



CITY OF BRISBANE INVESTMENT CORPORATION PTY LTD AND ITS CONTROLLED ENTITIES

ACN 066 022 455

FINANCIAL STATEMENTS AND DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2022

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DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2022

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 2022.

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 – Resigned 22 February 2022)
Neil Castles
Colin Jensen (Acting Chair since 23 February 2022)
Bruce McIver
Maria Roach
Patrice Sherrie
Bill Lyon (Alternate of Colin Jensen – Resigned 3 December 2021)
Anne Lenz (Alternate of Colin Jensen – Appointed 9 May 2022)

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 2022 was a net profit of \$43.2million (2021: \$42.5 million) and total comprehensive income of \$43.2 million (2021: \$42.5 million). The strong outcomes for this year and the prior year have been largely attributable to the continued growth in values of Investment Properties. This growth has been driven by a reduction in yields required for the purchase of property assets and, in particular, those property assets which have tenants of a high credit quality.

The results of the Group are consistent with returns achieved by property funds with similar tenancy profiles. In addition, the Group has had a number of discussions with its external, registered valuers to ensure individual property values are appropriate.

The Group remains conscious of and alert to the changing interest rate and economic environments and how these may impact on property values in future years

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 acquisition of the Property located at 33 Allara Street, Canberra for \$74.9 million (including transaction costs) was completed in April 2022.

The sale of Units held in Property Trusts (StoreInvest) for \$11.9 million was completed in April 2022.

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 2022, the Company declared a dividend to the Group's ultimate parent entity, Brisbane City Council amounting to \$15 million with respect to the 2022 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 \$209,996 (2021: \$280,862).

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 – Resigned 22 February 2022)	6	7
Neil Castles	13	13
Colin Jensen (Acting Chair since 23 February 2022)	12	13
Bruce McIver	12	13
Maria Roach	13	13
Patrice Sherrie	13	13

Bill Lyon and Anne Lenz (Alternate Directors for Colin Jensen), did not attend any meetings this year

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.



Colin Jensen
Director
Brisbane, 26 July 2022



Bruce McIver
Director
Brisbane, 26 July 2022

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 2022, 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.



Sri Narasimhan
as delegate of the Auditor-General

26 July 2022

Queensland Audit Office
Brisbane

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022**

	Notes	2022 \$'000	2021 \$'000
Revenue			
Rental revenue	2	23,487	24,375
Interest revenue		216	224
Distributions		153	310
Other income		-	50
		<u>23,856</u>	<u>24,959</u>
Other income			
Fair value gain on investment property	8	27,626	23,066
Gain on sale of investments	2	996	815
Net unrealised fair value gain on financial assets arising during the year	7	-	2,225
		<u>28,622</u>	<u>26,106</u>
Total income		<u>52,478</u>	<u>51,065</u>
Expenses			
Property expenses and outgoings	3	4,566	4,958
Management and other administration expenses	3	3,340	2,631
Finance costs		835	617
Other expenses	3	562	361
Total expenses		<u>9,303</u>	<u>8,567</u>
Net profit for the period attributable to members of the Company		<u>43,175</u>	<u>42,498</u>
Other comprehensive income		-	-
Total comprehensive income attributable to members of the Company		<u>43,175</u>	<u>42,498</u>

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022**

	Notes	2022 \$'000	2021 \$'000
Current assets			
Cash and cash equivalents	4	24,416	45,616
Receivables	5	140	294
Investment in property trusts - current	7	-	10,914
Right of use asset		143	142
		<u>24,699</u>	<u>56,966</u>
Non current assets			
Investment property	6	398,626	293,112
Property, plant and equipment		23	52
Right of use asset – non current		630	773
		<u>399,279</u>	<u>293,937</u>
Total assets		<u>423,978</u>	<u>350,903</u>
Current liabilities			
Accounts payable and accrued expenses	9	1,856	1,235
Interest payable		182	56
Lease liability - lessee		138	69
Other liability	10	1,082	1,055
		<u>3,258</u>	<u>2,415</u>
Non current liabilities			
Refundable tenant deposit	9	308	283
Other liabilities	10	398	1,228
Interest-bearing loan	11	65,000	20,000
Lease liability – lessee non current		716	854
		<u>66,422</u>	<u>22,365</u>
Total liabilities		<u>69,680</u>	<u>24,780</u>
Net assets		<u>354,298</u>	<u>326,123</u>
Shareholder's equity			
Share capital	12	140,902	140,902
Other capital contribution		1,897	1,897
Retained profits		211,499	183,324
Total shareholder's equity		<u>354,298</u>	<u>326,123</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 2022
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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 (expense)	1	-	-	-	1
Dividend paid to shareholder	(20,000)	-	-	-	(20,000)
	326,123	140,902	1,897	-	183,325
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 (expenses)	-	-	-	-	-
Dividend paid to shareholder	(15,000)	-	-	-	(15,000)
	354,298	140,902	1,897	-	211,499

