

REGIONAL LAND MANAGEMENT CORPORATION
FINANCIAL REPORT 2004-05



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COMPANY PARTICULARS

DIRECTORS

Mr R Robson (Chairman)

Cr J Tate

Mr D Simmons

Mr R Knights

COMPANY SECRETARY

Mrs S Smith

REGISTERED OFFICE

*The registered office and principal place
of business of the Company is:*

First Floor, Administration Building

99 Selwyn Street

MAYFIELD NSW 2304

AUDITORS

Audit Office of New South Wales

BANKERS

Commonwealth Bank of Australia

The Directors submit the following report made in accordance with a resolution of the Directors of the Regional Land Management Corporation Pty Ltd for the year ended 30 June 2005.

DIRECTORS

The names of Directors in office at any time during or since the end of the financial year and up to the date of this report are:

Mr R Robson - Chairman
Cr J Tate
Mr D Simmons
Mr R Knights

INFORMATION ON DIRECTORS

RON ROBSON

OAM, FAIM, FAICD, JP

Mr Robson was appointed Chairman of the Regional Land Management Corporation Pty Ltd on 5 March 2003. Mr Robson is Chairman of Hunter Water Corporation, Chairman of Hunter Water Australia Pty Limited, a Director of Robson Health Care Pty Ltd and Patron of Newcastle/Hunter Valley Rugby Union.

Attended 14 of a maximum of 14 Board Meetings.

JOHN TATE

Councillor Tate was appointed as Director of the Regional Land Management Corporation Pty Ltd on 5 March 2003. Councillor Tate has been a Councillor of Newcastle City Council since September 1980 and Lord Mayor since September 1999. Councillor Tate is Chair of the Hunter Economic Development Corporation and a Director of Honeysuckle Development Corporation, Hunter Councils and the Hunter Region Tourism Organisation. Councillor Tate was also a former director of the Westpac Rescue Helicopter Service.

Attended 12 of a maximum of 14 Board Meetings.

DAVID SIMMONS

OAM, BA, M.ED (HONS), FAICD

Mr Simmons was appointed as a Director of the Regional Land Management Corporation Pty Ltd on 5 March 2003. From 1983 to 1996, Mr Simmons represented the Federal Electorate of Calare in the House of Representatives and held a number of executive positions in the government. Mr Simmons is a former Chief Executive of the Hunter Business Chamber, served as Chairman of the Hunter Medical Research Institute Foundation, 2002-03, and was a Board Member of Tourism New South Wales from 1997-2003. In April 2005 Mr Simmons was appointed a director of the National Heart Foundation (NSW Division).

Attended 11 of a maximum of 14 Board Meetings.

ROSS KNIGHTS

Dip Civ Eng, MIE Aust, M Aust IMM, FAICD

Mr Knights was appointed as a Director of the Regional Land Management Corporation Pty Ltd on 5 March 2003 and is also a Director of Hunter Water Corporation and a Director of Hunter Water Australia Pty Limited. Mr Knights was also Chairman of the Broke Fordwich Private Irrigation District until he resigned as Chairman and a member in November 2003. Mr Knights was previously Deputy Managing Director of Peabody Resources Ltd, a member of the Hunter Economic Development Council and Chairman of Newcastle Coal Shippers Pty Ltd.

Attended 14 of a maximum of 14 Board Meetings.

PRINCIPAL ACTIVITIES

In accordance with the Regional Land Management Corporation Pty Ltd's Implementation Agreement with the State, the principal activities of the Company are to assume interim management of a number of properties in the Lower Hunter Region, and will undertake all tasks incidental thereto. During the course of the financial period such tasks may include:

- day-to-day property management activities
- preparing and implementing contaminated land remediation activities
- strategic land development planning and management
- providing advice to the State on various employment, environmental, residential and infrastructure use of the lands
- completion of the multi-user infrastructure Environmental Impact Study
- resolution of outstanding multi-user infrastructure design issues
- promoting and facilitating strategic development of the land holdings for industrial/commercial usage

OPERATING RESULT

The operating profit after providing for income tax of the Company for the year ended 30 June 2005 amounted to \$NIL.

DIVIDENDS

No dividends were declared or paid by the Company during the financial period.

