

**19.2 REDLAND INVESTMENT CORPORATION 2018/2019 YTD MARCH FINANCIAL 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 March 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 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 Redland's 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 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 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	6 April 2019	RIC Board endorsed the documents at the Board meeting held on 16/04/2019.

## OPTIONS

### Option One

That the Council resolves as follows:

1. To note the 2018/2019 March YTD Financial Report; and
2. That the attachment and report remain 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 not note the 2018/2019 March YTD Financial Report.

## OFFICER'S RECOMMENDATION

That the Council resolves as follows:

1. To note the 2018/2019 March YTD Financial Report; and
2. That the attachment and report remain 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 March Financial Report

	Name	Date
Prepared by:	Acting Chief Financial Officer (BDO)	8 April 2019



## Document – Version Control

Version No.	Date	Changed by	Nature of amendment
1.0	8/04/2019	Shashini Siriwardana (BDO)	Initial document – CFO Report & Financial Statements
1.1	8/04/2019	Peter Kelley	Initial document – CEO report



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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 January to 31 March 2019 has been one of consolidation & cash management.

This is our first report without a full time CFO. We are currently using the services of BDO who will tender for a more permanent solution along with KPMG.

We have been working on a number of development applications with the EDQ in the Weinam Creek PDA, these DA's have been significantly delayed due to political pressure and process issues.

Our YTD results reflect this delay as the \$2.1M super lot sale which was due to settle in late March will now settle in April. There is also potential for the 9 lot subdivision sales to be delayed for the same reasons. This would create a situation where settlements may straddle the end of financial year which may effect end of year results.

The team and I look forward to finishing the year strongly by demonstrating our ability to add value and benefit to the community.

Peter Kelley

**Chief Executive Officer**



## CFO Report

Financial summary					
Period ending 31 March 2019	Annual Budget \$	YTD Budget \$	YTD Actual \$	YTD Variance \$	Comments
Revenue	10,050,821	7,083,552	5,221,486	(1,862,066)	Unfavourable due to delay of Weinam Creek Super lot sale
Expenditure	9,559,002	7,666,109	6,133,197	1,532,912	Favourable due to delay of Weinam Creek Super lot COGS recognition
Operating Surplus/(Deficit)	491,819	(582,557)	(911,711)	(329,154)	Unfavourable due to timing of issues noted above
Cash Balance	1,231,728	1,357,429	304,435	(1,052,994)	Unfavourable due to timing of issues noted above

Whilst the delay in the settlement of the Weinam Creek Superlot has had a significant impact on YTD results, RIC is performing well against other budgeted revenue streams. RIC have improved processes around capturing of project related consultant costs in the period costs are incurred, thereby recovering these costs in a timelier manner.

RIC has incurred significant overhead costs from the absence and subsequent departure of the CFO. BDO is currently providing CFO services in the interim with a view to enhance performance, capability and reliability by utilising a team of finance resources which normally would not have been available to RIC.

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

Cash flow will continue to be managed prudently over the remainder of the calendar year, with the next significant cash inflows expected in April 2019 (Weinam Creek Super lot), June 2019 (9 residential lots) and September 2019 (Doig Street).

The balance sheet remains strong with no debt as at 31 March 2019. In the short term, \$1.61M (comprising of 4 Wills Lane Capalaba, 61 McMillan Road Alexandra Hills, 68 Sycamore Parade Victoria Point and 84 Ferry Road Thorneside) of inventory will be transferred back to Redland City Council at book value via a return of capital.

