

19.1 REDLAND INVESTMENT CORPORATION 2019/2020 BUSINESS PLAN, BUDGET, CERTIFIED FINANCIAL STATEMENTS 2017/2018 AND QUARTERLY REPORT

Objective Reference:

Authorising Officer: John Oberhardt, General Manager Organisational Services

Responsible Officer: John Oberhardt, General Manager Organisational Services

Report Author: John Oberhardt, General Manager Organisational Services

Attachments:

1. RIC Business Plan
2. 2018 RIC Financial Statements
3. 201819 RIC YTD October Financial Report

The Council is satisfied that, pursuant to Section 275(1) of the *Local Government Regulation 2012*, the information to be received, discussed or considered in relation to this agenda item is:

- (h) *other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage.*

PURPOSE

The purpose of this report is to present Redland Investment Corporation's (RIC) financial documents to Redland City Council (Council) as required by the Service Agreement between RIC and Council.

BACKGROUND

On 26 November 2014, the Council resolved to incorporate RIC. RIC was incorporated on 2 December 2014. Under the *Auditor General Act 2009 (Qld)*, RIC is classified as a public sector entity.

Council is the sole shareholder of RIC.

RIC's objectives include gaining best value from surplus Council land and spurring investment to benefit the Redlands community. While RIC works commercially as a company, any developments it facilitates are intended to take into account the broader community's needs, including social and environmental impacts.

ISSUES

No issues.

STRATEGIC IMPLICATIONS

Legislative Requirements

No legislative requirements.

Risk Management

The resolution has no risk implications.

Financial

The resolution has no financial implications.

People

The resolution has no implications for staff.

Environmental

The resolution has no environmental implications.

Social

The resolution has no social implications.

Alignment with Council's Policy and Plans

The recommendation is in accordance with previous resolutions by Council. The project and resolution aligns with Council's Corporate Plan 2018-2023:

"Supportive and vibrant economy – Council receives a return on the community's investment in land to enhance economic and community outcomes."

CONSULTATION

| Position Title | Consultation Date | Comments/Actions |
|---|----------------------------------|---|
| Board of Redland Investment Corporation | Wednesday 28 November 2018 | RIC Board endorsed the documents at the Board meeting held on 27/11/18. |

OPTIONS**Option One**

That Council resolves as follows:

1. To note the Business Plan and Budget 2019/2020; Queensland Audit Office Certified Financial Statements 2017/2018 for Redland Investment Corporation; and Quarter 1 2018 Financial Year Report; and
2. That the attachments to the report are to remain confidential until published by Redland Investment Corporation on the company web page.

Option Two

That Council resolves to not note the Business Plan and Budget 2019/2020; Queensland Audit Office Certified Financial Statements 2017/2018 for Redland Investment Corporation; Quarter 1 2018 Financial Year Report.

OFFICER'S RECOMMENDATION

That Council resolves as follows:

1. To note the Business Plan and Budget 2019/2020; Queensland Audit Office Certified Financial Statements 2017/2018 for Redland Investment Corporation; and Quarter 1 2018 Financial Year Report; and
2. That the attachments to the report are to remain confidential until published by Redland Investment Corporation on the company web page.

REDLAND



INVESTMENT
CORPORATION

Redland Investment Corporation

Business Plan and Budget

2018/19 – 2019/20 financial years



| Document – Version Control | | | |
|-----------------------------------|-------------|---------------------|---|
| Version No. | Date | Changed by | Nature of amendment |
| 1.0 | 28/05/2018 | Grant Tanham-Kelly | Initial document |
| 1.1 | 18/06/2018 | Grant Tanham-Kelly | Management revisions |
| 1.2 | 27/11/2018 | Nicholas Somerville | Reflect signed audited financial statement for FY 17/18 |
| | | | |
| | | | |
| | | | |

| The Business | |
|---------------------------|---|
| Business name | Redland Investment Corporation Pty Ltd |
| Business structure | Redland Investment Corporation is a proprietary company limited by shares |
| ABN | 68 603 164 503 |
| ACN | 603 164 503 |
| Subsidiaries | RIC Toondah Pty Ltd, AVA Terraces Pty Ltd and Cleveland Plaza Pty Ltd |
| Business location | Unit 17, 48 Bloomfield Street Cleveland, Q 4163 |
| Date established | 2 December 2014 |
| Business owner | Redland City Council |

Note: this document contains confidential material relating the business affairs of Redland Investment Corporation (RIC). Any unauthorised disclosure of material contained in this document may diminish the commercial value of that information and would have an adverse effect on the business, commercial and financial affairs of RIC.

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Executive Summary

This business plan and budget is a statement of Redland Investment Corporation's (RIC) business goals and initiatives for the 2018/19 and 2019/20 financial years. The business plan outlines the strategy, program and budget for the company's projects.

It is important to note that the expected results in the business plan are dependent on a variety of assumptions outlined in the plan. This business plan is an evolving document and subject to change, given the sporadic nature of the business, therefore it should be referred to as a guide only.

RIC's objectives, as stated in its constitution include gaining best value from surplus Redland City Council (Council) land and spurring investment to benefit the Redlands community. RIC works commercially and provides the vehicle for Council to investigate and create alternative revenue streams to strengthen its financial position.

This plan details the proposed projects and services that RIC will deliver over the 2018/19 and 2019/20 financial years in the key business areas of:

1. Property development;
2. Land transactions;
3. Investments; and
4. Consulting services.

RIC will focus on projects which involve the delivery of public infrastructure for Council, while continuing to explore expanding its investment property portfolio over the next two financial years. Creating a strong foundation of Council-driven work will allow for solid growth beyond the 2018/19 and 2019/20 financial years.

RIC will target the delivery of five property projects over the next two financial years, comprising four approved projects and one project subject to Council and Board approval. The approved projects are:

1. 521 Old Cleveland Road East, Birkdale. This project involves the construction and sale of 13 townhouses.
2. Moore's Road residential, including the sale of balance lot (proposed Lot 100) and nine residential lots (Lots 1 – 9);
3. 4-10 Doig and 11-15 Waterloo Streets, Cleveland. This project involves the settlement of a sale to an aged care provider; and
4. 122 – 126 Middle Street, Cleveland, which involves the settlement of a sale to a short-term accommodation provider.

The fifth project involves the construction and sale of a medium density residential product and a high density residential lot at Meissner Street, Weinam Creek and is subject to Council and Board approval.

Due to the irregular cash flows characteristic of property development and land sales, RIC is continually investigating opportunities that offer recurrent revenue streams, including income producing assets or consulting/project management roles.

This business plan considers future initiatives beyond the 2019/20 financial year, highlighting the need to plan for growth beyond the finite pool of Council's available surplus land.

Future initiatives include:

1. Capalaba Town Centre Revitalisation Project;
2. Acquisition of investment and development properties;
3. Weinam Creek Priority Development Area Project; and
4. Toondah Harbour PDA Project.

Vision, Objectives and Mission

RIC will work commercially, primarily as a property development company, to achieve its vision and mission.

Vision:

RIC will be an innovative, responsible and sustainable company that achieves its business objectives and creates value to Council and the Redlands community.

Objectives:

The key objective for RIC is to be commercially successful in the conduct of its activities and efficient in the delivery of all facets of its business.

RIC requires long-term certainty from Council to be a successful business.

Mission:

Grow the economy through facilitating development and business opportunities, while supporting local jobs.

Lead the Redlands development industry by delivering high quality, exemplary projects that consider the environment, community and best practice industry principles.

Balance the long-term impacts of investment decisions with financial returns and consideration of the community's broader needs, including social and environmental aspects.

Manage and achieve Council outcomes.

Negotiate nominated commercial negotiations on behalf of Council and provide a better financial return for the Redlands community.

Focus on creating intergenerational equity for Council and the Redlands community and establish a future fund, to ensure economic gains are used for the long-term benefit of the community.

Build profitable, successful projects and respected relationships with business groups and the community.

Values and behaviours

Safety first – we ensure our own safety and the safety of others.

Ethical and responsible decision making – we honour our commitments and are open, honest and transparent.

Safeguard perpetual financial success – we maintain profitability and control costs and pursue innovation and revenue diversification.

Earn the trust and respect of the customers and the community – we are customer service-oriented and take care to understand Council's and the community's needs.

Promote a positive workplace – we encourage engagement, creativity and acknowledge achievements.

The Market

The areas of business that RIC operates in are predominately property development and land transactions.

This business plan encompasses the next two financial years, being 2018/19 and 2019/20. It is therefore important to review the general economic climate for these time frames, from both the domestic and local outlook and determine how the company may be impacted by these key indicators.

Domestic outlook

All indicators suggest that the domestic market will remain stable over the next two financial years with expected growth rates of between 2.5 per cent and 3 per cent, which is predominately linked to non-residential construction and government investment, particularly at a state level.

The Australian Government's 2018/19 Budget is expected to return to surplus in 2019/20, with key policy focus on spending on hospitals and infrastructure being of interest to RIC. A federal election in 2019 may result in changes to negative gearing and capital gains tax laws. This may have an adverse effect on the property market and will need to be monitored.

The banking royal commission has also led to a tightening in the credit market and may affect the level of investor interest. As RIC's primary market is owner occupiers and the development of smaller projects, it is anticipated that any negative impact from these new lending conditions will be minimal.

The Reserve Bank of Australia's (RBA) *Statement of Monetary Policy* states that the domestic economy remains positive and is expected to continue its current growth trajectory.¹ Over the next couple of years a further reduction in the unemployment rate and a rise in inflation is expected.

The RBA have maintained the official cash rate at 1.5 per cent since August 2016, which is expected to remain unchanged in 2018, with a forecast increase to 1.75 per cent expected in mid-2019. We do note however that several banks have increased their interest rates recently. With the proviso that the world economy continues a similar trajectory, the cash rates will remain on hold in the near-term as there is good progress in lowering unemployment and gradually returning inflation towards the lower end of the RBA target.

Inflation is currently at 1.9 per cent with an expectation that it will gradually increase to RBA's target of 2 to 3 per cent by the end of 2020.

Local outlook

The property development and land transaction areas of the business are particularly reliant on a strong local economy.

The Redland city catchment is very well positioned from a location, infrastructure and amenity perspective to sustain long-term demand for new residential products including the increased proportion of medium density and attached product.

Located within 20 kilometres from the Brisbane CBD, one of Australia's major cities, the Redland city catchment area is a major tourism hub, connecting South East Queensland and North Stradbroke Island.

The economic sectors of most relevance to RIC in Redland city are tourism, construction and retail trade.

¹ RBA *Statement of Monetary Policy May 2018*

The Redland city population has remained consistent over the past five years (2011 to 2016) with an average growth rate of 1.11 per cent (or 7,963 people per annum). The projected annual growth rate for the next five years (2016 to 2021) is forecasted to increase on the previous five years to 1.36 per cent (or 10,343 people).

Over the period between 2026 to 2036, Redland city is estimated to increase by approximately 12,010 people, which represents an average increase of 1,201 people per annum, or an average annual growth rate of 0.7 per cent.

Median house prices across the Redland city local government area have shown relatively strong long-term growth with a 3.9 per cent per annum increase to \$516k from December 2005 to December 2015 and current median house prices at \$560k as of May 2018. All RIC's current stock is priced under the median price, placing the company in a competitive position.

RIC is a party to a Development Agreement between the State, Council and Walker Corporation, engaging Walker to deliver the proposed Toondah Harbour Priority Development Area project. This project is set to stimulate growth in the tourism sector and will have a flow on impact for the city's economy.

The main areas of growth are expected to be Alexandra Hills, Thornlands and Capalaba, with Alexandra Hills recording the largest volume of house sales over the past twelve-month period.

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Financial Summary

At the time this business plan was produced, RIC was found to have a sound balance sheet, with a manageable level of debt and liability.

RIC has sufficient cash balances with an opening balance of \$2.915 million to commence in the 2018/19 financial year, however there is a committed dividend of \$1.5 million resulting in a net cash balance of \$1.415 million for operational use.

RIC intends to secure debt finance from Council in the 2018/19 financial year to fund the construction of the 521 Old Cleveland Road East, Birkdale townhouse project. The potential acquisition and delivery of the Meissner Street, Weinam Creek project would also require debt finance in the 2019/20 financial year.