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 2022**

	Notes	2022 \$'000	2021 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		24,180	23,496
Payments to suppliers and employees		(10,026)	(10,043)
Distributions received		153	310
Interest received		213	238
Interest paid		(835)	(617)
Payment of rental liability		(804)	(804)
Net cash inflows from operating activities	4	12,881	12,580
CASH FLOWS FROM INVESTING ACTIVITIES			
Net proceeds from sale of investments		11,910	18,576
Payment for investment property acquisitions and additions		(74,907)	(4,451)
Payment for Investment property capex		(1,145)	(1,942)
Payment for lease incentive		(65)	-
Net cash (outflows) from investing activities		(64,207)	12,183
CASH FLOWS FROM FINANCING ACTIVITIES			
Distribution received from BrisDev Trust		-	1
Drawdown of Debt		45,126	-
Dividends paid		(15,000)	(20,000)
Net cash (outflows) from financing activities		30,126	(19,999)
NET INCREASE / (DECREASE) IN CASH HELD		(21,200)	4,764
Cash and cash equivalents at the beginning of the year		45,616	40,851
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	24,416	45,616

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 2022

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);
- 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.

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.

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.

	2022 \$'000	2021 \$'000
Gross rent	21,695	20,551
Straight line rent adjustment	1,806	3,643
Amortisation of lease incentive	(14)	181
	<u>23,487</u>	<u>24,375</u>

	2022 \$'000	2021 \$'000
Gain on sale of investment property		
Proceeds from sale of investment property	-	18,800
Selling expenses	-	(224)
Net proceeds	-	<u>18,576</u>
Book value of investment property sold	-	(17,761)
Gain on sale of investment property	-	<u>815</u>

	2022 \$'000	2021 \$'000
Gain on sale of investment in property trusts (refer (i))		
Proceeds from sale of investment property	11,915	-
Selling expenses	(5)	-
Net proceeds	<u>11,910</u>	-
Book value of investment property sold	(10,914)	-
Gain on sale of investment property	<u>996</u>	-

(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.

	2022 \$'000	2021 \$'000
Property expenses and outgoings	4,566	4,958

Management and other administration expenses

	2022 \$'000	2021 \$'000
<u>Employee benefits and related costs</u>		
Wages and salaries (including leave benefits and contractors)	1,590	1,167
Superannuation contributions	137	101
Payroll tax	72	62
Recruitment	131	36
Other employee related costs	87	69
	<u>2,017</u>	<u>1,435</u>
<u>Directors' costs</u>		
Directors' fees	194	261
Superannuation contributions	16	20
Payroll tax	10	13
	<u>220</u>	<u>294</u>
<u>Other administration expenses</u>		
Professional fees	361	245
IT and communications	293	252
Rent	145	130
Corporate memberships and subscriptions	117	110
Audit fees	54	51
Other	132	114
	<u>1,102</u>	<u>902</u>
	<u>3,340</u>	<u>2,631</u>

Other expenses

	2022 \$'000	2021 \$'000
New business costs	221	88
Interest expenses for financial liabilities not at fair value	292	229
Investment management fees	49	44
	<u>562</u>	<u>361</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.

	2022 \$'000	2021 \$'000
Cash balance comprises:		
Cash at bank and at call	24,416	45,616
Cash and cash equivalents	<u>24,416</u>	<u>45,616</u>

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

	2022 \$'000	2021 \$'000
Total comprehensive income for the period	43,175	42,498
Non-cash items		
Gain on sale of investments	(996)	(815)
Straight line rent adjustment	(1,806)	(3,643)
Fair value gain on investment property	(27,626)	(23,066)
Amortisation of lease incentive	14	(181)
Fair Value Gain / (Loss) on financial assets	-	(2,225)
Changes in operating assets and liabilities		
(Increase) / Decrease in receivables	277	868
Increase in accounts payable and accrued expenses	647	(52)
Decrease / (Increase) in inventory	-	-
(Decrease) in rental liability	(804)	(804)
Net cash inflows from operating activities	<u>12,881</u>	<u>12,580</u>

5. RECEIVABLES

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

	2022 \$'000	2021 \$'000
Current		
Interest receivable	12	9
Trade and other receivables	128	285
	<u>140</u>	<u>294</u>

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.

