

IPSWICH CITY PROPERTIES PTY LTD

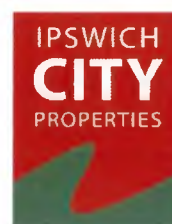
ABN 88 135 760 637

**DIRECTOR'S REPORT
AND
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019**

Ipswich City Properties Pty Ltd
Financial Report for the year ended 30 June 2019

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Ipswich City Properties Pty Ltd Director's Report 2018-2019

The Director presents the report on Ipswich City Properties Pty Ltd (the Company) for the financial year ended 30 June 2019.

Directors

The names of the Directors in office at any time during or since the end of the financial year were:

Mr G Chemello (appointed as sole Director on 14 September 2018)

Mr P Tully (ceased on 30 August 2018)

Mr A Antonioli (ceased on 30 August 2018)

Mr D Best (resigned on 13 September 2018)

Mr G Finnegan (resigned on 4 September 2018)

Mr S Lummis (resigned on 6 September 2018)

Mr S Madigan (resigned on 14 September 2018)

During the 2019 financial year, the constitution of the Company was amended to allow the Company to operate with a sole Director. Ipswich City Council (Council), as sole shareholder of the Company, appointed Mr. Greg Chemello to be the sole Director and Company Secretary.

Net Results

The net result of the Company for the financial year ended 30 June 2019 was a surplus of \$19.8 million.

Review of Operations

The Company is a wholly owned subsidiary of Council and is governed by a Board with a Sole Director.

The Company was established to provide a business vehicle to support Council's intention to stimulate the revitalisation of the Ipswich Central Business District (CBD) under the Nicholas Street - Ipswich Central Project (previously referred to as the Ipswich CBD Transformation Project). The Company's specific objective was to undertake all activities required to carry out and complete the acquisition, redevelopment, management and sale of Ipswich City Square shopping centre.

The Nicholas Street - Ipswich Central Project is a transit oriented development in the CBD incorporating planned retail, commercial and civic offices, residential, cultural and recreational outcomes, including upgrades to both Nicholas Street and Union Place. The key focus is on the 24/7 vitality and inner city living with the creation of a vibrant urban centre

and a street based retail precinct centred around a new purpose built Council administration building and a state of the art city library.

An overview of significant activities conducted by the Company in the 2019 financial year follows:

- Planning and design (based on extensive community feedback) on both the new civic and community precincts, the administration building and retail precinct;
- Subdivision and development approval for the future administration building;
- Development application lodged for all other areas of the Nicholas Street - Ipswich Central Project;
- Demolition and site preparation of the civic area and the area for the future administration building as well as the deconstruction and stabilisation of the Commonwealth Hotel;
- Leasing strategy and market sounding for retail assets that focus on maximising flexibility for the future staging of the Nicholas Street – Ipswich Central Project by retaining as many tenants as possible on a monthly holdover basis;
- Preparation of design concepts and business cases for retail assets.

Matters relating to former Directors

Attention is drawn to Note 20 of the Company's Financial Report for the year ending 30 June 2019 regarding matters relating to former Directors.

Dividends

No dividends have been paid or declared during the 2019 financial year and no dividends have been recommended or provided for by the Directors of the Company.

Indemnification of Directors and Officers

During the financial year, there was an insurance policy in place for the benefit of Directors, secretaries, and executive officers of the Company. The insurance policy grants indemnification in respect of certain liabilities for which the Corporations Act 2001 allows indemnification. The insurance policy does not permit the disclosure of the nature of the liabilities insured nor the amount of the premium. No insurance cover has been provided for the benefit of the auditors of the Company.

Director's Strategic Intent

On 16 October 2018, Council resolved to endorse the winding up and ultimately deregistration of the Company. This strategic decision to close the company as soon as practical was intended to bring the Nicholas Street – Ipswich Central Project into the higher transparent governance regime of Council.

During 2018-2019 the Company, in conjunction with Council, continued to advance the components of the Nicholas Street – Ipswich Central Project, including the civic and community precincts as well as the Council administration building. Simultaneously the Company began the process of transferring its assets and operations to Council, which was completed on 27 June 2019.

The principal activities of the Company have now ceased and it is the Board's expectation that the Company will be placed into Member Voluntary Liquidation prior to December 2019 and that the resultant deregistration will occur prior to 30 June 2019.