REVIEW OF OPERATIONS

The results of activities and levels of expenditure have been satisfactory and within the Directors' expectations.

STATE OF AFFAIRS

The Company was formed on 5 March 2003 to undertake the above activities after the State issued a direction to Hunter Water Corporation under section 20N of the **State Owned Corporations Act 1989 (NSW)** to form a special purpose subsidiary Company. In November 2004 The Cabinet Standing Committee on the Budget endorsed an extension of Regional Land Management Corporation Pty Ltd's operating term to 30 June 2008. In June 2005 a ministerial direction was received extending the operating term to 30 June 2008.

AFTER BALANCE DATE EVENTS

No matters or circumstances have arisen since the end of the financial year which significantly affected or may affect the operations of the Company, the result of those operations, or the state of affairs of the Company in future financial years.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration is included on page 17.

DIRECTORS AND AUDITORS INDEMNIFICATION

The State has an agreement with the Regional Land Management Corporation Pty Ltd by way of an Indemnity Deed Poll to indemnify the Directors and officers of the Company. The indemnity relates to:

- any civil liability to a third party (other than Regional Land Management Corporation Pty Ltd or a related entity) unless the liability arises out of conduct involving lack of good faith
- any costs or expenses of defending proceedings in which judgment is given in favour of the officer

No liability has arisen under these indemnities as at the date of this report.

DIRECTORS' BENEFITS

During or since the financial period no Director has received or become entitled to receive a benefit, other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors shown in the accounts, by reason of a contract entered into by the Company with:

- a Director; or
- a firm of which a Director is a member; or
- an entity in which a Director has a substantial financial interest.

ENVIRONMENTAL REGULATIONS

The Waste Emplacement Facility on Kooragang Island managed by Regional Land Management Corporation Pty Ltd, although not presently an active landfill site, remains subject to a licence issued under the **Protection of the Environment Operations Act 1997**. During the financial period the Company complied with the material requirements of this licence and associated legislation. There was some minor technical non-compliance associated with reporting requirements which had no environmental impact.

The Closure Area of the former steelworks site at Mayfield is managed by Regional Land Management Corporation Pty Ltd on behalf of the State Government, who is the land owner. Environmental liability and funding relating to all remediation activities undertaken by Regional Land Management Corporation Pty Ltd resides with the State Government. This site was declared a declared Remediation Site under the **Contaminated Lands Management Act 1997** in June 2001 by the Department of Environmental Conservation (DEC). Regional Land Management Corporation Pty Ltd and the DEC are finalising details of a Voluntary Remediation Agreement under the **Contaminated Lands Management Act 1997**.

LIKELY DEVELOPMENTS

In accordance with the direction issued by the State, in June 2005, the Company will continue to perform the activities as set out in the Implementation Agreement and any subsequent variation to Implementation Agreement deeds between the State, Hunter Water Corporation and Regional Land Management Corporation Pty Ltd concerning, inter alia, the acquisition and management of the Land.

In the coming year the Company will continue its convergence project to Australian Equivalents to International Financial Reporting Standards.

Signed in accordance with a resolution of the Board of Directors.



Mr R ROBSON
CHAIRPERSON



Mr D SIMMONS
DIRECTOR

NEWCASTLE 14 SEPTEMBER 2005



**INDEPENDENT AUDIT REPORT
REGIONAL LAND MANAGEMENT CORPORATION PTY LTD**

To Members of the New South Wales Parliament and Members of Regional Land Management Corporation Pty Ltd.

Audit Opinion

In my opinion the financial report of Regional Land Management Corporation Pty Ltd is in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of Regional Land Management Corporation Pty Ltd's financial position as at 30 June 2005 and financial performance for the year ended on that date, and
 - (ii) complying with Accounting Standards in Australia, and the *Corporations Regulations 2001*,
- (b) other mandatory financial reporting requirements in Australia, and
- (c) section 41B of the *Public Finance and Audit Act 1983*.

My opinion should be read in conjunction with the rest of this report.

The Directors' Role

The financial report is the responsibility of the company's directors. It consists of the statement of financial position, the statement of financial performance, the statement of cash flows and the accompanying notes, and directors' declaration.

