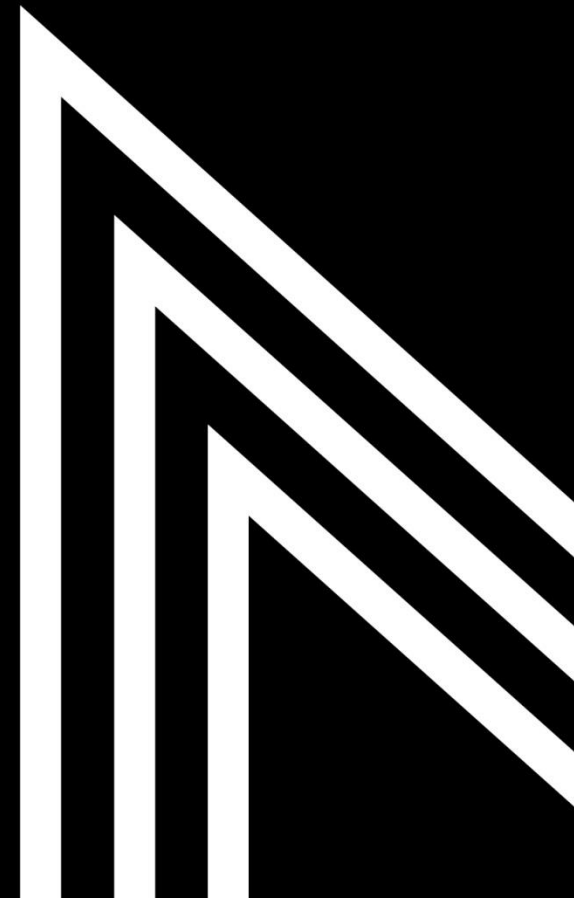


Ipswich City Council – Ipswich City Properties Pty Ltd

Ipswich CBD redevelopment - cost analysis

25 March 2019



Scope and limitations

Important note

This report has been prepared by McGrathNicol in accordance with the terms of the engagement letter dated 18 January 2019. A copy of the engagement letter is attached as Appendix 1.

The purpose of McGrathNicol's engagement is to prepare and report on a cost analysis identifying the costs and receipts associated with the Ipswich CBD redevelopment, which to date has been undertaken by a wholly-owned subsidiary (Ipswich City Properties Pty Ltd (**ICP**)) of Ipswich City Council (**Council**).

This report has been prepared for Council, with the intention that Council will release the report to the public.

The information contained in the report has been prepared on the basis of:

- financial statements for ICP for the period FY09 to FY18;
- management accounts for ICP for FY19YTD;
- loan statements for the loan facility between Queensland Treasury Corporation and Council;
- historical information and reports, including bank statements and managing agent reports, made available to us by Council; and
- discussions with and information provided to us by Council employees.

ICP transitioned to a new accounting system in FY12 and information available for prior years is less detailed.

Unless otherwise stated, the financial information contained in this report is current to 31 December 2018.

We have not carried out an audit, nor have we verified any of the information given to us by Council or ICP. We have relied upon the information provided. As the achievement of any prediction as to the results of subsequent trading is dependent upon future events, the outcome of which cannot be assured, the actual results achieved may vary materially from the projections included in this report. In all circumstances, whilst we believe that the statements made by us in this report are accurate, no warranty of accuracy or reliability is given.

In accordance with our policy, we advise that neither McGrathNicol nor any member or employee or related or associated entity of the firm undertakes responsibility in any way whatsoever, including by way of any errors or omissions arising through negligence or otherwise however caused to any persons other than Council.

Factual accuracy

A draft of this report was provided to Council to review for factual accuracy.

Rounding

Unless otherwise stated, values denoted in:

- millions (A\$m) have been rounded to the nearest hundred thousand; and
- thousands (A\$'000 or k) have been rounded to the nearest hundred.

GST

Values are GST exclusive, unless otherwise stated.

Glossary

\$	Australian dollar	CBD	Central business district	GST	Goods and services tax
2 Bell Street	Long term leasehold interest in Lot 1 on RP157021, located at 2 Bell Street, Ipswich	CBD redevelopment	The redevelopment of Ipswich CBD including ICS, Icon Tower, Murphy's Pub and 2 Bell Street	Icon Tower 1 / Icon	Land sold by ICP in FY11 on Lot 1 on SP246525. Originally part of ICS and located at 117 Brisbane Street, Ipswich
Admin DMA	<i>Development Agreement-Council Office Building</i> between ICP and EPC dated 14 March 2017 (now terminated)	Civic DMA	<i>Development Agreement Ipswich Central Civic Space</i> dated 15 June 2017 between Council and ICP	ICP	Ipswich City Properties Pty Ltd
Administration Building	Council Administration Building to be constructed on Lot 2 on SP300605 at 1 Union Place, Ipswich (freehold)	Civic Space	The development known as Ipswich Central Civic Space, proposed to be constructed on Lot 1 on SP300605 at 23 Ipswich City Mall (freehold)	ICS	Ipswich City Square. Purchased by ICP from Memocorp in March 2009
AFL	<i>Deed of Agreement for Lease</i> between Council and EPC dated 14 March 2017 (now terminated)	Council	Ipswich City Council	Ipswich Central	The properties owned/leased by ICP included in the plans set out in Appendices 3.1 and 3.2 of this report
Approx.	Approximately	Entertainment Precinct	Freehold property at 163 Brisbane Street, Ipswich (Lot 1 on RP209886) owned by ICP	K	Thousands
ASIC	Australian Securities and Investments Commission	EPC	EPC Pacific Ipswich 1 Pty Ltd	m	Millions
Bell Street Link / Bell Street Mall	Freehold property at 24 Ipswich City Mall (Lot 2 on SP246525)	FY	Financial Year	McN	McGrathNicol
Capex	Capital expenditure	FY19YTD	Management accounts as at 31-Dec-18	Memocorp	Memocorp Australia Pty Ltd

Glossary

Murphy's Pub Freehold property owned by ICP at 5 Union Place, Ipswich (Lot 1 on RP2677)

New Food Precinct Freehold property owned by ICP at 27 Ipswich City Mall (Lot 2 on RP209886) and leasehold property held by ICP at 25 Ipswich City Mall (Lot 3 on RP212242)

pa Per annum

P&L Profit and loss

QAO Queensland Audit Office

QR Queensland Rail Limited

QTC Queensland Treasury Corporation

Ranbury Ranbury Management Group Pty Ltd (external project managers)

Traffic Ramps Leasehold interest held by ICP in ramps on Lot 25 CPS2 804975. Lease with QR expires on 31 October 2020

WIP Work in progress

YTD Year to date



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Executive summary

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1 Executive summary

1.1 Summary of costs analysis

We have calculated the costs and receipts associated with the Ipswich CBD redevelopment, which ICP (a wholly-owned subsidiary of Council) was created to undertake. ICP's total net receipts less costs for its life to date total \$(121.56m). The net costs less the carrying value of assets is \$(78.74m). If Council had undertaken ICP's projects in its own right from inception, it may have saved approximately \$7.11m, which is largely represented by additional interest costs. The costs to wind down ICP are estimated at \$68.5k to \$78.5k, excluding internal ICP/Council staff costs, assuming the winding up is complete by 31 December 2019 and no stamp duty for property transfers from ICP to Council.

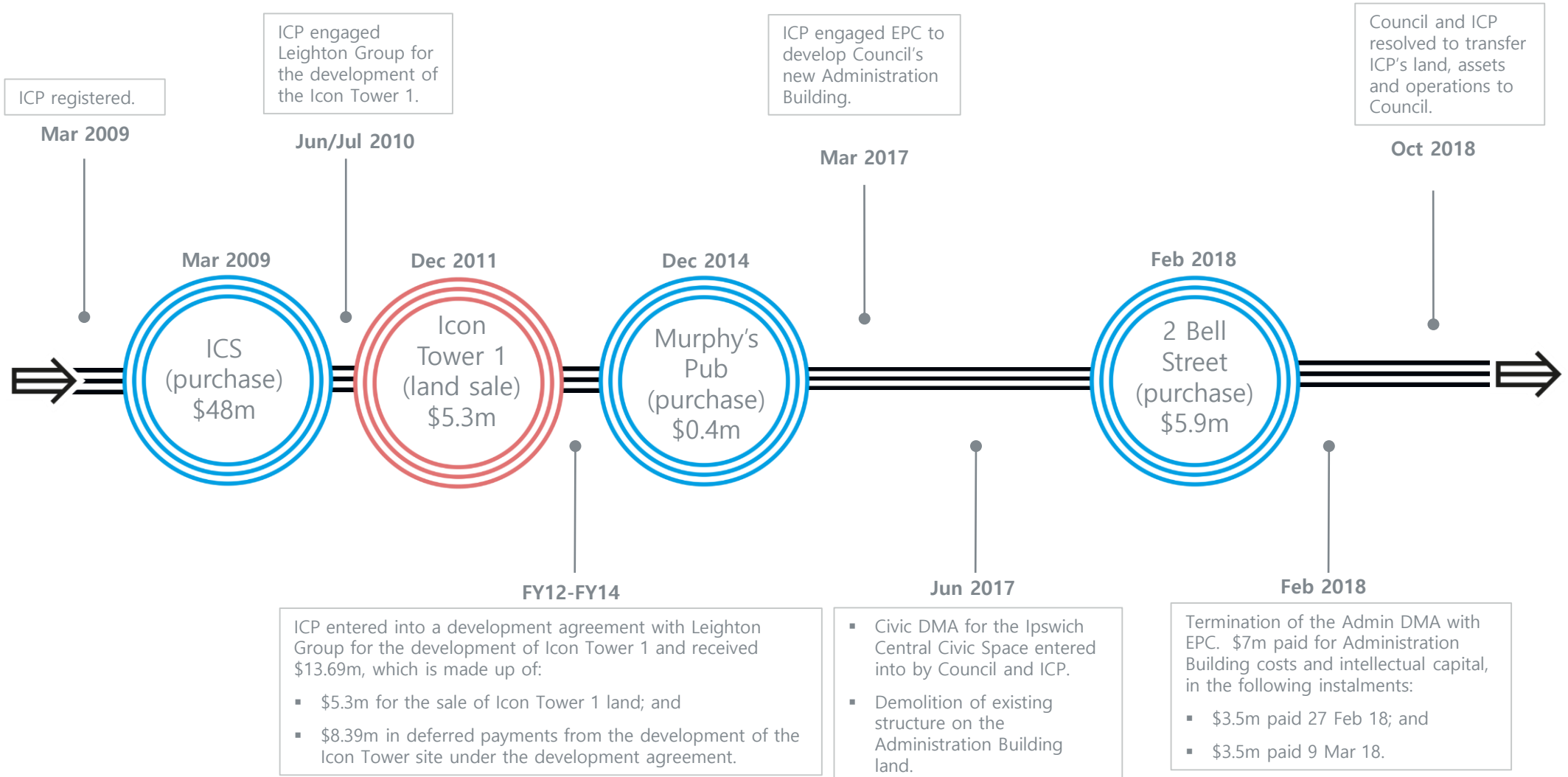
	Actual net cost of ICP activities (\$m)	Hypothetical net cost to Council if Council had undertaken ICP's activities (\$m)	Increased cost due to ICP undertaking activities (\$m)
Asset purchases & other capital costs	(84.58)	(84.58)	-
+	+	+	+
Asset sales including deferred component of sale price	13.69	13.69	-
=	=	=	=
Sub total of net capital expenditure	(70.89)	(70.89)	-
+	+	+	+
Operational costs	(11.91)	(11.15)	(0.76)
+	+	+	+
Interest costs	(38.77)	(32.41)	(6.35)
=	=	=	=
Total net costs	(121.56)	(114.45)	(7.11)
+	+	+	+
Carrying value of assets	42.82	42.82	-
=	=	=	=
Net costs less carrying value of assets	(78.74)	(71.63)	(7.11)