The costs associated with the transfer of the Company's assets and operations to Council as well as the intended Member Voluntary Liquidation and subsequent deregistration, are estimated to be \$160,000, across Council and the Company. The Company also understands that Council has incurred statutory fees of approximately \$90,000 relating to the transfer of the Company's assets. Apart from these costs, the winding-up of the Company does not impose any additional costs or liabilities on Council.

It is the Company's understanding that Council is now managing the Nicholas Street – Ipswich Central Project under a Steering Committee, with monthly progress reports being publicly made available through Council's Economic Development Committee and full Council meetings each month.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2019 forms part of this report and a copy of this declaration is attached.

This report is made in accordance with a resolution of the Board of the Company and is signed by:



Mr. Greg Chemello
Director and Company Secretary

Dated 10/10/19

AUDITOR'S INDEPENDENCE DECLARATION

To the Director of Ipswich City Properties Pty Ltd

This auditor's independence declaration has been provided pursuant to s.307C of the *Corporations Act 2001*.

Independence declaration

As lead auditor for the audit of Ipswich City Properties Pty Ltd for the financial year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.



Patrick Flemming
as delegate of the Auditor-General

10 October 2019
Queensland Audit Office
Brisbane

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$000's	2018 \$000's
Income from Sales			
Sales Revenue		2,507	14,369
Less: Cost of Sale	7	2,840	14,036
Net Sales		<u>(333)</u>	<u>333</u>
Other Income			
Rental Income		1,320	1,208
Interest		6	7
Debt Forgiven		24,925	-
Other Revenue		523	606
Total Other Income		<u>26,774</u>	<u>1,822</u>
Total Income		<u>26,441</u>	<u>2,154</u>
Expense			
Depreciation Expense	12	4	-
Materials and Services	2	3,438	3,751
Employee Benefit	3	7	12
Other Expenses	4	1,682	1,797
Total Expense		<u>5,131</u>	<u>5,560</u>
Loss on Transfer of Assets	10	1,500	-
Loss on Revaluation	13	-	940
Operating Surplus (Deficit) for the Year		<u>19,811</u>	<u>(4,346)</u>
Other Comprehensive Income			
Items that will not be reclassified to net result			
Increase/ (Decrease) in Asset Revaluation Surplus	11	-	(3,815)
Total Other Comprehensive Income		<u>-</u>	<u>(3,815)</u>
Total Comprehensive Income		<u>19,811</u>	<u>(8,161)</u>

The accompanying notes form part of the financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

Assets	Note	2019 \$000's	2018 \$000's
Current Assets			
Cash and Cash Equivalents	5	323	103
Trade and Other Receivables	6	67	15,261
Construction Work In Progress-Development Agreement	7	-	513
Other Current Assets	8	4	7
Non-Current Asset Held for Distribution to Owners	9	-	12,750
Total Current Assets		<u>394</u>	<u>28,634</u>
Non-Current Assets			
Work in Progress	10	-	1,722
Investment Property	13	-	15,045
Total Non-Current Assets		<u>-</u>	<u>16,767</u>
TOTAL ASSETS		<u>394</u>	<u>45,401</u>
Liabilities			
Current Liabilities			
Trade and Other Payables	14	199	1,119
Other Current Liabilities		-	121
Total Current Liabilities		<u>199</u>	<u>1,240</u>
Non-Current Liabilities			
Loans	15	-	63,777
Total Non-Current Liabilities		<u>-</u>	<u>63,777</u>
TOTAL LIABILITIES		<u>199</u>	<u>65,017</u>
NET ASSETS (LIABILITIES)		<u>195</u>	<u>(19,615)</u>
Equity			
Retained Earnings		195	(19,615)
TOTAL EQUITY		<u>195</u>	<u>(19,615)</u>

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

		Asset Revaluation Surplus \$000's	Retained Earnings \$000's	Total * \$000's
	Note			
Balance as at 30 June 2017		12,973	(24,427)	(11,453)
Operating Surplus (Deficit) for the Year		-	(4,346)	(4,346)
Decrease in Asset Revaluation Surplus	11	(3,815)	-	(3,815)
Transfer Asset Revaluation Surplus to Retained Earnings		(9,158)	9,158	-
Balance as at 30 June 2018		-	(19,615)	(19,615)
Operating Surplus (Deficit) for the Year		-	19,811	19,811
Balance as at 30 June 2019		-	195	195

