



CITY OF BRISBANE INVESTMENT CORPORATION PTY LTD (CONSOLIDATED)

ACN 066 022 455

FINANCIAL STATEMENTS AND DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2021

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DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2021

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 2021.

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)
Neil Castles
Neill Ford (Resigned on 25 August 2020)
Jeremy Harris (Resigned on 30 June 2021)
Colin Jensen
Bruce McIver
Maria Roach
Patrice Sherrie
Bill 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.

Operating Results

The result of the Group for the financial year ended 30 June 2021 was a net profit of \$42.5 million (2020: \$35.2 million) and total comprehensive income of \$42.5 million (2020: \$35.2 million).

Review of Operations

The main sources of revenue were revenue from rent generated from the Group's investment properties, fair value gains 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 following asset transactions:

The sale of 262 Adelaide Street, Brisbane, QLD for \$18.8 million was completed in June 2021.

Significant Change in State of Affairs

There has been no significant change in the state of affairs of the Group during the financial year. Due to the majority of space leased being with high credit quality counterparties, the impact of COVID-19 on lease income and on property values has been minor. The Group predominately invests in commercial and industrial property and therefore the Group has limited retail tenancies with the only retail tenancy of significance being with a high credit quality national retailer.

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 2021, the Company declared a dividend to the Group's ultimate parent entity, Brisbane City Council amounting to \$15 million with respect to the 2021 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 \$280,862 (2020: \$313,567).

Directors' Meetings

The number of Directors 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
Geoffrey Rodgers (Chair)	11	12
Neil Castles	11	12
Neill Ford (Resigned on 25 August 2020)	2	2
Jeremy Harris (Resigned on 30 June 2020)	12	12
Colin Jensen	9	12
Bruce McIver	11	12
Maria Roach	10	12
Patrice Sherrie	12	12
Bill Lyon (Alt of Colin Jensen)	1	1

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.

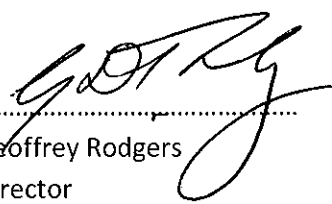
Rounding of Amounts

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 4 of this Directors' report.

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


.....
Geoffrey Rodgers
Director
Brisbane, 27 July 2021


.....
Neil Castles
Director
Brisbane, 27 July 2021

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 2021, 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

23 July 2021

Queensland Audit Office
Brisbane

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021**

	Notes	2021 \$'000	2020 \$'000
Revenue			
Development sales	2	-	1,723
Rental revenue	2	24,375	24,872
Interest revenue		224	228
Distributions		310	163
Other income		50	50
		24,959	27,036
Other income			
Fair value gain on investment property	9	23,066	10,250
Gain on sale of investment property	2	815	4,160
Net unrealised fair value gain on financial assets arising during the year	8	2,225	3,408
		26,106	17,818
Total income		51,065	44,854
Expenses			
Development cost of goods sold	3	-	1,214
Property expenses and outgoings	3	4,958	4,745
Management and other administration expenses	3	2,631	2,868
Finance costs		617	586
Other expenses	3	361	260
Total expenses		8,567	9,673
Net profit for the period attributable to members of the Company		42,498	35,181
Other comprehensive income		-	-
Total comprehensive income attributable to members of the Company		42,498	35,181