The Auditor's Role and the Audit Scope

As required by the *Public Finance and Audit Act 1983* and the *Corporations Act 2001*, I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament and the members of Regional Land Management Corporation Pty Ltd that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing and Assurance Standards and statutory requirements, and I:

- evaluated the accounting policies and significant accounting estimates used by the directors in preparing the financial report, and
- examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that the company's directors had not fulfilled their reporting obligations.

My opinion does *not* provide assurance:

- about the future viability of the company,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. The *Public Finance and Audit Act 1983* further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.

My Declaration of Independence dated 7 September 2005 would have been made on the same terms if it had been made at the date of this report.

J'Kheir B Ec, FCPA
Director, Financial Audit Services

	NOTE	30 JUN 05 \$	30 JUN 04 \$
REVENUE			
Treasury funding	2	3,213,836	816,738
Rental income	2	2,792,626	2,949,121
Other revenues from ordinary activities	2	35,205	79,237
TOTAL REVENUE FROM ORDINARY ACTIVITIES		6,041,667	3,845,096
EXPENDITURE			
Expenditure relating to contracts and consulting		(4,029,614)	(2,321,867)
Insurance costs		(74,945)	(83,926)
Legal fees		(77,977)	(31,171)
Licence fees		(0)	(43,644)
Property security costs		(276,066)	(383,636)
Salaries, wages and Directors fees		(1,200,078)	(668,460)
Borrowing costs	3	(129,319)	(73,997)
Other		(253,668)	(259,026)
TOTAL EXPENDITURE FROM ORDINARY ACTIVITIES		(6,041,667)	(3,865,727)
(LOSS)/PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		-	(20,631)
INCOME TAX BENEFIT/(EXPENSE) RELATING TO OPERATING ACTIVITIES	4A	-	20,631
PROFIT FROM ORDINARY ACTIVITIES AFTER RELATED INCOME TAX EXPENSE		-	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		-	-

The Statement of Financial Performance should be read in conjunction with the accompanying notes on pp9-16

	NOTE	30 JUN 05 \$	30 JUN 04 \$
CURRENT ASSETS			
Cash	5	1,242,175	792,474
Receivables	6	3,433,448	947,151
Other	7	13,112	19,075
TOTAL CURRENT ASSETS		4,688,735	1,758,700
NON-CURRENT ASSETS			
Other	7	65,324	-
TOTAL NON-CURRENT ASSETS		65,324	-
TOTAL ASSETS		4,754,059	1,758,700
CURRENT LIABILITIES			
Payables	8	817,017	277,323
Interest-bearing liabilities	9	3,323,425	1,075,161
Provisions	10	96,820	135,948
Other	11	267,332	270,168
TOTAL CURRENT LIABILITIES		4,504,594	1,758,600
NON-CURRENT LIABILITIES			
Provision for employee entitlements	10	249,365	-
TOTAL NON-CURRENT LIABILITIES		249,365	-
TOTAL LIABILITIES		4,753,959	1,758,600
NET ASSETS		100	100
EQUITY			
Contributed equity	12	100	100
Retained profits	13	-	-
TOTAL EQUITY		100	100

The Statement of Financial Position should be read in conjunction with the accompanying notes on pp 9-16

	NOTE	30 JUN 05 \$	30 JUN 04 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of Goods and Services Tax)		3,861,792	4,205,905
Payments to Suppliers and Employees (inclusive of Goods and Services Tax)		(5,561,330)	(4,083,564)
Interest received		30,294	29,810
Interest paid		(129,319)	(73,997)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	14B	(1,798,563)	78,154
CASH FLOWS FROM INVESTING ACTIVITIES			
		-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
BORROWINGS - LOAN FROM HUNTER WATER CORPORATION			
		3,323,425	1,075,161
REPAYMENT OF BORROWINGS			
		(1,075,161)	(809,154)
NET CASH FLOWS FROM FINANCING ACTIVITIES		2,248,264	266,007
NET INCREASE/(DECREASE) IN CASH HELD		449,701	344,161
CASH AT BEGINNING OF FINANCIAL PERIOD		792,474	448,313
CASH AT END OF FINANCIAL PERIOD	14A	1,242,175	792,474

The Statement of Cash Flows should be read in conjunction with the accompanying notes on pp 9-16

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

This general purpose financial report has been prepared in accordance with the **Public Finance and Audit Act 1983**, **Corporations Act 2001**, Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on an accrual basis and is based on historical costs and except where stated, does not take into account changing money values or current valuations of non-current assets.