* The value of issued share capital is \$1.00 for 2018 and 2019 financial years, refer to Note 16.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$000's	2018 \$000's
Cash flows from Operating Activities			
Receipts of Rental Income and Distributions		7,187	3,502
Payments to Suppliers		(12,989)	(20,445)
Interest Received		6	7
Net Cash Provided (Used) by Operating Activities		<u>(5,796)</u>	<u>(16,936)</u>
Cash Flows from Investing Activities			
Payments for Work In Progress		(2,111)	(1,572)
Payments for Investment Property		-	(6,240)
Payments for Furniture and Fittings		(23)	-
Net Cash Provided (Used) by Investing Activities		<u>(2,135)</u>	<u>(7,813)</u>
Cash Flows from Financing Activities			
Proceeds from Borrowings		8,900	24,760
Repayment of Borrowings		(750)	-
Net Cash Provided (Used) by Financing Activities		<u>8,150</u>	<u>24,760</u>
Net Increase (Decrease) in Cash and Cash Equivalents Held		<u>220</u>	<u>11</u>
Cash and Cash Equivalents at the Beginning of the Financial Year		103	92
Cash and Cash Equivalents at the End of the Financial Year	5	<u>323</u>	<u>103</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Objectives and Principal Activities of the Company

The objectives of Ipswich City Properties Pty Ltd (the Company) are the acquisition, re-development, management and sale of the property known as Ipswich City Square, located at 163 Brisbane Street, Ipswich (the Project).

The principal activities of the Company include all necessary activities related to the Project and may include:

- acquiring land and structures for the Project;
- analysing and evaluating the market which is relevant to the Company;
- developing and formulating business cases;
- tendering and appointing a developer or developers;
- identifying and obtaining all necessary approvals;
- giving guarantees, mortgages over the assets of the Company, or any other form of security to help facilitate the development of the Project;
- selling or otherwise transferring the land and structures of the Project;
- negotiating any commercial arrangements relevant to the Project;
- taking any other steps which are consistent with the undertaking of the Project.

Ipswich City Council resolved on 16 October 2018 to endorse the winding up and deregistration of the Company and integration of the assets and operations of the Company into Ipswich City Council. Refer Note 19 for additional information.

Note 1: Statement of Significant Accounting Policies

(a) Basis of Preparation

These financial statements are general purpose financial statements prepared under the accrual basis of accounting in accordance with the requirements of the *Corporations Act 2001* and the Australian Accounting Standards – Reduced Disclosure Requirements and Australian Accounting Interpretations.

With respect to compliance with the Australian Accounting Standards and Interpretations, the Company has applied those requirements applicable to for-profit entities, as the Company is a for-profit public sector entity. Except where otherwise stated, the financial statements have been prepared in accordance with the historical cost basis. All amounts throughout the financial statements are in Australian dollars.

(b) The Reporting Entity

The Company does not control other entities. The financial statements include the value of all revenue, expenses, assets, liabilities and equity for the Company as an individual entity.

(c) Comparative Figures

Amounts presented in the financial statements have been rounded to the nearest thousand or, where that amount is less than \$500, to nil.

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Note 1: Statement of Significant Accounting Policies (continued)

(d) Financial Instruments

Recognition

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Company becomes a party to the contractual provisions to the financial instrument.

Classification

Financial instruments are classified and measured as follows:

- Receivables – held at amortised cost
- Payables – held at amortised cost
- Loans – held at amortised cost

The carrying amounts of trade receivables and payables approximate their fair values.

No financial assets and financial liabilities have been offset and presented on a net basis in the Statement of Financial Position.

The Company does not enter into, or trade with, instruments for speculative purposes, nor for hedging.

(e) 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.

(f) Trade and Other Receivables

Debtors are recognised at the amounts due at the time of sale or service delivery, i.e. the agreed purchase / contract price, with settlement on debtors being generally required within 30 days from the invoice date.

The collectability of receivables is assessed periodically for impairment. All known bad debts were written off at 30 June. If an amount is recovered in a subsequent period it is recognised as revenue.

(g) Trade and Other Payables

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

(h) Taxation

(i) GST

Revenues, expenses, assets and liabilities are recognised net of the amount of GST.

Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing activities which are disclosed as operating activities.

(ii) Income Tax

Ipswich City Properties Pty Ltd is exempt from income tax under Section 24AK as it is an STB under Section 24AO of the Income Tax Assessment Act 1936.