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021**

	Notes	2021 \$'000	2020 \$'000
Current assets			
Cash and cash equivalents	4	45,616	40,851
Receivables	5	294	1,181
Inventories	6	-	-
Investment in property trusts - current	8	10,914	-
Right of use asset		142	113
		<u>56,966</u>	<u>42,145</u>
Non current assets			
Investment property	7	293,112	277,550
Investment in property trusts	8	-	8,690
Property, plant and equipment		52	88
Right of use asset – non current		773	-
		<u>293,937</u>	<u>286,328</u>
Total assets		<u>350,903</u>	<u>328,473</u>
Current liabilities			
Accounts payable and accrued expenses	10	1,235	1,352
Interest payable		56	60
Lease liability - lessee		69	132
Other liability	11	1,055	1,079
		<u>2,415</u>	<u>2,623</u>
Non current liabilities			
Refundable tenant deposit	10	283	217
Other liabilities	11	1,228	2,008
Interest-bearing loan	12	20,000	20,000
Lease liability – lessee non current		854	-
		<u>22,365</u>	<u>22,225</u>
Total liabilities		<u>24,780</u>	<u>24,848</u>
Net assets		<u>326,123</u>	<u>303,625</u>
Shareholder's equity			
Share capital	13	140,902	140,902
Other capital contribution		1,897	1,897
Retained profits		183,324	160,826
Total shareholder's equity		<u>326,123</u>	<u>303,625</u>

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 2021**

2020	Total	Share capital	Other capital contrib.	Fair value reserves	Retained Profits
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2019	288,473	140,902	1,897	-	145,674
Adjustment on initial application of AASB 16*	(29)	-	-	-	(29)
Net profit	35,181	-	-	-	35,181
Other comprehensive income (expense)	-	-	-	-	-
Dividend paid to shareholder	(20,000)	-	-	-	(20,000)
Balance at 30 June 2020	303,625	140,902	1,897	-	160,826
2021	Total	Share capital	Other capital contrib.	Fair value reserves	Retained Profits
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2020	303,625	140,902	1,897	-	160,826
Net profit	42,498	-	-	-	42,498
Other comprehensive income (expenses)	-	-	-	-	-
Distribution from BrisDev	1	-	-	-	1
Dividend paid to shareholder	(20,000)	-	-	-	(20,000)
Balance at 30 June 2021	326,124	140,902	1,897	-	183,325

*On 1 July 2019 (the date of initial application), The Company recognised Right of use asset and Lease liability as lessee in accordance with AASB 16. There was an adjustment made to the opening retained profits balance for FY20 by a decrease of \$28,748.

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 2021**

	Notes	2021 \$'000	2020 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		23,496	24,533
Payments to suppliers and employees		(10,043)	(12,065)
Distributions received		310	163
Interest received		238	215
Interest paid		(617)	(586)
Payment of rental liability		(804)	(729)
Payment for inventory		-	(51)
Net cash inflows from operating activities	4	12,580	11,480
CASH FLOWS FROM INVESTING ACTIVITIES			
Net proceeds from sale of investment property		18,576	44,115
Payment for investment property acquisitions and additions		(4,451)	(1,435)
Payment for Investment property capex		(1,942)	(1,115)
Loans repaid		-	-
Net cash (outflows) from investing activities		12,183	41,565
CASH FLOWS FROM FINANCING ACTIVITIES			
Distribution received from BrisDev Trust		1	-
Dividends paid		(20,000)	(20,000)
Net cash (outflows) from financing activities		(19,999)	(20,000)
NET INCREASE / (DECREASE) IN CASH HELD		4,764	33,045
Cash and cash equivalents at the beginning of the year		40,851	7,806
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	45,616	40,851

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 2021

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;
- Investment in property trusts at fair value; and
- 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 (Deregistered on 24 November 2020);
- CBIC Investment Pty Ltd (Dormant - 100% owned by CBIC);
- BrisDev Pty Ltd (Dormant – 100% owned by CBIC - Deregistered on 24 November 2020); and
- CBIC Valley Heart Pty Ltd (Dormant - 100% owned by CBIC).

The key financial information of the parent entity, CBIC, is detailed in Note 18.

(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 7 and 9)

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

No new accounting standards relevant considered appropriate.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(g) Joint Operation

Up until 20 April 2020, BrisDev Trust held a 52% interest in a joint operation, Augustus Developments Joint Venture, which was subject to joint control, as the strategic, financial and operational policy decisions relating to the activities of the joint operation required the unanimous consent of the parties sharing control. As such, BrisDev Trust recognised its proportional interest in the joint operation assets, liabilities, revenue and expenses.