	2022 \$'000	2021 \$'000
Existing investment property		
Opening balance at 1 July	290,750	277,550
Acquisitions of investment property	74,907	-
Additions	631	1,942
Lease incentives	65	513
Amortisation of lease incentives	(35)	36
Straight line rent adjustment	1,806	3,643
Net fair value gain	27,626	23,066
Disposal of investment property	-	(16,000)
Closing balance at 30 June	<u>395,750</u>	<u>290,750</u>
Investment property under construction		
Opening balance at 1 July	2,362	-
Additions	514	2,362
Net fair value gain	-	-
Transfer of construction projects completed	-	-
Closing balance at 30 June	<u>2,876</u>	<u>2,362</u>
	<u>398,624</u>	<u>293,112</u>

Significant investment property transactions during the period were

(i) the purchase of a property at Allara Street, Canberra was completed in April 2022. The consideration paid was \$74.6 million (including transaction costs of \$3.3 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.

	2022 \$'000	2021 \$'000
Investment in property trusts at fair value		
Opening balance at 1 July	10,914	8,689
Net fair value gain	-	2,225
Disposal of investment in property trust	(10,914)	
Closing balance at 30 June	-	10,914

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	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Investment properties	-	-	-	-	398,626	293,112	398,626	293,112
Investment in property trusts	-	-	-	-	-	10,914	-	10,914
Total	-	-	-	-	398,626	304,026	398,626	304,026

8. 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 7.

	Investment Properties	
	2022 \$'000	2021 \$'000
Opening balance at 1 July	293,112	277,550
Transfers into level 3	-	-
Transfers out of level 3	-	-
Straight line rent adjustment	1,806	3,643
Net fair value gain	27,626	23,066
Acquisitions and additions	76,052	4,304
Disposal	-	(16,000)
Reclassification to non current asset held for sale	-	-
Transfer of completed construction projects	-	-
Transfer of inventory	-	-
Other	30	549
Closing balance at 30 June	398,626	293,112

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 2022, with the exception of 33 Allara Street, which was performed for acquisition and is dated 18 February 2022. The independent valuations were performed by qualified valuers from Knight Frank, CBRE 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 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.

8. 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 82.80% of the Group's lease exposure being with high credit quality government, local government and corporate entities.

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 4.50% to 6.50% (2021: 5.00% to 6.75%)	Refer (ii) below
	Capital expenditure and lease incentives	Refer (ii) below
Discounted cash flow	Rental cash flow growth rates 0% to 3.39% (2021: 0% to 3.72%)	Refer (i) below
	Tenancy / lease occupancy rates	Refer (i) below
	Capital expenditure	Refer (ii) below
	Terminal value	Refer (i) below
	Discount rate 5.0% to 7.0% (2021: 5.50% to 7.75%)	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.

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 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.

	2022 \$'000	2021 \$'000
Current		
Trade creditors and accrued expenses	1,807	1,264
PAYG, GST and Payroll Taxes	(52)	(88)
Accrued employee benefits	101	59
	<u>1,856</u>	<u>1,235</u>
Non current		
Refundable tenant deposits	308	283

10. 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.

	2022 \$'000	2021 \$'000
Current		
Rental liability	1,082	1,055
Non current		
Rental liability	<u>398</u>	<u>1,228</u>

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 which extended the facility to \$75.0 million. As at 30 June 2022, CBIC has drawn down \$65.0 million from this facility. The loan matures on 29 February 2024.

	2022 \$'000	2021 \$'000
Current		
Bank loan	-	-
Non Current		
Bank Loan	65,000	20,000
	<u>65,000</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

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.