Table 1 details the high level financial performance and position for the RIC Group for the 2018/19 and 2019/20 financial years. The RIC Group is made up of Redland Investment Corporation Pty Ltd, RIC Toondah Pty Ltd, AVA Terraces Pty Ltd and Cleveland Plaza Pty Ltd.

| Financial | 2018/19 | 2019/20 |
|------------------------|-------------------|-------------------|
| | Budget | Forecast |
| Revenue | 10,050,821 | 18,681,421 |
| Expenditure | 9,559,002 | 17,966,727 |
| Result – Profit/(Loss) | 491,819 | 714,694 |
| Cash at bank | 1,231,728 | 4,691,589 |
| Total assets | 16,280,916 | 14,585,238 |
| Total liabilities | 2,562,381 | 724,945 |
| Total Equity | 13,718,534 | 13,860,292 |

Table 1: Financial performance and position – 2018/19 and 2019/20

The next two financial years are expected to be a productive time for RIC, with major projects already scheduled and underway (refer to Table 4). While the profit for the next two years is modest at \$492k in 2018/19 and \$715k in 2019/20, cash more than triples in 2019/20 through the realisation of the Doig and Middle Street settlements. Forecasted cash at 30 June 2020 is \$4.6 million, which includes the outlay of \$5 million for investment property(s).

As revealed in Appendix 1, in 2019/20 there is no forecasted development income beyond these periods after the realisation of current inventory and investment sales. From 2018 to 2020, RIC will proceed into an acquisition phase to seek new revenue sources in 2020/21, beyond its recurring revenue. RIC's involvement in the Weinam Creek project will result in a series of potential developments either independently or through joint ventures.

It is noted that the 2018/19 financial year profit falls below the targeted 5 per cent which resulted from an earlier period recognition of profit/margin from a fair value adjustment to recognise the Wynyard and Doig street properties at market value. In addition, there has been a short-term shift in focus to Council projects which impacts on RIC's investment opportunities, however the projects will provide a sound foundation to increase revenue growth in future financial years. Revenues from consulting on the Toondah Harbour Priority Development Area project are low currently due to delays in the current development application stage of the project.

Debt and liabilities have been forecast at a conservative level over the next two financial years with liabilities at an average of 10.35 per cent of assets and with manageable debt. Cash balances over the next two financial years will be available for future initiatives with any surplus balances held in short-term term deposits.

Based on current forecasted profits, dividends are not proposed over the next two financial years. RIC will invest retained earnings back into the business to help with developing a pipeline of future developments and investments.

Whilst a cash dividend is not being proposed, it is noted that RIC will purchase land at fair value, such as Moores Road, from Council rather than treating it as contribution of equity at book value.

During the 2018/19 financial year RIC will acquire the following properties listed in table 2. A detailed list of the land parcels and assets associated with these properties is tabled in Appendix 2. The properties do not form part of the assets at year-end as they are likely to be transferred in and out within the financial year.

| Property | Book value | Transaction |
|------------------|------------|---|
| Capalaba Central | \$11M | Transferred as equity from Council |
| Moores Road | \$1.5M | Purchased from Council at independent valuation |

Table 2: Property transactions in 2018/19

RIC will also monitor its human resources closely over the next financial year to ensure there is sufficient capability to meet the growing scope of works and projects proposed for the 2018/19 and 2019/20 financial years.

Risk Management Framework

RIC operates under a Risk Management Framework to assist in managing risk throughout its business operations.

The Risk Management Framework manages the Strategic, Operational and Project risks of the organisation. Both the strategic and operational risks are given a risk rating using a likelihood and consequence rating to enable the plotting of the risk on the risk matrix. These ratings are monitored and reviewed on an annual basis generally by the Board of Directors and at the executive level. Project risks are the particular risks for each project and are assessed at each stage (gate) of the project lifecycle².

Measures

The RIC Board has approved a set of key performance indicators in its Financial Management Practice Manual. These indicators include measures encompassing liquidity, profitability and solvency which RIC applies in its operations and strategic planning.

| Key Performance Indicator | Description | Target | 2018/19 | 2019/20 |
|--------------------------------|--|---------------------|---------|---------|
| Liquidity | | | | |
| Current ratio (times) | Management of short-term liquidity | > 2.0 & < 5.0 times | 2.77 | 8.16 |
| Cash capacity in months | Measure ability to meet short-term working capital commitments | 3 months | 3.28 | 12.51 |
| Profitability | | | | |
| Increased net profit (%) | Measure performance | 5% | -26.65 | 45.32 |
| Increase in revenue growth (%) | Measure growth in new and existing revenue | 5% | 5.25 | 85.87 |
| Return on equity (%) | Measure return on Council's investments | CPI + 4% | 4 | 5 |

² Project life cycle = concept stage > pre-feasibility stage > feasibility stage > delivery

| Solvency | | | | |
|------------------------------|--|--------|-------|--------|
| Debt to equity (%) | Measure portion of assets financed through debt | < 15% | 16 | 5 |
| Debt servicing ratio (%) | Ability to repay debt | > 150% | 45.86 | 665.80 |
| Interest coverage | Indicates level of total revenue committed to funding interest expense | > 5 | 27.13 | 6.47 |
| Liability to asset ratio (%) | Indicates liabilities as a percentage of assets | < 20% | 15.74 | 4.97 |

Table 3: Key Performance Indicators

The forecasted financials in the business plan do not meet all the key performance indicators for the next two financial years because a large portion of RIC's short-term projects involve the progress of Priority Development Areas to facilitate Council goals and future development opportunities for RIC. With this shift in focus, RIC's investment opportunities are impacted, however the projects will provide a sound foundation to increase revenue growth in future financial years.

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Our Business

RIC's key business areas are:

1. Property development;
2. Land transactions;
3. Investments; and
4. Consulting services.

Property development

Calculating the return on RIC's property development projects is critical in building a sound awareness of RIC's current and projected performance and for comparison purposes. RIC sets commercial expectations for property development projects and the expected returns are detailed below in Table 4.

| Business | Product or services | Description | Target return |
|----------|----------------------------|---|----------------------|
| Property | Development | Construction, management and provision of a variety of development products with RIC owned land | Rate of return > 15% |
| | Council long-term projects | Development management of projects | Margin > 15% |

Table 4: Expected returns for property projects

RIC will target the delivery of two major property development projects over the next two financial years, including constructing and selling townhouses and the preparation and sale of residential blocks. Table 5 details the high-level financial data and timeframes for the two major projects over 2018/19 and 2019/20 financial years.

| Project | Product or service | Investment type | Estimated revenue | Estimated costs | Estimated profit | Start date – end date | Project status |
|---------------------------------------|---------------------------------------|----------------------|-------------------|-----------------|------------------|------------------------|--|
| 2018/19 financial year | | | | | | | |
| Lots 1-9 Moore's Farm, Redland Bay | 9 residential lots and balance lot | Preparation and sale | \$4.52m | \$2.90m | \$1.62m | July 2018- June 2019 | Reconfiguration of Lot application lodged. Delivery stage |
| 2019/20 financial year | | | | | | | |
| 521 Old Cleveland Road East, Birkdale | 13 townhouses (8 x 3 bed = 5 x 4 bed) | Development and sale | \$5.71m | \$4.94m | \$770K | July 2018 – June 2020 | Project requires board approval to Delivery stage |
| Meissner St, Weinam Creek | Sale of 2 super lots | Development and sale | \$3.51m | \$2.96m | \$550k | April 2018 – June 2020 | Project requires Council approval for transfer and board approval to Planning stage |

Table 5: Property projects 2018/19 and 2019/20 financial years

Key assumptions

Financial assumptions outlined in Table 6 are a critical component of the business plan and are the premise upon which the financial predictions are made. The following assumptions are used for the planning of property development projects and are based on reasonable expectations.

| Assumptions | | |
|------------------------------------|---|----------------------|
| Qualitative-observed | | |
| Observation | Expectation | |
| Borrowing facility | It is assumed that RIC can borrow funds from Council (if required) at a rate of the QTC effective Rate plus 1.5%. | |
| Sales Rate | 521 Old Cleveland Road East Birkdale Project: is expected to go to market March 2019 and complete on average one unit sale a month to April 2020. Moores Road Project: assumes an average of two unit sales a month. | |
| Council environment remains stable | It is assumed that current support from Council remains stable. | |
| Quantitative - measured | | |
| Measure | Current rate | Accepted rate |
| Inflation rate | 1.5% | 2.0% - 3.0% |
| Borrowing rates (internal) | 4.39% | 3.0% - 5.0% |

| | | |
|---------------------------------|-----|-----------|
| Rate of return (development) | 15% | 10% - 20% |
| Margin (development management) | 15% | 10% - 20% |

Table 6: Key assumption

Future property projects

The business plan is a forward-looking document which provides some early details regarding future property initiatives (table 7). As these projects progress through the project life cycle, more accurate estimates will become available.

Details of land and assets can be found in *Appendix 2* at the end of the business plan.

RIC will consider growing investments to ensure RIC's long term sustainability. RIC can fund such investments from cash reserves from the realisation of expected investment and inventory sales to June 2020.

| Project | Description |
|---|--|
| Capalaba Town Centre Revitalisation Project | <p>Due to size and location of Council's holdings in the Capalaba town centre the opportunity exists for a Public Private Partnership (PPP) to create a mixed-use precinct including the provision of community, commercial, retail and entertainment uses.</p> <p>RIC are currently carrying out an expression of interest (EOI) campaign for the Capalaba town centre revitalisation project.</p> <p>A steering committee made up of representatives of both RIC and Council has been formed.</p> |
| Acquisition of investment and/or development properties | <p>RIC will investigate strategic property acquisitions to generate alternative opportunities and revenue. RIC will investigate and generate opportunities through targeted outcomes in line with an agreed mandate.</p> <p>The strategy allows consideration for RIC to acquire, develop and dispose of investment properties within, but not limited to, the Redlands region.</p> <p>Proposed investments will be reviewed through a series of set benchmarks to identify risk and return in accordance with a set framework based on investment return maintaining an optimum balance of short, medium and long-term property investments ensuring growth and financial capacity to further invest and develop.</p> |

| | |
|------------------|--|
| Weinam Creek PDA | <p>RIC has been engaged by Council as a consultant and will be managing the provision of public infrastructure at Moore's farm including a public car park and connecting bridge.</p> <p>It is proposed that RIC will obtain development approvals for the site, engage the project team, managing the construction and hand over assets after the on-maintenance period.</p> <p>A steering committee has been formed with representation from both RIC and Council.</p> |
|------------------|--|

Table 7: Future property initiatives

Land transactions

RIC's commercial expectations for land transactions and the target expected returns are listed below in Table 8.

| Business | Product or services | Description | Target return |
|-------------------|---------------------|---|---|
| Land transactions | Land transactions | Selling/exchanging land parcels which may have had minor physical and non-physical works undertaken | ROI > 15% 'as is' ROI > 20% 'prepared' |

Table 8: Expected returns for property projects

RIC will target the completion of two major property transactions over the next two financial years. Table 9 details the high-level financial data and timeframes for the two land transactions over 2018/19 and 2019/20 financial years.

| Project | Product or service | Investment type | Estimated revenue | Estimated costs | Estimated profit | Estimated settlement date | Project status |
|----------------------------------|--|------------------|-------------------|-------------------|------------------|---------------------------|----------------------------|
| 2019/20 financial year | | | | | | | |
| 122-126 Middle Street, Cleveland | Settlement of land sale | Land transaction | \$2.55M | \$2.5M (non-cash) | \$50k | Jan 2020 | Project has board approval |
| 4-10 Doig Street, Cleveland | Settlement of land sale for aged care facility | Land transaction | \$5.5M | \$5.4M (non-cash) | \$100k | Jan 2020 | Project has board approval |

Table 9: Land transactions 2018/19 and 2019/20 financial years

Revenue was recognised for Doig and Middle Street in earlier financial years due to a fair value adjustment. Whilst settlement should occur in the 2019/20 financial year and the cash position is improved, the final settlement funds will have little effect on profit as it was recognised in FY 2016/17 and 2017/18, from fair value adjustments.

Key assumptions

Financial assumptions in Table 10 are a critical component of the business plan and are the premise upon which the financial predictions are made. The following assumptions are used for the land transaction projects and are based on reasonable expectations.

| Assumptions | | |
|---|---|---------------|
| Qualitative – observed | | |
| Observation | Expectation | |
| Conditional contracts | It is assumed contracts in place will reach settlement. | |
| Product supplied is needed | It is assumed a requirement for super lot land products are required. | |
| Council environment remains stable | It is assumed that current support from Council remains stable. | |
| Quantitative – measured | | |
| Measure | Current rate | Accepted rate |
| Rate of return land transactions ‘as is’ | ROI > 15% | 15% - 20% |
| Rate of return land transactions ‘prepared’ | ROI > 20% | 15% - 20% |

Table 10: Key assumptions

Investments

During the 2018/19 and 2019/20 financial years, RIC will consider growing its investment portfolio.

It is proposed that during the 2019/20 financial year RIC identifies suitable investment property/s which generate returns in the accepted range. The purpose of this initiative is for RIC to prudently invest in income producing assets which will cover ongoing running costs and promote long-term financial sustainability.

