and adjacent parklands.



Everton Park

Project: Specialist disability accommodation project
Address: Everton Park

- This project will see the delivery of two share houses that will provide much needed in-community housing for participants with high physical support needs.
- Youngcare, Australia's leading specialist disability care providers have been appointed to the project.
- Indigenous construction company, Rork Projects have been appointed to deliver the Everton Park project.
- Civil works are complete with construction of the homes forecast for late 2023.



East Brisbane

Project: Specialist disability accommodation project
Address: East Brisbane

- This project will see the delivery of seven apartments of two levels that will provided accommodation for up to nine participants.
- All apartments have been designed for participants with high physical support needs.
- Construction is underway by Chapcon, a Brisbane based builder.
- The first participants are forecast to call East Brisbane home by mid-2024.
- Once completed, Youngcare will also be the services provider for the project.

GOVERNANCE

OUR BOARD

Simone Desmarchelier
Chair of Board

Simone has over 30 years’ experience in law, financial services and diplomacy. Simone has worked in Europe and Australia with a focus on alternate assets, notably real estate and infrastructure.

She is a non-executive director of QIC Limited, Chair of the Catholic Archdiocese of Brisbane’s Services Council as well as a member of the Archdiocesan Finance Council.

Simone is bilingual in English and Italian, fluent in French and Spanish. She holds degrees in Law and Arts and a Master of Laws from the University of Oxford. Simone is a Graduate of the AICD and a Member of Chief Executive Women.

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.

Patrice is a former Director and Consultant to Bentleys Chartered Accountants where she specialised in property transactions and now sits as an Independent Director or Advisor on several Boards including Milloivate Pty Ltd, Tonkin Consulting, QBANK and Andersens Floor Coverings Pty Ltd.

Stewart Walls
Director

Stewart has over 17 years’ experience working for both contractors and project owners in all stages of construction projects. Currently, Stewart has a broad commercial legal practice founded on matters affecting the construction and property industries, including all aspects of building and construction related matters, professional liability, insurance, property law, leasing and retail shop leases and planning and environment matters.

Stewart is a qualified civil engineer and prior to commencing practice as a barrister in 2011.

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 the Chartered Secretaries Association, and is a Certified Practising Accountant (CPA). She is a former member of the Australian Government Takeovers Panel.

Neil Castles
Director

Neil is a consultant to the local government sector in the area of finance and risk. Previously, Neil was the Director-General of both the Department of Housing and Public Works and the Department of Local Government.

Earlier in his career, Neil was 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 several of the Queensland Government’s special purpose companies.

Neil’s areas of expertise include finance, debt management, credit, and risk management.

CBIC is committed to upholding effective corporate governance standards, conducting its operations to the highest ethical and principles-led standards and practices, and ensuring alignment with the expectations of its Shareholder.

The Board has consistently undertaken efforts to strengthen its governance through a continuous review of policies, monitoring of risks and its investment activities.

Formal performance evaluations of the Board occur on an annual basis. This evaluation encompasses a comprehensive self-assessment of various key areas, including strategy, monitoring, board structure and role, meeting processes, Board and Director responsibilities, as well as the prevailing Board culture and values.

CBIC maintains three Board committees to aid in the effective oversight and monitoring of operational controls within the company.

Board Meetings

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

| <i>Names</i> | <i>Meetings Attended</i> | <i>Meetings Held during the time the Director held Office</i> |
|--|--------------------------|---|
| Simone Desmarchelier (Chair – Appointed 10 November 2022) | 7 | 7 |
| Neil Castles | 11 | 11 |
| Colin Jensen (Acting Chair 23 February 2022 to 9 November 2022 – Resigned 31 May 2023) | 8 | 10 |
| Bruce Mclver (Resigned 31 December 2022) | 6 | 6 |
| Maria Roach | 11 | 11 |
| Patrice Sherrie | 11 | 11 |
| Alastair Stewart Walls (Appointed 28 November 2022) | 6 | 6 |
| Anne Lenz (Alternate Director for Colin Jensen – Resigned 31 May 2023) | 2 | 10 |



FINANCE, AUDIT AND RISK COMMITTEE

The Finance, Audit and Risk Committee (FAR) supports the Board by monitoring financial performance. The FAR scrutinises crucial areas of operations, including the financial reporting processes, risk management and compliance management, and the internal and external audit processes.

The FAR reviews the outcomes of CBIC’s external audit of financial statements, incorporating all matters mandated by the Queensland Audit Office. FAR also assumes oversight of CBIC’s outsourced internal audit function. This function serves as an independent and objective assurance mechanism, validating the effective operation of internal controls through the delivery of the annual internal audit plan.

FAR MEETINGS

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

| Names | Meetings Attended | Meetings Held during the time the Director held Office |
|--------------------------------|-------------------|--|
| Neil Castles (Committee Chair) | 4 | 4 |
| Patrice Sherrie | 4 | 4 |
| Bruce McIver | 3 | 3 |
| Anne Lenz | 2 | 3 |
| Simone Desmarchelier | 1 | 2 |

PEOPLE, PERFORMANCE AND CULTURE COMMITTEE

The People, Performance and Culture Committee (PPC) serve a critical function in supports the Board to deliver its people strategy.