	2022 \$'000	2021 \$'000
140,901,651 ordinary shares fully paid	140,902	140,902
Fair value reserve	<u>-</u>	<u>-</u>

13. RELATED PARTY TRANSACTIONS

(a) Key personnel

Directors

Neil Castles

Colin Jensen

Bruce McIver

Maria Roach

Patrice Sherrie

Anne Lenz (Alternate of Colin Jensen) Appointed 9 May 2022

Former Directors

Geoffrey Rodgers Resigned 22 February 2022

Bill Lyon (Alternate of Colin Jensen) Resigned 3 December 2021

Management

Kirsty Rourke

(a) Key management personnel compensation

	2022	2021
	\$	\$
Short-term employee benefits	479,099	543,570
Post-employment benefits	39,075	43,211
Long-term benefits	20,333	-
Termination benefits	-	-
Total	<u>538,507</u>	<u>586,782</u>

Colin Jensen, Bill Lyon and Anne Lenz did not receive any compensation during the financial year (2021: Nil).

13. RELATED PARTY TRANSACTIONS (continued)

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

	2022	2021
	\$	\$
Infrastructure contributions charged by ultimate parent entity	-	-
Purchase of materials and services from ultimate parent entity #1	148,275	164,462
Rental income earned from ultimate parent entity #2	11,193,318	11,013,123
Purchase of Land #3	-	2,290,000
Dividend in respect of 2021 financial year	15,000,000	-
Dividend in respect of 2020 financial year	-	20,000,000

At balance date, total amount payable to BCC in relation to these services amounted to \$Nil (2021: \$Nil) and the total amount payable by BCC in relation to the rental income is \$43,274 (2021: \$113,810).

#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 have commenced construction of Specialist Disability Accommodation on these blocks.

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

	2022	2021
	\$	\$
Intercompany loans between the entities	416,986	417,438

During the 2022 financial year CBIC repaid \$276 to CBIC Investment Pty Ltd and \$276 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:

	2022 \$'000	2021 \$'000
Within 1 year	259	52
1 to 5 years	-	-
Later than 5 years	-	-
	<u>259</u>	<u>52</u>

(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:

	2022 \$'000	2021 \$'000
Within 1 year	486	716
1 to 5 years	1,042	1,050
Later than 5 years	288	288
	<u>1,816</u>	<u>2,054</u>
Total operating and capital commitments	<u>2,075</u>	<u>2,106</u>

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:

	2022 \$'000	2021 \$'000
Within 1 year	22,909	17,671
1 to 2 years	22,601	17,587
2 to 3 years	22,904	17,962
3 to 4 years	22,195	18,387
4 to 5 years	21,246	17,854
Later than 5 years	123,185	138,148
	<u>235,040</u>	<u>227,609</u>

The Group has entered into 57 non-cancellable lease arrangements (2021: 27) 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 \$15.0 million payable to the ultimate parent entity was declared on 26 July 2022 in respect of the 2022 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.

17. PARENT ENTITY FINANCIAL INFORMATION

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

	2022	2021
	\$'000	\$'000
Assets		
Current assets	24,536	46,052
Non current assets	402,592	304,851
Total assets	<u>427,128</u>	<u>350,903</u>
Liabilities		
Current liabilities	3,157	2,413
Non current liabilities	66,817	22,784
Total liabilities	<u>69,974</u>	<u>25,197</u>
Shareholder's equity		
Share capital	140,902	140,902
Other capital contribution	1,897	1,897
Fair value reserve	-	-
Retained profits	214,355	182,907
Total shareholder's equity	<u>357,154</u>	<u>325,706</u>
Profit or loss and comprehensive income		
Total profit or loss	<u>46,449</u>	<u>42,498</u>
Other comprehensive income	-	-
Total comprehensive income	<u>46,449</u>	<u>42,498</u>

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	2022 \$'000	2021 \$'000
Financial Assets			
Cash and cash equivalents at amortised cost	4	24,416	45,616
Loans and receivables at amortised cost	5	140	294
		<u>24,556</u>	<u>45,910</u>
Financial Liabilities			
Accounts payable and accrued expenses	9	2,164	1,518
Interest Payable		182	56
Rental liabilities	10	1,480	2,283
Interest-bearing loan	11	65,000	20,000
Total liabilities		<u>68,826</u>	<u>23,857</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.

18. 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	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Cash and cash equivalents	244	456	(244)	(456)
Interest-bearing loan	(650)	(200)	650	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:

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
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

18. 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 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.

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 2022 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 2022 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.



Colin Jensen
Director
Brisbane, 26 July 2022



Bruce McIver
Director
Brisbane, 26 July 2022

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 2022, 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 2022, 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 2022, 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

1 August 2022

Queensland Audit Office
Brisbane