Once the Board approves the type of investment property and expected return, the details can be documented in the mid-year business plan review.

Table 11 lists the current and future investment property projects on hand. RIC will invest in some minor capital expenditure on Cleveland Plaza in the 2018/19 financial year for compliance items.

| Project | Product or service | Investment type | Estimated revenue | Estimated costs | Estimated profit | Start date – End date | Project status |
|----------------|--------------------|-----------------|-------------------|-----------------|------------------|-----------------------|----------------|
| 2018/19 | | | | | | | |

| Project | Product or service | Investment type | Estimated revenue | Estimated costs | Estimated profit | Start date – End date | Project status |
|--------------------------------------|--|------------------|-------------------|-----------------|------------------|-----------------------|----------------------------|
| Cleveland Plaza | Rental revenue retail and professional | Fees and charges | \$380K | \$215K | \$165K | On-going | Board approval in place |
| 2019/20 | | | | | | | |
| Cleveland Plaza | Rental revenue retail and professional | Fees and charges | \$380K | \$215K | \$165K | On-going | Board approval in place |
| Investment property (to be acquired) | Rental revenue | Fees and charges | \$130K | \$0K | \$130K | On-going | Board and Council required |

Table 11: Investment transactions 2018/19 and 2019/20 financial years

Key assumptions

The following assumptions have been used for forecasting the investments and are based on reasonable expectations.

| Assumptions | | |
|--|---|----------------------|
| Qualitative – observed | | |
| Observation | Expectation | |
| Investment property | It is assumed that settlement of Middle and Doig occurs in January 2020 in order to fund the purchase of a new investment property. | |
| Investment property | Current figures are estimated net profit rather than gross earnings. | |
| Council environment remains stable | It is assumed that current support from Council remains stable. | |
| Quantitative – measured | | |
| Measure | Current rate | Accepted rate |
| Cash rates | 1.5% | 1.5% – 2.5% |
| Inflation | 1.9% | 2.0% - 3.0% |
| Investment returns (commercial properties) | 6.0% - 9.0% | CPI + 5.0% |

Table 12: Key assumptions

Consulting services

Consulting services is the professional services arm of RIC and our goal in the next two financial years is to grow this part of business. This form of recurrent revenue helps mitigate against cash timing issues that are inherent with our development projects.

RIC already offers professional services in the areas of brokerage and project management and has had successful outcomes over the past three years including the brokerage of four acquisitions on behalf of Council.

RIC has been engaged by Economic Development Queensland and Council to administer the Toondah Harbour Development Agreement and provide a variety of services to the venture parties. RIC receives an agreed margin for these administration services.

We remain confident the Toondah Harbour project will proceed and the decision on the environmental assessment is currently with the Federal Government Department of Environment.

It is expected that administration fees will slowly increase over the 2018/19 and 2019/20 financial years.

RIC uses a variety of commercial charge out rates which are dependent on the type of service provided. Examples included in our *Service Level Agreement* with Council are as follows:

- percentage of project cost.
- percentage of sale price.
- a flat rate and, and,
- an hourly rate.

In all services the full-cost recovery principle is applied.

Consulting services

| Business | Consulting services | Description | Target return |
|---------------------|---------------------------------------|--|--|
| Consulting services | Brokerage fees | The facilitation of a transaction between a buyer and a seller | 2.5% of purchase price plus incurred costs |
| | Project management services | Delivery of project/s to customers' requirements | 5% of project cost plus incurred costs |
| | Joint Venture administration services | Management of the <i>Unincorporated Joint Venture</i> for the development of the Toondah Harbour PDA | Margin >15% + costs |
| | Professional services | Provide a range of professional services, including property/facilities management | Margin > 15% plus incurred costs |

Table 13: Expected returns for consulting services

RIC's expectation for the next two financial years is to increase this area of the business to help with cash flow timing issues associated with the property area of the business. Table 13 details the expected target returns from consulting services in the 2018/19 and 2019/20 financial years.

Table 14 details the estimated revenue and costs associated professional services that RIC will provide over the next two financial years.

| Project | Product or service | Investment type | Estimated revenue | Estimated costs | Estimated profit | Start date – End date | Project status |
|--|--|------------------------|--------------------------|------------------------|-------------------------|------------------------------|--------------------------------------|
| 2018/19 | | | | | | | |
| Commercial secure car park | Parking fee service | Fees and charges | \$63K | \$10K | \$53K | On-going | Board and Council approval in place. |
| Professional services | Weinam Creek and Capalaba project Management | Fees and charges | \$190K | \$0K | \$190K | On-going | Board and Council approval in place. |
| Recovery of consultants and overhead costs | Weinam Creek and Capalaba Central project | Fees and charges | \$548k | \$478k | \$70k | On-going | Board and Council approval in place. |
| 2019/20 | | | | | | | |
| Commercial secure car park | Parking fees service | Fee and charges | \$63K | \$10K | \$53K | On-going | Board and Council in place. |
| Professional services | Weinam Creek and Capalaba project Management | Fees and charges | \$180K | \$0K | \$180K | On-going | Board and Council approval in place. |
| Recovery of consultants and overhead costs | Weinam Creek and Capalaba Central project | Fees and charges | \$345k | \$345k | \$0k | On-going | Board and Council approval in place. |
| Brokerage fees | Capalaba Project | Fees | \$275k | \$0k | \$275K | On-going | Final board decision still required. |

Table 14: Consulting services for 2018/19 and 2019/20

Key assumptions

Key assumptions are outline in table 15 for forecasting consulting services.

| Assumptions | | |
|--|---|--------------------------------|
| Qualitative – observed | | |
| Observation | Expectation | |
| Council environment remains stable | Current support from Council remains stable. | |
| Current customer base | Council continues to use RIC for professional services. | |
| Recovery of costs | In FY 18/19 there is a net SLA overhead recovery of \$70k. As we move into construction and delivery of the Capalaba project, it is assumed RIC will only earn money through Professional Services and Brokerage Fees, and not earn a margin on recoveries. | |
| Quantitative – measured | | |
| Measure | Current rate | Accepted rate |
| Inflation | 1.9% | 2.0% – 3.0% |
| Rate of return – professional services | 15% | 10% - 20% |
| Brokerage fees | 2.5% purchase price plus costs | 2.5% purchase price plus costs |
| Project management fees | 5% purchase price plus costs | 5% purchase price plus costs |

Table 15: Key assumptions

Supporting Documents

Appendix 1 – Financial Statements

Redland Investment Corporation Group³

1. Budgeted Statement of Profit or Loss and Other Comprehensive Income,
2. Budgeted Statement of Financial Position, and
3. Budgeted Statement of Cash flows.

³ RIC Group includes: Redland Investment Corporation Pty Ltd, RIC Toondah Pty Ltd, AVA Terraces Pty Ltd and a new subsidiary for investment fund

Budgeted Statement of Profit or Loss and Other Comprehensive Income

| | Notes | 2018/19 | 2019/20 |
|--|-------|-------------------|-------------------|
| Revenue | | | |
| Sales revenue | 1 | 8,847,329 | 17,284,000 |
| Professional services | 2 | 190,000 | 180,000 |
| Brokerage Fees | 3 | - | 275,000 |
| Recovery of consultant fees | 4 | 547,890 | 345,000 |
| Rental revenue | 5 | 380,492 | 513,068 |
| Car parking fees | 6 | 63,636 | 63,636 |
| Interest income | | 21,474 | 20,717 |
| Total revenue | | 10,050,821 | 18,681,421 |
| Expenditure | | | |
| Cost of Goods Sold | 7 | 7,220,460 | 7,783,882 |
| Investment property costs | 8 | - | 7,899,901 |
| Employee costs | 9 | 1,223,898 | 1,294,757 |
| Corporate costs | 10 | 380,592 | 278,170 |
| Consultant costs | 11 | 478,000 | 345,000 |
| Rental Expenses | 12 | 213,676 | 213,676 |
| Depreciation | | 24,379 | 24,379 |
| Finance costs | | 17,997 | 126,962 |
| Total expenditure | | 9,559,002 | 17,966,727 |
| Profit/(Loss) for the period | | 491,819 | 714,694 |
| Other comprehensive income | | - | - |
| Other comprehensive income for the period | | 491,819 | 714,694 |

Revenue

1. Sales revenue - revenue from development/sale of property projects. FY 19 – AVA & Moores; FY 20 – 521 OCRE, Meissner, Doig & Middle.
2. Professional services – revenue from consulting services.
3. Brokerage fees – Returns from Capalaba project.
4. Consultant fees – Recovery of costs through SLA.
5. Rental revenue – Cleveland Plaza plus potential new investment
6. Car parking fees – 2 Colburn Avenue, Victoria Point.

Expenditure

7. Cost of goods sold – All development projects and transactions
8. Investment Property – Cost associated with purchasing Doig and Middle
9. Employee costs – RIC and director salary and wages plus on-costs.
10. Corporate costs – Operational expenses
11. Consultant costs – Consultant expenses from SLAs
12. Rental expense – Costs associated with Cleveland Plaza

Budgeted Statement of Financial Position

| | Notes | 2017/18 F | 2018/19 | 2019/20 |
|--------------------------------|-------|-------------------|-------------------|-------------------|
| Current assets | | | | |
| Cash and cash equivalents | | 2,915,830 | 1,231,728 | 4,691,589 |
| Trade and other receivables | | 207,882 | 620,650 | 752,940 |
| Inventory | 13 | 6,543,857 | 1,933,382 | - |
| | | 9,667,569 | 3,785,760 | 5,444,529 |
| Non-current assets | | | | |
| Investment property | 14 | 11,989,953 | 12,123,772 | 8,769,326 |
| Property, plant and equipment | 15 | 378,847 | 371,383 | 371,383 |
| | | 12,368,800 | 12,495,156 | 9,140,709 |
| Total assets | | 22,036,369 | 16,280,916 | 14,585,238 |
| Current liabilities | | | | |
| Trade and other payables | | 959,438 | 255,023 | 655,188 |
| Dividends Payable | 16 | 1,500,000 | 0 | 0 |
| Borrowings | 17 | 3,500,000 | 1,100,000 | - |
| Provisions | 18 | 11,277 | 11,615 | 11,964 |
| | | 5,970,715 | 1,366,638 | 667,151 |
| Non-current liabilities | | | | |
| Deferred Revenue | 19 | 1,150,000 | 1,150,000 | - |
| Provisions | 18 | 33,692 | 45,743 | 57,794 |
| | | 1,183,692 | 1,195,743 | 57,794 |
| Total liabilities | | 7,154,407 | 2,562,381 | 724,945 |
| Net assets | | 14,881,962 | 13,718,534 | 13,860,292 |
| Equity | | | | |
| Equity attributable to owners | 20 | 14,791,283 | 13,136,037 | 12,563,100 |
| Retained earnings | | 90,679 | 582,498 | 1,297,192 |
| Total equity | | 14,881,962 | 13,718,535 | 13,860,292 |

Assets

13. Inventory – At 30/06/19 is 521 OCRE (all AVA properties sold, and properties being transferred back to RCC within 18/19)

14. Investment property – Middle Street, Cleveland Plaza, Doig Street and new investment property.

15. Property, Plant and Equipment – 2 Colburn Avenue, Victoria Pt., corporate IT.

Liabilities

16. Dividend payable - Per resolution on or before 31 December 2018.

17. Borrowing - funding for AVA Terraces in 17/18 and 521 Old Cleveland Road East, Birkdale in 18/19.

18. Provisions – current and non-current employee entitlements. 19. Deferred revenue – first instalment sale of 122-126 Middle Street, Cleveland and Doig St (\$100k)

Equity

20. Equity attributable to owners – cash and non-cash contributions from Council, including return of properties

Budgeted Statement of Cash Flows

| | Notes | 2018/19 | 2019/20 |
|---|-------|-------------|-------------|
| Cash flows from operating activities | | | |
| Receipts from customers | 21 | 10,030,078 | 10,970,418 |
| Payments to suppliers and employees | | (7,683,836) | (8,744,311) |
| Interest received | | 21,474 | 20,717 |
| <i>Net cash provided by operating activities</i> | | 2,367,715 | 2,246,823 |
| Cash flows from investing activities | | | |
| Payment for investment property | 22 | - | (5,000,000) |
| Proceeds from investments | 23 | - | 7,440,000 |
| Payments for property plant and equipment | 24 | (133,820) | - |
| <i>Net cash used in investing activities</i> | | (133,820) | 2,440,000 |
| Cash flows from financing activities | | | |
| Dividends Paid | | (1,500,000) | |
| Proceeds from Borrowings | 25 | 1,100,000 | 3,595,000 |
| Repayment of Borrowings | 26 | (3,500,000) | (4,695,000) |
| Interest paid on borrowings | | (17,997) | (126,962) |
| <i>Net cash used in financing activities</i> | | (3,917,997) | (1,226,962) |
| Net (decrease)/increase in cash and cash equivalents held | | (1,684,102) | 3,459,861 |
| Cash and cash equivalents at beginning of financial year | | 2,915,830 | 1,231,728 |
| Cash and cash equivalents at end of financial year | | 1,231,728 | 4,691,589 |