The accounting policies have been consistently applied, unless otherwise stated and are consistent with those of the previous year.

AUSTRALIAN EQUIVALENT TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS

The Company will apply the Australian Equivalents to International Financial Reporting Standards (AEIFRS) from the reporting period beginning 1 July 2005. Note 24 outlines the key differences in accounting policy that will occur on adoption of AEIFRS and management's best estimates about the impact had the 2005 financial report been prepared under AEIFRS.

REVENUE RECOGNITION

Revenue is recognised when Regional Land Management Corporation Pty Ltd has passed on control of the good, it is probable that the economic benefits will flow to Regional Land Management Corporation Pty Ltd and the amount of the revenue can be reliably measured.

RENTS AND LEASES

Rent is received for Government owned properties managed by Regional Land Management Corporation Pty Ltd in accordance with Regional Land Management Corporation Pty Ltd's Implementation Agreement with the State. Revenue from rents and leases is recognised upon the delivery of the service to the customer.

TREASURY FUNDING

Revenue from Treasury funding is recognised once expenditure that the funding relates to is incurred.

INTEREST REVENUE

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

INCOME TAX

Regional Land Management Corporation Pty Ltd is exempt from the National Taxation Equivalent Regime (NTER), NSW Tax Equivalent Regime (TER) and **Income Tax Assessment Act**. The exemption is based on the non-commercial nature of the Company and that, given the current activities of the Company, competitive neutrality issues are unlikely to arise. However should the activities or format of the Company materially change, this exemption will be reviewed.

GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

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

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis.

EMPLOYEE BENEFITS

Provision is made for long service leave, annual leave and superannuation, estimated to be payable to employees on the basis of statutory and contractual requirements.

Employer contributions are made to both defined benefit and defined contribution superannuation plans. Liabilities for superannuation are actuarially determined and contributions made to superannuation funds are charged against the provision. The Company's superannuation liabilities as at 30 June 2005 have been calculated and advised by Pillar Administration.

In accordance with the Australian Accounting Standard AASB1028 "Employee Benefits", employee benefits that are expected to be settled within 12 months of the reporting date have been measured and disclosed at nominal amounts, using the remuneration rates expected to be paid when these obligations are settled. Long Service Leave has been measured at the present value of the estimated future cash outflows to be made for those entitlements. The provisions for leave entitlements also include the relevant on costs.

CASH

For the purpose of the Statement of Cash Flows, cash includes cash on hand and at call deposits with banks or financial institutions and is net of bank overdrafts.

RECEIVABLES

The collectibility of debts is assessed at the reporting date and specific provision is made for any doubtful accounts.

PAYABLES

Liabilities are recognised for amounts to be paid in the future for goods or services received.

BORROWING COSTS

Borrowing costs include interest and other charges relating to borrowings. Borrowing costs are expensed as incurred.

INTEREST BEARING LIABILITIES

Regional Land Management Corporation Pty Ltd has borrowed funds from the parent entity, Hunter Water Corporation, in the form of an inter-entity loan.

Interest expense is accrued on a compounding basis at the contracted rate.

NOTE	30 JUN 05 \$	30 JUN 04 \$
2 REVENUE FROM ORDINARY ACTIVITIES		
Treasury funding	3,213,836	816,738
Rental income	2,792,626	2,949,121
Other revenue	35,205	79,237
	6,041,667	3,845,096
3 PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX		
Profit from ordinary activities before income tax has been arrived at after charging/(crediting) the following items:		
Borrowing costs: related parties	129,319	73,997
Operating lease rental expense: minimum lease payments	58,788	45,259
Net expense including movement in provision for: employee benefits	210,237	17,088
4 INCOME TAX EXPENSE		
A INCOME TAX EXPENSE		
Prima facie income tax expense calculated at Nil% (2004: 30%) on the profit from ordinary activities	-	-
Increase in income tax expense due to: Non-allowable items	-	-
Income tax expenses on the profit from ordinary income before individually significant items	-	-
Individually significant income tax items: Reversal of prior year provision due to reclassification of Company tax status	-	(20,631)
INCOME TAX EXPENSE ATTRIBUTABLE TO PROFIT FROM ORDINARY ACTIVITIES	-	(20,631)
Income tax expense/(revenue) attributable to profit from ordinary activities is made up of:		
Current income tax provision	-	(81,273)
Future income tax benefit	-	60,642
	-	(20,631)
B PROVISION FOR INCOME TAX PAYABLE		
PROVISION FOR CURRENT INCOME TAX - MOVEMENTS DURING THE YEAR:		
Balance at beginning of year	-	81,273
Current year's income tax expense on profit from ordinary activities	-	-
Reversal of prior year provision due to reclassification of Company tax status	-	(81,273)
	-	-
5 CASH		
Cash at Bank	1,241,845	792,174
Cash on hand	330	300
	1,242,175	792,474
6 RECEIVABLES		
CURRENT		
NSW Treasury reimbursements	3,213,836	816,738
Rent	26,201	70,687
GST receivable	193,411	59,726
	3,433,448	947,151