Source: Financial statements, QTC loan statements and information provided by Council personnel

1 Executive summary

1.2 Timeline of ICP activities

ICP acquired land (including ICS) to redevelop and revitalise Ipswich CBD. Pursuant to a development agreement with the developer of Icon Tower 1, ICP sold part of the land for the development of the Icon Tower 1 and received an initial sale price plus deferred payments (referred to as a “profit share”). ICP engaged EPC through the Admin DMA to develop a new Administration Building for Council to then lease. The Admin DMA was terminated as analysis indicated Council would be commercially better off to own rather than lease the Administration Building. On 16 October 2018, Council determined that ICP would no longer manage the Ipswich CBD redevelopment and ICP will be wound up. Further background to ICP is included at Appendix 3.



Source: Information provided by Council personnel and ICP records

Ipswich CBD redevelopment cost analysis

Scope and limitations

Glossary of terms

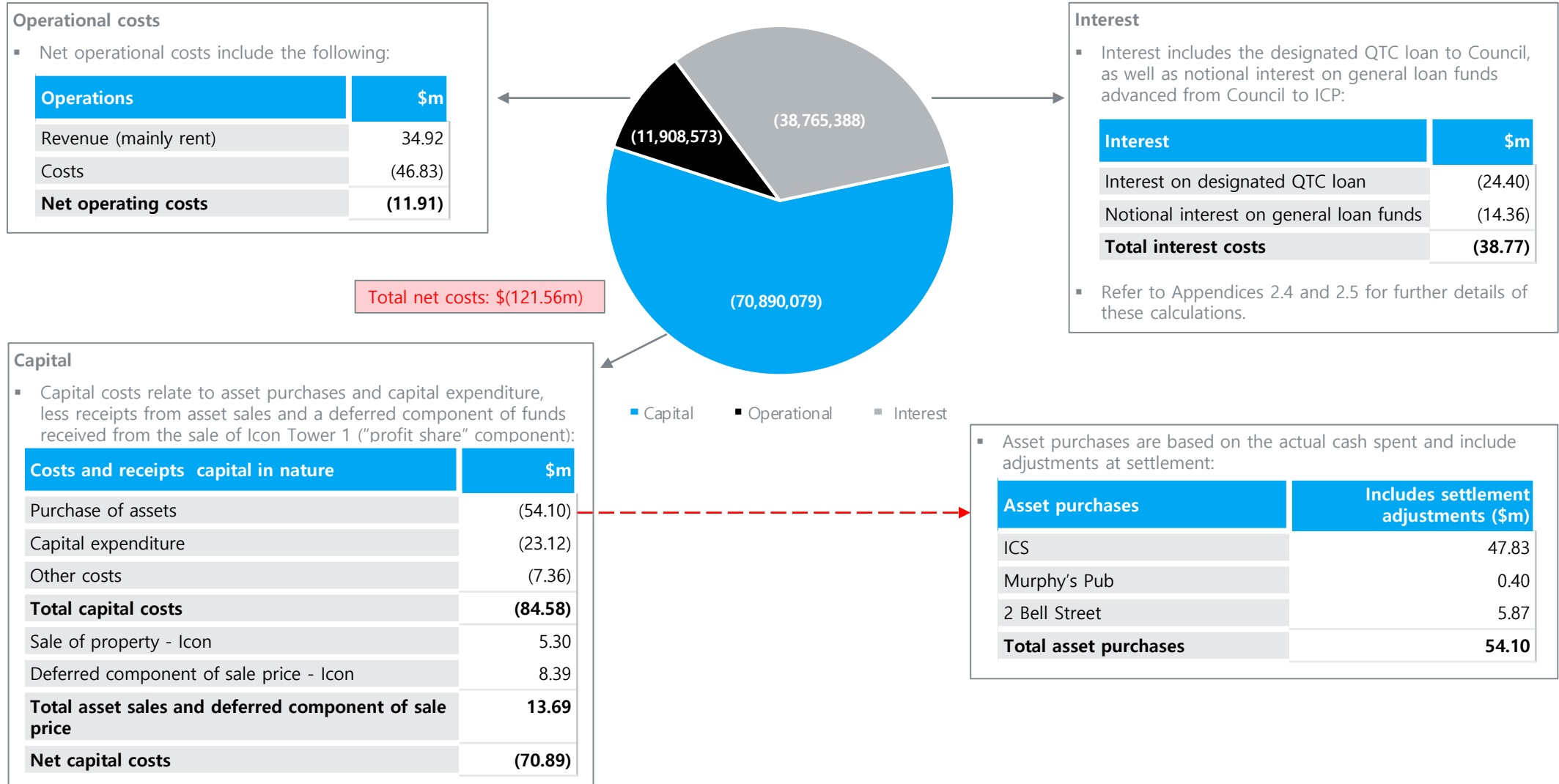
1. Executive summary
2. [Ipswich CBD redevelopment cost analysis](#)
3. ICP compared to Council - Ipswich CBD redevelopment cost analysis
4. Estimated costs to wind down ICP
5. Appendices



2 Ipswich CBD redevelopment cost analysis

2.1 Breakdown of costs and interest

The largest cost category incurred by ICP \$(70.89m) is asset purchases and capital expenditure less proceeds of asset sales, followed by interest expense \$(38.77m), which includes the interest on a specific QTC loan to Council for ICP, as well as notional interest on general loan funds advanced by Council to ICP. Net operational costs are \$(11.91m). Further details of ICP's costs are included in Appendix 2.

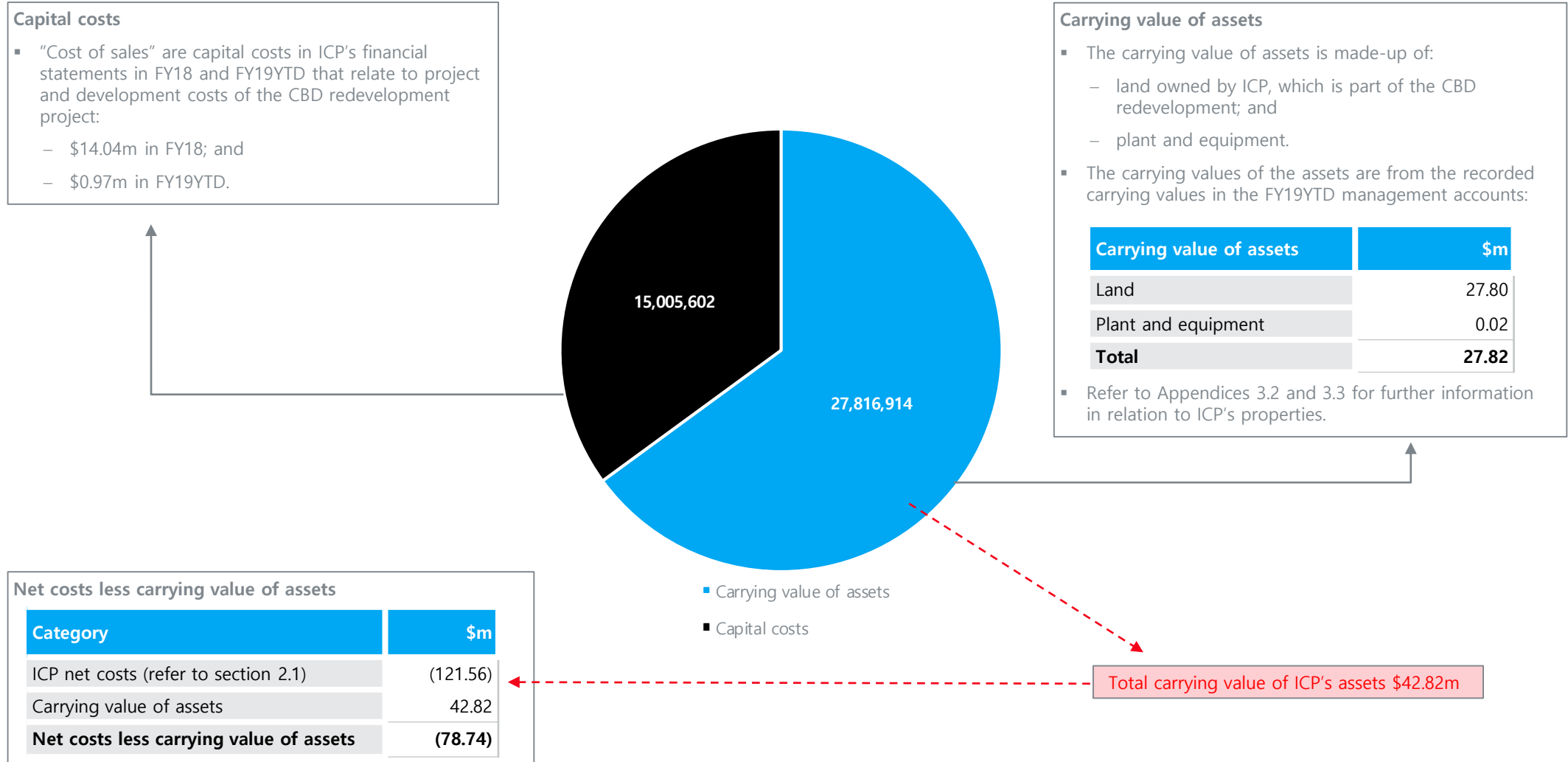


Source: ICP financial statements, QTC loan statements, information provided by Council personnel and McN calculations.