Cash flows from operating activities

21. Receipts from customers – All inflows from developments, professional fees, rent, etc.

Cash flows from investing activities

22. Payment for investment properties – Purchasing of new property(s).

23. Proceeds from investments – Settlement of Doig and Middle.

24. Payments for property, plant and equipment – Cleveland Plaza refurbishment

Cash flows from financing activities

25. Proceeds from borrowings – Loans for 521 Old Cleveland Road East and Meissner St

26. Repayment of borrowings – Repayment of AVA loan in 18/19; repayment of 521 OCRE and Meissner 19/20

Appendix 2 – Transferred Property

| Capalaba Town Centre Revitalisation Project | |
|--|----------------------------|
| Land | |
| Location | Area |
| 14-24 Ricky Street, Capalaba (10 parcels) | 6,530m ² |
| 14, 16 and 20 Noeleen Street, Capalaba (3 parcels) | 4,564m ² |
| 27, 30, 31 and 32 Loraine Street, Capalaba (4 parcels) | 2,280m ² |
| 30-36 Redland Bay Road, Capalaba (4 parcels) | 4,989m ² |
| Total | 18,363m² |
| Assets | |
| Bus interchange | |
| Building - library | |
| Public amenities | |
| Lighting, handrails and seating | |
| Pathway and bikeway | |
| Car park | |

| Moore's Farm | |
|---------------------|----------------------------|
| Super lots 1 and 2 | 9,920m ² |
| Residential blocks | 3,455m ² |
| Total | 13,375m² |



Redland Investment Corporation Pty Ltd

**Consolidated
Financial Statements
For The Year Ended
30 June 2018**

**Prepared by:
Chief Financial Officer**

Redland Investment Corporation Pty Ltd

ABN 68 603 164 503

For the year ended 30 June 2018

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Directors' Report

For the year ended 30 June 2018

Directors' Report

The Directors present their report, together with the financial statements of the Group being Redland Investment Corporation Pty Ltd (RIC) and its controlled entities, AVA Terraces Pty Ltd (AVA), Cleveland Plaza Pty Ltd (CP) and RIC Toondah Pty Ltd (RICT) for the financial year ended 30 June 2018.

1. General Information

Directors

The following persons were directors of Redland Investment Corporation Pty Ltd during the 2017/18 financial year and up to the date of this report, unless otherwise stated:

Mr Phillip Hennessy – Chairman*
Mr Greg Kempton*
Mr Mitch Nielsen*
Mr Andrew Chesterman
**Also directors of RIC Toondah Pty Ltd*

Principal Activities

The principle activities of RIC during the financial year were to buy, sell, develop, lease, licence and contract in relation to Redland City Council (Council) and non-council land to create value for Council and the Redlands community. There were no significant changes in the nature of these activities during the year.

2. Operating results and review of operations for the year

Operating result

The consolidated result for the Group for the financial year accounted for a profit of \$670,505 (2016/17: \$954,580 profit).

The Group profit was largely the result of the following transactions: The sale of 110-112 Queen Street, Cleveland, the sale of three residential townhouses at 9-11 Oaklands Street, Alexandra Hills, the revaluation of investment properties and the retail rent received for Cleveland Plaza, Cleveland.

Review of Operations - RIC

Projects

- o Delivered:
 - o The sale of 110-112 Queen Street, Cleveland on 15 December 2017;
 - o The purchase of 'Cleveland Plaza' located at 48 Bloomfield Street, Cleveland on 15 December 2017;
 - o The sale and settlement of three residential townhouses at 9-11 Oaklands Street, Alexandra Hills in June 2018 (contracts have been entered into a further five townhouses as at 30 June 2018);
 - o Negotiation and execution of a contract to sell both:
 - o 4-10 Doig Street, Cleveland with settlement scheduled for August 2019; and
 - o 18-22 Wynyard Street, Cleveland with settlement scheduled for January 2020 the revenues from these sales will be recognised upon settlement.
 - o Weinam Creek Plan Master Plan B:
 - o Council endorsement of Weinam Creek Master plan (Plan B);
 - o Planning and essential services report for the subdivision Development Application of 1 into 2 sites on Moore's Road;

Directors' Report

For the year ended 30 June 2018

- Commenced earthworks, flood, ecology and traffic assessments for Car Park on Moore's Road site;
- Completed survey plans for 10 lot subdivision on Moore's Road;
- Capalaba Central
 - Completion of property valuation;
 - Obtain quotes for EOI campaign.
- Conceptual works:
 - Weinam Creek Master Plan (Plan B)
 - Layout refinement, including sequencing and staging;
 - Landscaping options;
 - Boat Ramp design; and
 - Artist imagery for media releases.
 - Capalaba Central
 - Discussion with Department of Transport and Main Roads.
- Investigations:
 - Weinam Creek Master Plan (Plan B)
 - Geotechnical investigations of Moore's Road;
 - Parking review; and
 - Development opportunities.
 - Capalaba Central
 - Purchasing of adjacent properties

Administration

- Governance:
 - Review of Statement of Corporate Intent 2015/16;
 - Review of Board Charter;
 - Business Plan – 2018/19 – 2019/20;
 - Review of Project Decision Framework;
 - Stakeholder and Communications Strategy;
 - Review of Risk Management Framework and Registers;
 - Review of Corporate Service Level Agreement between RIC and Council;
 - Attendance at Councillor - Board of Directors workshops; and
 - Attendance at Councils 'Audit Committee' meetings.

Review of Operations - RICT

Proposed redevelopment of Toondah Harbour

- Council approved agreements:
 - The Joint Venture Agreement between Redland City Council (Council) and the Minister for Economic Development Queensland (MEDQ); and
 - The Venture Administration Agreement between RIC Toondah and Joint Venture partners (Council and MEDQ).
- Working towards:
 - RICT are assisting Walker Corporation on negotiations with both Commonwealth and State Government regarding environmental approvals.

Directors' Report

For the year ended 30 June 2018

Development of 521 Old Cleveland Road, Alexandra Hills

- o Design of town-houses complete, including architectural plan for Development Application, civil and landscaping for Operational Works;
- o Off Set Management plan for clearing has commenced;
- o Commenced branding exercise;
- o Communication Plan completed;
- o Liaising with Local Councillor has begun;
- o Planning to lodge Development Application October 2018.

3. Other items

Significant Changes to State of Affairs

On 25 July 2017, the board of directors for RIC resolved to create a subsidiary company called Cleveland Plaza Pty Ltd (CP). The subsidiary company was formed to purchase and hold 48 Bloomfield Street, Cleveland. Cleveland Plaza was incorporated on 27 July 2017.

Dividend

Dividend paid or declared during financial year were:

| | 2018 | 2017 |
|------------------------------------|-------------|------|
| Dividend provided for and declared | \$1,500,000 | \$0 |
| Dividend paid | \$500,000 | \$0 |

Dividend decisions are made by the board of directors using up to date accounting information, including the balance of retained earnings.

After Balance Date Events

As at signing, all of the 13 town-houses at 9-11 Oakland Street, Alexandra Hills had been sold (including settlement).

Meeting of Directors

The number of director meetings held during the year ending 30 June 2018, and the number of meetings attended by each director were:

| | Redland Investment Corporation Pty Ltd | | RIC Toondah Pty Ltd | |
|----------------------|--|---|---------------------|---|
| | A | B | A | B |
| Mr Phillip Hennessy | 9 | 9 | 7 | 7 |
| Mr Greg Kempton | 9 | 9 | 7 | 7 |
| Mr Mitch Nielsen | 8 | 9 | 6 | 7 |
| Mr Andrew Chesterman | 7 | 9 | - | - |

A = Number of meetings attended

B = Number of meetings held

NB: There were no meetings for AVA Terraces Pty Ltd or Cleveland Plaza Pty Ltd during the year.

Directors' Report

For the year ended 30 June 2018

Insurance of Directors and Officers

During the financial year Council (the parent) insurance policies covered the directors and officers of the Group.

RIC pays Council a premium through a Service Level Agreement, and during the financial year no claims were made.

Environmental Issues

The Group's operations have not been impacted by any significant environmental issues during the financial year.

Indemnifying of Directors and Officers

The Company agrees to the maximum extent permitted by law to indemnify and keep indemnified the directors and officers against:

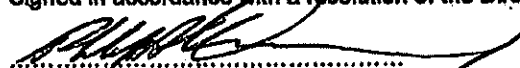
- (a) All liabilities incurred by the Director as an Officer of the Company and each Subsidiary; and
- (b) Without limiting sub-paragraph (a), all Legal Costs and other costs and expenses arising from proceedings or an Investigation, incurred by the Director as an Officer or as a consequence of having been an Officer of the Company or a Subsidiary.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company, or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Signed in accordance with a resolution of the Directors:



Mr Philip Hennessy
Chairman

Dated this 30th day of October 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018

| | Note | Consolidated | | Parent | |
|--|----------|--------------------|-------------------------|--------------------|-------------------------|
| | | 2018 \$ | 2017 \$ *Restated | 2018 \$ | 2017 \$ *Restated |
| Total revenue and other income | 2 | 9,549,660 | 3,841,413 | 10,382,055 | 3,841,413 |
| Costs of goods sold | | (6,994,065) | (736,713) | (6,994,065) | (736,713) |
| Employee benefits expense | | (1,288,886) | (1,172,678) | (1,288,886) | (1,172,678) |
| Administration costs | | (11,697) | (78,977) | (11,697) | (78,977) |
| Professional services | | (345,711) | (213,671) | (304,847) | (213,671) |
| Development costs | | (25,502) | (295,063) | (977,038) | (295,063) |
| Corporate costs | | (180,185) | (331,716) | (180,185) | (331,716) |
| Selling costs | | - | (35,327) | - | (35,327) |
| Auditors' remuneration | 18 | (15,900) | (14,700) | (15,900) | (14,700) |
| Depreciation expense | | (16,915) | (7,323) | (13,640) | (7,323) |
| Finance costs | | (294) | (665) | (1,012) | (665) |
| Total expenses | 3 | (8,879,155) | (2,886,833) | (9,787,270) | (2,886,833) |
| Profit/(Loss) before income tax | | 670,505 | 954,580 | 594,785 | 954,580 |
| Income tax (expense)/benefit | 1(b) | - | - | - | - |
| Profit/(Loss) for the period | | 670,505 | 954,580 | 594,785 | 954,580 |
| Other comprehensive income | | - | - | - | - |
| Total comprehensive income for the period | | 670,505 | 954,580 | 594,785 | 954,580 |

The above statement should be read in conjunction with the accompanying notes and significant accounting policies.

Redland Investment Corporation Pty Ltd
ABN 68 603 164 503

Consolidated Statement of Financial Position

As at 30 June 2018

| | Note | 2018 \$ | Consolidated 2017 \$ *Restated | 1 July 2016 \$ | 2018 \$ | Parent 2017 \$ *Restated | 1 July 2016 \$ |
|--------------------------------------|------|-------------------|---|-------------------|-------------------|-----------------------------------|-------------------|
| ASSETS | | | | | | | |
| CURRENT ASSETS | | | | | | | |
| Cash and cash equivalents | 4 | 2,915,830 | 984,246 | 1,717,279 | 2,806,887 | 984,246 | 1,717,279 |
| Trade and other receivables | 5 | 207,882 | 804,796 | 133,476 | 3,680,168 | 804,796 | 133,476 |
| Inventory | 6 | 6,543,857 | 8,560,956 | 4,801,210 | 3,812,100 | 8,560,956 | 4,801,210 |
| Total Current Assets | | 9,667,569 | 10,349,998 | 6,651,965 | 10,299,155 | 10,349,998 | 6,651,965 |
| NON-CURRENT ASSETS | | | | | | | |
| Investment property | 7 | 11,989,953 | 6,058,043 | - | 7,898,829 | 6,058,043 | - |
| Investment in subsidiary | 8 | - | - | - | 4,373,800 | - | - |
| Property, plant and equipment | 9 | 378,847 | 63,762 | - | 50,122 | 63,762 | - |
| Total Non-Current Assets | | 12,368,800 | 6,121,805 | - | 12,322,751 | 6,121,805 | - |
| Total Assets | | 22,036,369 | 16,471,803 | 6,651,965 | 22,621,906 | 16,471,803 | 6,651,965 |
| LIABILITIES | | | | | | | |
| CURRENT LIABILITIES | | | | | | | |
| Trade and other payables | 10 | 959,438 | 312,957 | 205,367 | 1,627,065 | 312,957 | 205,367 |
| Dividends payable | 11 | 1,500,000 | - | - | 1,500,000 | - | - |
| Borrowings | 12 | 3,500,000 | - | - | 3,500,000 | - | - |
| Provisions | 13 | 11,277 | 11,301 | 7,821 | 11,277 | 11,301 | 7,821 |
| Total Current Liabilities | | 5,970,715 | 324,258 | 213,188 | 6,638,342 | 324,258 | 213,188 |
| NON-CURRENT LIABILITIES | | | | | | | |
| Provisions | 13 | 33,692 | 21,641 | 18,343 | 33,692 | 21,641 | 18,343 |
| Deferred revenue | | 1,150,000 | - | - | 1,150,000 | - | - |
| Total Non-Current Liabilities | | 1,183,692 | 21,641 | 18,343 | 1,183,692 | 21,641 | 18,343 |
| Total Liabilities | | 7,154,407 | 345,899 | 231,531 | 7,822,034 | 345,899 | 231,531 |
| Net Assets | | 14,881,962 | 16,125,904 | 6,420,434 | 14,799,872 | 16,125,904 | 6,420,434 |
| EQUITY | | | | | | | |
| Issued Capital | 14 | 14,791,283 | 14,712,100 | 5,961,210 | 14,791,283 | 14,712,100 | 5,961,210 |
| Retained earnings | | 90,679 | 1,413,804 | 459,224 | 8,589 | 1,413,804 | 459,224 |
| Total Equity | | 14,881,962 | 16,125,904 | 6,420,434 | 14,799,872 | 16,125,904 | 6,420,434 |

The above statement should be read in conjunction with the accompanying notes and significant accounting policies.