The PPC’s primary focus is to ensure that employees are fairly and appropriately rewarded, taking into account CBIC’s overall performance, individual contributions, and adherence to Queensland employment standards.

The PPC engages in monitoring and assessing the culture within CBIC through conducting an annual staff engagement survey.

PPC MEETINGS

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

| Names | Meetings Attended | Meetings Held during the time the Director held Office |
|-------------------------------|-------------------|--|
| Maria Roach (Committee Chair) | 3 | 4 |
| Patrice Sherrie | 3 | 4 |
| Anne Lenz | 4 | 4 |
| Simone Desmarchelier | 1 | 2 |

INVESTMENT REVIEW COMMITTEE

The Investment Review Committee (IRC) supports the Board in the delivery of the investment strategy for CBIC.

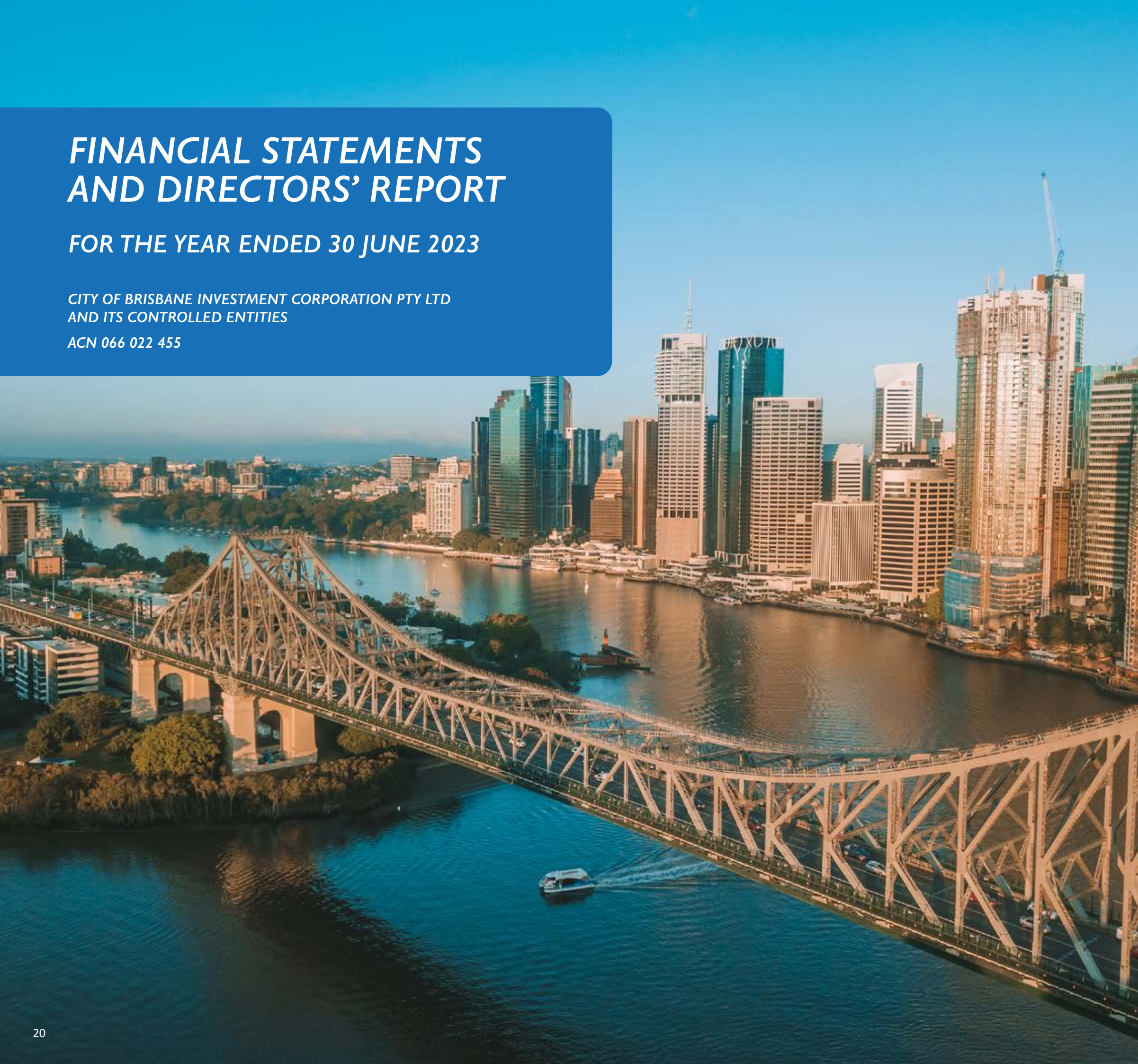
The IRC is chaired by an independent member, Daryl Browning. Daryl has over 40 years of experience in the property sector, with 17 of those years as CEO of ISPT.