2 Ipswich CBD redevelopment cost analysis

2.2 Breakdown of carrying value of assets

ICP's accounts record assets with a carrying value of \$42.82m. This includes ICP's carrying value of land, plant & equipment and capital costs held on its balance sheet. ICP's total net costs (life to date) are \$(121.56m). The total net costs less the carrying value of assets is \$(78.74m).



Source: ICP financial statements, information provided by Council personnel and McN calculations

ICP compared to Council - Ipswich CBD redevelopment cost analysis

Scope and limitations

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3 ICP compared to Council - Ipswich CBD redevelopment cost analysis

3.1 Hypothetical: Council undertakes CBD redevelopment

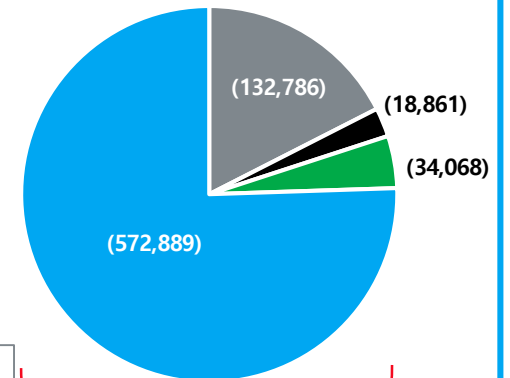
If Council had undertaken ICP's projects in its own right, rather than through ICP, it may have saved \$7.11m. The most material cost saving is the additional interest charged on the funds borrowed by Council from QTC \$(6.35m) specifically to on-lend to ICP. An increased interest rate of 1.35% pa applied to these funds, specifically because they were to be on-lent to a wholly-owned subsidiary.

Potential cost savings

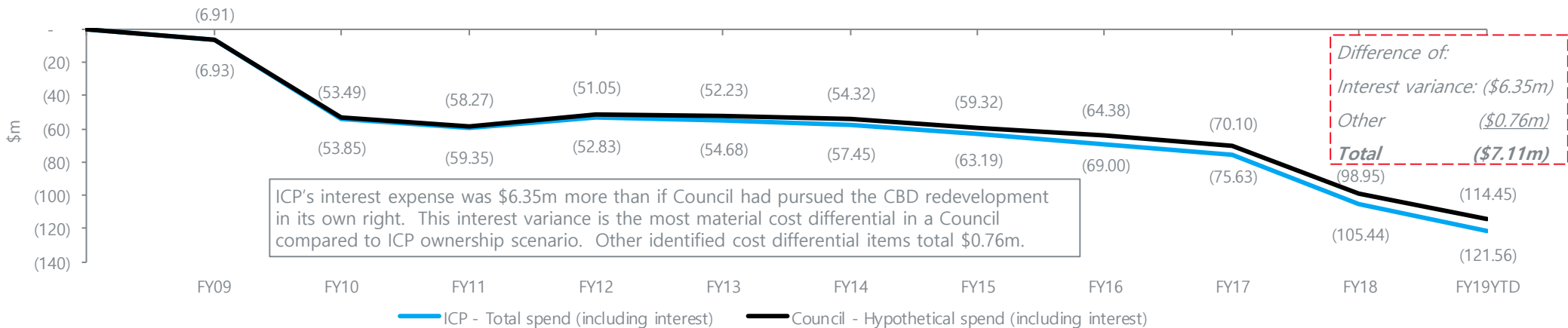
- If ICP had not been registered and Council had pursued the CBD redevelopment in its own right, the following costs may not have been incurred:
 - QAO auditor's costs for the yearly audit of ICP's financial statements (\$130k);
 - non-executive director remuneration, which was incurred in FY18 and FY19YTD (\$19k);
 - yearly ASIC fees (although this amount is not material) (\$3k);
 - director expenses, including recruitment memberships and training fees (\$34k); and
 - land tax that was incurred in FY17, FY18 and FY19YTD (\$573k). Had Council owned the properties, it would have received a public authority exemption for land tax.
- The designated loan advanced from QTC to Council for the purposes of on-lending the funds to a Council-owned subsidiary incurred an additional interest rate of 1.35% pa on top of the standard QTC interest rate applied to Council's loans. This equates to an additional \$6.35m of interest costs incurred by ICP, which would not have been incurred by Council.

Expenses (other than interest expense) Council may not have incurred in undertaking the CBD redevelopment

- QAO auditor's costs & ASIC charges
- Non-executive director remuneration
- Director expenses
- Land tax



Comparison of ICP and Council: cumulative net expenditure on the Ipswich CBD redevelopment



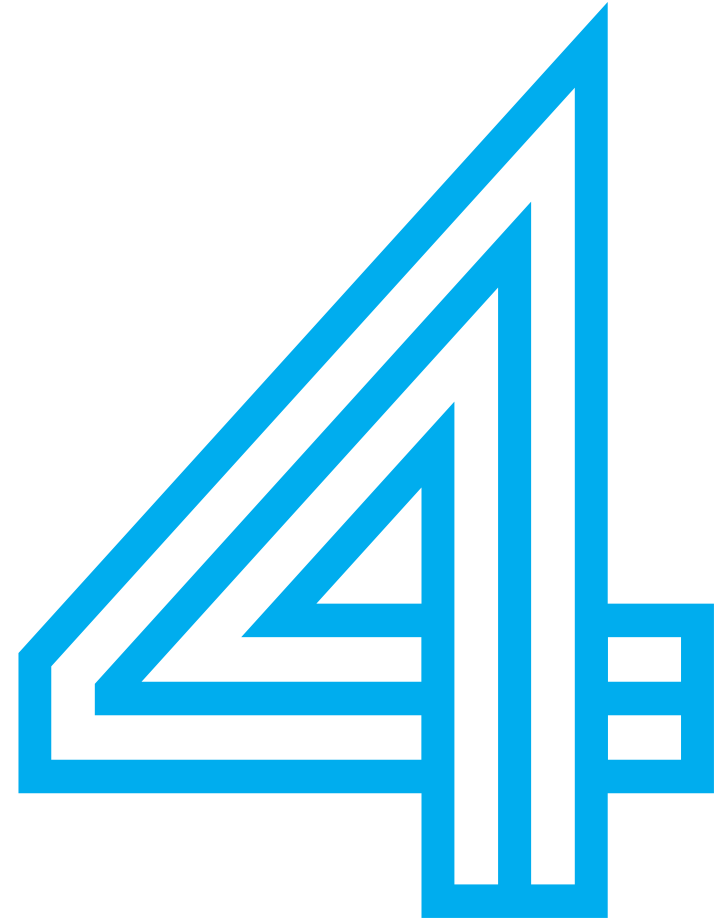
Source: ICP financial statements, QTC loan statements, bank statements, information provided by Council personnel and McGrathNicol calculations

Estimated costs to wind down ICP

Scope and limitations

Glossary of terms

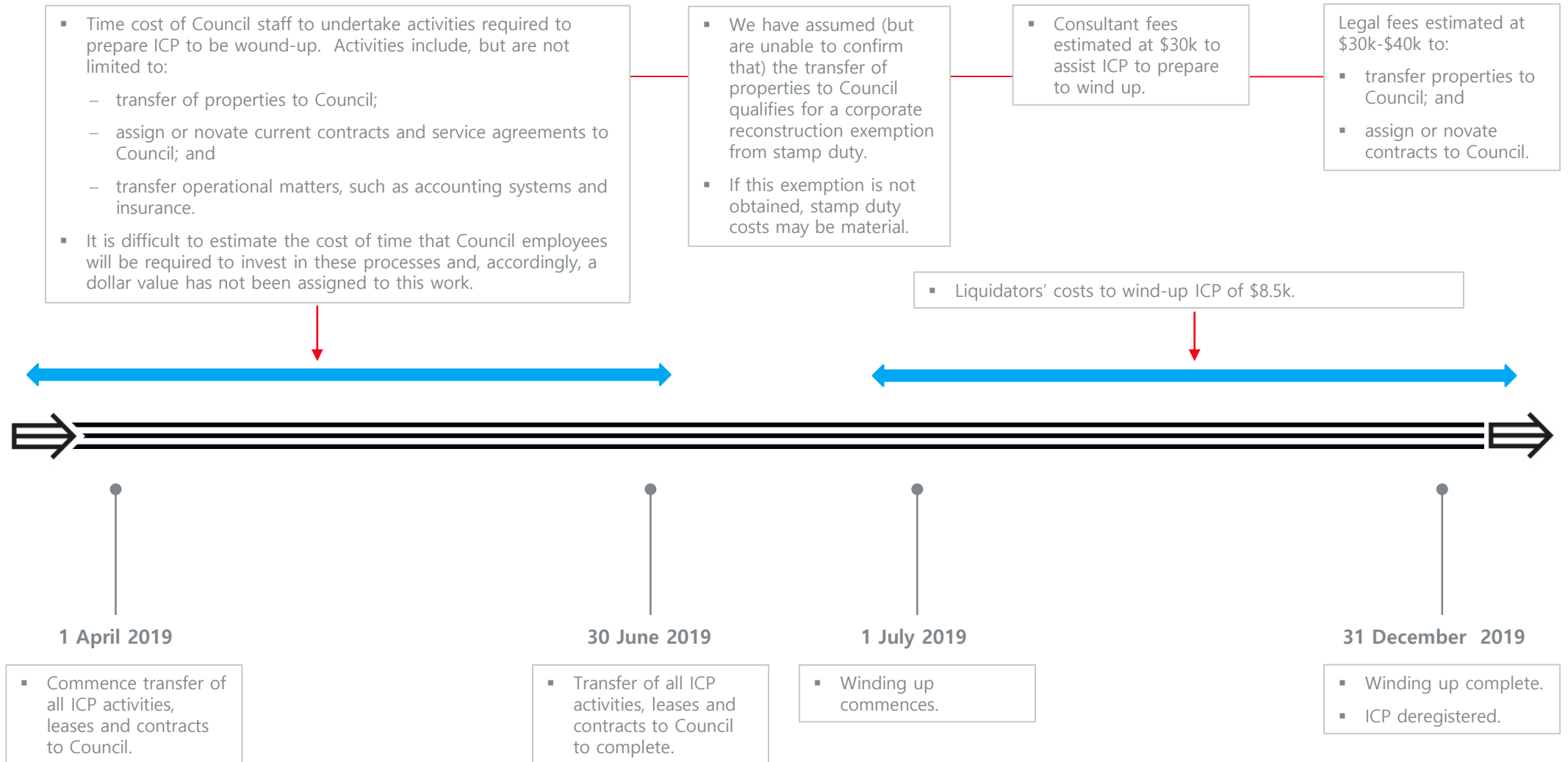
1. Executive summary
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4 Estimated costs to wind down ICP

4.1 Wind down timeline and costs

We estimate the costs to wind down ICP’s operations and wind up the company at \$68.5k to \$78.5k, assuming it is complete by 31 December 2019. This estimate is based on the members voluntary winding up of ICP in mid-2019. The costs are high-level estimates and exclude any amount for the time spent by Council personnel. The actual time required to transfer ICP’s assets and operations to Council is uncertain and may vary from these estimates. The associated costs may also vary depending on the assistance required by Council to complete various tasks.