Note 1: Statement of Significant Accounting Policies (continued)

(i) Adoption of Tier 2 Format for Financial Statement

AASB 1053 Application of Tiers of Australian Accounting Standards applies from reporting periods beginning on or after 1 July 2013. AASB 1053 establishes a differential reporting framework for those entities that prepare general purpose financial statements, consisting of two tiers of reporting requirements - Australian Accounting Standards (commonly referred to as "tier 1"), and Australian Accounting Standards - Reduced Disclosure Requirements (commonly referred to as "tier 2"). Tier 1 requirements comprise the full range of AASB recognition, measurement, presentation and disclosure requirements that are currently applicable to reporting entities in Australia. The only difference between the tier 1 and tier 2 requirements is that tier 2 requires fewer disclosures than tier 1.

(j) Adoption of New and Revised Accounting Standards

Australian Accounting Standards and Interpretations that have recently been issued or amended, but are not yet effective and have not been adopted by the Company for the period ended 30 June, are outlined below along with an assessment of the impact.

Effective for annual reporting periods beginning on or after 1 January 2019

AASB 16 Leases

AASB 16 replaces AASB 117 Leases. A lease liability will initially be measured at the present value of the lease payments to be made over the lease term. A corresponding right-of-use asset will also be recognised over the lease term. There will be no material impact arising from this standard.

(k) First Year Application of New Accounting Standards or Change in Accounting Policy

AASB 9 Financial Instruments

The Company applied AASB 9 Financial Instruments for the first time in the 2019 financial year. Comparative information has not been restated and continues to be reported under AASB 139 Financial Instruments: Recognition and Measurement. The nature and effect of the changes as a result of adoption of this new accounting standard are described below.

(i) Classification and measurement

- there was no change to either the classification or valuation of the cash and cash equivalent item.
- trade receivables are classified and measured at amortised cost, similar to the previous classification of receivables.
- all financial liabilities continue to be measured at amortised cost, similar to the previous classification of liabilities.

(ii) Impairment

AASB 9 requires the loss allowance to be measured using a forward-looking expected credit loss approach, replacing AASB 139's incurred loss approach. AASB 9 also requires a loss allowance to be recognised for all debt instruments other than those held at fair value through profit or loss. The Company has assessed the receivables and written off bad debts by the end of the 2019 financial year. On adoption of AASB 9's new impairment model, the Company has concluded that there is no material impact.

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining the timing and value of revenue recognised from contracts with customers which supersedes AASB 111 Construction Contracts and AASB 118 Revenue and related interpretations. Only contractual counterparties that are customers are assessed under AASB 15, which requires careful analysis of the circumstances to confirm whether a customer relationship exists. The new standard replaces and enhances existing revenue recognition guidance as the new standard is based on the principle that revenue is recognised when an entity completes its performance obligations under a contract e.g. transfers goods to or performs services for the customer.

The Company has no revenue contracts with customers thus there is no impact on revenue recognition.

(l) Revenue

Rental Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

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

All revenue is stated net of the amount of GST.

Note 1: Statement of Significant Accounting Policies (continued)

(m) Construction Work In Progress-Development Agreement

The Company has entered into a Development Agreement with Ipswich City Council to construct several key components of the Ipswich CBD Transformation Project. The Company transferred the full balance of the Construction Work in Progress-Development Agreement to Ipswich City Council on 27 June 2019. Refer to Note 7 for additional information.

(n) Property, Plant and Equipment

Property, Plant and Equipment is carried at fair value less, where applicable, any accumulated depreciation and impairment losses. Items of Property, Plant and Equipment with a cost in excess of \$1 are recognised for financial reporting purposes in the year of acquisition.

(i) Acquisition of Assets

Acquisitions of assets are initially recorded at cost. Cost is determined as the fair value of the assets given as consideration such as cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

(ii) Capital and Operating Expenditure

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 benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are included in the Statement of Comprehensive Income during the financial period in which they are incurred.

(iii) Fair value measurement

AASB 13 sets out the definition of 'fair value' as well as principles to be applied when determining the fair value of assets and liabilities. The requirements apply to all of the company's assets and liabilities (excluding leases) that are measured and/or disclosed at fair value.

(iv) Valuation

Land, buildings, plant and equipment are measured at fair value in accordance with AASB 116 Property, Plant and Equipment and AASB 13 Fair Value Measurement. Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each asset does not materially differ from its fair value at the reporting date. This is achieved by engaging independent, professionally qualified valuers to determine the fair value for each asset at least once every 5 years. In the intervening years, the Director conducts a Director's valuation to ensure the land, buildings, plant and equipment's carrying amount is not materially different to the fair value.