The IRC considers investments and divestments, including acquisitions and disposals, major capital projects, major commercial agreements and major new business opportunities as presented by management that require approval by the Board.

IRC MEETINGS

| Name | Meetings Attended | Meeting Held during the time the Director/ Independent Chair held office |
|----------------------|-------------------|--|
| Daryl Browning | 3 | 3 |
| Simone Desmarchelier | 3 | 3 |





FINANCIAL STATEMENTS AND DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2023

CITY OF BRISBANE INVESTMENT CORPORATION PTY LTD
AND ITS CONTROLLED ENTITIES

ACN 066 022 455

CONTENTS

| | |
|---|----|
| DIRECTORS' REPORT | 22 |
| AUDITOR'S INDEPENDENCE DECLARATION | 24 |
| CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME | 25 |
| CONSOLIDATED STATEMENT OF FINANCIAL POSITION | 26 |
| CONSOLIDATED STATEMENT OF CHANGES IN EQUITY | 27 |
| CONSOLIDATED STATEMENT OF CASH FLOWS | 28 |
| NOTES TO THE FINANCIAL STATEMENTS | 29 |
| DIRECTORS' DECLARATION | 42 |
| INDEPENDENT AUDITOR'S REPORT | 43 |

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2023

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 2023.

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.

Simone Desmarchelier
(Chair - Appointed 10 November 2022)

Neil Castles

Colin Jensen (Acting Chair 23 February 2022 to 9 November 2022 – Resigned 31 May 2023)

Bruce McIver (Resigned 31 December 2022)

Maria Roach

Patrice Sherrie

Alastair Stewart Walls (Appointed 28 November 2022)

Anne Lenz (Alternate of Colin Jensen Resigned 31 May 2023)

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year included property investment, property development, investment in property trusts and undertaking short term deposits.

OPERATING RESULTS

The result of the Group for the financial year ended 30 June 2023 was a net profit of \$0.3 million (2022: \$43.2 million) and total comprehensive income of \$0.3 million (2022: \$43.2 million). This year's result has been largely attributable to the decline in the fair value of the property portfolio. The results of the Group are consistent with returns achieved by Australian property funds this year with the market experiencing a softening of values.

The Group consulted with its external, registered valuers up to and on 30 June 2023 to ensure individual property values had not changed subsequent to the valuations being provided by the valuers in early June. The Group remains conscious of and alert to the changing interest rate and economic environments and how these may impact property values in future years.

REVIEW OF OPERATIONS

The main sources of revenue were rent generated from the Group's investment properties, fair value gains/losses from investment properties, sales revenue from investment properties, and interest revenue from cash held on deposit.

During the year the Group's operations included the sale of the property located at 9 George Street, Parramatta, which was completed in February 2023.

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 2023, the Group declared a dividend to the Group's ultimate parent entity, Brisbane City Council amounting to \$9.5 million with respect to the 2023 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 \$378,869 (2022: \$209,996).

BOARD MEETINGS

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

| Names | Meetings Attended | Meetings Held during the time the Director held Office |
|--|-------------------|--|
| Simone Desmarchelier (Chair – Appointed 10 November 2022) | 7 | 7 |
| Neil Castles | 11 | 11 |
| Colin Jensen (Acting Chair 23 February 2022 to 9 November 2022 – Resigned 31 May 2023) | 8 | 10 |
| Bruce McIver (Resigned 31 December 2022) | 6 | 6 |
| Maria Roach | 11 | 11 |
| Patrice Sherrie | 11 | 11 |
| Alastair Stewart Walls (Appointed 28 November 2022) | 6 | 6 |
| Anne Lenz (Alternate Director for Colin Jensen – Resigned 31 May 2023) | 2 | 10 |

INDEMNIFICATION AND INSURANCE

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

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

ROUNDING OF AMOUNTS

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration is set out on page 24 of this report.

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



Simone Desmarchelier
Director
Brisbane, 25 July 2023



Neil Castles
Director
Brisbane, 25 July 2023

AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF CITY OF BRISBANE INVESTMENT CORPORATION PTY LTD

This auditor's independence declaration has been provided pursuant to s.307C of the *Corporations Act 2001*.

Independence declaration

As lead auditor for the audit of City of Brisbane Investment Corporation Pty Ltd for the financial year ended 30 June 2023, 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.

This declaration is in respect of City of Brisbane Investment Corporation Pty Ltd and the entities it controlled during the period.