Appendices

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5. [Appendices](#)
 - Appendix 1: Engagement letter
 - Appendix 2: Ipswich CBD redevelopment cost analysis
 - Appendix 3: Background





Appendix 1

Engagement letter

Appendix 1

Engagement letter

Your reference
Our reference 13114
Contact Officer Andrew Knight
Telephone 07 3810 6265



Ipswich City Council

45 Roderick St
PO Box 159
Ipswich QLD 4305
Australia

Tel (07) 3810 6666
Fax (07) 3810 6731
Email council@ipswich.qld.gov.au
Web www.ipswich.qld.gov.au

22 January 2019

Anthony Connelly
Partner
McGrathNicol Advisory Partnership
GPO Box 9986
BRISBANE QLD 4001

Dear Anthony

Engagement under the Local Buy arrangement No. BUS249-0515 and McGrathNicol's proposal for the Ipswich Central Redevelopment cost analysis and Wind-down of ICP

Following the meetings with Greg Chemello, Charlie Dill and Jeff Keech on 12 November 2018 and the proposal from McGrathNicol Advisory Partnership dated 18 January 2019, we now write to confirm that Council accepts the proposal submitted by you in respect of the services of the Ipswich Central Redevelopment cost analysis and the wind-down of Ipswich City Properties.

Council hereby engages McGrathNicol Advisory Partnership to provide the above mentioned services in accordance with the terms and condition of the Local Buy arrangement BUS249-05154 (the **Contract**). Council will issue a purchase order to McGrathNicol Advisory Partnership for this these services under this engagement.

If you have any queries in respect of this particular engagement by Council please contact Andrew Knight, Chief Operating Officer, Finance and Corporate Services via email andrew.knight@ipswich.qld.gov.au.

Yours sincerely


Andrew Knight
Chief Operating Officer – Finance and Corporate Services



McGrathNicol

McGrathNicol Advisory Partnership
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Brisbane QLD 4001, Australia
T +61 7 3333 9800
F +61 7 3333 9899
mcgrathnicol.com

18 January 2019

Mr Andrew Knight
Chief Operating Officer
Finance and Corporate Services Department
Ipswich City Council
PO Box 191
Ipswich Qld 4305
Email: andrew.knight@ipswich.qld.gov.au

Dear Mr Knight

Ipswich City Properties Pty Ltd
ACN 135 760 637 (ICP)
Engagement letter

I refer to our meetings with Greg Chemello, Charlie Dill and Jeff Keech on 12 November 2018 and our recent emails with you regarding ICP and how we may be of further assistance to Ipswich City Council (ICC).

Set out below is our proposal to assist ICC with two matters, as follows:

- prepare a cost analysis report regarding the Ipswich Central redevelopment; and
- assist ICC to wind down (and transfer to ICC) the operations of ICP in early to mid-2019 to a position where it may be de-registered or wound-up.

We are pleased to provide our proposed engagement letter and scope.

In addition to the specific terms of engagement detailed in this letter, McGrathNicol's Terms and Conditions of Business, attached, will apply to this engagement.

Scope of our work

The proposed scope of our engagement is set out below. The scope of our work may be amended in discussion with you depending on the outcome of our work.

Scope items	
Phase 1: Ipswich Central redevelopment cost analysis	<ul style="list-style-type: none"> • Prepare a cost analysis report regarding the Ipswich Central redevelopment to identify and report on: <ul style="list-style-type: none"> – the total net cost to date – in net operating costs as well as balance sheet movements – of the Ipswich Central redevelopment project incurred by ICP and ICC; – the estimated additional costs to be incurred to wind down (and transfer to ICC) the operations of ICP, assuming that occurs in early to mid-2019; and – the total net cost to date if council has pursued the Ipswich Central redevelopment project in its own right, rather than through ICP.



Scope Items

Phase 2: Wind-down of ICP	<ul style="list-style-type: none"> • Work with ICC personnel to prepare a detailed timeline and project plan of actions required to: <ul style="list-style-type: none"> – transfer ICP's activities to ICC; and – progress ICP to a position where it can be deregistered or wound-up. • This will include ongoing updates to that project plan as steps are taken and as matters develop. In our experience, the order of events and/or the process of events can change over time as matters are encountered and dealt with. • Following the initial preparation of the project plan, work with ICC personnel to: <ul style="list-style-type: none"> – monitor implementation of the project plan; and – report on progress against the project plan, including any matters that could prevent adherence to the project plan and how they may be overcome, with the aim of completing the steps required for ICP to cease operations within the 2019 financial year.
---------------------------	---

The scope of our work includes site visits to ICC's premises to work collaboratively with ICC staff. We do not intend to charge for any travel time.

Reporting

Phase 1

We may prepare a draft report for discussion before we issue our final report setting out our findings and conclusions for Phase 1.

Our final report for Phase 1 will be issued to ICC. We also authorise a copy to be provided (as ICC determines) to ICP. We understand that ICC intends to make our report available to other stakeholders and it will be prepared on that basis.

We will indicate within our report the sources of the information we have used to prepare our report. We are not required to seek to establish the reliability of those sources by reference to independent evidence. The scope of the work we shall carry out is different from that of an audit and it cannot therefore be relied upon to provide the same level of assurance as an audit.

We will have no obligation to update our report for events or transactions occurring subsequent to its date of issue in final form.

Phase 2

Our reporting during Phase 2 would be in the form of, written updates. We would also be available to address you in person as and when it is useful to keep you apprised of progress

Timing

We are available to commence our field work immediately for both Phase 1 and Phase 2 and estimate that we can provide the draft report for Phase 1 to ICC for factual accuracy review within eight weeks of our engagement, subject to the timely receipt of information and availability of key staff to meet with us.

The time taken to complete our work is dependent upon full and free access to management, any relevant advisers, site and the relevant records.

In addition, the time frame assumes that the underlying information of ICC and ICP is well supported.

Assignment staff

Based on our current understanding of your requirements, we will staff the engagement as follows:

3-190118-EngagementLetterICPReview-MJS
In association with



ADVISORY
RESTRUCTURING



Appendix 1

Engagement letter



Name	Position
Anthony Connelly	Partner
Melissa Smith	Director
Shanna Wood	Manager

Anthony Connelly will be the project leader on this assignment. Melissa Smith and Shanna Wood will undertake the detailed aspects of the assignment. Additional staff may be used where it is practical and efficient to do so.

Fees

Our fees will be calculated on the basis of hours spent and hourly rates as set down by McGrathNicol in the attached schedule. These are our rates for the Local Buy Panel. We estimate our fees as follows, exclusive of GST:

- Phase 1: \$85,000. This includes the time required for us to:
 - undertake our fieldwork and gather all relevant financial information from ICC and ICP;
 - analyse and aggregate the available cost information and identify the total cost of the Ipswich Central redevelopment over the last ten years;
 - identify and forecast additional costs associated with the winding down of ICP;
 - identify those costs that would not have been incurred if ICC had undertaken the Ipswich Central redevelopment itself;
 - prepare our draft report and then our final report in a format that visually represents the data for ease of understanding by all stakeholders; and
 - be available to discuss the reports with ICC.
- Phase 2: \$30,000. Our fees for Phase 2 are dependent on the breadth of assistance ICC require us to provide to ICP. We propose to provide our assistance only where it continues to add value to ICC and assist with the timely wind down of ICP's operations.

We will not issue an invoice for any amount in excess of our estimates unless it is discussed and formally agreed with you in advance of that work being undertaken.

These estimates are provided on the basis of:

- the timely receipt of information from ICC and ICP;
- the quality and completeness of the information provided by ICC and ICP; and
- full and free access to ICC and ICP management, key staff and site.

Out of pocket expenses incurred in relation to the assignment will be separately billed at cost.

Pursuant to the standard terms and conditions, payment terms are 30 days from invoice date.

This letter does not constitute a tax invoice for GST purposes.

Purchase order

If ICC is comfortable to proceed with our engagement in relation to either or both of Phase 1 and/or Phase 2, we would be grateful if ICC would please issue a purchase order for that work.



Queries

If after reading this letter and its enclosure you have any questions or would like to discuss any aspects of this engagement letter, please contact Anthony Connelly on (07) 3333 9806 or Melissa Smith on (07) 3333 9811.

If you want us to proceed with the engagement on the basis proposed in this letter and attachments please indicate your acceptance of our engagement letter by completing, signing and returning a copy of this letter, or issue a purchase order for that work or send us an email confirming your acceptance. If you do not indicate your acceptance in writing, but instruct us to proceed with the engagement, we will do so on the basis that you have accepted the terms set out in this letter.