Redland Investment Corporation Pty Ltd

ABN 68 603 164 503

Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

| Consolidated | Note | Contributed equity \$ | Retained earnings \$ | Total equity \$ |
|---|------|-----------------------------|----------------------------|-----------------------|
| Balance at 1 July 2016 (restated) | | 5,961,210 | 459,224 | 6,420,434 |
| Profit for the period (restated) | | - | 954,580 | 954,580 |
| Shares issued during the period | | 8,750,890 | - | 8,750,890 |
| Total comprehensive income for the year (restated) | | 8,750,890 | 954,580 | 9,705,470 |
| Transactions with owners | | | | |
| Distribution to shareholder - Redland City Council | | - | - | - |
| Balance at 30 June 2017 (restated) | | 14,712,100 | 1,413,804 | 16,125,904 |
| Balance at 1 July 2017 (restated) | | 14,712,100 | 1,413,804 | 16,125,904 |
| Retained earnings Cleveland Plaza | | - | 6,370 | 6,370 |
| Profit for the year | | - | 670,505 | 670,505 |
| Shares issued during the year | | 79,183 | - | 79,183 |
| Total comprehensive income for the year | | 79,183 | 676,875 | 756,058 |
| Transactions with owners | | | | |
| Distribution to shareholder - Redland City Council | | - | (2,000,000) | (2,000,000) |
| Balance at 30 June 2018 | | 14,791,283 | 90,679 | 14,881,962 |
| Parent | | | | |
| | Note | Contributed equity \$ | Retained earnings \$ | Total equity \$ |
| Balance at 1 July 2016 (restated) | | 5,961,210 | 459,224 | 6,420,434 |
| Profit for the period (restated) | | - | 954,580 | 954,580 |
| Shares issued during the period | | 8,750,890 | - | 8,750,890 |
| Distribution to shareholder - Redland City Council | | - | - | - |
| Total comprehensive income for the year (restated) | | 8,750,890 | 954,580 | 9,705,470 |
| Transactions with owners | | | | |
| Distribution to shareholder - Redland City Council | | - | - | - |
| Balance at 30 June 2017 (restated) | | 14,712,100 | 1,413,804 | 16,125,904 |
| Balance at 1 July 2017 (restated) | | 14,712,100 | 1,413,804 | 16,125,904 |
| Profit for the year | | - | 594,785 | 594,785 |
| Shares issued during the year | | 79,183 | - | 79,183 |
| Total comprehensive income for the year | | 79,183 | 594,785 | 673,968 |
| Transactions with owners | | | | |
| Distribution to shareholder - Redland City Council | | - | (2,000,000) | (2,000,000) |
| Balance at 30 June 2018 | | 14,791,283 | 8,589 | 14,799,872 |

The above statement should be read in conjunction with the accompanying notes and significant accounting policies.

Consolidated Statement of Cash Flows

For the year ending 30 June 2018

| | Note | Consolidated | | Parent | |
|---|----------|--------------------|------------------|--------------------|------------------|
| | | 2018 \$ | 2017 \$ | 2018 \$ | 2017 \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Receipts from customers | | 6,769,557 | 2,067,101 | 6,191,672 | 2,067,101 |
| Payments to suppliers and employees | | (4,421,226) | (2,769,262) | (500,365) | (2,769,262) |
| Interest received | | 26,020 | 40,329 | 24,777 | 40,329 |
| Finance costs | | (1,012) | (117) | (1,012) | (117) |
| Net cash generated by operating activities | | 2,373,339 | (661,949) | 5,715,072 | (661,949) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Payments for property plant and equipment | | - | (71,085) | - | (71,085) |
| Proceeds from investments | | 1,150,000 | - | 1,150,000 | - |
| Purchase of investments | | (4,523,485) | - | (4,474,161) | - |
| Net cash used in investing activities | | (3,373,485) | (71,085) | (3,324,161) | (71,085) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Proceeds from borrowings | | 3,500,000 | - | - | - |
| Dividends paid | | (500,000) | - | (500,000) | - |
| Interest paid on borrowings | | (68,270) | - | (68,270) | - |
| Net cash generated by/(used in) financing activities | | 2,931,730 | - | (568,270) | - |
| Net increase in cash and cash equivalents held | | 1,931,584 | (733,033) | 1,822,641 | (733,033) |
| Cash and cash equivalents at beginning of period | | 984,246 | 1,717,279 | 984,246 | 1,717,279 |
| CASH AND CASH EQUIVALENTS END OF YEAR | 4 | 2,915,830 | 984,246 | 2,806,887 | 984,246 |

The above statement should be read in conjunction with the accompanying notes and significant accounting policies.

Redland Investment Corporation Pty Ltd

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

The financial statements cover Redland Investment Corporation Pty Ltd as an individual entity and Redland Investment Corporation Pty Ltd and subsidiaries as a Group. Redland Investment Corporation Pty Ltd is a proprietary company registered under the *Corporations Act 2001*, established and domiciled in Australia.

The financial statements were authorised for issue on 30 October 2018 by the directors of the company.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation and Compliance

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements of the Australian Accounting Standards Board. Redland Investment Corporation Pty Ltd is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of certain assets. The amounts presented in the financial statements have been rounded to the nearest dollar.

Accounting Policies

a. Basis of Consolidation

The consolidated financial statements comprise the financial statements of Redland Investment Corporation Pty Ltd and its subsidiaries as at 30 June 2018.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investment in a subsidiary is accounted for at cost in the financial statements of Redland Investment Corporation Pty Ltd. As at 30 June 2018 Redland Investment Corporation Pty Ltd had three wholly owned controlled entities:

RIC Toondah Pty Ltd - ABN 51 609 517 348 (Not Consolidated)

RIC has 100% ownership of RIC Toondah Pty Ltd (RICT) which is limited by shares. RICT was formed to provide the administration services for the day-to-day management of the joint operation between the Minister for State Development, Manufacturing, Infrastructure and Planning, Council and the developer for the project in the Toondah Harbour Priority Development Area. Council's interest in the joint operation is 50%. The project is pending a transfer of State land to MEDQ as well as an environmental assessment; as such nominal transactions have occurred in the entity during the current financial year.

As the transactions in this entity are not material, it has not been consolidated with Redland Investment Corporation Pty Ltd's financial result.

AVA Terraces Pty Ltd - ABN 90 617 653 531 (Consolidated)

RIC has 100% ownership of AVA Terraces Pty Ltd (AVA) which is limited by shares. AVA was formed to develop and manage land at 9-11 Oaklands Street, Alexandra Hills.

The transactions in this entity are considered material and have been consolidated with Redland Investment Corporation Pty Ltd's financial result.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cleveland Plaza Pty Ltd - ABN 67 620 724 558 (Consolidated)

RIC has 100% ownership of Cleveland Plaza Pty Ltd (Cleveland Plaza) which is limited by shares. Cleveland Plaza was registered on 27 July 2017 and was formed to manage the property at 48 Bloomfield Street, Cleveland.

The transactions in this entity are considered material and have been consolidated with Redland Investment Corporation Pty Ltd's financial result.

b. Income Taxation

Redland Investment Corporation Pty Ltd is exempt from Commonwealth income tax.

c. Fair Value

The Group measures certain assets at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standards.

Fair value is the price the Group would receive to sell an asset in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability.

The fair value of assets that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from the principal market for the asset (i.e. the market with the greatest volume and level of activity for the asset) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

d. Inventories

Inventories are measured at the lower of cost and net realisable value. Costs that are clearly associated with the acquisition, development and construction of a project (i.e. land being developed or held for sale) are capitalised as inventory.

e. Property, Plant and Equipment

Plant and equipment including, buildings and computer hardware is measured on the cost basis and therefore carried at cost less accumulated depreciation. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount with the loss recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The cost of fixed assets constructed includes the cost of materials, direct labour, borrowing costs and an appropriate portion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Property, Plant and Equipment (continued)

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Depreciation is recognised in profit or loss. The depreciation rates used for each class of depreciable assets are:

| Class of Fixed Asset | Depreciation |
|----------------------|--------------|
| Plant and equipment | 20% - 25% |
| Computer hardware | 33.33% |
| Buildings | 4% |

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss when the item is derecognised.

f. Investment Property

Investment property is property held to earn rental income or for capital appreciation or for both, not for sale in the ordinary course of business, use in supply of goods or services or for administrative purposes. Investment properties are measured initially at cost including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value under the fair value model.

Fair value is based on market values and reflects the price at which the property could be exchanged between knowledgeable willing parties in an arm's length transaction at the measurement date.

Any gains or losses arising from the change in fair values of investment properties are recognised in the profit or loss for the period in which they arise.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period of retirement or disposal.

Transfers are made to, or from, investment property when, and only when, there is a change in use, evidenced by ending or commencement of owner-occupation, commencement of an operating lease to another party or commencement of development with a view to sale.

g. Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are recognised immediately as an expense in profit or loss.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Financial Instruments (continued)

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances valuation techniques are adopted.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortization of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated cash payments or receipts (including fees, transaction costs, other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

Financial assets at fair value through profit or loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount included in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognized or impaired.

Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Employee Benefits

Short-term employee benefits

Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled. The Group's obligation for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees.

Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures, and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligation. Upon the re-measurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as a part of employee benefits expense.

The Group's obligation for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

i. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured.

j. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities in the statement of financial position.

k. Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

The Group recognises revenue to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received.

Revenue from the sale of property is recognised at the point of delivery (i.e. the date of settlement) as this corresponds to the transfer of significant risk and reward of ownership of the property and the cessation of all involvement in the property.

Revenue from services is recognised in the accounting period in which the services are rendered.

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint ventures are accounted for in accordance with the equity method of accounting.

All revenue is recognised net of the amount of goods and services tax.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(g) for further discussions on determination of impairment losses. All known bad debts were written-off or provided for at 30 June 2018.

m. Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the Group that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

n. Dividends Payable

Dividends payable are recognised when the dividend is appropriately authorised and is no longer at the discretion of the Company.

o. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities, which are recoverable from or payable to the ATO, are presented as operating cash flows included in receipts from customers or payments to suppliers.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p. Critical Accounting Estimates and judgements

The preparation of the financial statements requires the determination and use of certain critical accounting estimates and management assumptions that have potential to cause a material adjustment to the carrying amount of assets and liabilities within the financial year. Such estimates, judgements and assumptions are reviewed on an ongoing basis.

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Revisions to accounting estimates are recognised in the period in which the estimate is reviewed and in the future periods as relevant. Judgements, estimates and assumptions that have a potential significant effect are outlined in the following notes:

Fair value of investment properties (Note 1(c) and Note 16).

q. Correction to prior period error

In the 2018 financial year, the Group undertook a review of its requirements to report and pay payroll tax on associated employee benefits expense. It was determined that the Group was required to report and pay payroll tax for the 2016, 2017 and 2018 financial years. As a consequence, the employee benefits expense was incorrectly understated for the 2016 and 2017 financial years.