Sri Narasimhan
as delegate of the Auditor-General of Queensland
25 July 2023
Queensland Audit Office Brisbane

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

| | Notes | 2023 \$'000 | 2022 \$'000 |
|--|-------|----------------|----------------|
| Revenue | | | |
| Rental revenue | 2 | 27,130 | 23,487 |
| Interest revenue | | 658 | 216 |
| Distributions | | - | 153 |
| | | 27,788 | 23,856 |
| Other income | | | |
| Fair value gain on investment property | 8 | - | 27,626 |
| Gain on sale of investments | 2 | - | 996 |
| | | - | 28,622 |
| Total income | | 27,788 | 52,478 |
| Expenses | | | |
| Property expenses and outgoings | 3 | 5,943 | 4,566 |
| Management and other administration expenses | 3 | 3,683 | 3,340 |
| Finance costs | | 1,794 | 835 |
| Other expenses | 3 | 654 | 562 |
| Fair value loss on investment property | 8 | 12,550 | - |
| Loss on sale of investment property | 2 | 2,869 | - |
| Total expenses | | 27,493 | 9,303 |
| Net profit for the period attributable to members of the Company | | 295 | 43,175 |
| Other comprehensive income | | - | -- |
| Total comprehensive income attributable to members of the Company | | 295 | 43,175 |

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

| | Notes | 2023 \$'000 | 2022 \$'000 |
|---------------------------------------|-------|----------------|----------------|
| Current assets | | | |
| Cash and cash equivalents | 4 | 25,095 | 24,416 |
| Receivables | 5 | 499 | 140 |
| Right of use asset | | 143 | 143 |
| | | 25,737 | 24,699 |
| Non current assets | | | |
| Investment property | 6 | 338,708 | 398,626 |
| Property, plant and equipment | | - | 23 |
| Right of use asset – non current | | 487 | 630 |
| | | 339,195 | 399,279 |
| Total assets | | 364,932 | 423,978 |
| Current liabilities | | | |
| Accounts payable and accrued expenses | 9 | 3,547 | 1,856 |
| Interest payable | | 115 | 182 |
| Lease liability – lessee | | 146 | 138 |
| Rental liabilities | 10 | 678 | 1,082 |
| | | 4,486 | 3,258 |
| Non current liabilities | | | |
| Refundable tenant deposit | 9 | 285 | 308 |
| Other liabilities | 10 | - | 398 |
| Interest-bearing loan | 11 | 20,000 | 65,000 |
| Lease liability – lessee non current | | 570 | 716 |
| | | 20,855 | 66,422 |
| Total liabilities | | 25,341 | 69,680 |
| Net assets | | 339,591 | 354,298 |
| Shareholder's equity | | | |
| Share capital | 12 | 140,902 | 140,902 |
| Other capital contribution | | 1,897 | 1,897 |
| Retained profits | | 196,792 | 211,499 |
| Total Shareholder's equity | | 339,591 | 354,298 |

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 2023

| 2022 | Total | Share capital | Other capital contrib. | Fair value reserves | Retained Profits |
|---------------------------------------|----------------|----------------|------------------------|---------------------|------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 July 2021 | 326,123 | 140,902 | 1,897 | - | 183,324 |
| Net profit | 43,175 | - | - | - | 43,175 |
| Other comprehensive income (expense) | - | - | - | - | - |
| Dividend paid to Shareholder | (15,000) | - | - | - | (15,000) |
| Balance at 30 June 2022 | 354,298 | 140,902 | 1,897 | - | 211,499 |
| 2023 | Total | Share capital | Other capital contrib. | Fair value reserves | Retained Profits |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 July 2022 | 354,298 | 140,902 | 1,897 | - | 211,499 |
| Net profit | 294 | - | - | - | 294 |
| Other comprehensive income (expenses) | - | - | - | - | - |
| Dividend paid to Shareholder | (15,000) | - | - | - | (15,000) |
| Balance at 30 June 2023 | 339,591 | 140,902 | 1,897 | - | 196,792 |

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 2023

| | Notes | 2023 \$'000 | 2022 \$'000 |
|--|----------|-----------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | | 23,899 | 24,180 |
| Payments to suppliers and employees | | (6,870) | (10,026) |
| Distributions received | | - | 153 |
| Interest received | | 595 | 213 |
| Interest paid | | (1,794) | (835) |
| Payment of rental liability | | (939) | (804) |
| Net cash inflows from operating activities | 4 | 14,892 | 12,881 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Net proceeds from sale of investments | | 48,131 | 11,910 |
| Payment for investment property acquisitions and additions | | - | (74,907) |
| Payment for Investment property capex | | (1,846) | (1,145) |
| Payment for lease incentive | | (498) | (65) |
| Net cash (outflows) from investing activities | | 45,788 | (64,207) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Drawdown of Debt | | - | 45,126 |
| Repayment of Debt | | (45,000) | - |
| Dividends paid | | (15,000) | (15,000) |
| Net cash (outflows) from financing activities | | (60,000) | 30,126 |
| NET INCREASE / (DECREASE) IN CASH HELD | | 679 | (21,200) |
| Cash and cash equivalents at the beginning of the year | | 24,416 | 45,616 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 4 | 25,095 | 24,416 |

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

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 34, 345 Queen 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.

