

19.1 REDLAND INVESTMENT CORPORATION 2018/2019 YTD FINANCIAL REPORT

Objective Reference:

Authorising Officer: John Oberhardt, General Manager Organisational Services

Responsible Officer: John Oberhardt, General Manager Organisational Services

Report Author: Grant Tanham-Kelly, Chief Financial Officer, Redland Investment Corp.

Attachments: 1. 2018-2019 YTD 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's) financial report to Redland City Council (Council) as required by section 4.3(a) of 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.

The Service Agreement was updated following a comprehensive review and resolved on 23 January 2019.

ISSUES

No issues.

STRATEGIC IMPLICATIONS

Legislative Requirements

No legislative requirements.

Risk Management

The report and resolution have no risk implications.

Financial

The report and resolution have no financial implications.

People

The report and resolution have no implications for staff.

Environmental

The report and resolution have no environmental implications.

Social

The report and resolution have 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

Consulted	Consultation Date	Comments/Actions
Board of Redland Investment Corporation	12 February 2019	RIC Board endorsed the documents at the Board meeting held on 12 February 2019.

OPTIONS**Option One**

That Council resolves to:

1. note the 2018/2019 YTD Financial Report; and
2. maintain the attachment to the report as confidential until the Annual Certified Financial Statements are published by Redland Investment Corporation, subject to maintaining the confidentiality of legally privileged, private and commercial in confidence information.

Option Two

That Council resolves to request further information prior to noting 2018/2019 YTD Financial Report.

OFFICER'S RECOMMENDATION

That Council resolves to:

1. note the 2018/2019 YTD Financial Report; and
2. maintain the attachment to the report as confidential until the Annual Certified Financial Statements are published by Redland Investment Corporation, subject to maintaining the confidentiality of legally privileged, private and commercial in confidence information.



2018/19 YTD December Financial Report

	Name	Date
Prepared by:	Chief Financial Officer	4 February 2019



Document – Version Control

Version No.	Date	Changed by	Nature of amendment
1.0	31/01/2019	Grant Tanham-Kelly	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 Redland City Council (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 October to 31 December 2018 was both a productive and eventful time for the RIC team.

Importantly, on 19 December 2018, RIC delivered a dividend to Council of \$1.5 million.

A significant body of work has recently been completed to update RIC's governance framework and improve collaboration between the RIC team and Council officers. Sections of RIC's Constitution have been redrafted and the RIC/Council Service Agreement updated, to more closely align with Council objectives. Both documents will be presented to Council for endorsement in early 2019.

Steering committees comprising of Council Executive Leadership Team members and senior RIC staff have been formed for both the Weinam Creek Project and Capalaba Town Centre Revitalisation Project. This has resulted in a more productive and positive working relationship.

The expression of interest campaign for the Capalaba project commenced in December 2018 and will close mid-February 2019. Planning for the construction of Moores Road car park within the Weinam Creek PDA is almost complete, with construction set to commence in the first half of 2019.

The team and I look forward to a successful year and further demonstrating our ability to add value and benefit the community.

Peter Kelley

Chief Executive Officer



CFO Report

Financial summary					
Period ending 31 December 2018	Annual Budget \$	YTD Budget \$	YTD Actual \$	YTD Variance \$	Comments
Revenue	10,050,821	4,604,503	4,591,466	(13,037)	- Unfavourable predominately due rental revenue
Expenditure	9,559,002	5,502,512	5,465,148	37,364	- Favourable due to timing of corporate and consultant costs
Operating Surplus/(Deficit)	491,819	(898,009)	(873,682)	24,327	- Favourable
Cash Balance	1,231,728	325,837	658,918	333,081	- Favourable predominately due to timing of GST payment

RIC remains on track to achieve a budgeted profit of \$491K, 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 (Moore's Road), which is expected to be realised in full by June 2019.

As resolved by the board a \$1.5M dividend was paid on 19 December 2018 to Council. The budget does not at this stage include a proposed dividend for FY 2018/19 and FY 2019/20 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 Moore's Road, from Council rather than treating it as a contribution of equity at book value.

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

The balance sheet remains strong with no debt as at 31 December 2018. In the short term, \$1.61M (comprising of 4 Wills Lane Capalaba, 61 McMillan Road Alexandra Hills, 68 Sycamore Parade Alexandra Hills and 84 Ferry Road Thorneside) of inventory will be transferred back to Redland City Council at book value via a return of capital.