The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

| Balance sheet (extract) | 30 June 2017 | Increase/ (decrease) (\$) | 30 June 2017 (restated) | 30 June 2016 | Increase/ decrease (\$) | 30 June 2016 (restated) |
|--------------------------|--------------|---------------------------|-------------------------|--------------|-------------------------|-------------------------|
| Trade and other payables | 245,598 | 67,359 | 312,957 | 172,795 | 32,572 | 205,367 |
| Net assets | 16,193,263 | (67,359) | 16,125,904 | 6,453,006 | (32,572) | 6,420,434 |
| Retained earnings | 1,481,163 | (67,359) | 1,413,804 | 491,796 | (32,572) | 459,224 |
| Total equity | 16,193,263 | (67,359) | 16,125,904 | 6,453,006 | (32,572) | 6,420,434 |

| Profit & loss (extract) | 30 June 2017 | Profit increase/ (decrease) (\$) | 30 June 2017 (restated) |
|---|--------------|----------------------------------|-------------------------|
| Employee benefits expense | (1,137,891) | (34,787) | (1,172,678) |
| Total expenses | (2,852,046) | (34,787) | (2,886,833) |
| Profit/(Loss) before income tax | 989,367 | (34,787) | 954,580 |
| Profit/(Loss) for the period | 989,367 | (34,787) | 954,580 |
| Total comprehensive income for the period | 989,367 | (34,787) | 954,580 |

In accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, the financial report and comparative information has been restated as if the error never occurred.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r. New Accounting Standards for Application in Future Periods

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

| Title of standard | AASB 9 <i>Financial Instruments</i> |
|---------------------------|--|
| Nature of change | AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduced new rules for hedge accounting and a new impairment model for financial assets. |
| Impact | <p>The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 July 2018:</p> <p>The financial assets held by the Group primarily comprise cash and trade and other receivables currently measured at amortised cost which meet the conditions for classification at amortised cost under AASB 9.</p> <p>Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets.</p> <p>There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 <i>Financial Instruments: Recognition and Measurement</i> and have not been changed.</p> <p>The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under AASB 139. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under AASB 15 <i>Revenue from Contracts with Customers</i>, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group expects no significant increase in the loss allowance for receivables.</p> <p>The new standard also introduces expanded disclosure requirements and changes in presentation. These may change the nature and extent of the Group's disclosure about its financial instruments particularly in the year of the adoption of the new standard.</p> |
| Date of adoption by Group | Must be applied for financial years commencing on or after 1 July 2018. The Group will apply new rules retrospectively from 1 July 2018, with the practical expedients under the standard. |

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

t. New Accounting Standards for Application in Future Periods (continued)

| Title of standard | AASB 15 <i>Revenue from Contracts with Customers</i> |
|---------------------------|--|
| Nature of change | <p>The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts.</p> <p>The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer and the performance obligations are met rather than on transfer of risks and rewards as is currently the case under AASB 118 <i>Revenue</i>.</p> |
| Impact | A preliminary review of the Group's revenue streams and the impacts of the adoption of AASB 15 has been undertaken with no significant impact on revenue recognition identified. |
| Date of adoption by Group | Mandatory for financial years commencing on or after 1 July 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption, if any, will be recognised in retained earnings as of 1 July 2018 and the comparatives will not be restated. |

| Title of standard | AASB 16 <i>Leases</i> |
|-----------------------|---|
| Nature of change | <p>AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.</p> <p>The accounting for lessors will not significantly change.</p> |
| Impact | The Group currently does not have any operating leases as a lessee however, the Group does have operating leases as a lessor. The Group does not expect the new guidance to significantly affect the accounting for these leases as lessor. |
| Mandatory application | Mandatory for financial years commencing on or after 1 July 2019. At this stage, the Group does not intend to adopt the standard before its effective date. |

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NOTE 2: REVENUE AND OTHER INCOME

| | Consolidated | | Parent | |
|--|------------------|------------------|-------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| | \$ | \$ | \$ | \$ |
| Sales revenue: | | | | |
| - Sale of land | 5,926,621 | 1,730,000 | 5,926,621 | 1,730,000 |
| - Sale of town-houses | 1,385,581 | - | 1,385,581 | - |
| Fair value adjustment: | | | | |
| - Land held as investment property | 1,740,427 | 1,265,713 | 1,740,427 | 1,265,713 |
| Professional fees: | | | | |
| - Administration fees | 28,800 | 127,319 | 28,800 | 127,319 |
| - Parking fees | 56,974 | 34,885 | 56,974 | 34,885 |
| - Project management fees | 118,469 | 218,766 | 118,469 | 218,766 |
| - Other recoverable | 18,543 | - | 1,020,406 | - |
| - Brokerage fees | 80,000 | 373,798 | 80,000 | 373,798 |
| Commercial rent revenue: | | | | |
| - Cleveland Plaza, Cleveland | 168,225 | - | - | - |
| - 9-11 Oakland Street, Alexandra Hills | - | 50,500 | - | 50,500 |
| Other revenue: | | | | |
| - Interest revenue | 26,020 | 40,432 | 24,777 | 40,432 |
| Total revenue and other income | 9,549,660 | 3,841,413 | 10,382,055 | 3,841,413 |

NOTE 3: EXPENSES

| | | | | |
|---|------------------|------------------|------------------|------------------|
| Cost of goods sold: | | | | |
| - Sale of land | 5,650,765 | 736,713 | 5,650,765 | 736,713 |
| - Sale of town-houses | 1,343,300 | - | 1,343,300 | - |
| Employee benefits expense: | | | | |
| - Staff wages and salaries * | 1,049,788 | 938,887 | 1,049,788 | 938,887 |
| - Superannuation | 96,182 | 91,291 | 96,182 | 91,291 |
| - Directors fees | 142,916 | 142,500 | 142,916 | 142,500 |
| | 1,288,886 | 1,172,678 | 1,288,886 | 1,172,678 |
| Administration costs | 11,697 | 78,977 | 11,697 | 78,977 |
| Professional services | 345,711 | 213,671 | 304,847 | 213,671 |
| Development costs | 25,502 | 295,063 | 977,038 | 295,063 |
| Corporate costs | 180,185 | 331,716 | 180,185 | 331,716 |
| Selling costs | - | 35,327 | - | 35,327 |
| Auditors' remuneration | 15,900 | 14,700 | 15,900 | 14,700 |
| Depreciation of property, plant and equipment | 16,915 | 7,323 | 13,640 | 7,323 |
| Finance costs | 294 | 665 | 1,012 | 665 |
| Total expenses | 8,879,155 | 2,886,833 | 9,787,270 | 2,886,833 |

* Includes the payroll tax Prior Period Error

For the 2017 financial year, the payroll tax expense increased from \$31,096 to \$65,884.

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NOTE 4: CASH AND CASH EQUIVALENTS

| | Consolidated | | Parent | |
|----------------|------------------|----------------|------------------|----------------|
| | 2018 | 2017 | 2018 | 2017 |
| | \$ | \$ | \$ | \$ |
| CURRENT | | | | |
| - Cash at bank | 2,915,830 | 984,246 | 2,806,887 | 984,246 |
| | 2,915,830 | 984,246 | 2,806,887 | 984,246 |

NOTE 5: TRADE AND OTHER RECEIVABLES

| CURRENT | | | | |
|---|----------------|----------------|------------------|----------------|
| Trade receivables | | | | |
| - Receivable from parent | 110,251 | 281,630 | 110,251 | 281,630 |
| - Cleveland Plaza debtors | 55,906 | - | - | - |
| - Settlement 2-16 Wynyard Street, Cleveland | - | 383,000 | - | 383,000 |
| - GST receivable | 36,704 | 26,030 | 57,325 | 26,030 |
| - Commercial rent revenue | - | 11,000 | - | 11,000 |
| - Receivable from subsidiary | - | 97,964 | 3,507,571 | 97,964 |
| - Receivable from external parties | 3,521 | - | 3,521 | - |
| - Parking fees | - | 4,172 | - | 4,172 |
| Other receivables | | | | |
| - Interest receivable | 1,500 | 1,000 | 1,500 | 1,000 |
| | 207,882 | 804,796 | 3,680,168 | 804,796 |

NOTE 6: INVENTORY

At cost:

- Land held for development and resale

| | | | | |
|--|------------------|------------------|------------------|------------------|
| Opening balance as at 1 July 2017 | 8,560,956 | 4,801,210 | 8,560,956 | 4,801,210 |
| Acquisitions and related costs | 4,795,982 | 5,757,900 | 1,180,755 | 5,757,900 |
| Transfer (to)/from other non-current asset class | - | (1,261,440) | - | (1,261,440) |
| Disposals | (6,813,081) | (736,714) | (5,929,611) | (736,714) |
| Closing balance as at 30 June 2018 | 6,543,857 | 8,560,956 | 3,812,100 | 8,560,956 |

Land held for development and resale includes certain lots that have since been rezoned by the local Council as open spaces. Accordingly management intends to arrange for a transfer of these lots to Redland City Council.

NOTE 7: INVESTMENT PROPERTIES

At fair value:

- Land and buildings held for rentals or capital appreciation or both

| | | | | |
|--|-------------------|------------------|------------------|------------------|
| Opening balance as at 1 July 2017 | 6,058,043 | - | 6,058,043 | - |
| Acquisitions and subsequent expenditure on investment property | 4,523,485 | 3,530,890 | 100,361 | 3,530,890 |
| Transfer to/(from) other current asset class | (332,000) | 1,261,440 | - | 1,261,440 |
| Net gain from fair value adjustments to investment property | 1,740,425 | 1,265,713 | 1,740,425 | 1,265,713 |
| Closing balance as at 30 June 2018 | 11,989,953 | 6,058,043 | 7,898,829 | 6,058,043 |

NOTE 8: INVESTMENT IN SUBSIDIARY

| | | | | |
|---------------------------------------|---|---|-----------|---|
| Investment in Cleveland Plaza Pty Ltd | - | - | 4,373,800 | - |
|---------------------------------------|---|---|-----------|---|

Redland Investment Corporation Pty Ltd

ABN 68 603 164 503

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

Consolidated

| | 2018 | | 2018 | | 2017 | | 2017 | | Total |
|--|---------------------|-------------------|----------|----------|---------------------|-------------------|----------|---------|---------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| | Plant and Equipment | Computer Hardware | Building | Total | Plant and Equipment | Computer Hardware | Building | Total | |
| Carrying amount as at 1 July 2017 | 49,245 | 14,517 | - | 63,762 | - | - | - | - | - |
| - Additions | - | - | 332,000 | 332,000 | 54,855 | 16,230 | - | 71,085 | 71,085 |
| - Disposals | - | - | - | - | - | - | - | - | - |
| - Revaluation decrements | - | - | - | - | - | - | - | - | - |
| - Impairment loss recognised in profit or loss | (9,250) | (4,391) | (3,275) | (16,915) | (5,610) | (1,713) | - | (7,323) | (7,323) |
| - Depreciation | 39,995 | 10,126 | 328,725 | 378,847 | 49,245 | 14,517 | - | 63,762 | 63,762 |
| Carrying amount as at 30 June 2018 | | | | | | | | | |

Parent

| | 2018 | | 2018 | | 2017 | | 2017 | | Total |
|--|---------------------|-------------------|----------|----------|---------------------|-------------------|----------|---------|---------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| | Plant and Equipment | Computer Hardware | Building | Total | Plant and Equipment | Computer Hardware | Building | Total | |
| Carrying amount as at 1 July 2017 | 49,245 | 14,517 | - | 63,762 | - | - | - | - | - |
| - Additions | - | - | - | - | 54,855 | 16,230 | - | 71,085 | 71,085 |
| - Disposals | - | - | - | - | - | - | - | - | - |
| - Revaluation decrements | - | - | - | - | - | - | - | - | - |
| - Impairment loss recognised in profit or loss | (9,250) | (4,391) | - | (13,640) | (5,610) | (1,713) | - | (7,323) | (7,323) |
| - Depreciation | 39,995 | 10,126 | - | 50,122 | 49,245 | 14,517 | - | 63,762 | 63,762 |
| Carrying amount as at 30 June 2018 | | | | | | | | | |

Redland Investment Corporation Pty Ltd

ABN 68 603 164 503

NOTE 10: TRADE AND OTHER PAYABLES

| | Consolidated | | Parent | |
|---|----------------|----------------|------------------|----------------|
| | 2018 | 2017 | 2018 | 2017 |
| CURRENT | | | | |
| Trade payables | | | | |
| - GST payable | 130,274 | 1,271 | 124,342 | 1,271 |
| - Annual Leave | 91,675 | 77,125 | 91,675 | 77,125 |
| Sundry payables | | | | |
| - Payables to parent entity for services provided | - | 99,389 | - | 99,389 |
| - Payables to subsidiary entity | - | - | 743,471 | - |
| - Payables to external parties * | 737,489 | 135,172 | 667,577 | 135,172 |
| | 959,438 | 312,957 | 1,627,065 | 312,957 |

* Includes the payroll tax Prior Period Error

For the 2017 financial year, the payroll tax payable increased from \$NIL to 67,359

NOTE 11: DIVIDENDS PAYABLE

| | | | | |
|---|-----------|---|-----------|---|
| Dividend declared for the year ended 30 June 2018 | 1,500,000 | - | 1,500,000 | - |
|---|-----------|---|-----------|---|

Provision is made for the amount of dividend declared, being authorised and no longer at the discretion of the group, on or before the end of the financial year but not distributed at balance date.