Yours faithfully

McGrathNicol Advisory
 McGrathNicol Advisory
 Partner: Anthony Connelly

CC:

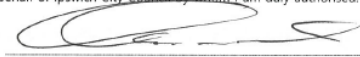
Charlie Dill (Charlie.Dill@ipswich.qld.gov.au)
 Jeffrey Keech (Jeffrey.Keech@ipswich.qld.gov.au)

Enclosure(s):

- Schedule of rates
- McGrathNicol Terms and Conditions of Business



I have read and understood the terms and conditions of this Engagement Letter and I agree to and accept them for and on behalf of Ipswich City Council by whom I am duly authorised:

Signature 
 Name Andrew Knight
 Position COO ICC
 Date 23/1/19



Appendix 1

Engagement letter



McGrathNicol

McGrathNicol

Schedule of Hourly Rates – Ipswich City Council

Position	Rate per hour AUD\$ (exclusive GST)
Partner	490
Director	445
Senior Manager	400
Manager	350
Assistant Manager	300
Senior Accountant	260
Accountant	195
Undergraduate	110
Administrator	110



McGrathNicol

- 1 **Introduction**
- 1.1 This document sets out the standard terms and conditions of business (the "Terms") of McGrathNicol. In this document, "you" means the addressee or addressees of the engagement letter or other form of instruction confirmation that McGrathNicol sends you relating to work to be performed by McGrathNicol (the "Engagement Letter"), and "McGrathNicol" means the McGrathNicol entity referred to in the Engagement Letter. Unless McGrathNicol and you have entered into a separate written agreement, the Terms together with each Engagement Letter that you accept (in accordance with the terms set out in the Engagement Letter) ("this Agreement") will apply to all work McGrathNicol undertakes for you with respect to the engagement as set out in each Engagement Letter. To the extent of any conflict between these Terms and the Engagement Letter, the terms of the Engagement Letter shall prevail.
- 1.2 For the purposes of clauses 3, 5 and 11, each reference to McGrathNicol is a reference to McGrathNicol and its partners, employees and related entities (severally) ("Beneficiaries"). McGrathNicol holds the benefit of clauses 3, 5 and 11 for itself and on trust for the benefit of each of the Beneficiaries, and may enforce the clauses itself and on behalf of any of the Beneficiaries.
- 1.3 If you consist of more than one person or entity ("Client Parties"), then: (a) the limitations of liability under clause 11 act to limit McGrathNicol's aggregate liability in respect of all claims that may be made against McGrathNicol by any one or more of the Client Parties (and whether acting jointly or individually) and, to the extent permitted by law, all of the Client Parties will be joined as plaintiffs in the same proceeding in respect of such claims; and (b) this document binds the Client Parties jointly and each of them individually.
- 1.4 Except for clause 1.2, or where it is expressly stated to the contrary, the reference to the term "partner" in these Terms and in any written or verbal communication by McGrathNicol in connection with this Agreement as it relates to the McGrathNicol Advisory Partnership, ABN 34 824 776 937, is a reference to the staff member with the title and seniority of "partner" and is not a reference to a partner of the McGrathNicol Advisory Partnership.
- 2 **Services**
- 2.1 McGrathNicol will provide the services set out in the Engagement Letter (the "Services") and will use all reasonable commercial efforts to provide the Services in an efficient and timely manner, using the necessary skill and expertise to an appropriate professional standard.
- 3 **Your obligations**
- 3.1 You agree to pay for the Services in accordance with this Agreement.
- 3.2 You will provide McGrathNicol promptly with such information as may reasonably be required for the proper performance of the Services, including access to appropriate members of your staff, records, information, technology, systems and premises.
- 3.3 You must ensure that all materials, documents and information provided by you, or by others on your behalf, to McGrathNicol ("Provided Information") is complete and accurate. You warrant that you have the authority to provide McGrathNicol with the Provided Information. McGrathNicol may rely on all Provided Information without independently verifying it. In addition, McGrathNicol is not responsible for the completeness or accuracy of any materials, documents or information provided by others at your request to McGrathNicol.
- 3.4 If you become aware, or have reasonable grounds to suspect, that any Provided Information is incomplete, inaccurate or misleading, you must promptly notify McGrathNicol and, if required by McGrathNicol, take all necessary steps to correct any announcement, communication or document issued which contains, refers to or is based upon, that Provided Information.
- 3.5 To the maximum extent permitted by law, you are solely responsible for the use of, and reliance on, advice or recommendations supplied by McGrathNicol in the delivery of the Services.
- 3.6 You must ensure that all Provided Information is provided to the relevant individuals within McGrathNicol who are engaged in the provision of the Services. You acknowledge and agree that the knowledge and awareness of Provided Information by a partner or staff member of McGrathNicol is limited to the Provided Information

McGrathNicol Terms and Conditions of Business

- 3.7 You must indemnify and hold harmless McGrathNicol from and against all losses, costs, expenses damages and liabilities incurred or suffered by McGrathNicol directly or indirectly as a result of or in connection with any claim, action, demand or proceeding brought by a third person against McGrathNicol in connection with:
 - (a) any breach by you of this Agreement or
 - (b) any false, misleading or incomplete Provided Information (or any resulting advice or report based on such Provided Information) as provided by you or on your behalf.
- 4 **Confidentiality**
- 4.1 Both parties acknowledge that they may, in the course of the engagement, be exposed to or acquire information that is proprietary or confidential to the other party. Both parties agree to hold such information in strict confidence, and not to divulge such information except as may be required to perform the Services, by law or judicial process, or by any persons or bodies responsible for regulating that party's business (including any regulatory or accounting professional supervisory authorities in Australia or elsewhere), or as required by a party's internal policies or as the party reasonably determines is necessary to protect its own legitimate interests.
- 5 **Staff**
- 5.1 You agree that during the provision of the Services, and for a period of six months thereafter, you will not make any offer of employment to any partner, officer or employee of McGrathNicol or its related entities involved in the provision of the Services, without McGrathNicol's prior consent.
- 6 **Benefit of advice**
- 6.1 Unless otherwise specifically stated in the Engagement Letter, any advice or opinion provided as part of the Services is provided solely for your benefit and may not be disclosed by you in any way, including any publication on any electronic media, to any other party and is not to be relied upon by any other party.
- 6.2 During the supply of the Services, McGrathNicol may supply oral, draft or interim advice, reports or presentations, including in electronic form ("Interim Work"). All Interim Work is in draft form only and is subject to change. You must not rely on any Interim Work except with written confirmation from McGrathNicol. The final written advice or report provided by McGrathNicol will take precedence over all Interim Work.
- 6.3 The Services are deemed to have been completed when the advice or report has been issued in final form. The Services exclude, and McGrathNicol is not responsible for, updating any advice, report or other materials for subsequent events.
- 7 **Electronic mail**
- 7.1 If you ask us to transmit any communication to you electronically, you release us from liability for any loss which you may incur if the communication is intercepted, delayed, lost or corrupted during transmission or if any electronic transmission is affected by any computer virus.
- 7.2 Unless otherwise confirmed in writing by, or through electronic mail from, a partner or authorised signatory of McGrathNicol, all electronically transmitted advice or opinions are deemed to be in draft form and cannot be relied upon.
- 8 **Fees, expenses and payment terms**
- 8.1 The time based fees, if any, quoted in the Engagement Letter will remain in force until the 31 December or 30 June of each year (whichever occurs first) and McGrathNicol may amend its fees and rates for work continuing past that date by notice to you. In the absence of such notice, the existing fees and rates will continue to apply.
- 8.2 If McGrathNicol incurs out-of-pocket expenses in connection with the provision of the Services, we will invoice these to you at cost.



McGrathNicol

- 8.3 The consideration payable for any supply made or to be made under this Agreement is exclusive of any goods and services tax ("GST"). If GST is payable on any supply made or to be made McGrathNicol Terms and Conditions of Business under this Agreement, you agree that the consideration payable for any such supply shall be increased by an amount equal to the amount of GST payable by McGrathNicol in respect of that supply.
- 8.4 Accounts are to be paid within 14 days of the billing date. If they are not paid by this date, you must on demand pay interest on any outstanding balances at a rate equal to 2% over the 180 Day Bank Bill Rate.
- 8.5 If any one or more of McGrathNicol, its related entities and any of their respective partners, officers or employees is required (pursuant to any order, subpoena, directive or other legal or regulatory process) to produce documents and/or information, answer enquiries, attend court or meetings or deal with any similar requests in relation to the Services for, or by, any judicial, regulatory, administrative or similar body or entity (including without limitation, any foreign regulator or similar), you must on demand pay the service charges and disbursements including reasonable legal fees, incurred in dealing with those matters (at McGrathNicol's then standard billing rates).
- 9 **Problem resolution**
- 9.1 If at any time you would like to discuss with McGrathNicol how the Services can be improved or if you have a complaint about them, you are invited to telephone the partner or project leader, as the case may be, identified in the Engagement Letter or alternatively the Chairman of McGrathNicol. McGrathNicol will endeavour to investigate any complaint promptly and to resolve the difficulties.
- 9.2 If the problem cannot be resolved, the parties agree to enter into mediation before commencing legal proceedings. The parties agree that in default of agreement on the appointment of the mediator, the President of the Institute of Chartered Accountants in Australia shall nominate the mediator.
- 9.3 In the event of a dispute, or where fees remain unpaid beyond the due date, McGrathNicol may suspend provision of the Services until such time as the dispute is resolved or the fees are paid. Suspension of the Services will not affect your obligation to pay for Services rendered up to and including the date of suspension.
- 10 **Termination of Agreement**
- 10.1 Each party may terminate this Agreement by written notice to the other party if:
 - the other party commits any material breach of its obligations under this Agreement which is not capable of remedy or fails to remedy a material breach which is capable of remedy within 14 days of notice requiring its remedy; or
 - the other party commits a persistent breach of its obligations under this Agreement; or
 - the other party becomes insolvent; or
 - the Services are suspended under clause 9.3 for more than 10 normal working days.
- 10.2 Unless otherwise extended, the Agreement terminates on the completion of the Services.
- 10.3 Termination of this Agreement does not prejudice any accrued rights and remedies or the operation of clause 3. All sums due to McGrathNicol become payable in full on termination of this Agreement.
- 11 **Liability**
- 11.1 Except as expressly provided under this Agreement, to the maximum extent permitted by law, McGrathNicol excludes all other warranties, terms, conditions, undertakings, representations and consumer guarantees (express, implied, statutory or otherwise). In relation to any condition, warranty, representation or consumer guarantee implied or provided by law that cannot be lawfully excluded, where permitted by law, McGrathNicol's liability is limited, at the sole discretion and option of McGrathNicol, to the minimum obligations or liabilities permitted by law (such as resupplying the services or paying the cost of resupplying the services). You warrant any representations that are of importance to you are expressly set out in the Engagement Letter. This clause 11 does not exclude or restrict any rights or remedies that