(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);
- CBIC Investment Pty Ltd (Dormant - 100% owned by CBIC);
- CBIC Valley Heart Pty Ltd (Dormant - 100% owned by CBIC);
- CBIC Allara Pty Ltd (Registered 11 March 2022); and
- Allara SPV Trust (Registered 11 March 2022).

The key financial information of the parent entity, CBIC, is detailed in Note 17

(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 – (Notes 6 and 8)

(e) New and revised standards that are effective for these financial statements

No new accounting standards relevant considered appropriate.

(f) Taxation

(i) Income Tax

Income of Local Government and public authorities and their subsidiaries are exempt from income tax (including capital gains tax) under the provisions of the *Income Tax Assessment Act 1936*.

(ii) Goods and Services Tax

Revenues, expenses and non-current physical assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included.

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

2. REVENUE AND OTHER INCOME

Rental Revenue

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.

| | 2023 | 2022 |
|---------------------------------|--------|--------|
| | \$'000 | \$'000 |
| Gross rent | 26,104 | 21,695 |
| Straight line rent adjustment | 1,444 | 1,806 |
| Amortisation of lease incentive | (418) | (14) |
| | 27,130 | 23,487 |

| | 2023 | 2022 |
|--|--------|----------|
| | \$'000 | \$'000 |
| Gain on sale of investment in property trusts (refer (i)) | | |
| Proceeds from sale of investment property | - | 11,915 |
| Selling expenses | - | (5) |
| Net proceeds | - | 11,910 |
| Book value of investment property sold | - | (10,914) |
| Gain on sale of investment property | - | 996 |

(i) Gain relates to sale of investment property trusts referred to in Note 7.

3. EXPENSES

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.

| | 2023 | 2022 |
|---------------------------------|--------|--------|
| | \$'000 | \$'000 |
| Property expenses and outgoings | 5,943 | 4,566 |

| Management and other administration expenses | 2023 | 2022 |
|---|--------|--------|
| | \$'000 | \$'000 |
| <i>Employee benefits and related costs</i> | | |
| Wages and salaries (including leave benefits and contractors) | 1,811 | 1,590 |
| Superannuation contributions | 166 | 137 |
| Payroll tax | 92 | 72 |
| Recruitment | 93 | 131 |
| Other employee related costs | 93 | 87 |
| | 2,255 | 2,017 |
| <i>Directors' costs</i> | | |
| Directors' fees | 359 | 194 |
| Superannuation contributions | 20 | 16 |
| Payroll tax | 19 | 10 |
| | 398 | 220 |
| <i>Other administration expenses</i> | | |
| Professional fees | 240 | 361 |
| IT and communications | 313 | 293 |
| Rent | 144 | 145 |
| Corporate memberships and subscriptions | 137 | 117 |
| Audit fees – Queensland Audit Office | 55 | 54 |
| Other | 142 | 132 |
| | 1,031 | 1,102 |
| | 3,684 | 3,340 |

| Other expenses | 2023 | 2022 |
|---|--------|--------|
| | \$'000 | \$'000 |
| New business costs | 346 | 221 |
| Interest expenses for financial liabilities not at fair value | 281 | 292 |
| Investment management fees | 28 | 49 |
| | 655 | 562 |

| Loss on sale of investment property (i) | 2023 | 2022 |
|--|---------|--------|
| | \$'000 | \$'000 |
| Proceeds from sale of investment property | 49,600 | - |
| Selling expenses | (405) | - |
| Net proceeds | 49,195 | - |
| Book value on investment property sold | 51,000 | - |
| Movement in book value this financial year and incentive adjustments on sale | 1,064 | - |
| Loss on sale of investment property | (2,869) | - |

(i) Loss relates to sale of investment property referred to in Note 6.

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.

| | 2023 \$'000 | 2022 \$'000 |
|--------------------------------|----------------|----------------|
| Cash balance comprises: | | |
| Cash at bank and at call | 25,095 | 24,416 |
| Cash and cash equivalents | 25,095 | 24,416 |

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

| | 2023 \$'000 | 2022 \$'000 |
|--|----------------|----------------|
| Total comprehensive income for the period | 294 | 43,175 |
| Non-cash items | | |
| (Gain) / loss on sale of investments | 2,869 | (996) |
| Straight line rent adjustment | (1,444) | (1,806) |
| Fair value (gain) / loss on investment property | 12,550 | (27,626) |
| Amortisation of lease incentive | 498 | 14 |
| Changes in operating assets and liabilities | | |
| (Increase) / Decrease in receivables | (359) | 277 |
| Increase in accounts payable and accrued expenses | 1,423 | 647 |
| (Decrease) in rental liability | (939) | (804) |
| Net cash inflows from operating activities | 14,891 | 12,881 |

5. RECEIVABLES

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

| | 2023 \$'000 | 2022 \$'000 |
|-----------------------------|----------------|----------------|
| Current | | |
| Interest receivable | 74 | 12 |
| Trade and other receivables | 425 | 128 |
| | 499 | 140 |