NOTE 12: BORROWINGS

| | | | | |
|---------------------------------------|-----------|---|-----------|---|
| CURRENT | | | | |
| Loan provided by Redland City Council | 3,500,000 | - | 3,500,000 | - |

On 25 July 2017 Redland Investment Corporation entered into a loan agreement for the value of \$3,500,000 with Redland City Council to fund the development of 13 residential townhouses to be constructed upon the land situated at 9-11 Oaklands Street, Alexandra Hills, Queensland, including to make funds available to AVA Terraces Pty Ltd, a wholly owned subsidiary of the Redland Investment Corporation. The interest rate is determined based on the QTC effective rate of 1 July 2017 plus a 1.5% margin, paid monthly. As at 30 June 2018, the loan balance is \$3,500,000.

NOTE 13: PROVISIONS

| | | | | |
|--------------------|---------------|---------------|---------------|---------------|
| CURRENT | | | | |
| Long service leave | 11,277 | 11,301 | 11,277 | 11,301 |
| | 11,277 | 11,301 | 11,277 | 11,301 |
| NON-CURRENT | | | | |
| Long service leave | 33,692 | 21,641 | 33,692 | 21,641 |
| | 33,692 | 21,641 | 33,692 | 21,641 |
| Total provisions | 44,969 | 32,942 | 44,969 | 32,942 |

Provision for employee benefits

Provision for employee benefits represents amounts accrued for long service leave. The current position for this includes the total amount accrued for long service leave entitlements that have vested due to employees having completed the required period of service. It is not expected that the full amount of long service leave classified as current liability will be settled within the next 12 months. However, these amounts must be classified as current liabilities since Redland Investment Corporation does not have an unconditional right to defer settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required vesting period of service. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historic data. The measurement and recognition criteria for employee benefits have been discussed in Note 1(h).

Movements in provisions were as follows:

| | | | | |
|--|---------------|---------------|---------------|---------------|
| Long service leave | | | | |
| Opening balance at beginning of period | 32,942 | 26,164 | 32,942 | 26,164 |
| Long service leave entitlement raised | 12,027 | 19,241 | 12,027 | 19,241 |
| Long service leave entitlement paid | - | (12,463) | - | (12,463) |
| Closing balance at 30 June 2018 | 44,969 | 32,942 | 44,969 | 32,942 |

Redland Investment Corporation Pty Ltd

ABN 68 603 164 503

NOTE 14: ISSUED CAPITAL

| Equity attributable to owners | Consolidated | | Parent | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2018 | 2017 | 2018 | 2017 |
| | \$ | \$ | \$ | \$ |
| Balance at beginning of period | 14,712,100 | 5,961,210 | 14,712,100 | 5,961,210 |
| Cash contributed by parent | - | - | - | - |
| Land contributed by parent | 79,183 | 8,750,890 | 79,183 | 8,750,890 |
| | 14,791,283 | 14,712,100 | 14,791,283 | 14,712,100 |
| Share capital | 2018 | 2017 | 2018 | 2017 |
| | Shares | Shares | Shares | Shares |
| Balance at beginning of period | 100 | 100 | 100 | 100 |
| Shares issued during the period | - | - | - | - |
| Authorised and fully paid ordinary shares at 30 June 2018 | 100 | 100 | 100 | 100 |

NOTE 15: FINANCIAL RISK MANAGEMENT

Redland Investment Corporation's financial instruments consist mainly of deposits with a bank, trade receivables and trade payables.

The carrying amounts for each category of financial instruments, measured in accordance with AASB 139: *Financial Instruments Recognition and Measurement* as detailed in the accounting policies to these financial statements, are as follows:

| | Note | 2018 | 2017 | 2018 | 2017 |
|---|------|------------------|------------------|------------------|------------------|
| Financial assets | | | | | |
| Cash and cash equivalents | 4 | 2,915,830 | 984,246 | 2,806,887 | 984,246 |
| Trade receivables | 5 | 207,882 | 804,796 | 3,680,168 | 804,796 |
| Total financial assets | | 3,123,712 | 1,789,042 | 6,487,055 | 1,789,042 |
| Financial liabilities | | | | | |
| Trade and other payables | 10 | 959,438 | 312,957 | 1,627,065 | 312,957 |
| Borrowings - measured at amortised cost | 12 | 3,500,000 | - | 3,500,000 | - |
| Total financial liabilities | | 4,459,438 | 312,957 | 5,127,065 | 312,957 |

NOTE 16: 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 (i.e. an exit price) regardless of whether that price is directly derived from observable inputs or estimated using another valuation technique.

Observable inputs are publicly available data that are relevant to the characteristics of the asset/liability being valued.

Unobservable inputs are data, assumptions and judgements that are not available publicly, but are relevant to the characteristics of the asset/liability being valued. Unobservable inputs are used to the extent that sufficient relevant and reliable observable inputs are not available for similar assets/liabilities.

Non-financial assets measured at fair value include investment properties.

All assets for which fair value is measured or disclosed in the financial statements are categorised within the following fair value hierarchy, based on the data and assumptions used in the most recent specific appraisals:

Level 1 represents fair value measurements that reflect unadjusted quoted market prices in active markets for identical assets and liabilities;

Level 2 represents fair value, measurements that are substantially derives from inputs (other than quoted prices within level 1) that are observable, either directly or indirectly; and

Level 3 represents fair value measurements that are substantially derived from unobservable inputs.

Redland Investment Corporation Pty Ltd

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NOTE 16: FAIR VALUE MEASUREMENT (continued)

Details of these assets measured under each category of the fair value hierarchy are set out in the table below.

| As at 30 June 2018 | | Level 1 (Quoted prices) | Level 2 (Observable inputs) | Level 3 (Unobservable inputs) |
|-----------------------|------|-------------------------------|-----------------------------------|-------------------------------------|
| Group | Note | | | |
| Investment properties | 7 | - | 11,989,953 | - |
| Total | | - | 11,989,953 | - |
| As at 30 June 2018 | | Level 1 (Quoted prices) | Level 2 (Observable inputs) | Level 3 (Unobservable inputs) |
| Parent | Note | | | |
| Investment properties | 7 | - | 7,898,829 | - |
| Total | | - | 7,898,829 | - |
| As at 30 June 2017 | | Level 1 (Quoted prices) | Level 2 (Observable inputs) | Level 3 (Unobservable inputs) |
| Group | Note | | | |
| Investment properties | 7 | - | 6,058,043 | - |
| Total | | - | 6,058,043 | - |
| As at 30 June 2017 | | Level 1 (Quoted prices) | Level 2 (Observable inputs) | Level 3 (Unobservable inputs) |
| Parent | Note | | | |
| Investment properties | 7 | - | 6,058,043 | - |
| Total | | - | 6,058,043 | - |

The specific valuation technique used to value investment properties are documented below. Fair value represents the highest and best use of the assets having regards to the optimal financial, physical and legal use of the asset.

Investment properties were initially recognised at cost and subsequently revalued under the fair value model. Redland Investment Corporation assesses changes in fair value on an annual basis and recognises any change in fair value though profit or loss in the period in which the change occurs.

The fair value of investment properties were determined using level 2 market approach valuation techniques. These valuation techniques use prices and other relevant information generated by market transactions involving identical or comparable assets.

Market approach valuation techniques included recent sale comparisons of similar properties and land sites. The most significant inputs employed in this valuation technique are price per square metre using recent sales in the same or similar geographical locations and actual binding sale contracts in place as at measurement date.

Where deferred consideration for the sale of investment properties is used as an input in determining fair value, the value is discounted to present value using an appropriate index.

Where investment properties are purchased in the current financial year it assumed that the transaction price equals fair value unless any of the following conditions exist:

- The transaction is between related parties, although the price in a related party transaction may be used as an input to a fair value measurement if the entity has evidence that the transaction was entered into at market terms.
- The transaction takes place under duress or the seller is forced to accept the price in the transaction, For example, that might be the case if the seller is experiencing financial difficulty.
- the unit of account represented by the transaction price is different from the unit of account for the asset or liability measure at fair value . For example, that might be the case if the asset or liability measure at fair value is only of the elements in the transaction (e.g. in a business combination), the transaction includes unstated rights and privileges that are measured separately in accordance with another standard, or the transaction price includes transaction costs.
- The market in which the transaction takes place is different from the principal market (or most advantageous market). For example, those markets might be different if the entity is a dealer that enters into transactions with customers in the retail market, but the principal (or most advantageous) market for the exit transaction is with other dealers in the dealer market.

Redland Investment Corporation Pty Ltd

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NOTE 17: RELATED PARTY DISCLOSURES

Entities exercising control over the group

The ultimate parent entity, which exercises control over Redland Investment Corporation Pty Ltd, is Redland City Council.

Redland Investment Corporation Pty Ltd is a wholly-owned subsidiary of Redland City Council.

Key management personnel compensation

The key management personnel during the year are as follows:

| Board of Directors | Executive Team |
|--|--|
| <i>Non-Executive Independent Director:</i> | Peter Kelley - Chief Executive Officer |
| Phil Hennessy - Chair | Anca Butcher - General Counsel and Company Secretary |
| Greg Kempton | Grant Tanham-Kelly - Chief Financial Officer |
| Mitch Neilson | |
| <i>Non-Executive Director:</i> | |
| Andrew Chesterman | |

Andrew Chesterman did not receive any compensation during the financial year.

The total remuneration paid to key management personnel of Redland Investment Corporation during the 2017/18 financial year are as follows:

| | 2018 | 2017 |
|---------------------------------------|---------|---------|
| | \$ | \$ |
| Key management personnel compensation | 812,069 | 703,147 |

Related party transactions

(a) Transactions between Redland City Council and the Redland Investment Corporation Group are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

| | | |
|---|-----------|---------|
| <i>Purchase of goods and services</i> | 1,156,298 | 264,434 |
| <i>Dividend in respect of 2018 financial year (Refer Note 11)</i> | 2,000,000 | - |
| <i>Intercompany loan and interest (Refer Note 12)</i> | 3,568,270 | - |
| <i>Receipt of professional services</i> | 270,602 | 591,777 |

(b) Transactions between Redland Investment Corporation Pty Ltd with its subsidiaries are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

| | | |
|---------------------------------------|-----------|---|
| <i>Purchase of goods and services</i> | 1,763,877 | - |
|---------------------------------------|-----------|---|

During the financial year Redland Investment Corporation transferred an investment property \$4,373,800.17 (48 Bloomfield Street Cleveland) to Cleveland Plaza Pty Ltd.

NOTE 18: REMUNERATION OF AUDITORS

Auditor-General of Queensland

| | | |
|---------------------------|--------|--------|
| Audit of financial report | 15,900 | 14,700 |
|---------------------------|--------|--------|

NOTE 19: SUBSIDIARY COMPANIES

The financial position and performance of the company's subsidiaries that are not consolidated is as follows:

| | 2018 |
|-------------------|--------|
| | \$ |
| | RICT |
| Total revenue | 25,711 |
| Total expenditure | 24,299 |
| Total assets | 10,789 |
| Total liabilities | 9,377 |
| Capital | 1,412 |

A significant portion of the balances and transaction within RIC Toondah Pty Ltd ("RICT") are with the company, and therefore would have been eliminated if the company had of been consolidated.

On the 25th July 2017, the board of directors for Redland Investment Corporation ("parent") resolved to create a subsidiary company called 'Cleveland Plaza Pty Ltd' ("CP"). The subsidiary company was formed to purchase and hold 48 Bloomfield Street Cleveland. Cleveland Plaza Pty Ltd was incorporated on 27 July 2017.

Redland Investment Corporation Pty Ltd

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NOTE 20: EVENTS AFTER THE REPORTING DATE

As of signing all 13 town-houses at AVA Terraces have settled.

NOTE 21: CAPITAL AND LEASING COMMITMENTS

The Group had no capital or leasing commitments at 30 June 2018.

NOTE 22: CONTINGENT ASSETS AND LIABILITIES

The Group had no contingent assets or contingent liabilities at 30 June 2018.