Increases in the carrying amount arising on revaluation are credited to an asset revaluation surplus in shareholder's equity. Decreases that offset previous increases of the same asset are charged against the asset revaluation surplus directly in equity; all other decreases are charged to the Statement of Comprehensive Income. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

(v) Transfer

Freehold Land was reclassified and revalued in the 2018 financial year and transferred to Non-Current Asset Held for Distribution to Owners and Investment Properties. Refer to Note 9, Note 11 and Note 13 for additional information.

The Company transferred the full balance of Furniture and Fittings to Ipswich City Council on 27 June 2019. At 30 June 2019, property, plant and equipment had a nil balance. Refer to Notes 9 to 13 for additional information.

Note 1: Statement of Significant Accounting Policies (continued)

(o) Impairment

Assets are assessed for indicators of impairment annually. If an indicator of possible impairment exists, the company determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised as an expense in the Statement of Comprehensive Income, unless the asset is carried at a revalued amount. When the asset is measured at a revalued amount, the impairment loss is offset against the asset revaluation surplus of the relevant class to the extent available.

(p) Lease

Investment Properties including tenancies

The Company leased components of Ipswich City Square to predominately retail tenants. Ipswich City Square has been earmarked for redevelopment for the past few years, resulting in an increasing number of vacant premises during the financial year. A number of the remaining tenancies were leased on a month by month basis.

2 Bell Street, Ipswich was purchased in the 2018 financial year and was classified as an investment property. At the date of purchase, 2 Bell Street was leased to a number of commercial tenants, predominately the State of Queensland. Tenants in 2 Bell Street had long term leases with options.

All investment properties have been transferred to Ipswich City Council on 27 June 2019. Refer Note 13 for additional information.

Lessor

On behalf of Ipswich City Council, the Company leased office accommodation in 143 Brisbane Street to a number of tenants from September 2017 to November 2018. These offices were leased on a month by month basis.

Lessee

The Company leased level 1, 143 Brisbane Street, from Ipswich City Council during July and August 2017. The Company leased Level 4, 143 Brisbane Street from 1 July 2018 to 16 August 2018. The rental expense for the Company within one year is nil.

(q) Accounting Estimates and Judgements

The preparation of financial statements necessarily requires the determination and use of certain critical accounting estimates, assumptions, and management judgements that have the potential to cause a material adjustment to the carrying amounts of assets and liabilities. Such estimates, judgements and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in future periods as relevant. Significant accounting estimates and judgements have been applied to the revaluation of Freehold Land and Investment Properties, refer Note 9, Note 11 and Note 13. These assets were transferred to Ipswich City Council on 27 June 2019.

(r) Issuance of Financial Statements

The financial statements are authorised for issue by the Director at the date of signing the Director's Declaration.

Ipswich City Properties Pty Ltd
Financial Report for the year ended 30 June 2019

	2019 \$000's	2018 \$000's
Note 2 Materials and Services		
Centre Management	588	430
Rates and Other Utilities Charges	1,110	1,399
Cleaning	434	459
Consultants and Contractors	32	61
Media Expenses	99	182
Repairs and Maintenance	333	333
Security	400	402
Other Materials and Services	442	484
	<u>3,438</u>	<u>3,751</u>
Note 3 Employee Benefit		
Directors' Fees	6	11
Superannuation	1	1
	<u>7</u>	<u>12</u>
Note 4 Other Expenses		
Auditor's Remuneration	40	20
Travel Costs	2	9
Rent	9	6
Bad Debts Written Off	58	-
Construction Expenses	435	538
Fees and Permits	30	42
Land Tax	205	188
Administration and Management	384	342
Marketing	68	130
Service Charges	-	51
Property Management Agreement	20	114
Car Park Expenses	161	156
General Expenses	271	202
	<u>1,682</u>	<u>1,797</u>
The 2018-2019 audit fees for the Company will be paid by Ipswich City Council.		
Note 5 Cash and Cash Equivalents		
Cash at Bank	323	103
	<u>323</u>	<u>103</u>
Note 6 Trade and Other Receivables		
Trade Receivables	39	15,261
GST Receivable	29	-
	<u>67</u>	<u>15,261</u>
Note 7 Construction Work In Progress-Development Agreement		
Site Costs	-	1
Professional and Consultancy Fees	-	418
Marketing Costs	-	86
Other Costs	-	8
	<u>-</u>	<u>513</u>
Construction Work In Progress-Development Agreement		
Carrying Amount at 1 July	513	2,145
add New addition	2,327	12,404
less transfer to Cost of Sale	(2,840)	(14,036)
Carrying Amount at 30 June	<u>-</u>	<u>513</u>

The Company transferred the full balance of Construction Work in Progress-Development Agreement to Cost of Sale on 27 June 2019.