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.

	2021 \$'000	2020 \$'000
Sales of properties developed	-	1,723

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.

	2021 \$'000	2020 \$'000
Gross rent	20,551	21,529
Straight line rent adjustment	3,643	2,078
Amortisation of lease incentive	181	1,265
	<u>24,375</u>	<u>24,872</u>

	2021 \$'000	2020 \$'000
Gain on sale of investment property (refer (i))		
Proceeds from sale of investment property	18,800	44,750
Selling expenses	(224)	(636)
Net proceeds	<u>18,576</u>	<u>44,114</u>
Book value of investment property sold	(17,761)	(39,954)
Gain on sale of investment property	<u>815</u>	<u>4,160</u>

(i) Gain relates to sale of properties referred to in Note 7.

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.

	2021	2020
	\$'000	\$'000
Development cost of goods sold	-	1,214

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.

	2021	2020
	\$'000	\$'000
Property expenses and outgoings	4,958	4,745

3. EXPENSES (continued)

Management and other administration expenses

	2021	2020
	\$'000	\$'000
<u>Employee benefits and related costs</u>		
Wages and salaries (including leave benefits and contractors)	1,167	1,651
Superannuation contributions	101	125
Payroll tax	62	36
Recruitment	36	53
Other employee related costs	69	37
	<u>1,435</u>	<u>1,902</u>
<u>Directors' costs</u>		
Directors' fees	261	293
Superannuation contributions	20	20
Payroll tax	13	10
	<u>294</u>	<u>323</u>
<u>Other administration expenses</u>		
Professional fees	245	114
IT and communications	252	186
Rent	130	125
Corporate memberships and subscriptions	110	84
Audit fees	51	43
Other	114	90
	<u>902</u>	<u>643</u>
	<u>2,631</u>	<u>2,868</u>

Other expenses

	2021	2020
	\$'000	\$'000
New business costs	88	27
Other joint operation expenses	-	(1)
Interest expenses for financial liabilities not at fair value	229	210
Investment management fees	44	24
	<u>361</u>	<u>260</u>

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.

	2021 \$'000	2020 \$'000
Cash balance comprises:		
Cash at bank and at call	45,616	40,851
Cash and cash equivalents	<u>45,616</u>	<u>40,851</u>

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

	2021 \$'000	2020 \$'000
Total comprehensive income for the period	42,498	35,181
Non-cash items		
Gain on sale of investment property	(815)	(4,160)
Straight line rent adjustment	(3,643)	(2,078)
Fair value gain on investment property	(23,066)	(10,250)
Amortisation of lease incentive	(181)	(1,265)
Fair Value Gain / (Loss) on financial assets	(2,225)	(3,408)
Changes in operating assets and liabilities		
(Increase) / Decrease in receivables	868	(22)
Increase in accounts payable and accrued expenses	(52)	(2,902)
Decrease / (Increase) in inventory	-	1,113
(Decrease) in rental liability	(804)	(729)
Net cash inflows from operating activities	<u>12,580</u>	<u>11,480</u>

5. RECEIVABLES

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

	2021 \$'000	2020 \$'000
Current		
Interest receivable	9	23
Trade and other receivables	285	1,159
	<u>294</u>	<u>1,182</u>

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.

	2021 \$'000	2020 \$'000
Property constructed and/or under construction at cost	-	-
	<u>-</u>	<u>-</u>
Inventory		
Opening balance at 1 July	-	1,113
Additions	-	-
Inventory sold	-	(1,113)
Transfer of inventory to investment property	-	-
Closing balance at 30 June	<u>-</u>	<u>-</u>

7. 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 9 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.