McGrathNicol Terms and Conditions of Business

- you may have in relation to a "major failure", as that term is defined in the Competition and Consumer Act 2010 (Cth).
- 11.2 To the extent that one or more schemes for limiting occupational liability of members of an occupational association (as approved under the relevant Professional Standards Act) ("the Schemes") is or are applicable, McGrathNicol's liability is limited by the relevant Schemes. If you require further information or a copy of the relevant statutes or the relevant Schemes, please feel free to contact McGrathNicol.
- 11.3 If the Scheme does not apply, then to the maximum extent permitted by law and without limiting clause 11.4, McGrathNicol's aggregate liability to you on any basis and in any circumstances (including any liability for negligence) in relation to the Services or this Agreement is limited to the lower of: (a) the amount equal to five times the professional fees actually paid to McGrathNicol in respect of the Services; and (b) \$20 million.
- 11.4 To the maximum extent permitted by law, McGrathNicol is not liable to you in any circumstances for any indirect, economic, special or consequential loss or damage, or in any event for any loss of revenue, loss of production, loss of profit or loss of data.
- 11.5 You release McGrathNicol from all claims and liability to the extent that McGrathNicol's liability would exceed the limit set out in clause 11.3 or is excluded by clause 11.4.
- 11.6 McGrathNicol's liability to you for any loss or damage is reduced to the extent that the loss or damage is attributable to the negligence, fault or lack of care on your part or on the part of any person for whom you are responsible.
- 12 **Privacy**
- 12.1 McGrathNicol is committed to complying with the Privacy Act 1988 (Cth) and Australian Privacy Principles when collecting, holding or disclosing personal and sensitive information concerning your shareholders, members, customers, employees and other individuals with whom you have dealings ("stakeholders").
- 12.2 If your stakeholders have not been made aware of the possible collection, holding, use or disclosure of their personal and sensitive information by McGrathNicol as part of the provision of the Services, you must inform McGrathNicol, and take all reasonable actions as required by McGrathNicol so that the stakeholders are made aware.
- 13 **Force majeure**
- 13.1 If the performance of this Agreement by a party (other than an obligation to make payment) is prevented, delayed or restricted by reason of fire, storm, flood, earthquake, war, labour dispute, transportation embargo, law, order, or directive of any government in matters relating to this Agreement, or any other event or condition beyond the reasonable control of that party, then the party is excused from such performance to the extent of the same, but will use reasonable efforts to mitigate the effect of such event or condition.
- 14 **Governing law and jurisdiction**
- 14.1 This Agreement and all aspects of the engagement and the performance of the Services are governed by, and construed in accordance with, the laws applicable in the state of New South Wales. The parties agree to irrevocably submit any disputes arising under this agreement to the non-exclusive jurisdiction of the Courts of that state.
- 15 **Variation**
- 15.1 No variation of this Agreement will be valid unless confirmed in writing by authorised signatories of both parties on or after the date of signature of the Engagement Letter.
- 16 **Entire Agreement**
- 16.1 The Terms and the Engagement Letter are the entire agreement and understanding between the parties on everything connected with the subject matter of this Agreement and supersede any prior agreement or understanding on anything connected with that subject matter.





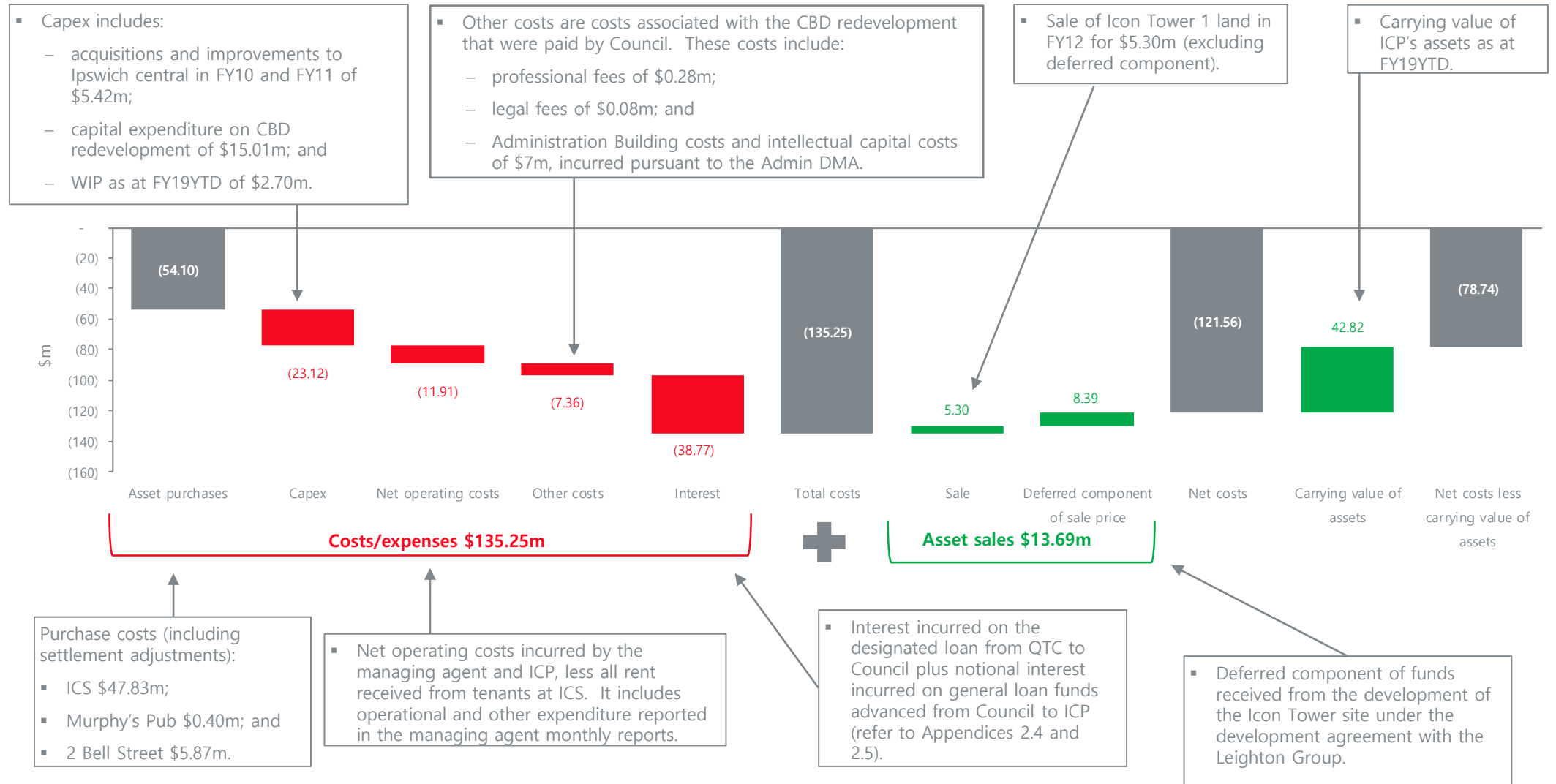
Appendix 2

Ipswich CBD redevelopment cost analysis

Appendix 2: Ipswich CBD redevelopment cost analysis

2.1 Total net costs to date incurred by ICP

ICP financed the CBD redevelopment using money borrowed from Council, including funds borrowed by Council from QTC, and then on-loaned by Council to ICP. Costs totalled \$(135.25m) and asset sales, which includes a deferred component of funds received as a result of the sale of Icon Tower 1, totalled \$13.69m. ICP's total costs, less the carrying value of ICP's assets is \$(78.74m).



Source: ICP financial statements, QTC loan statements and information provided by Council personnel

Appendix 2: Ipswich CBD redevelopment cost analysis

2.2 Details of costs analysis

Total costs are \$(135.25m) and total receipts are \$13.69m, resulting in total net costs of \$(121.5m). Total net costs less the carrying value of ICP's assets of \$42.82m are \$(78.72m). The analysis excluded non-cash items, such as depreciation and write-downs on loans & assets. It also excludes the interest charged by Council to ICP, as these are only entries between Council and its subsidiary rather than external costs.

ICP: summary of costs and receipts on the CBD redevelopment

Category	Sub-category	Detailed description
Asset purchases/sale Purchase: \$(54.10m) (includes settlement adjustments) Sale: \$5.30m, excluding deferred component	ICS Purchase: \$(47.83m)	<ul style="list-style-type: none"> ICS was purchased in March 2009 from Memocorp for a contract price of \$45m. \$7m was paid to Memocorp in FY09 with the balance of the contract price of \$38m paid 12 months later in FY10. The cost analysis applies the carrying value of \$47.83m for the purchase of ICS. We understand that the additional \$2.83m likely relates to stamp duty, settlement adjustments and transaction costs. Refer to Appendices 3.2 and 3.3 for further details regarding the properties included in the ICS purchase.
	Murphy's Pub Purchase: \$(0.40m)	<ul style="list-style-type: none"> Murphy's Pub was purchased by ICP in December 2014 for \$0.40m and has been identified by Council, in its capacity as the local government authority, as a character building.
	2 Bell Street Purchase: \$(5.87m)	<ul style="list-style-type: none"> In February 2018, ICP purchased the long-term leasehold property (containing a seven storey commercial office tower atop a ground floor retail arcade) from receivers. The lease expires on 27 November 2077. ICP currently occupies level 7 of the office building and Queensland Health is located on the ground floor. ICP intended to lease space in the building to contractors and consultants engaged for the redevelopment of Ipswich Central. At the completion of the redevelopment, the space would be available for general leasing.
	Icon Tower Sale: \$5.30m, excluding deferred component	<ul style="list-style-type: none"> The lot on which Bell Street Link is situated (refer to Appendix 3.2) was created by a subdivision of the original lot into two independent lots. Icon Tower 1 was developed on the other lot and, accordingly, value was realised from ICP's property holdings when the Icon Tower 1 land was sold in FY12 for \$5.30m (excluding GST and a deferred component – refer below). An advance of \$0.50m paid toward the sale of the Icon Tower 1 land was recognised in ICP's P&L as "other revenue" in FY11 and the balance of funds (\$4.80m) was received in December 2011.
Deferred component of sale price \$8.39m	Icon Tower 1	<ul style="list-style-type: none"> ICP received deferred payments totalling \$8.39m from its development agreement with Leighton Group for the development of the Icon Tower site. The deferred payments were received in the following parts: <ul style="list-style-type: none"> – \$4.00m in FY12; – \$2.00m in FY13; – \$1.50m in FY14; and – \$0.89m in FY17.