Ipswich City Properties Pty Ltd
Financial Report for the year ended 30 June 2019

	Note	2019 \$000's	2018 \$000's
Note 8 Other Current Assets			
Prepayments		4	7
		<u>4</u>	<u>7</u>

Note 9 Non-Current Asset Held for Distribution to Owners			
Carrying Amount at 1 July		12,750	-
add transfer from Freehold Land		-	12,750
less transfer to Ipswich City Council		(12,750)	-
Carrying Amount at 30 June		<u>-</u>	<u>12,750</u>

The Company had applied AASB 5 Non-current Assets Held for Sale and Discontinued Operations for the 2018 financial year. The Company transferred the 23 Ipswich City Mall (Civic Area) and the 1 Union Place Mall (Administration Building) to Ipswich City Council on 27 June 2019.

Note 10 Work in Progress			
Site Costs		-	3
Professional and Consultancy Fees		-	538
Construction Costs		-	1,181
		<u>-</u>	<u>1,722</u>

Work in Progress			
Carrying Amount at 1 July		1,722	867
add new addition		2,078	855
loss on transfer of asset to Ipswich City Council		(1,500)	-
less transfer to Ipswich City Council		(2,300)	-
Carrying Amount at 30 June		<u>-</u>	<u>1,722</u>

The Company transferred the full balance of Work in Progress to Ipswich City Council on 27 June 2019.

Note 11 Freehold Land			
Carrying Amount at 1 July		-	26,310
less revaluation		-	(3,815)
less transfer to Non-Current Asset Held for Distribution to Owners	9	-	(12,750)
less transfer to Investment Properties	13	-	(9,745)
Carrying Amount at 30 June		<u>-</u>	<u>-</u>

Loss on valuation of Freehold Land in 2018 financial year decreased the Asset Revaluation Surplus by \$3,815,000.

Note 12 Furniture and Fittings			
Carrying Amount at 1 July		-	-
add acquisition		23	-
less depreciation		(4)	-
less transfer to Ipswich City Council		(20)	-
Carrying Amount at 30 June		<u>-</u>	<u>-</u>

The Company transferred the full balance of Furniture and Fittings to Ipswich City Council on 27 June 2019.

Ipswich City Properties Pty Ltd
Financial Report for the year ended 30 June 2019

	Note	2019 \$000's	2018 \$000's
Note 13 Investment Property			
Carrying Amount at 1 July		15,045	-
add acquisition		-	6,240
less revaluation		-	(940)
add transfer from Freehold Land		-	9,745
less transfer to Ipswich City Council		(15,045)	-
Carrying amount at 30 June		<u>-</u>	<u>15,045</u>
Investment Property			
2 Bell Street		-	5,300
5 Union Place (Murphy's Pub)		-	460
Ipswich City Square		-	9,285
		<u>-</u>	<u>15,045</u>

The Company has applied AASB 140 Investment Property. Investment property is comprised of 163 Brisbane St, 24 Ipswich City Mall, 25 Ipswich City Mall, 27 Ipswich City Mall, Lot 25, Brisbane St Ipswich, 5 Union Place (Murphy's Pub) and leased property at 2 Bell St, Ipswich. The fair value model is applied for the investment properties. The difference between the fair value of the investment properties and the carrying amount is recognised in the Statement of Comprehensive Income.

All investment properties were independently valued by Jones Lang LaSalle Advisory Services Pty Ltd at 24 April 2019 prior to the transfer to Ipswich City Council on 27 June 2019.