6. 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 8 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.

| | 2023 \$'000 | 2022 \$'000 |
|-------------------------------------|----------------|----------------|
| Existing investment property | | |
| Opening balance at 1 July | 395,750 | 290,750 |
| Acquisitions of investment property | - | 74,907 |
| Additions | 264 | 631 |
| Lease incentives | 498 | 65 |
| Amortisation of lease incentives | (155) | (35) |
| Straight line rent adjustment | 1,444 | 1,806 |
| Net fair value gain/(loss) | (12,550) | 27,626 |
| Disposal of investment property | (51,000) | - |
| Closing balance at 30 June | 334,250 | 395,750 |

| | | |
|---|--------------|--------------|
| Investment property under construction | | |
| Opening balance at 1 July | 2,876 | 2,362 |
| Additions | 1,582 | 514 |
| Net fair value gain/(loss) | - | - |
| Transfer of construction projects completed | - | - |
| Closing balance at 30 June | 4,458 | 2,876 |
| | 338,708 | 398,624 |

Significant investment property transactions during the period were:

(i) the disposal of a property at George Street, Parramatta was completed in February 2023 for \$49.6 million.

7. 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.

| | 2023 \$'000 | 2022 \$'000 |
|--|----------------|----------------|
| Investment in property trusts at fair value | | |
| Opening balance at 1 July | | 10,914 |
| Net fair value gain | | |
| Disposal of investment in property trust | | (10,914) |
| Closing balance at 30 June | - | - |

As at 14 April 2022, the group completed the sale of the investment in property trusts.

8. 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 | |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| Investment properties | - | - | - | - | 338,708 | 398,626 | 338,708 | 398,626 |
| Investment in property trusts | - | - | - | - | - | - | - | - |
| Total | - | - | - | - | 338,708 | 398,626 | 338,708 | 398,626 |

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 investment in property trusts is shown in Notes 7.

| Investment Properties | 2023 \$'000 | 2022 \$'000 |
|---|----------------|----------------|
| Opening balance at 1 July | 398,626 | 293,112 |
| Transfers into level 3 | - | - |
| Transfers out of level 3 | - | - |
| Straight line rent adjustment | 1,444 | 1,806 |
| Net fair value gain/(loss) | (12,550) | 27,626 |
| Acquisitions and additions | 1,846 | 76,052 |
| Disposal | (51,000) | - |
| Reclassification to non current asset held for sale | - | - |
| Transfer of completed construction projects | - | - |
| Other | 342 | 30 |
| Closing balance at 30 June | 338,708 | 398,626 |

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.

All independent valuations were performed as at 30 June 2023. The independent valuations were performed by qualified valuers from Knight Frank, CBRE, Colliers and M3.

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 the most comparable sales evidence available. Valuation methods considered are:

- Discounted cashflow models, and
- Income capitalisation approaches

These approaches have been checked by the direct comparison approach and analysed on a rate per square metre from the comparable sales evidence.

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

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

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 - the actual net income (Gross property income less property expenses) currently being generated from the property at this time (passing). | Refer (i) below |
| | Market capitalisation rate 5.25% to 6.50% (2022: 4.50% to 6.50%) - a capitalisation rate applied to the properties Market Income. Market Income is defined as what the property could lease for today versus what the actual tenant may be paying based on their lease agreement. | Refer (ii) below |
| | Capital expenditure and lease incentives | Refer (ii) below |
| Discounted cash flow | Rental cash flow growth rates 0% to 3.87% (2022: 0% to 3.39%) - leases contain rental increases, generally on an annual basis, either a fixed percentage or indexed to CPI. Property valuers will apply growth rates against rental income streams to determine future cashflows from the asset. | Refer (i) below |
| | Tenancy / lease occupancy rates | Refer (i) below |
| | Capital expenditure | Refer (ii) below |
| | Terminal value - the value of the property at the end of the cash flow period. For property this is usually the value at the end of a 10 year period. Once the valuer has determined the terminal value of an asset, the valuer applies a discount rate to determine the value of the asset today (Net Present Value). | Refer (i) below |
| | Discount rate 5.25% to 7.50% (2022: 5.00% to 7.00%) - the rate applied to a properties future value and cashflows. It is determined by analysing recent property sales. | 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.