Source: ICP financial statements, QTC loan statements, bank statements and information provided by Council personnel

Appendix 2: Ipswich CBD redevelopment cost analysis

2.3 Details of costs analysis (continued)

ICP: summary of costs and receipts on the CBD redevelopment

Category	Sub-category	Detailed description
Capex \$(23.12m)	Acquisitions and improvements \$(5.42m)	<ul style="list-style-type: none"> Acquisitions and improvements relate to expenditure of approximately \$5.42m on the improvement of the CBD redevelopment in FY10 and FY11. This total amount was capitalised to ICP's balance sheet across those two financial years. Details of the works completed are not available, and it is unclear whether the works were completed on ICS generally or the Icon Tower land specifically.
	Capital expenditure \$(15.01m)	<ul style="list-style-type: none"> Capital expenditure on CBD redevelopment of \$15.01m, which took place in FY18 and FY19YTD.
	WIP \$(2.70m)	<ul style="list-style-type: none"> Accrued WIP of \$2.70m as at FY19YTD relates to site costs, construction costs and professional & consultancy fees, which ICP has capitalised.
Net operating costs \$(11.91m)	Revenue \$34.92m	<ul style="list-style-type: none"> Revenue consists of: <ul style="list-style-type: none"> rental income from tenants at the Entertainment Precinct, Bell Street Link and 2 Bell Street; other revenue, which largely relates to recovery of owner's costs & office rental and car parking revenue; and interest from cash at bank.
	Operating costs \$(46.83m)	<ul style="list-style-type: none"> Operating costs include, but are not limited to: <ul style="list-style-type: none"> materials and services, which includes tenancy expenses, general owner expenses and service charges, including repairs and maintenance; expenses relating to the redevelopment of ICS; and non-executive directors' fees. Some of the repairs and maintenance were more akin to capital expenditure (such as air conditioning upgrades); however, they were included in the managing agent reports with net operating costs.
Interest \$(38.77m)	Designated QTC loan interest \$(24.40m)	<ul style="list-style-type: none"> Pursuant to the <i>Statutory Bodies Financial Arrangement Act 1982</i>, Council required approval to borrow funds from QTC to on-loan funds to ICP for the CBD redevelopment. As the loan from QTC was being on-loaned to ICP, QTC charged additional interest of 1.35% pa on top of its usual interest rate to Council. The interest included in the cost analysis is actual interest incurred by Council on the designated QTC loan for the period FY09 to FY19YTD (interest charged by Council to ICP has been eliminated from the calculation).
	General funds loaned by Council to ICP notional interest \$(14.36m)	<ul style="list-style-type: none"> In addition to the designated ICP loan facility from QTC, Council also advanced other general funds to ICP. We have applied to these general funds the usual QTC interest rate on funds borrowed by Council to achieve a notional interest calculation. The additional interest margin of 1.35% did not apply to these other funds advanced to ICP by Council.
Carrying value of assets \$42.82m	Accounts	<ul style="list-style-type: none"> This is the value recognised in ICP's FY18 financial statements and ICP's management accounts as at FY19YTD for land, improvements to the redevelopment and plant & equipment.

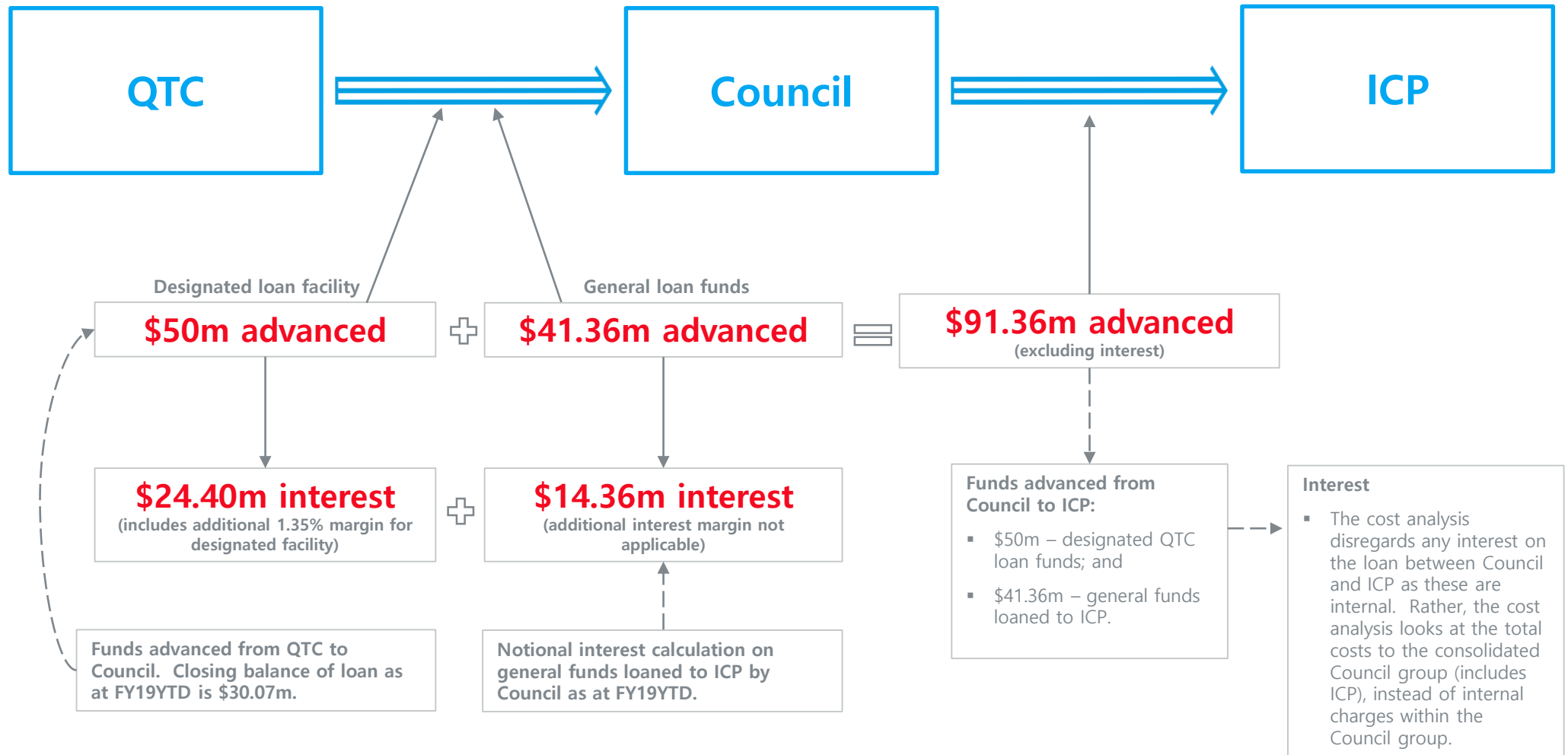
Source: ICP financial statements, QTC loan statements, bank statements and information provided by Council personnel



Appendix 2: Ipswich CBD redevelopment cost analysis

2.4 Loan summary

ICP financed the Ipswich City redevelopment using (a) funds advanced from Council to ICP, received by Council through a designated loan facility with QTC; and (b) Council funds that were advanced to ICP in addition to the designated ICP loan facility from QTC. QTC charged interest on the designated loan facility with an additional interest margin of 1.35% pa as a result of the funds being on-loaned to a Council wholly-owned subsidiary. The cost analysis also incorporates notional interest calculated on the additional funds loaned to ICP by Council.



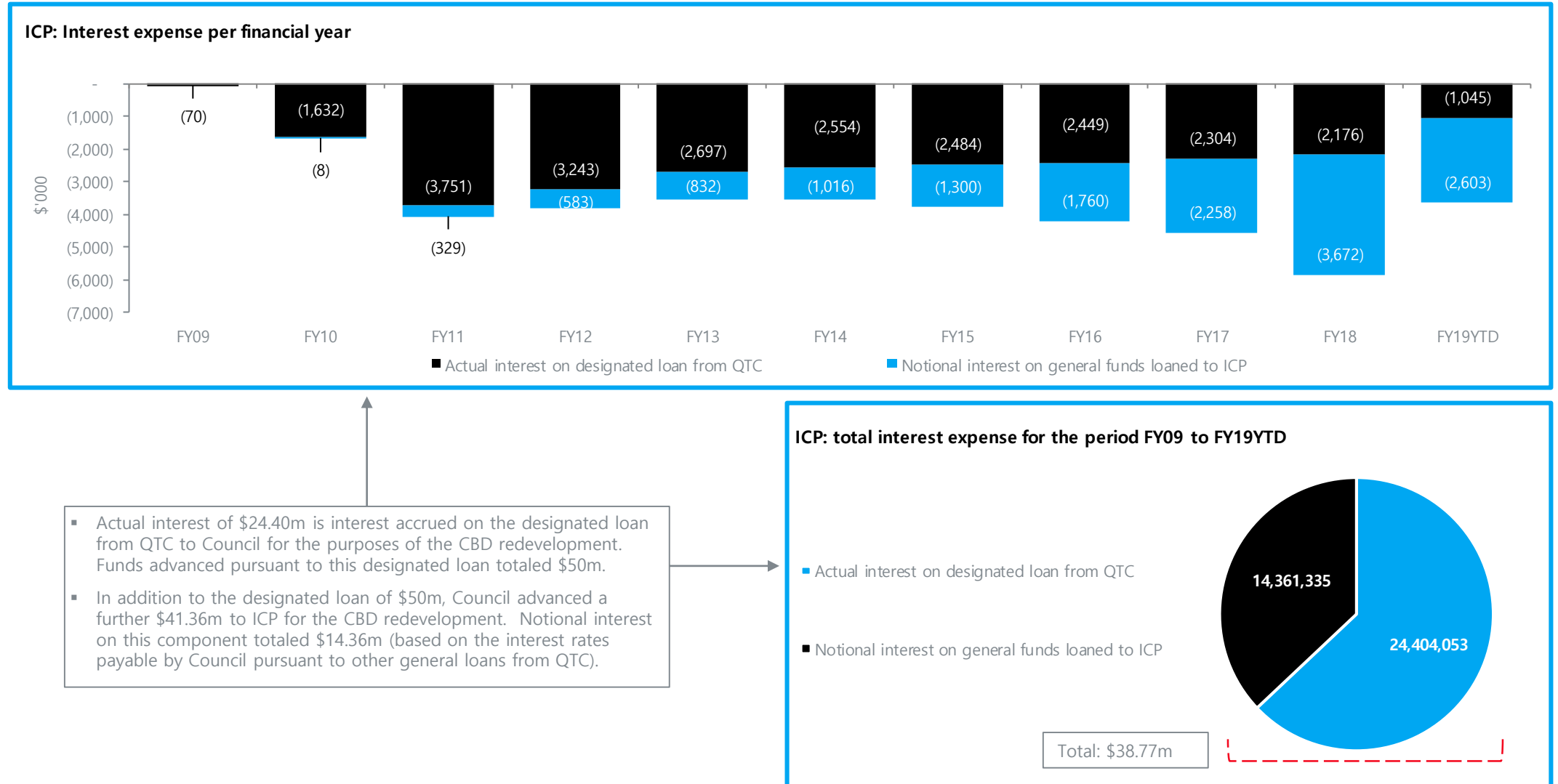
Source: Financial statements, QTC loan statements and Council personnel



Appendix 2: Ipswich CBD redevelopment cost analysis

2.5 Breakdown of costs and interest

Interest associated with the CBD redevelopment includes (a) funds advanced from Council to ICP, received by Council through a designated loan facility with QTC; and (b) Council funds that were advanced to ICP in addition to the designated QTC loan facility. Interest totals \$38.77m, which represents the second largest cost of the Ipswich CBD redevelopment after capital costs.



Source: ICP financial statements, QTC loan statements, information provided by Council personnel and McN calculations.