	2021 \$'000	2020 \$'000
Existing investment property		
Opening balance at 1 July	277,550	261,500
Acquisitions of investment property	-	(174)
Additions	1,942	1,115
Lease incentives	513	2,429
Amortisation of lease incentives	36	473
Straight line rent adjustment	3,643	2,078
Net fair value gain	23,066	10,129
Disposal of investment property	(16,000)	-
Closing balance at 30 June	<u>290,750</u>	<u>277,550</u>
Investment property under construction		
Opening balance at 1 July	-	-
Additions	2,362	-
Net fair value gain	-	-
Transfer of construction projects completed	-	-
Closing balance at 30 June	<u>2,362</u>	<u>-</u>
	<u>293,112</u>	<u>277,550</u>

8. 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.

	2021 \$'000	2020 \$'000
Investment in property trusts at fair value		
Opening balance at 1 July	8,689	5,281
Net fair value gain	2,225	3,408
Closing balance at 30 June	10,914	8,689

As at 30 June 2021, the group has initiated the process to sell the investment in property trusts and as such the balance has been reclassified as a current asset.

9. 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	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Investment properties	-	-	-	-	293,112	277,550	293,112	277,550
Non current asset held for sale	-	-	-	-	-	-	-	-
Investment in property trusts	-	-	-	-	10,914	8,689	10,914	8,689
Total	-	-	-	-	304,026	286,239	304,026	286,239

9. 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 investment in property trusts is shown in Notes 8.

	Investment Properties	
	2021 \$'000	2020 \$'000
Opening balance at 1 July	277,550	261,500
Transfers into level 3	-	-
Transfers out of level 3	-	-
Straight line rent adjustment	3,643	2,078
Net fair value gain	23,066	10,129
Acquisitions and additions	4,304	941
Disposal	(16,000)	
Reclassification to non current asset held for sale	-	-
Transfer of completed construction projects	-	-
Transfer of inventory	-	-
Other	549	2,902
Closing balance at 30 June	<u>293,112</u>	<u>277,550</u>

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 2021. The independent valuations were performed by qualified valuers from Knight Frank, CBRE, M3 and Colliers International.

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.

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.

9. FAIR VALUE MEASUREMENT (continued)

Valuation techniques and inputs (continued)

There has been limited impact on the Group's property valuations due to COVID-19 and its flow-on economic effects. This is mainly due to 87.95% of the Group's lease exposure being with high credit quality government, local government and corporate entities. In addition, 89.37% of the Group's exposure is to commercial and industrial property where, to date, there has been limited evidence of negative market impacts. The largest retail exposure is to a high credit quality, national retailer.

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 5.00% to 6.75% (2020: 5.50% to 6.75%)	Refer (ii) below
	Capital expenditure and lease incentives	Refer (ii) below
Discounted cash flow	Rental cash flow growth rates 0% to 3.72% (2020: 1.82% to 3.57%)	Refer (i) below
	Tenancy / lease occupancy rates	Refer (i) below
	Capital expenditure	Refer (ii) below
	Terminal value	Refer (i) below
	Discount rate 5.50% to 7.75% (2020: 6.00% to 8.00%)	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 5.50% to 7.25% (2020: 6.50% to 8.00%)	Refer (ii) below
	Forecast stabilised maintainable occupancy	Refer (i) below
Discounted cash flow	Sustainable average storage fees	Refer (i) below
	Terminal capitalisation rate 6.00% to 7.75% (2020: 7.00% to 8.50%)	Refer (ii) below
	Discount rate 8.00% to 10.75% (2020: 10.00% to 11.50%)	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.

10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

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

	2021	2020
	\$'000	\$'000
Current		
Trade creditors and accrued expenses	1,264	951
PAYG, GST and Payroll Taxes	(88)	327
Accrued annual leave	59	74
	<u>1,235</u>	<u>1,352</u>
Non current		
Refundable tenant deposits	<u>283</u>	<u>217</u>

11. 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.

	2021	2020
	\$'000	\$'000
Current		
Rental liability	1,055	1,079
	<u>1,055</u>	<u>1,079</u>
Non current		
Rental liability	<u>1,228</u>	<u>2,008</u>

12. 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 2021, CBIC has drawn down \$20.0 million from this facility. The loan matures on 29 February 2024.