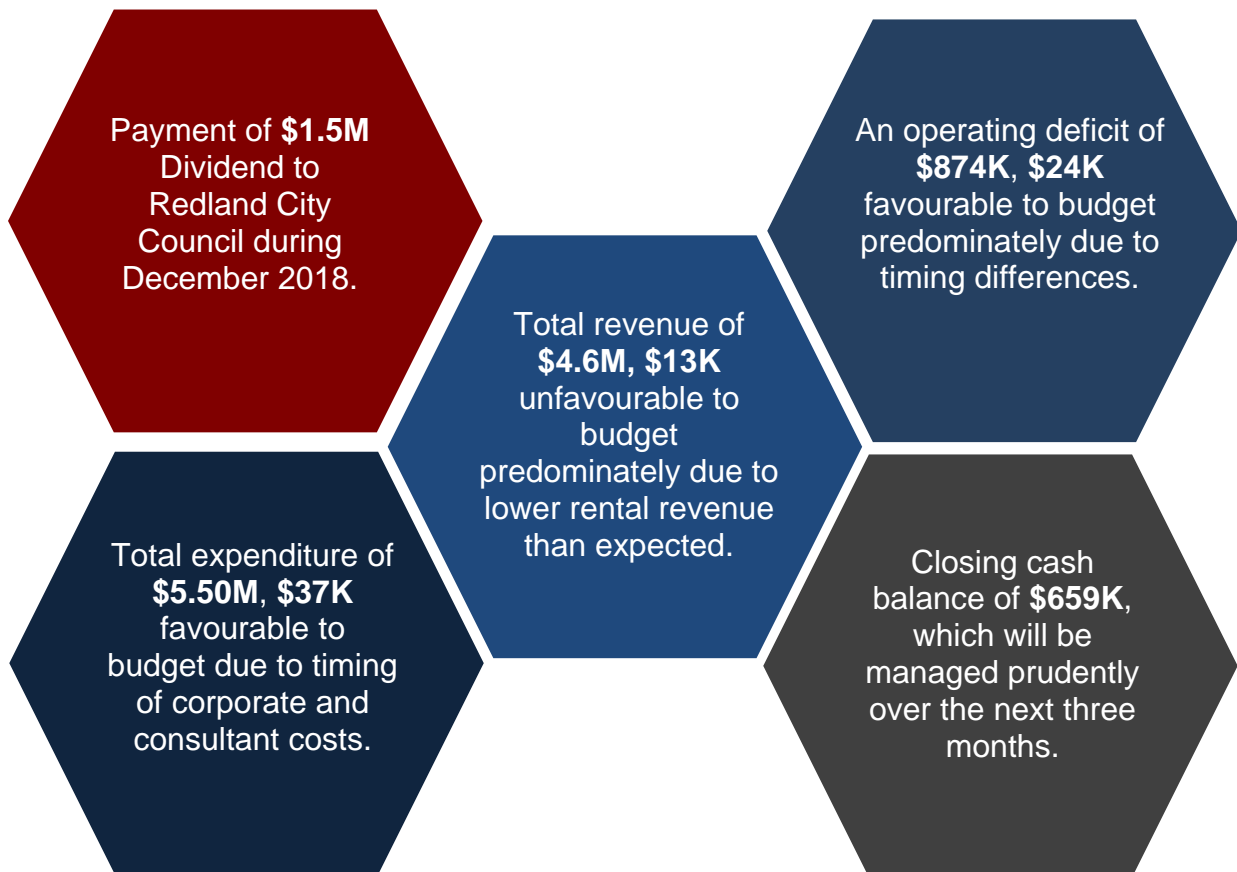
Chief Financial Officer



Financial Statements

Financial Highlights

Highlights for the period ended 31 December 2018 include:





Statement of Profit or Loss and Other Comprehensive Income

Statement of Profit or Loss and Other Comprehensive Income	
For period ending 31 December 2018	
	\$
Revenue	
Sales revenue	4,267,297
Professional service fees	898
Consultant recoveries	126,885
Commercial rent	144,786
Parking fees	27,124
Interest	24,476
Total revenue	4,591,466
Expenses	
Cost of goods sold	4,313,647
Employee costs	647,053
Consultant costs	281,958
Corporate costs	122,244
Rental expenses	63,399
Depreciation	12,784
Finance costs	24,063
Total expenditure	5,465,148
Operating Surplus/(Deficit)	(873,682)



Statement of Financial Position

Statement of Financial Position	
As at 31 December 2018	\$
ASSETS	
Current assets	
Cash and cash equivalents	658,918
Inventory	2,617,061
Trade and other receivables	222,229
Total current assets	3,498,208
Non-current assets	
Investment property	12,009,953
Property, plant and Equipment	366,063
Total non-current assets	12,376,016
Total assets	15,874,224
LIABILITIES	
Current liabilities	
Trade and other payables	538,809
Provisions	81,456
Total current liabilities	620,265
Non-current liabilities	
Deferred revenue	1,150,000
Provisions	33,692
Total non-current liabilities	1,183,692
Total liabilities	1,803,957
Net assets	14,070,267
EQUITY	
Equity attributable to owners	14,791,282
Retained earnings	(721,015)
Total equity	14,070,267