	NOTE	30 JUN 05 \$	30 JUN 04 \$
7 OTHER ASSETS			
<i>CURRENT</i>			
Prepayments		13,112	19,075
<i>NON-CURRENT</i>			
Prepaid/overfunded superannuation		65,324	-
8 PAYABLES			
<i>CURRENT</i>			
Creditors and accrued expenditure		817,017	277,323
9 INTEREST BEARING LIABILITIES			
Loans payable to Parent Entity - Hunter Water Corporation		3,323,425	1,075,161
10 PROVISIONS			
<i>CURRENT</i>			
Employee benefits		96,820	135,948
<i>NON-CURRENT</i>			
Employee benefits		249,365	-
Number of employees at year end		11	5
<i>Certain employees of the Company were seconded from the parent entity on commencement of operations. Entitlements to annual leave and long service leave at this date were transferred to the Company, and are included in the current provision as at balance date.</i>			
11 OTHER CURRENT LIABILITIES			
Income received in advance		267,332	270,168
12 CONTRIBUTED EQUITY			
ISSUED AND PAID UP SHARE CAPITAL 100 (2004: 100) FULLY PAID ORDINARY SHARES		100	100
<i>There were no movements in share capital during the year.</i>			
13 RETAINED PROFITS			
Retained profits at the beginning of year		-	-
Net profit attributable to members of the Company		-	-
Retained profits at end of year		-	-

	NOTE	30 JUN 05 \$	30 JUN 04 \$
14 NOTES TO THE STATEMENT OF CASH FLOWS			
A RECONCILIATION OF CASH			
<i>For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows.</i>			
Cash on hand	5	330	300
Bank deposits	5	1,241,845	792,174
		1,242,175	792,474
B RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Profit from ordinary activities after income tax		-	-
CHANGES IN ASSETS AND LIABILITIES			
• (Increase)/decrease in receivables		(2,486,297)	4,142
• (Increase)/decrease in prepayments		5,963	18,582
• (Increase)/decrease in future income tax benefit		-	60,642
• (Increase)/decrease in prepaid/ overfunded superannuation		(65,324)	-
• (Decrease)/increase in payables		539,694	(23,798)
• (Decrease)/increase in provisions		210,237	17,088
• (Decrease)/increase in income tax payable		-	(81,273)
• (Decrease)/increase in other liabilities		(2,836)	82,771
NET CASH FLOW FROM OPERATING ACTIVITIES		(1,798,563)	78,154
15 CONTRACTUAL COMMITMENTS			
OPERATING LEASE EXPENSE COMMITMENTS			
<i>Future operating lease commitments not provided for in the financial statements and payable:</i>			
Within one year		2,732	38,561
		2,732	38,561
CONSULTANCY COMMITMENTS			
<i>Estimated consultancies contracted for at balance date but not provided for and payable:</i>			
Within one year		655,250	779,202
One year or later and no later than five years		-	10,142
		655,250	789,344
16 SUPERANNUATION			
<i>All employees are entitled to benefits on retirement, disability or death. The superannuation plans are administered by Pillar Administration (formally the Superannuation Administration Corporation) and provide defined benefits based on years of service and final average salary. Employees contribute to the plans at various percentages of their wages and salaries. The Company also contributes to the plans.</i>			
<i>The State Authorities Superannuation Scheme closed on 18 December 1992. Superannuation benefits for new entrants are now provided through First State Super (FSS), which is an accumulation type scheme. The Company has made full provision for these commitments.</i>			
<i>Pillar Administration (Pillar) has advised the level of estimated superannuation asset outstanding as at 30 June 2005. In accordance with this advice there has been an increase in the Company's net asset position, which has been recognised as an offset to superannuation expense in the results for the year ended 30 June 2005.</i>			
<i>The Company has a net over-funded position with Pillar, which is recognised as a non-current asset on the Statement of Financial Position. The triennial update of demographic assumptions used to calculate the gross superannuation liability of the various defined benefit schemes was undertaken in 2003.</i>			
<i>The following economic assumptions are based on information provided by Pillar:</i>			
	2004-05		
	% pa		
Investment Return	7.0%		
Salary Growth Rate	4.0%		
Consumer Price Index	2.5%		