Note 14 Trade and Other Payables			
Trade and Other Payables		199	816
Employee Payables		-	3
GST Payable		-	299
		<u>199</u>	<u>1,119</u>

Note 15 Loans - Ipswich City Council			
Opening Balance		63,777	39,017
Advances		8,900	24,760
less balance adjustment		(11)	-
Principle Repayment		(750)	-
Settlement under the Deed of Release		(46,990)	-
Debt Forgiven		(24,925)	-
Closing Balance		<u>-</u>	<u>63,777</u>

The Company had a loan agreement with Ipswich City Council. This loan did not have a principal repayment schedule or minimum monthly repayment, operated similar to a line of credit facility and had a facility limit of \$75 million. The loan has been settled and the balance of the loan is nil at the end of 2019 financial year. The loan was settled under the Deed of Release signed with Ipswich City Council by assets transfer including Construction Work in Progress-Development Agreement (refer Note 7), Non-current Asset Held for Distribution to Owners (refer Note 9), Work in Progress (refer Note 10) and Furniture and Fittings (refer Note 12). The interest rate of the loan was zero percent for both 2018 and 2019 financial years.

Note 16 Company Details

The registered office and principal place of business of the company is:

C/- Ipswich City Council

45 Roderick Street

IPSWICH QLD 4305

ACN : 135 760 637

ABN: 88 135 760 637

Following a resolution of Ipswich City Council, the Company was incorporated on 9 March 2009.

Ipswich City Council is the parent entity and has control over the Company.

The Company has issued and paid up capital of 1 ordinary share at \$1.00 each. Total Contributed Equity is \$1.00 for 2018 and 2019.

Note 17 No dividends were paid or declared by the Company during 2018 and 2019 financial years.

Ipswich City Properties Pty Ltd
Financial Report for the year ended 30 June 2019

Note 18 Related Parties

(a) The following persons were appointed by Ipswich City Council and held office as directors of the Company during the current and previous financial years unless ceased before the balance dates as stated below:

	Note	Appointment Date	Cease Date
Mr G Chemello		14/09/2018	
Mr P Tully		09/03/2009	30/08/2018
Mr A Antonioli		17/09/2014	30/08/2018
Mr J Lindsay		09/03/2009	29/01/2018
Mr A Roach		14/10/2014	16/04/2018
Mr D Best		06/01/2014	13/09/2018
Mr G Finnegan (Non-executive Director)		27/02/2018	04/09/2018
Mr S Lummis (Non-executive Director)		27/02/2018	06/09/2018
Mr S Madigan (Alternate Director)		29/05/2018	14/09/2018

Ipswich City Council resolved on 14 September 2018 to exercise its right as sole shareholder and member to modify the constitution of the Company to allow it to operate with a sole Director and appointed Mr Gregory Chemello as the sole Director and Company Secretary.

(b) The following fees were paid to the former Directors of the Company.

		2019 \$000's	2018 \$000's
Mr G Finnegan	3	3	6
Mr S Lummis	3	4	6

(c) Loans and Guarantees from Related Parties.

Loan facility limit - Ipswich City Council.		
Please refer to Note 15 for additional information.	-	75,000

(d) Transactions between the Company and related parties were on arm's length basis in a normal commercial term except as indicated in Note 18 (e) and (f).

(e) The following amounts (ex GST) were received, or were receivable, from entities related to the Company for services or resources provided:

Ipswich City Council			
Sales of Properties			
- Non-Current Asset Held for Distribution to Owners	9	12,750	-
- Furniture and Fittings	12	20	-
- Investment Property	13	15,045	-
Sales of Work in Progress	10	2,300	-
Construction services related to the Ipswich CBD redevelopment		2,470	14,406
Rental income		8	35
Reimbursement of expenses		102	152
Ipswich City Developments Pty Ltd (ICD)			
Rental income for Council collected by the Company	18 (f)	-	57
* Office support expenses recovery		2	-
Ipswich City Enterprises Pty Ltd (ICE)			
* Office support expenses recovery		1	-
Ipswich City Enterprises Investments Pty Ltd (ICEI)			
* Office support expenses recovery		1	-
Total		32,698	14,650

Ipswich City Properties Pty Ltd
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Note 18 Related Parties (continued)

Note 18 (e) (continued)

* ICD, ICE and ICEI paid the Company for the provision of serviced office accommodation for Level 4, 143 Brisbane Street from July 2018 to August 2018, which encompassed the provision of office space, use of furniture assets, office consumables and supporting services. The service charge to the related parties was based on the proportionate use of the services.