**BDO**

**Acting Chief Financial Officer**

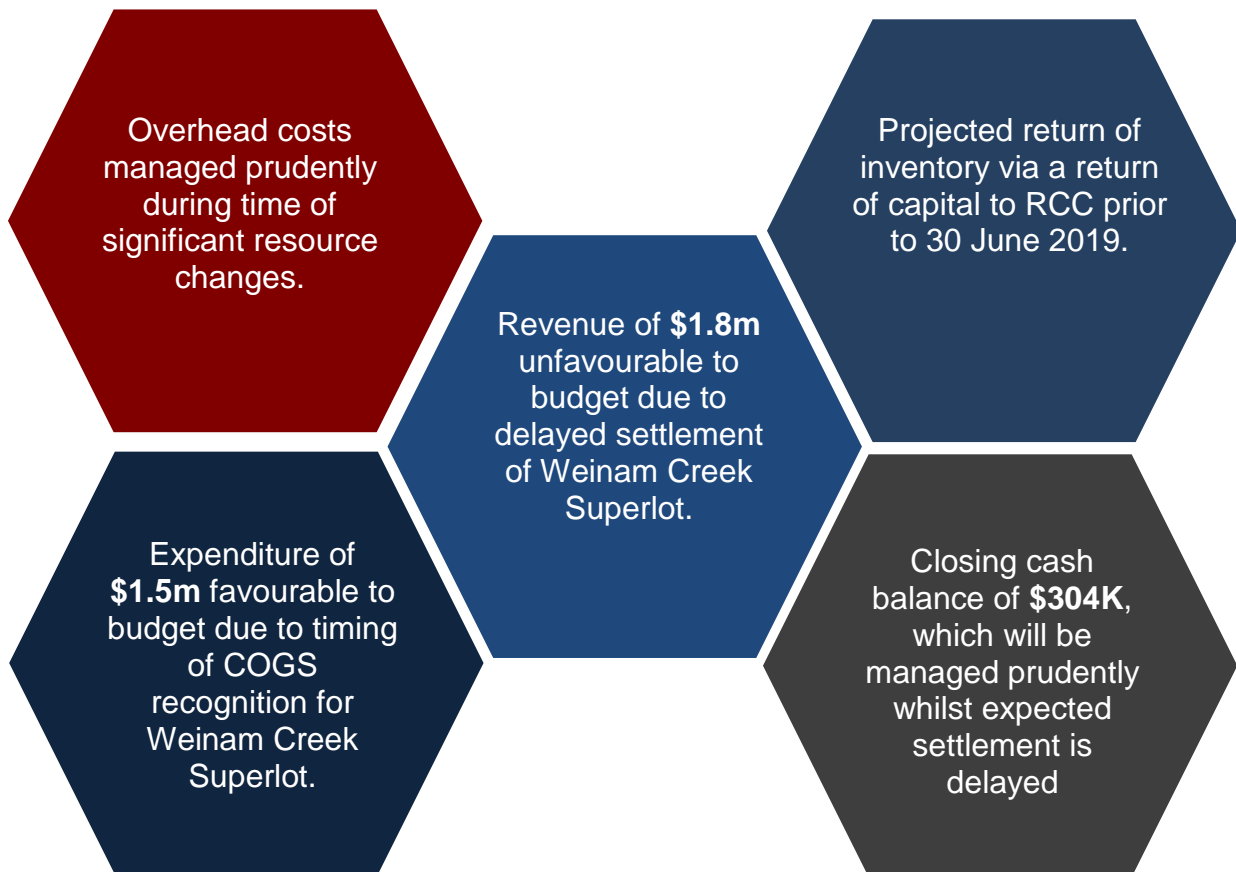




## Financial Statements

### Financial Highlights

Highlights for the period ended March 2019 include:





## Statement of Profit or Loss and Other Comprehensive Income

Statement of Profit or Loss and Other Comprehensive Income	
For period ending 31 March 2019	\$
<b>Revenue</b>	
Sales revenue	4,267,297
Professional service fees	5,218
Consultant recoveries	646,937
Commercial rent	237,919
Parking fees	37,461
Interest	26,654
<b>Total revenue</b>	<b>5,221,486</b>
<b>Expenses</b>	
Cost of goods sold	4,313,647
Employee costs	951,303
Consultant costs	514,967
Corporate costs	218,274
Rental expenses	88,911
Depreciation	18,486
Finance costs	27,610
<b>Total expenditure</b>	<b>6,133,197</b>
<b>Operating Surplus/(Deficit)</b>	<b>(911,711)</b>



## Statement of Financial Position

Statement of Financial Position	
As at 31 March 2019	\$
<b>ASSETS</b>	
<b>Current assets</b>	
Cash and cash equivalents	304,435
Inventory	2,778,549
Trade and other receivables	335,837
Other current assets	28,440
<b>Total current assets</b>	<b>3,447,261</b>
<b>Non-current assets</b>	
Investment property	12,053,332
Property, plant and equipment	394,801
<b>Total non-current assets</b>	<b>12,448,133</b>
<b>Total assets</b>	<b>15,895,394</b>
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Trade and other payables	594,051
Provisions	63,387
<b>Total current liabilities</b>	<b>657,438</b>
<b>Non-current liabilities</b>	
Deferred revenue	1,150,000
Provisions	55,717
<b>Total non-current liabilities</b>	<b>1,205,717</b>
<b>Total liabilities</b>	<b>1,863,155</b>
<b>Net assets</b>	<b>14,032,238</b>
<b>EQUITY</b>	
Equity attributable to owners	14,791,282
Retained earnings	(759,044)
<b>Total equity</b>	<b>14,032,238</b>



## Statement of Cash Flows

### Statement of Cash Flows

As at 31 March 2019

\$

<b>Cash Flows from Operating Activities</b>	
Receipts from customers	4,947,759
Payments to suppliers and employees	(2,528,198)
Interest received	26,654
Finance costs	(27,610)
<b>Net cash generated by/(used by) operating activities</b>	<b>2,418,605</b>
<b>Cash Flows from Investing Activities</b>	
Purchase of investments*	(30,000)
<b>Net cash generated by/(used in) investing activities</b>	<b>(30,000)</b>
<b>Cash Flows from Financing Activities</b>	
Repayment of borrowings	(3,500,000)
Dividends paid	(1,500,000)
<b>Net cash generated by/(used in) financing activities</b>	<b>(5,000,000)</b>
Net increase/(decrease) in cash and cash equivalents held	(2,611,395)
Cash and cash equivalents at beginning of financial year	2,915,830
<b>Cash and cash equivalents at the end of period</b>	<b>304,435</b>

\*\$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.