Appendix 3

Background

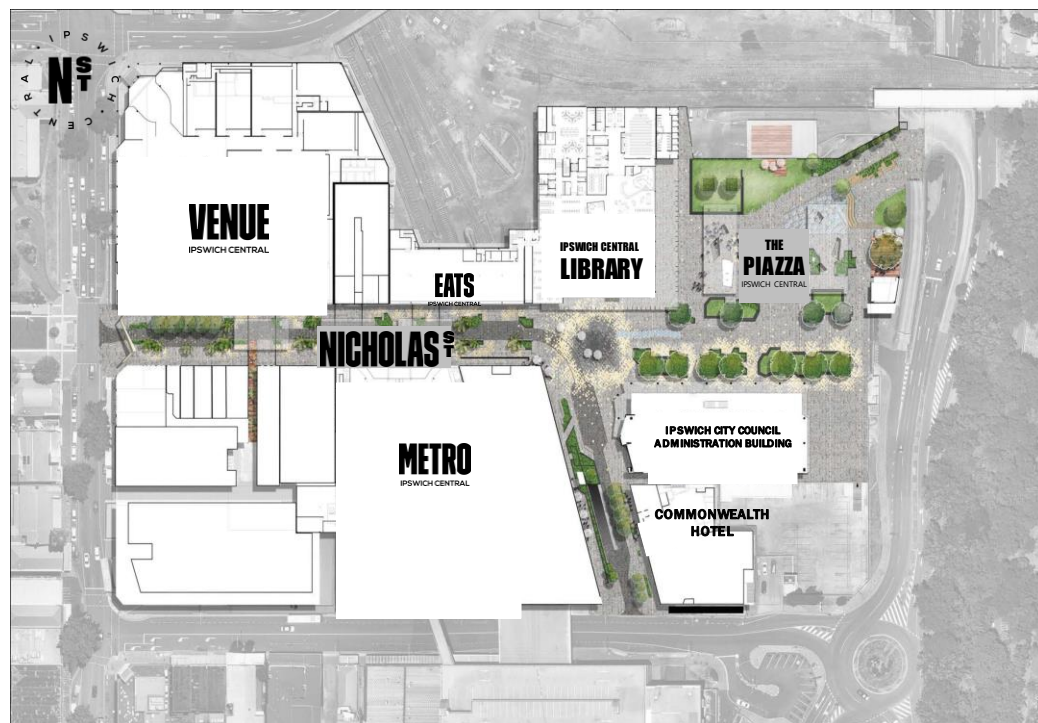
Appendix 3: Background

3.1 Background and key activities

ICP was established to purchase land in the Ipswich CBD in 2009 and project manage the development of that land for civic and commercial purposes. The two key projects are the proposed new Council Administration Building and an adjacent Civic Space. ICP also manages projects on other property parcels within Ipswich city centre, on its land and Council-owned land.

ICP background and Ipswich City Central Master Plan

- ICP's main objective was the acquisition and redevelopment of land with a focus on revitalising the Ipswich city centre. Its key focus was on inner city living and the creation of a "street based higher order retail precinct", which was to be centred around Council's new Administration Building and services precinct.
- The retail component is focused on entertainment and food & beverage services, which is to differ from the services provided at the nearby Riverlink shopping centre.



Source: Provided by Council personnel

ICP's property interests and projects undertaken by ICP

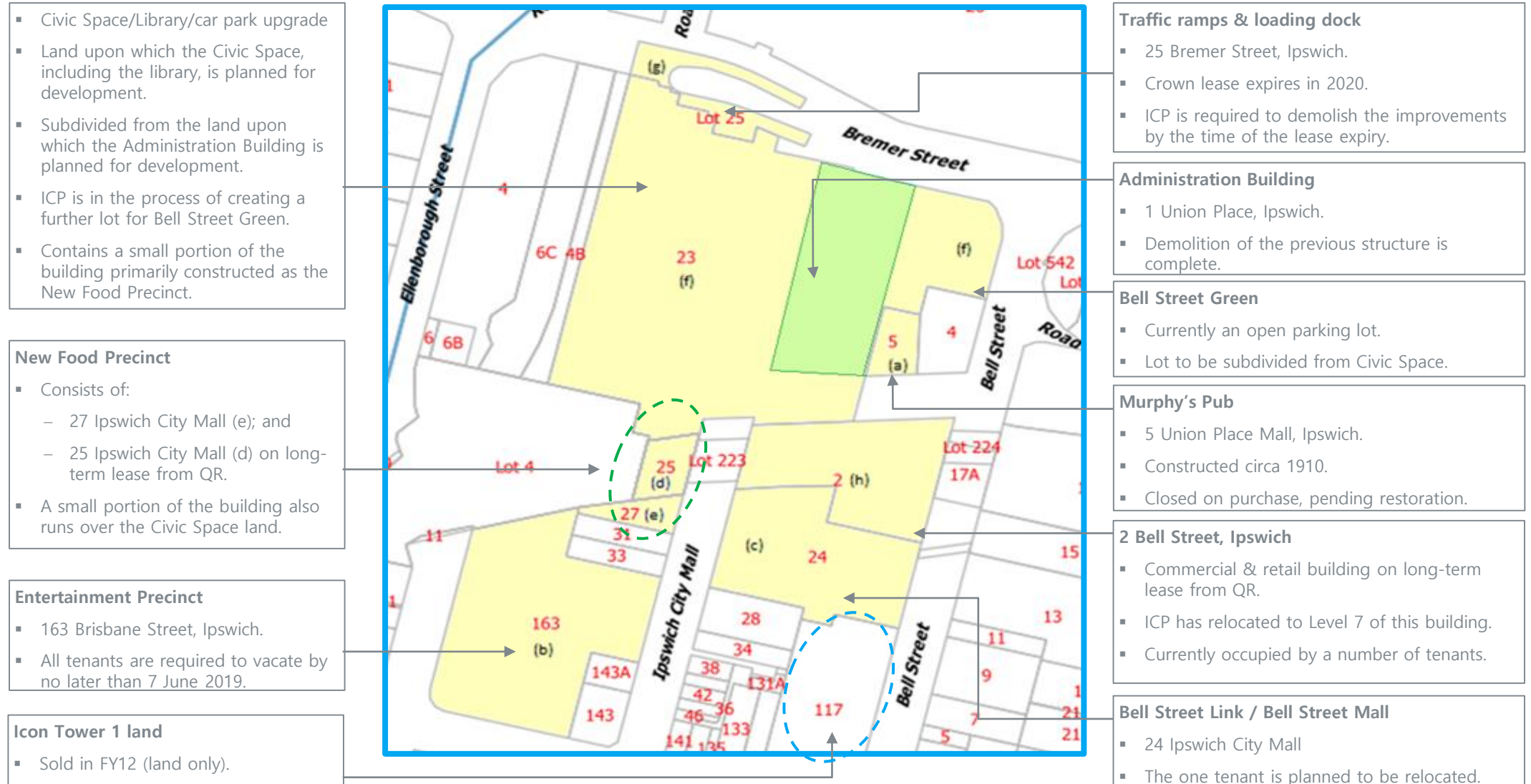
- ICP's projects are on its land within Ipswich city centre and on land owned by (or to be transferred to) Council.
- The status of ICP's two key projects is as follows. These projects are planned for land currently owned by ICP, but intended to be transferred to Council before development:
 - Administration Building: In early 2018, Council resolved to own the Administration Building and consequently terminated the AFL and the Admin DMA with the third party developer, EPC. At that time, it was also determined that Council would engage ICP as the developer of the Administration Building.
 - Civic Space: Council engaged ICP to develop Civic Space in Ipswich CBD on land currently owned by ICP. The project is currently on hold.
- Council has since resolved that ICP will not act as developer and will be wound up.
- ICP's real property interests are within the Ipswich city centre and consist of the following:

ICP properties	Lot on plan description
Civic Space (currently includes Bell Street Green)	1 SP300605
Administration Building	2 SP300605
Entertainment Precinct	1 RP209886
Bell Street Link	2 SP246525
New Food Precinct	2 RP209886
	3 RP212242 (leased from QR)
Traffic Ramps	25 CPS2 804975 (leased from QR)
Murphy's Pub	1 RP2677
2 Bell Street	Lot 1 RP157021

Appendix 3: Background

3.2 Summary of ICP's current properties and projects

ICP's projects and land holdings are within Ipswich city centre. This diagram shows ICP's projects and the location of the land to which they relate. Many of these projects are on ICP's land. Some of the projects are on land owned by Council or other parties.



Source: Information provided by Council personnel



Appendix 3: Background

3.3 ICP's current properties

ICP refers to its projects within the Ipswich city centre by the names in this table, which are linked to the property descriptions, purchase prices and carrying values. The lot on which Bell Street Link is situated was created by a subdivision of the original lot into two independent lots. Icon Tower 1 was developed on the other lot and, accordingly, value was realised from ICP's property holdings when the Icon Tower 1 land was sold in FY12. This accounts for part of the difference between the purchase price and current carrying value of ICP's land holdings.

Properties currently owned by ICP							
Property	Location	Property type	Lot and plan	Lease expiry	Purchased	Purchase price including settlement adjustments (\$m)	FY19YTD carrying value (\$m)
Civic Space/Bell Street Green (ICS)	23 Ipswich City Mall	Freehold	1 SP300605	-	2009		
Administration Building (ICS)	1 Union Place, Ipswich	Freehold	2 SP300605	-	2009		
Entertainment precinct (ICS)	163 Brisbane Street, Ipswich	Freehold building	1 RP209886	-	2009		
Bell Street Link/ Bell Street Mall (ICS)	24 Ipswich City Mall	Freehold building	2 SP246525	-	2009	\$47.83	
New Food Precinct (ICS)	27 Ipswich City Mall (freehold)	Freehold building	2 RP209886	-	2009		\$27.80
	25 Ipswich City Mall (leasehold)	Leasehold building from QR	3 RP212242	31/08/2086	2009		
Traffic ramps & loading dock (ICS)	Lot 25, Bremer Street, Ipswich	Crown lease of traffic ramp and loading dock	25 CP SL804975	31/10/2020	2009		
Murphy's Pub	5 Union Place, Ipswich	Freehold building	1 RP2677	-	2014	\$0.40	
2 Bell Street	2 Bell Street, Ipswich	Leasehold building from QR	Lot 1 RP157021	27/11/2077	2018	\$5.87	
Total						\$54.10	\$27.80

Note:

In The FY19YTD carrying value is representative of the whole of the Ipswich City Central redevelopment. Capital development costs (in addition to this value) are also included in ICP's balance sheet

Source: ICP financial accounts and information provided by Council personnel