(f) The following amounts (ex GST) were paid, or were payable, to entities related to the Company for services or resources received:

	2019 \$000's	2018 \$000's
Ipswich City Council		
Council Rate and Fire levy	610	815
Administration and management support	939	634
* Rental income collected for Ipswich City Council	22	98
Rental expenses for 143 Brisbane	9	-
General expenses including catering, promotion, rubbish removal, application fees and reimbursement of expenses.	61	83
Ipswich City Developments Pty Ltd (ICD)		
Acquired furniture and office equipment	23	-
** Office support expenses recovery	-	51
Reimbursement of expenses	-	8
Ipswich City Enterprises Pty Ltd		
Reimbursement of expenses	-	2
Total	<u>1,664</u>	<u>1,691</u>

* The Company collected the rental income of 143 Brisbane Street, Ipswich for Ipswich City Council from September 2017 to November 2018. This included the rent collected from ICD in Note 18 (e). Based on a service agreement, Ipswich City Council invoiced the Company for the rent collected.

** The Company paid ICD for the provision of serviced office accommodation in 2018 financial year, which encompassed the provision of office space, use of furniture assets, office consumables and supporting services. The service charge was set by ICD annually based on their projected costs and charged to the Company based on the proportionate use of the services.

(g) Debts owed of \$32,802 by a company controlled by a former member of the key management personnel of Ipswich City Council were written off during the financial year.

Note 19 Going Concern

Ipswich City Council resolved on 16 October 2018 to endorse the winding up and deregistration of the Company and integration of the assets and operations of the Company into Ipswich City Council. Prior to commencing the deregistration process, the Company transferred most of its assets to Ipswich City Council on 27 June 2019 (refer to Notes 7, 9, 10, 12, 13). The Company has settled the full balance of the loan with Ipswich City Council on 27 June 2019, refer to note 15. This financial report has been prepared on a basis consistent with the going concern basis, as it is the Company's intention to settle all liabilities and realise any assets prior to winding up. Any residual assets will be transferred to Ipswich City Council immediately prior to deregistration.

Note 20 Matters Relating to Former Directors

On 14 August 2018 the Crime and Corruption Commission (CCC) tabled in State Parliament its report titled *Culture and corruption risks in Local Government: Lessons learned from an investigation into Ipswich City Council (Operation Windage)*. As a result of the investigation serious charges were laid against former Directors in relation to their roles with Ipswich City Council. No former Director has acted on behalf of the Company, subsequent to being charged. To the best of the Company's knowledge at the date of this report, there is no material impact on this financial report.

DIRECTOR'S DECLARATION

The Director of the Company declares that:

1. the attached financial statements and notes thereto, including the matters disclosed in Note 19 Going Concern, are in accordance with the *Corporations Act 2001*, including compliance with Australian accounting standards - reduced disclosure requirements and giving a true and fair view of the financial position as at 30 June 2019 and of the performance of the Company for the financial year ended on that date; and
2. in the Director's opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of the Company.



Mr. Gregory Chemello
Director and Company Secretary

Dated 10/10/19

INDEPENDENT AUDITOR'S REPORT

To the Members of Ipswich City Properties Pty Ltd

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Ipswich City Properties Pty Ltd.

In my opinion, the financial report:

- a) gives a true and fair view of the company's financial position as at 30 June 2019, and its financial performance and cash flows for the year then ended
- b) complies with the *Corporations Act 2001*, the Corporations Regulations 2001 and Australian Accounting Standards – Reduced Disclosure Requirements.

The financial report comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and 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 director's 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 company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*. I am also independent of the entity in accordance with the auditor independence requirements of the *Corporations Act 2001*, and confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter – Council intends to transfer operations to parent entity and deregister company

I draw attention to Note 19 of the financial report, which describes that Ipswich City Council resolved on 16 October 2018 to endorse the winding up and deregistration of the company. The note also describes the intention to transfer the company's operations to the parent entity, including transferring the company's assets and liabilities to the parent at their carrying values, much of which has occurred to date. As a result of this the company's financial report has been prepared on a basis consistent with the going concern basis. My opinion is not modified in respect of this matter.

Other information

Other information comprises the information included in the company's director's report for the year ended 30 June 2019, but does not include the financial report and my auditor's report thereon.

Those charged with governance are responsible for the other information.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Responsibilities of the company for the financial report

The company's directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Corporations Act 2001*, the Corporations Regulations 2001 and Australian Accounting Standards – Reduced Disclosure Requirements, and for such internal control as the company's directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The company's directors are also responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the company.
- 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.

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.



Patrick Flemming
as delegate of the Auditor-General

18 October 2019

Queensland Audit Office
Brisbane