Statement of Cash Flows

Statement of Cash Flows	
As at 31 December 2018	\$
Cash Flows from Operating Activities	
Receipts from customers	4,435,956
Payments to suppliers and employees	(1,663,267)
Interest received	25,196
Finance costs	(24,797)
Net cash generated by/(used by) operating activities	2,773,088
Cash Flows from Investing Activities	
Purchase of investments*	(30,000)
Net cash generated by/(used in) investing activities	(30,000)
Cash Flows from Financing Activities	
Repayment of borrowings	(3,500,000)
Dividends paid	(1,500,000)
Net cash generated by/(used in) financing activities	(5,000,000)
Net increase/(decrease) in cash and cash equivalents held	(2,256,912)
Cash and cash equivalents at beginning of financial year	2,915,830
Cash and cash equivalents at the end of period	658,918

*\$10K deposit for the purchase of 3-11 Moores Road, Redland Bay and a \$20K Call option for the future purchase of 26-28 Redland Bay Road, Capalaba.



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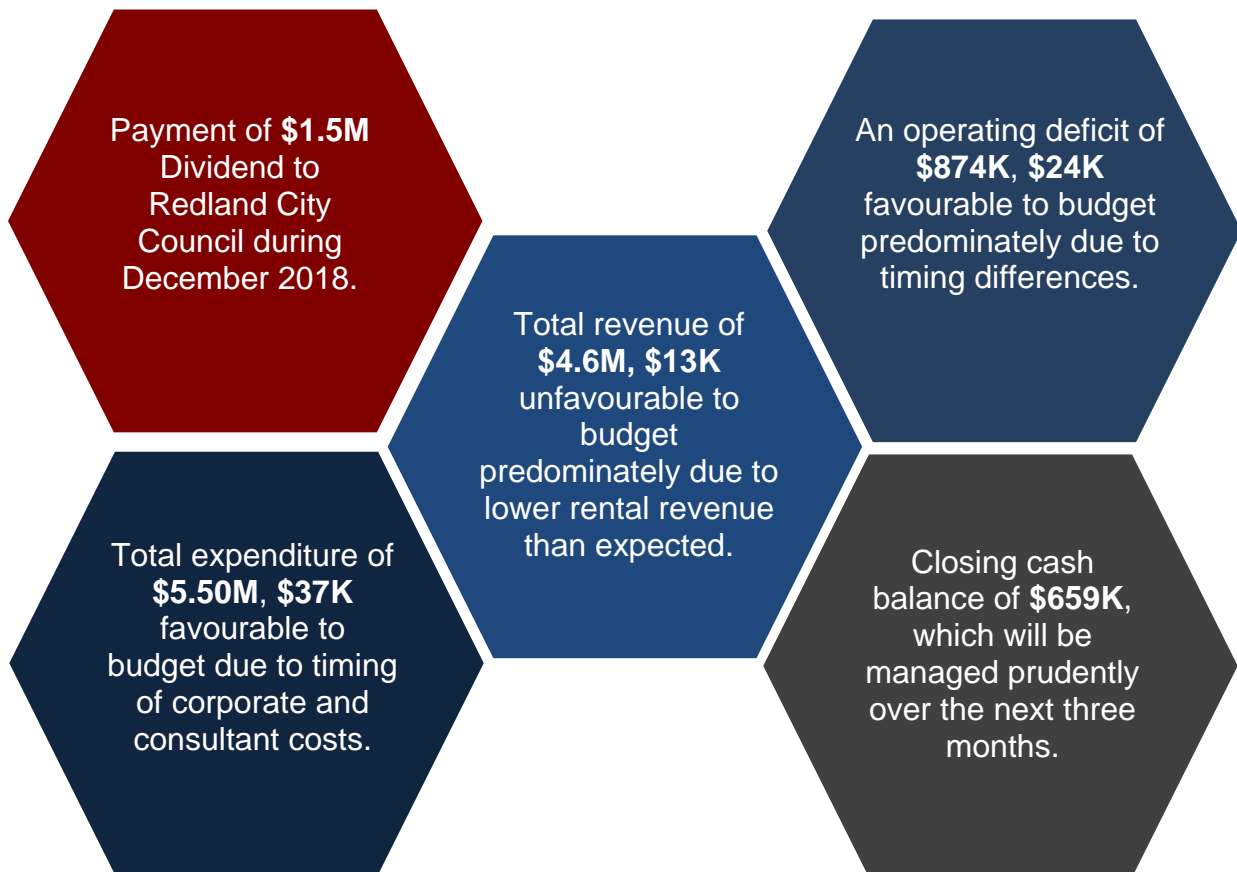
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