	2021 \$'000	2020 \$'000
Current		
Bank loan	-	-
Non Current		
Bank Loan	20,000	20,000
	<u>20,000</u>	<u>20,000</u>

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

13. SHARE CAPITAL AND RESERVES

Share capital represents the cost of Ordinary Shares issued as equity. Any transaction costs associated with the issuing of shares are deducted from the share capital.

	2021 \$'000	2020 \$'000
140,901,651 ordinary shares fully paid	140,902	140,902
Fair value reserve	-	-
	<u>-</u>	<u>-</u>

14. RELATED PARTY TRANSACTIONS

(a) Key personnel

Directors

Geoffrey Rodgers

Neil Castles

Colin Jensen

Bruce McIver

Maria Roach

Patrice Sherrie

Bill Lyon (Alternate of Colin Jensen)

Former Directors

Neill Ford Resigned 25 August 2020

Jeremy Harris Resigned 30 June 2021

Company Secretary

Margot Blue Appointed 12 March 2019, Resigned 4 December 2020

Management

Gary Coleman Resigned 30 January 2020

Kirsty Rourke Appointed 18 February 2020

(a) Key management personnel compensation

	2021	2020
	\$	\$
Short-term employee benefits	543,570	597,489
Post-employment benefits	43,211	40,368
Long-term benefits	-	-
Termination benefits	-	188,425
Total	<u>586,782</u>	<u>826,282</u>

Colin Jensen and Bill Lyon did not receive any compensation during the financial year (2020: Nil).

14. RELATED PARTY TRANSACTIONS (continued)

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

	2021	2020
	\$	\$
Infrastructure contributions charged by ultimate parent entity	-	-
Purchase of materials and services from ultimate parent entity #1	164,462	170,778
Rental income earned from ultimate parent entity #2	11,013,123	12,714,212
Purchase of Land #3	2,290,000	
Dividend in respect of 2020 financial year	20,000,000	-
Dividend in respect of 2019 financial year	-	20,000,000

At balance date, total amount payable to BCC in relation to these services amounted to \$Nil (2020: \$Nil) and the total amount payable by BCC in relation to the rental income is \$113,810 (2020: \$Nil).

#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.

The Group also leases commercial spaces, 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.

#3 In June 2021, the Group acquired two blocks of residential land from BCC. The Group are to commence construction of Specialist Disability Accommodation on these blocks.

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

	2021	2020
	\$	\$
Intercompany loans between the entities	417,438	419,408

During the 2021 financial year CBIC repaid \$3,273 to CBIC Investment Pty Ltd. On consolidation, the loans were eliminated. The loans are unsecured, interest free and with no fixed repayment date.

14. RELATED PARTY TRANSACTIONS (continued)

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

	2021 \$	2020 \$
Infrastructure contributions charged by ultimate parent entity	-	-
Purchase of Land	-	-
	<hr/>	<hr/>

At balance date, the total amount payable in relation to these transactions amounted to Nil (2020: Nil).

15. COMMITMENTS

(a) Capital commitments

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

	2021 \$'000	2020 \$'000
Within 1 year	52	166
1 to 5 years	-	-
Later than 5 years	-	-
	<hr/>	<hr/>
	52	166

(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:

	2021 \$'000	2020 \$'000
Within 1 year	716	1,480
1 to 5 years	1,050	747
Later than 5 years	288	-
	<hr/>	<hr/>
	2,054	2,227
	<hr/>	<hr/>
Total operating and capital commitments	2,106	2,393

16. LEASES AS LESSOR

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

	2021 \$'000	2020 \$'000
Within 1 year	17,671	17,164
1 to 2 years	17,587	16,609
2 to 3 years	17,962	16,333
3 to 4 years	18,387	16,610
4 to 5 years	17,854	16,868
Later than 5 years	138,148	140,542
	<u>227,609</u>	<u>224,126</u>

The Group has entered into 27 non-cancellable lease arrangements for its investment properties under normal market terms and conditions.

