Redland Investment Corporation Pty Ltd

2018 Annual Report

Consolidated Financial Statements for the year ended 30 June 2018

Prepared by: *Redland Investment Corporation 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

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

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

    - 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.

Development of 521 Old Cleveland Road, Alexandra Hills

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

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 …………… day of ………………… **2018**

Redland Investment Corporation Pty Ltd

ABN 68 603 164 503

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018

	Note	Consolidated		Parent	
		2018	2017	**2018**	2017
		$	$	**$**	$
			*Restated		*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	Consolidated 2018 $	Consolidated 2017 $ *Restated	Consolidated 1 July 2016 $	Parent 2018 $	Parent 2017 $ *Restated	Parent 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

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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 2018 $	Consolidated 2017 $	Parent 2018 $	Parent 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.

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 29 October 2018 by the directors of the company.

NOTE 1: SUMMARY OF SIGNFICANT 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.

NOTE 1: SUMMARY OF SIGNFICANT 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.

NOTE 1: SUMMARY OF SIGNFICANT 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 SIGNFICANT 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.

NOTE 1: SUMMARY OF SIGNFICANT 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.

NOTE 1: SUMMARY OF SIGNFICANT ACCOUNTING POLICIES (continued)

l. 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.

NOTE 1: SUMMARY OF SIGNFICANT 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)	(2,886,883)
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.

NOTE 1: SUMMARY OF SIGNFICANT 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 *Financial Instruments*
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	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: 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. Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets. 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 *Financial Instruments: Recognition and Measurement* and have not been changed. 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 *Revenue from Contracts with Customers*, 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. 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.
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.

NOTE 1: SUMMARY OF SIGNFICANT ACCOUNTING POLICIES

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

Title of standard	AASB 15 *Revenue from Contracts with Customers*
Nature of change	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. 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 *Revenue*.
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 *Leases*
Nature of change	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. The accounting for lessors will not significantly change.
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.

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

* Inclues the payroll tax Prior Period Error
For the 2017 financial year, the payroll tax expense increased from $31,096 to $65,884.

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**	-

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

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

Parent	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
- Disposals	-	-	-	-	-	-	-	-
- Revaluation decrements	-	-	-	-	-	-	-	-
- Impairment loss recognised in profit or loss	-	-	-	-	-	-	-	-
- Depreciation	(9,250)	(4,391)	-	(13,640)	(5,610)	(1,713)	-	(7,323)
Carrying amount as at 30 June 2018	39,995	10,126	-	50,122	49,245	14,517	-	63,762

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

* Inclues 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
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

NOTE 14: ISSUED CAPITAL

Equity attributable to owners	Consolidated 2018	Consolidated 2017	Parent 2018	Parent 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 Shares**	2017 Shares	**2018 Shares**	2017 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	Consolidated 2018	Consolidated 2017	Parent 2018	Parent 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.

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 Group	Note	Level 1 (Quoted prices)	Level 2 (Observable inputs)	Level 3 (Unobservable inputs)
Investment properties	7	-	11,989,953	-
Total		**-**	**11,989,953**	**-**

As at 30 June 2018 Parent		Level 1 (Quoted prices)	Level 2 (Observable inputs)	Level 3 (Unobservable inputs)
Investment properties	7	-	7,898,829	-
Total		**-**	**7,898,829**	**-**

As at 30 June 2017 Group		Level 1 (Quoted prices)	Level 2 (Observable inputs)	Level 3 (Unobservable inputs)
Investment properties	7	-	6,058,043	-
Total		**-**	6,058,043	**-**

As at 30 June 2017 Parent		Level 1 (Quoted prices)	Level 2 (Observable inputs)	Level 3 (Unobservable inputs)
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:

(a) The transaction is between related parties, although the price in a related party transaction may be used as an input into a fair value measurement if the entity has evidence that the transaction was entered into at market terms.

(b) 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.

(c) 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.

(d) 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.

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
Non-Executive Independent Director:	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	
Non-Executive Director:	
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.

Purchase of goods and services	**1,156,298**	264,434
Dividend in respect of 2018 financial year (Refer Note 11)	**2,000,000**	-
Intercompany loan and interest (Refer Note 12)	**3,568,270**	-
Receipt of professional services	**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 unkless otherwise stated.

Purchase of goods and services	**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.

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.

....

Philip Hennessy
Chair

Dated this 30th day of October 2018.

Queensland Audit Office
Better public services

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.

M Read

5 November 2018

Melissa Read
as delegate of the Auditor-General

Queensland Audit Office
Brisbane