Sensitivity analysis

Significant judgement is required when assessing the fair value of investment property. Owing to this significant judgement, a sensitivity analysis is included below. The sensitivity analysis shows the impact on the carrying value of the Group’s investment property of an increase or decrease of 0.5% on the market capitalisation rate, discount rate and terminal yields as at 30 June 2023.

| | 2023 \$'000 | 2022 \$'000 |
|-------------------------------|----------------|----------------|
| | +0.50% | -0.50% |
| Impact to investment property | (17,000) | 19,000 |

9. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

Accrued employee benefits comprise annual leave, long service 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. In relation to long service leave, consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

| | 2023 \$'000 | 2022 \$'000 |
|--------------------------------------|----------------|----------------|
| Current | | |
| Trade creditors and accrued expenses | 3,318 | 1,807 |
| PAYG, GST and Payroll Taxes | 110 | (52) |
| Accrued employee benefits | 118 | 101 |
| | 3,546 | 1,856 |
| Non current | | |
| Refundable tenant deposits | 285 | 308 |

10. RENTAL 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.

| | 2023 \$'000 | 2022 \$'000 |
|--------------------|----------------|----------------|
| Current | | |
| Rental liability | 678 | 1,082 |
| Non current | | |
| Rental liability | - | 398 |

11. 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. The loan facility agreement was amended by way of Amendment Deed on 28 March 2022 and again on 28 February 2023 following the disposal of George St, Parramatta. The facility limit is now \$20 million. As at 30 June 2023, CBIC has drawn down \$20 million from this facility. The loan matures on 31 July 2024.

| | 2023 \$'000 | 2022 \$'000 |
|--------------------|----------------|----------------|
| Current | | |
| Bank loan | - | - |
| Non Current | | |
| Bank Loan | 20,000 | 65,000 |
| | 20,000 | 65,000 |

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

| | |
|--------------------------------------|------------------------------------|
| 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 |

12. 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.

| | 2023 \$'000 | 2022 \$'000 |
|--|----------------|----------------|
| 140,901,651 ordinary shares fully paid | 140,902 | 140,902 |
| Fair value reserve | - | - |

13. RELATED PARTY TRANSACTIONS

(a) Key personnel

Directors

| | |
|------------------------|----------------------------|
| Neil Castles | |
| Simone Desmarchelier | Appointed 10 November 2022 |
| Maria Roach | |
| Patrice Sherrie | |
| Alastair Stewart Walls | Appointed 28 November 2022 |

Former Directors

| | |
|---------------------------------------|---------------------------|
| Colin Jensen | Resigned 31 May 2023 |
| Anne Lenz (Alternate of Colin Jensen) | Resigned 31 May 2023 |
| Bruce McIver | Resigned 31 December 2022 |
| Geoffrey Rodgers | Resigned 22 February 2022 |

Management

Kirsty Rourke

(b) Key management personnel compensation

| | 2023 \$ | 2022 \$ |
|------------------------------|----------------|----------------|
| Short-term employee benefits | 679,589 | 479,099 |
| Post-employment benefits | 44,990 | 39,075 |
| Long-term benefits | 26,335 | 20,333 |
| Termination benefits | - | - |
| Total | 750,914 | 538,507 |

Colin Jensen and Anne Lenz did not receive any compensation during the financial year (2022: Nil).

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

| | 2023 \$ | 2022 \$ |
|---|------------|------------|
| Purchase of materials and services from ultimate parent entity (see #1) | 459,750 | 148,275 |
| Rental income earned from ultimate parent entity (see #2 and #3) | 12,126,210 | 11,193,318 |
| Dividend in respect of 2022 financial year | 15,000,000 | |
| Dividend in respect of 2021 financial year | - | 15,000,000 |

At balance date, total amount payable to BCC in relation to these services amounted to \$Nil (2022: \$Nil) and the total amount payable by BCC in relation to the rental income is (2022: \$43,274).

#1 Purchase of materials and services in the ordinary course of business that are acquired on commercial terms

#2 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.

#3 The Group also leases commercial spaces, an Industrial warehouse 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.

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

| | 2023 \$ | 2022 \$ |
|---|------------|------------|
| Intercompany loans between the entities | 416,406 | 416,986 |

During the 2023 financial year CBIC repaid \$290 to CBIC Investment Pty Ltd and \$290 to CBIC Valley Heart Pty Ltd. On consolidation, the loans were eliminated. The loans are unsecured, interest free and with no fixed repayment date.

14. COMMITMENTS

(a) Capital commitments

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

| | 2023 \$'000 | 2022 \$'000 |
|--------------------|----------------|----------------|
| Within 1 year | 6,913 | 259 |
| 1 to 5 years | - | - |
| Later than 5 years | - | - |
| | 6,913 | 259 |

(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:

| | 2023 \$'000 | 2022 \$'000 |
|--|----------------|----------------|
| Within 1 year | 667 | 486 |
| 1 to 5 years | 1,080 | 1,042 |
| Later than 5 years | - | 288 |
| | 1,747 | 1,816 |
| Total operating and capital commitments | 8,660 | 2,075 |

15. 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:

| | 2023 \$'000 | 2022 \$'000 |
|--------------------|----------------|----------------|
| Within 1 year | 20,500 | 22,909 |
| 1 to 2 years | 21,065 | 22,601 |
| 2 to 3 years | 21,107 | 22,904 |
| 3 to 4 years | 20,320 | 22,195 |
| 4 to 5 years | 15,994 | 21,246 |
| Later than 5 years | 106,520 | 123,185 |
| | 205,506 | 235,040 |

The Group has entered into 31 non-cancellable lease arrangements (2022: 57) for its investment properties under normal market terms and conditions.