17. SUBSEQUENT EVENTS

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

Dividend declaration

A dividend of \$15.0 million payable to the ultimate parent entity was declared on 27 July 2021 in respect of the 2021 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.

18. PARENT ENTITY FINANCIAL INFORMATION

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

	2021 \$'000	2020 \$'000
Assets		
Current assets	46,052	42,145
Non current assets	304,854	286,328
Total assets	<u>350,903</u>	<u>328,473</u>
Liabilities		
Current liabilities	2,413	2,552
Non current liabilities	22,784	22,644
Total liabilities	<u>25,197</u>	<u>25,196</u>
Shareholder's equity		
Share capital	140,902	140,902
Other capital contribution	1,897	1,897
Fair value reserve	-	-
Retained profits	182,907	160,478
Total shareholder's equity	<u>325,706</u>	<u>303,277</u>
Profit or loss and comprehensive income		
Total profit or loss	<u>42,498</u>	<u>34,736</u>
Other comprehensive income	-	-
Total comprehensive income	<u>42,498</u>	<u>34,736</u>

19. 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	2021 \$'000	2020 \$'000
Financial Assets			
Cash and cash equivalents at amortised cost	4	45,616	40,851
Loans and receivables at amortised cost	5	294	1,182
Investment in property trusts at fair value	9	-	8,689
		<u>45,910</u>	<u>50,722</u>
Financial Liabilities			
Accounts payable and accrued expenses	11	1,518	1,500
Interest Payable		56	60
Rental liabilities	12	2,283	3,087
Interest-bearing loan	13	20,000	20,000
Total liabilities		<u>23,857</u>	<u>24,647</u>

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.

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

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

Increase/(decrease) in profit and equity from change in interest rate of:	1% increase		1% decrease	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Cash and cash equivalents	456	409	(456)	(409)
Loans receivable (floating interest rate)	-	-	-	-
Interest-bearing loan	(200)	(200)	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:

2021	0-1 year \$'000	1-5 year \$'000	Over 5 years \$'000	Total \$'000
Financial Liabilities				
Accounts payable and accrued expenses	1,234	283	-	1,517
Interest-bearing loan	-	20,000	-	20,000
Rental liability	1,055	1,228	-	2,283
Total financial liabilities	2,289	21,511	-	23,800
2020	0-1 year \$'000	1-5 year \$'000	Over 5 years \$'000	Total \$'000
Financial Liabilities				
Accounts payable and accrued expenses	1,283	217	-	1,500
Interest-bearing loan	-	20,000	-	20,000
Rental liability	1,079	2,008	-	3,087
Total financial liabilities	2,362	22,225	-	24,587

19. 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.

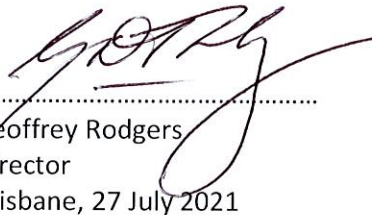
The Group has assessed COVID-19's impact on the value of its properties and to its revenues. While there has been a minor impact to lease revenues due to rebates and abatements, the impact has been minimum and is expected to have little impact in future. This is due to the majority of the Group's exposure being to high credit quality government, local government and corporate counterparties.

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 2021 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 2021 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, 27 July 2021



.....
Neil Castles
Director
Brisbane, 27 July 2021

INDEPENDENT AUDITOR'S REPORT

To the Members of City of Brisbane Investment Corporation Pty Ltd

Report on the audit of the financial report

Opinion

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

In my opinion, the financial report:

- a) gives a true and fair view of the group's financial position as at 30 June 2021, 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 2021, 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 2021, 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 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 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.

30 July 2021



R Vagg
as delegate of the Auditor-General

Queensland Audit Office
Brisbane