Payments made to Pillar towards superannuation liabilities are held in Investment Reserve Accounts.
 The asset position with Pillar is disclosed in the Statement of Financial Position and comprises:

	SSS \$	SASS \$	SANCS \$	04-05 \$
Gross Liability Assessed by Actuaries as at 30 June 2005	202,730	301,578	78,526	582,834
Less: Investment Reserve Account Balance	(213,803)	(339,316)	(95,039)	(648,158)
UNDER FUNDED LIABILITY / (PREPAID CONTRIBUTIONS)	(11,073)	(37,738)	(16,513)	(65,324)

- (i) SSS State Superannuation Scheme
- (ii) SASS State Authorities Superannuation Scheme
- (iii) SANCS State Authorities Non-Contributory Superannuation Scheme

17 CONTINGENT LIABILITIES

No significant claims for damages are being negotiated. This does not include matters covered by insurance.
 As at the date of signing this report we were not aware of any contingent liabilities in existence.

18 AUDITORS' REMUNERATION

Amounts received by the auditors for the audit of the Company's financial statements

NOTE	30 JUN 05 \$	30 JUN 04 \$
	7,200	7,100

19 RELATED PARTIES DISCLOSURES

A DIRECTORS

The Directors of Regional Land Management Corporation Pty Ltd during the financial period were:

- Mr R Robson • Cr J Tate • Mr D Simmons • Mr R Knights

Mr R Robson and Mr R Knights are also Directors of the parent entity Hunter Water Corporation and related entity Hunter Water Australia Pty Limited.
 Details of Directors' remuneration are provided in note 21

B CONTROLLING ENTITY

The controlling entity Hunter Water Corporation owns 100% of Regional Land Management Corporation Pty Ltd.

C TRANSACTIONS BETWEEN RELATED PARTIES

Transactions between related parties are conducted using commercial conditions no more favourable than those available to other parties unless otherwise stated.

D NON-DIRECTOR RELATED PARTIES - TRANSACTIONS WITH CONTROLLING ENTITY

The Company has loans from the controlling entity, Hunter Water Corporation (refer Note 9), with interest payable on the loans.
 Loans totalling \$3,323,425 were drawn from the parent entity by the Company during the year.

20 SEGMENT INFORMATION

The Company operates predominantly in one business and geographical segment being the management of Government owned land in the Lower Hunter Region of Australia.
 The Company has management responsibility for five (5) parcels of Government owned land:

- Mayfield site (150 hectares)
- former BHP waste site at Kooragang Island (239 hectares)
- former BHP land in West Wallsend area (1545 hectares)
- land adjacent to Hunter River at Tomago (545 hectares)
- Crown land on Kooragang Island (860 hectares)

These Government owned lands are owned and controlled by the Crown Property Portfolio.