Redland Investment Corporation Pty Ltd

ABN 68 603 164 503

Directors' Declaration

In accordance with a resolution of the directors of Redland Investment Corporation Pty Ltd, the directors declare that:

1. The financial statements and notes, as set out on pages 7 to 27:
 - a. comply with Australian Accounting Standards - Reduced Disclosure Requirements; and
 - b. give a true and fair view of the financial position of the company as at 30 June 2018 and of its performance for the period that ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that Redland Investment Corporation Pty Ltd will be able to pay its debts as and when they become due and payable.



Phillip Honnessy
Chair

Dated this 30th day of October 2018.

INDEPENDENT AUDITOR'S REPORT

To the Members of Redland Investment Corporation Pty Ltd

Report on the audit of the financial report

Opinion

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

In my opinion, the financial report:

- a) gives a true and fair view of the parent's and group's financial position as at 30 June 2018, and their financial performance and cash flows for the year then ended
- b) complies with Australian Accounting Standards – Reduced Disclosure Requirements.

The financial report comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other 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 parent and 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 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 directors' report for the year ended 30 June 2018 but does not include the financial report and my auditor's report thereon.

The directors are responsible for the other information.

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 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 the directors either intend to liquidate the parent or group or to cease operations, or have 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.



5 November 2018

Melissa Read
as delegate of the Auditor-General

Queensland Audit Office
Brisbane



2018/19 YTD October Financial Report

| | Name | Date |
|--------------|---------------------------------------|------------------|
| Prepared by: | BDO Acting Chief Financial Officer | 23 November 2018 |



Document – Version Control

| Version No. | Date | Changed by | Nature of amendment |
|-------------|----------|-------------------------------|---------------------|
| 1.0 | 23/11/18 | Shashini Siriwardana (BDO) | Initial document |



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Introduction

Vision

Redland Investment Corporation (RIC) will be an innovative, responsible and sustainable company that achieves its business objectives and creates value to Council and the Redlands Coast community.

Mission

Grow the economy through facilitating development and business opportunities and supporting local jobs.

Lead the Redlands Coast development industry by delivering high quality, exemplary projects that consider the environment, community and best practice industry principles.

Balance the long-term impacts of investment decisions with the financial returns and consideration of the community's broader needs including social and environmental aspects.

Negotiate nominated commercial negotiations on behalf of Council and provide a better financial return for the Redlands Coast community.

Build profitable, successful projects and respected relationships with business groups and the community,

Focus on creating intergenerational equity for Council and the Redlands Coast community and establish a future fund, at an appropriate time, to ensure economic gains are used for the long-term benefit of the community.

Values





CEO Report

The period from 1 July to 31 October 2018 was both a productive and eventful time for the Redland Investment Corporation (RIC) team.

The results outlined in this report align with RIC's business plan for financial years 2018/2019 and 2019/2020.

RIC continued to work on plans for the Weinam Creek Priority Development Area (PDA) Project, with development approvals having been lodged to establish the super lot and proceed with works on the residential and car park components of the site. Stage one works are on track to commence in early 2019.

Plans for RIC's proposed townhouse development at 521 Old Cleveland Road East progressed in preparation for the lodgement of the development application for the project in late November 2018.

The RIC team worked to finalise materials for the launch of an Expression of Interest campaign for the Capalaba Town Centre Revitalisation Project which will be launched in early December 2018.

The recent cyber-attack and aftermath was challenging for all involved, with the RIC team working collaboratively with Council throughout this time. We are very appreciative of Council's support and collaborative approach to this matter.

Further to recent media and public interest regarding local Councils and their associated investment arms, RIC is continuing to work with its only shareholder, Redland City Council, to emphasise the company's existing governance arrangements and further align its processes.

Peter Kelley

Chief Executive Officer



CFO Report

| Financial summary | | | | | |
|----------------------------------|------------------------|---------------------|---------------------|-----------------------|--|
| Period ending 31 October 2018 | Annual Budget \$ | YTD Budget \$ | YTD Actual \$ | YTD Variance \$ | Comments |
| Revenue | 10,050,821 | 4,402,118 | 4,497,915 | 95,797 | - Favourable due to timing of consultant recoveries |
| Expenditure | 9,559,002 | 4,938,168 | 5,009,205 | (71,037) | - Unfavourable due to timing of consultant and corporate costs |
| Operating Surplus/(Deficit) | 491,819 | (536,050) | (511,290) | 24,759 | - Favourable |
| Cash Balance | 1,231,728 | 2,640,049 | 2,605,740 | (34,310) | - Unfavourable |

The financial update for this period includes YTD figures to October due to the transition of acting CFO whilst Grant Tanham-Kelly remains on extended leave

RIC has prepared the budget for FY 18/19 and FY 19/20 to include the below key projects/investments:

- Completion of AVA Terraces and subsequent sale of all units.
- Commencement and completion of Weinam Creek projects (Moores Rd & Meissner St).
- Development and sale of 521 OCRE.
- Settlement of Doig Street and Wynyard Street properties.

RIC remains on track to achieve a budgeted profit of \$490K, an ending cash balance of \$1.23M and a net worth of \$13.72M as at 30 June 2019.

The projected budgeted net profit for FY 2018/2019 will predominately be from the sale of Weinam Creek (Moores Rd), which is expected to be realised in full by June 2019.

As resolved by the board a \$1.5M dividend will be paid on or before 31 December 2018. The budget does not at this stage include a proposed dividend for FY 18/19 and FY 19/20 on the basis that profits will be reinvested back into the business to grow a portfolio of developments and investments for RIC. Whilst a cash dividend is not being proposed, it is noted RIC will purchase land at fair value, such as Moores Road, from Council rather than treating it as a contribution of equity at book value.

Cash flow will be managed tightly over the next three to six months with the next significant cash inflow not expected until the settlement of Weinam Creek (super lot) in February 2019. RIC will seek borrowings in April 2019 to fund 521 Old Cleveland Road East project costs. RIC will also enter into a contract with Council to fund the staged car park works at Weinam Creek.

The balance sheet remains strong with no long term debt. In the short term, \$1.6m of inventory will be transferred back to Redland City Council at book value via a return of capital.

BDO

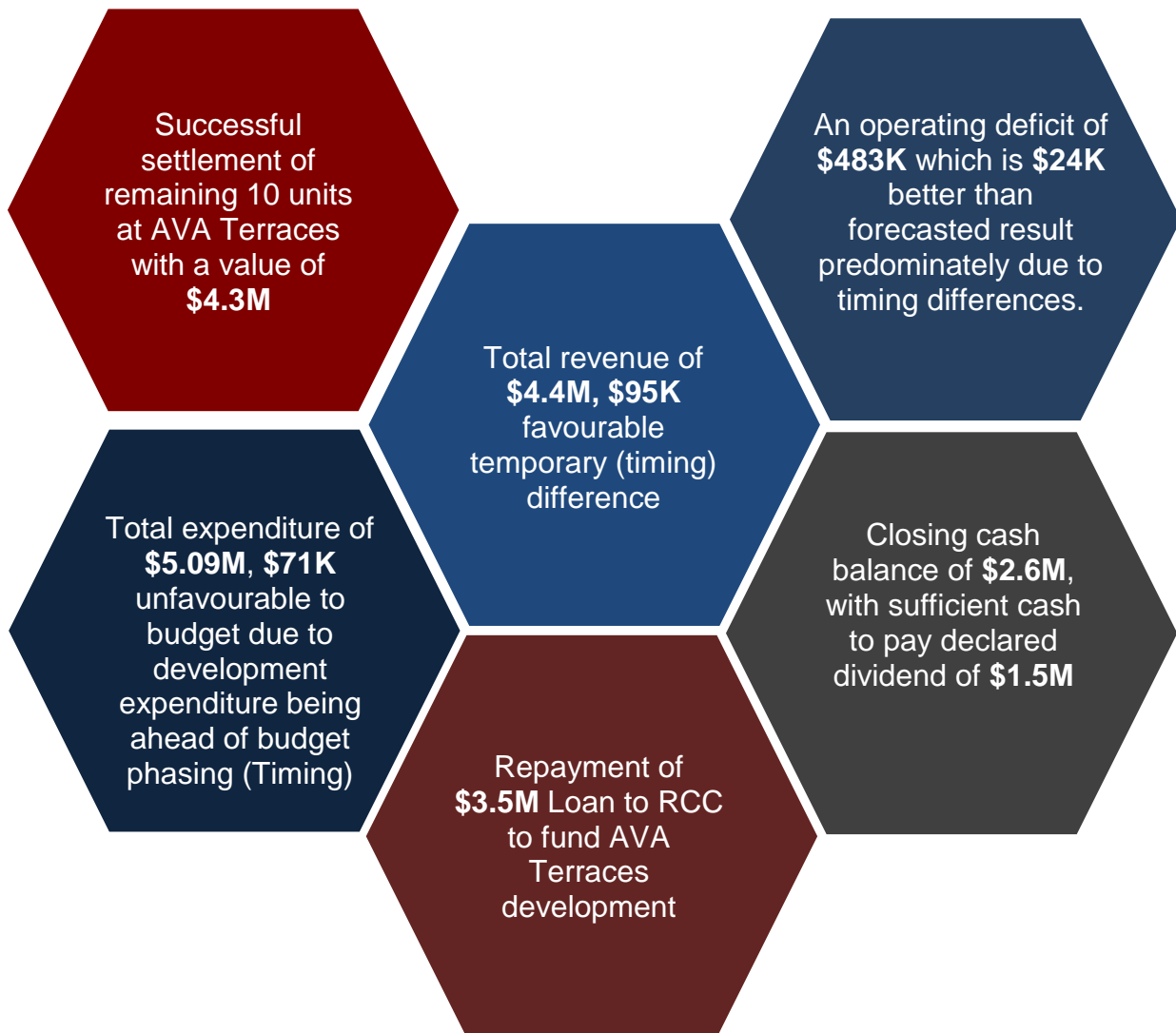
Acting Chief Financial Officer



Financial Statements

Financial Highlights

Highlights for the period ended 31 October 2018 include:





Statement of Profit or Loss and Other Comprehensive Income

| Statement of Profit or Loss and Other Comprehensive Income | |
|--|------------------|
| For period ending 31 October 2018 | \$ |
| Revenue | |
| Sales revenue | 4,267,297 |
| Professional service fees | 523 |
| Consultant recoveries | 108,210 |
| Commercial rent | 97,161 |
| Parking fees | 16,230 |
| Interest | 8,494 |
| Total revenue | 4,497,915 |
| Expenses | |
| Cost of goods sold | 4,313,647 |
| Employee costs | 378,628 |
| Corporate costs | 63,676 |
| Consultant costs | 144,674 |
| Rental expenses | 64,569 |
| Depreciation | 8,721 |
| Finance costs | 35,291 |
| Total expenditure | 5,009,205 |
| Operating Surplus/(Deficit) | (511,290) |



Statement of Financial Position

| Statement of Financial Position | |
|--|-------------------|
| As at 31 October 2018 | |
| | \$ |
| ASSETS | |
| Current assets | |
| Cash and cash equivalents | 2,605,740 |
| Inventory | 2,519,688 |
| Trade and other receivables | 192,211 |
| Total current assets | 5,317,638 |
| Non-current assets | |
| Investment property | 11,989,954 |
| Property, plant and Equipment | 376,912 |
| Total non-current assets | 12,366,866 |
| Total assets | 17,684,504 |
| LIABILITIES | |
| Current liabilities | |
| Trade and other payables | 464,851 |
| Provision for dividend | 1,500,000 |
| Provisions | 92,210 |
| Total current liabilities | 2,057,060 |
| Non-current liabilities | |
| Deferred revenue | 1,150,000 |
| Provisions | 44,784 |
| Total non-current liabilities | 1,194,784 |
| Total liabilities | 3,251,844 |
| Net assets | 14,432,659 |
| EQUITY | |
| Equity attributable to owners | 14,791,282 |
| Retained earnings | (358,623) |
| Total equity | 14,432,659 |



Statement of Cash Flows

| Statement of Cash Flows | |
|---|--------------------|
| As at 31 October 2018 | \$ |
| Cash Flows from Operating Activities | |
| Receipts from customers | 4,295,501 |
| Payments to suppliers and employees | (1,078,794) |
| Interest received | 8,494 |
| Finance costs | (35,291) |
| Net cash generated by/(used by) operating activities | 3,189,910 |
| Cash Flows from Investing Activities | |
| Net cash generated by/(used in) investing activities | - |
| Cash Flows from Financing Activities | |
| Repayment of borrowings | (3,500,000) |
| Net cash generated by/(used in) financing activities | (3,500,000) |
| Net increase/(decrease) in cash and cash equivalents held | (310,090) |
| Cash and cash equivalents at beginning of financial year | 2,915,830 |
| Cash and cash equivalents at the end of period | 2,605,740 |