16. SUBSEQUENT EVENTS

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

Dividend declaration

A dividend of \$9.5 million payable to the ultimate parent entity was declared on 25 July 2023 in respect of the 2023 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.

Key personnel change

The Group's Chief Executive Officer's employment ended on 14 July 2023.

17. PARENT ENTITY FINANCIAL INFORMATION

The key financial information of the parent entity, CBIC is detailed as follows:

| | 2023 \$'000 | 2022 \$'000 |
|--|----------------|----------------|
| Assets | | |
| Current assets | 25,588 | 24,536 |
| Non current assets | 347,540 | 402,592 |
| Total assets | 373,128 | 427,128 |
| Liabilities | | |
| Current liabilities | 3,847 | 3,157 |
| Non current liabilities | 21,285 | 66,817 |
| Total liabilities | 25,132 | 69,974 |
| Shareholder's equity | | |
| Share capital | 140,902 | 140,902 |
| Other capital contribution | 1,897 | 1,897 |
| Retained profits | 205,198 | 214,355 |
| Total Shareholder's equity | 347,997 | 357,154 |
| Profit or loss and comprehensive income | | |
| Total profit or loss | 5,842 | 46,449 |
| Other comprehensive income | - | - |
| Total comprehensive income | 5,842 | 46,449 |

18. 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 | 2023 \$'000 | 2022 \$'000 |
|---|------|----------------|----------------|
| Financial Assets | | | |
| Cash and cash equivalents at amortised cost | 4 | 25,095 | 24,416 |
| Loans and receivables at amortised cost | 5 | 499 | 140 |
| | | 25,594 | 24,556 |
| Financial Liabilities | | | |
| Accounts payable and accrued expenses | 9 | 3,832 | 2,164 |
| Interest Payable | | 115 | 182 |
| Rental liabilities | 10 | 678 | 1,480 |
| Interest-bearing loan | 11 | 20,000 | 65,000 |
| Total liabilities | | 24,625 | 68,826 |

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.

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 manages interest rate risk through an interest rate management framework, which allows for interest rate hedging.

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 | |
|--|-------------|--------|-------------|--------|
| | 2023 | 2022 | 2023 | 2022 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash and cash equivalents | 251 | 244 | (251) | (244) |
| Interest-bearing loan | (200) | (650) | 200 | 650 |

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:

| 2023 | 0-1 year \$'000 | 1-5 year \$'000 | Over 5 years \$'000 | Total \$'000 |
|---------------------------------------|--------------------|--------------------|---------------------------|-----------------|
| Financial Liabilities | | | | |
| Accounts payable and accrued expenses | 3,546 | - | - | 3,546 |
| Interest-bearing loan | - | 20,000 | - | 20,000 |
| Rental liability | 678 | - | - | 678 |
| Total financial liabilities | 4,224 | 20,000 | - | 24,224 |
| 2022 | 0-1 year \$'000 | 1-5 year \$'000 | Over 5 years \$'000 | Total \$'000 |
| Financial Liabilities | | | | |
| Accounts payable and accrued expenses | 1,856 | 308 | - | 2,164 |
| Interest-bearing loan | - | 65,000 | - | 65,000 |
| Rental liability | 1,082 | 398 | - | 1,480 |
| Total financial liabilities | 2,938 | 65,706 | - | 68,644 |

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:

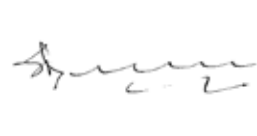
- In respect of cash and cash equivalents, credit risk is considered negligible since the funds are held with reputable banks and institutions with high quality credit ratings and the majority is held with the Queensland Treasury Corporation in a Cash Fund which is capital guaranteed.
- In respect of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

DIRECTORS' DECLARATION

IN THE OPINION OF THE DIRECTORS OF THE COMPANY:

- 1. The consolidated financial statements and notes of City of Brisbane Investment Corporation Pty Ltd for the financial year ended 30 June 2023 are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the Group's financial position as at 30 June 2023 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 Group 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.



Simone Desmarchelier
Director
Brisbane, 25 July 2023



Neil Castles
Director
Brisbane, 25 July 2023

INDEPENDENT AUDITOR'S REPORT

To the Members of City of Brisbane Investment Corporation Pty Ltd

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

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

In my opinion, the financial report:

- a) gives a true and fair view of the group's financial position as at 30 June 2023, and its financial performance and cash flows for the year then ended
- b) complies with the Corporations Act 2001, the Corporations Regulations 2001 and Australian Accounting Standards.

The financial report comprises the consolidated statement of financial position as at 30 June 2023, 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 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 company 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 Auditing Standards.

I am also independent of the entity 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 2023, 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 company’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 company or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the company.
- Conclude on the appropriateness of the company’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 company’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 company 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.


Sri Narasimhan
as delegate of the Auditor-General of Queensland
27 July 2023
Queensland Audit Office Brisbane



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