NOTE	30 JUN 05 \$	30 JUN 04 \$
21 REMUNERATION AND RETIREMENT BENEFITS OF DIRECTORS		
<i>DIRECTORS' REMUNERATION</i>		
<i>The number of Directors of the Company whose income from the Company or other related parties falls within the following bands:</i>		
	No	No
\$20,000 - \$29,999	2	2
\$60,000 - \$69,999	1	1
\$90,000 - \$99,999	-	1
\$100,000 - \$109,999	1	-
<i>Total income paid or payable, or otherwise made available, to all Directors of the Company from the Company or any related party</i>	204,654	207,477

22 ECONOMIC DEPENDENCY

Regional Land Management Corporation Pty Ltd is entitled under section 20N of the State Owned Corporations Act 1989 (NSW) to be reimbursed, up to \$20 million, from money advanced by the Treasurer, or appropriated by Parliament for the following:

- amounts equal to the net cost of performing any such activities relating to the interim management of Government owned land in the Lower Hunter Region (including the cost of capital); or*
- the net cost of complying with a direction to cease to perform or not to perform such activities.*

From 1 July 2005 Regional Land Management Corporation Pty Ltd is entitled under section 20N of the State Owned Corporations Act 1989 (NSW) to be fully reimbursed to an estimated \$77 million (\$2004). This funding will cover the Company's remediation, development and operational activities from 1 July 2005 to 30 June 2008.

Regional Land Management Corporation Pty Ltd operated independently from the parent entity. All transactions were on normal commercial terms and conditions.

23 EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

24 INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian Equivalents to International Financial Reporting Standards (AEIFRS) and the economic entity will apply these standards from the reporting period beginning 1 July 2005.

The economic entity has been managing the transition to AEIFRS for the group of companies by allocating resources to analyse new standards and Urgent Issues Group (UIG) Abstracts and then identifying and implementing consequential changes in policies, procedures, systems, training and financial figures required on transition.

The economic entity has established an IFRS Steering Committee that reports regularly to the Audit & Compliance Committee. A project team has also been established, which the IFRS Project Controller leads. The IFRS Project Controller is responsible for the project and reports regularly to the IFRS Steering Committee on progress against the implementation plan and timetable. The detailed timetable for managing the transition is currently on schedule.

The economic entity has determined the key areas where changes in accounting policies are likely to impact the financial report. Some of these impacts arise because AEIFRS requirements are different from existing AASB requirements (AGAAP). Other impacts are likely to arise from accounting policy options available in AEIFRS.

To ensure consistency at the whole of government level, NSW Treasury has advised agencies of options it is likely to mandate for the NSW Public Sector. The impacts disclosed below reflect NSW Treasury's likely mandates.

Entities complying with AEIFRS for the first time are required to restate their comparative financial statements to amounts reflecting the application of AEIFRS to that period. The Company has restated the 1 July 2004 balance sheet and year ended 30 June 2005 financial statement amounts. Shown below are management's best estimates as at the date of preparing the 30 June 2005 financial report of the estimated financial impacts of AEIFRS on Regional Land Management Corporation Pty Ltd's equity and profit/loss. Regional Land Management Corporation Pty Ltd does not anticipate any material impacts on its cash flows.

The actual effects of the transition may differ from the estimated figures below because of pending changes to the AEIFRS, including the UIG Interpretations and/or emerging accepted practice in their interpretation and application. The economic entity's accounting policies may also be affected by a proposed standard to harmonise accounting standards with Government Finance Statistics (GFS). However, the impact is uncertain because it depends on when this standard is finalised and whether it can be adopted in 2005-06.

	NOTE	**30 JUN 05 \$	*30 JUN 04 \$
A RECONCILIATION OF KEY AGGREGATES			
RECONCILIATION OF EQUITY UNDER EXISTING STANDARDS (AGAAP) TO EQUITY UNDER AEIFRS			
TOTAL EQUITY UNDER AGAAP		100	100
ADJUSTMENTS TO ACCUMULATED FUNDS			
Defined benefit superannuation adjustment for change in discount rate	1	(237,211)	0
Increase in Treasury Reimbursement Receivable	2	237,211	0
TOTAL EQUITY UNDER AEIFRS		100	100
* adjustments as at the date of transition **cumulative adjustments as at date of transition plus the year ended 30 June 2005			
RECONCILIATION OF SURPLUS / (DEFICIT) UNDER AGAAP TO SURPLUS / (DEFICIT) UNDER AEIFRS			
Surplus/(deficit) under AGAAP		Nil	
Defined benefit superannuation adjustments for change in discount rate	1	(237,211)	
Increase in Treasury Funding Revenue	2	237,211	
SURPLUS / (DEFICIT) UNDER AEIFRS		NIL	

NOTES TO TABLES ABOVE:

- AASB 119 Employee Benefits requires the defined benefit superannuation obligation to be discounted using the government bond rate as at each reporting date, rather than the long-term expected rate of return on plan assets. As the superannuation obligation is not assumed by the Crown, this will increase the amount of the unfunded defined benefit superannuation liability and the volatility of the superannuation expense.
- Revenue from Treasury Funding is recognised once expenditure that the funding relates to has been incurred. As a result, the change in the defined benefit superannuation obligation is offset by a Treasury Receivable

B AEIFRS POLICY CHANGES EXPECTED TO AFFECT FINANCIAL STATEMENTS FROM THE YEAR ENDING 30 JUNE 2006:

- AASB1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards requires retrospective application of the new AEIFRS's from 1 July 2004 with limited exemptions. Similarly, AASB108 Accounting Policies, Changes in Accounting Estimates and Errors requires voluntary changes in accounting policy and correction of errors to be accounted for retrospectively by restating comparatives and adjusting the opening balance of accumulated funds. This differs from current Australian requirements because such changes must be recognised in the current period through profit or loss, unless a new standard mandates otherwise.
- AASB101 Presentation of Financial Statements and AASB107 Cash Flow Statements require new financial statement formats to be utilised in the 2006 Financial Report. These changes along with other new and amended disclosure requirements will also be introduced to comply with all other AEIFRS standards in the 2006 Financial Report.

25 FINANCIAL INSTRUMENTS

A INTEREST RATE RISK

The Company's exposure to interest rate risk which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

2005	Weighted Average Effective Interest Rate	Floating Interest Rate \$	Within 1 Year \$	Between 1-5 Years \$	Non Interest Bearing \$	Total \$
FINANCIAL ASSETS						
CURRENT						
Cash at bank	4.50%	1,241,845	-	-	-	1,241,845
Receivables		-	-	-	3,433,448	3,433,448
TOTAL		1,241,845	-	-	3,433,448	4,675,293
FINANCIAL LIABILITIES						
CURRENT						
Payables		-	-	-	817,017	817,017
Interest-bearing liabilities	7.99%	-	3,323,425	-	-	3,323,425
TOTAL		-	3,323,425	-	817,017	4,140,442

2004	Weighted Average Effective Interest Rate	Floating Interest Rate \$	Within 1 Year \$	Between 1-5 Years \$	Non Interest Bearing \$	Total \$
FINANCIAL ASSETS						
CURRENT						
Cash at bank	4.25%	792,174	-	-	-	792,174
Receivables		-	-	-	947,151	947,151
TOTAL		792,174	-	-	947,151	1,739,325
FINANCIAL LIABILITIES						
CURRENT						
Payables		-	-	-	277,323	277,323
Interest-bearing liabilities	7.56%	-	1,075,161	-	-	1,075,161
TOTAL		-	1,075,161	-	277,323	1,352,484

B CREDIT RISK

The credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The credit risk on financial assets of the Company, which have been recognised on the Statement of Financial Position, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Company.

C NET FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities included in the Statement of Financial Position are carried at amounts that approximate net fair value.

END OF AUDITED FINANCIAL STATEMENTS

DIRECTORS' DECLARATION

The Directors of the Company declare that:

- 1 the financial statements and notes, set out on pages 6 to 16
 - a) comply with Accounting Standards, the *Corporations Act 2001* and the *Public Finance and Audit Act 1983*; and
 - b) give a true and fair view of the financial position as at 30 June 2005 and of the performance for the year ended on that date of the Company; and
- 2 In the Directors' 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 Directors



R ROBSON
CHAIRPERSON



D SIMMONS
DIRECTOR

NEWCASTLE 14 SEPTEMBER 2005



GPO BOX 12
SYDNEY NSW 2001

To the Directors
Regional Land Management Corporation Pty Ltd
PO Box 5171
HRMC NSW 2310

Auditor's Independence Declaration

As auditor for the audit of Regional Land Management Corporation Pty Ltd for the year ended 30 June 2005, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) The independence requirements of the *Corporations Act 2001* in relation to the audit, and
- b) Any applicable code of professional conduct in relation to the audit.



J Kheir
Director, Financial Audit Services

7 September 2005
SYDNEY