



# REGIONAL LAND MANAGEMENT CORPORATION

PTY LTD ABN 38 103 702 530

## FINANCIAL REPORT 2005-06

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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 Corporation is:

First Floor  
Administration Building  
99 Selwyn Street  
MAYFIELD NSW 2304

### Auditors

Audit Office of New South Wales

### Bankers

Commonwealth Bank of Australia

## Directors' Report

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 2006.

### 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  
Mr 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, Chairman of the Newcastle Knights-Wests Hospitality Group Business Development Committee and Chairman of Banlaw Pipeline Pty Ltd, as well as a Director of Robson Health Care Pty Ltd and Patron of Newcastle/Hunter Valley Rugby Union.

Attended 12 of a maximum of 13 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 13 of a maximum of 13 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), and recently appointed as president in April 2006.

Attended 13 of a maximum of 13 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 12 of a maximum of 13 Board Meetings.

## PRINCIPAL ACTIVITIES

In accordance with the Regional Land Management Corporation Pty Ltd's *Implementation Agreement and Variation Agreement* with the State, the principal activities of the Corporation 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:

- Facilitating responsible private sector development of its sites to bring jobs, investment and economic prosperity to the people of NSW and the Hunter;
- Managing the day to day business on the sites, including renting buildings and parts of the sites;
- Remediating some of the sites so that they are ready for industrial development.

## RESULTS AND DIVIDENDS

The operating profit after providing for income tax of the Corporation for the year ended 30 June 2006 amounted to \$NIL.

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

## REVIEW OF OPERATIONS

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

## SUBSEQUENT EVENTS

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

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration is included on page 8.

## DIRECTORS 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 Corporation. 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.

## CHANGE IN STATE OF AFFAIRS

Other than matters reported in the Directors' Report, in the opinion of the Directors' there were no significant changes in the state of affairs of RLMC during the year ended 30 June 2006.

The Corporation 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 Corporation.

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.

## TRUE AND FAIR VIEW

In the opinion of the Directors' the financial statements present a true and fair view of the operations of RLMC during the year ended 30 June 2006.

**FUTURE DEVELOPMENTS**

In accordance with the direction issued by the State, in June 2005, the Corporation 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.

**DIRECTORS' BENEFITS**

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

	30 June 2006 \$	30 June 2005 \$
<b>REMUNERATION BENEFITS OF DIRECTORS</b>		
<b>DIRECTORS' REMUNERATION</b>		
Amounts received or due and receivable by all Directors of the Corporation.	<u>98,100</u>	<u>97,765</u>

The number of Directors of the Corporation whose income from the Corporation falls within the following bands:

	No	No
\$20,000 - \$29,999	3	3
\$30,000 - \$39,999	1	1

**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 Corporation complied with the requirements of this licence and associated legislation.

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 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 executed a Voluntary Remediation Agreement under the *Contaminated Lands Management Act 1997* in September 2005.

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



R ROBSON  
Chairperson



D SIMMONS  
Director

NEWCASTLE 21 SEPTEMBER 2006

## INDEPENDENT AUDIT REPORT



GPO BOX 12  
Sydney NSW 2001

### 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 (the Company) is in accordance with:

- the *Corporations Act 2001*, including:
  - giving a true and fair view of the Company's financial position as at 30 June 2006 and its performance for the year ended on that date, and
  - complying with Accounting Standards in Australia and the *Corporations Regulations 2001*,
- other mandatory financial reporting requirements in Australia, and
- section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the *Public Finance and Audit Regulation 2005*.

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

#### Scope

##### ***The Financial Report and Directors' Responsibility***

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements and directors' declaration for the Company, for the year ended 30 June 2006.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with both the PF&A Act and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

##### ***Audit Approach***

I conducted an independent audit in order 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 the Company that the financial report is free of *material* misstatement.

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

- assessed the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors in preparing the financial report, and
- examined a sample of evidence that supports the amounts and 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 PF&A Act 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 18 September 2006 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

SYDNEY  
28 September 2006



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 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

A handwritten signature in black ink, appearing to be 'J. Kheir', written over a horizontal line.

J Kheir  
Director, Financial Audit Services

18 September 2006  
SYDNEY



**INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006**

	Note	30 June 2006 \$	30 June 2005 \$
<b>REVENUE</b>			
Revenue from operations	2	<u>8,930,807</u>	<u>6,278,878</u>
<b>EXPENDITURE</b>			
Expenditure relating to contracts and consulting		(6,730,247)	(4,029,614)
Legal fees		(131,160)	(77,977)
Property security costs		(219,442)	(276,066)
Employee benefits		(1,466,506)	(1,437,289)
Borrowing costs	3	(48,669)	(129,319)
Other		<u>(334,783)</u>	<u>(328,613)</u>
<b>TOTAL OPERATING EXPENDITURE</b>		<b>(8,930,807)</b>	<b>(6,278,878)</b>
<b>PROFIT BEFORE INCOME TAX EXPENSE</b>		-	-
Income tax expense		<u>-</u>	<u>-</u>
<b>PROFIT FOR THE YEAR</b>		<u>-</u>	<u>-</u>
<b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS</b>		<u>-</u>	<u>-</u>

The Income Statement should be read in conjunction with the accompanying notes on pages 13 to 24.

**BALANCE SHEET AS AT 30 JUNE 2006**

	Note	30 June 2006 \$	30 June 2005 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	1,061,739	1,242,175
Trade and other receivables	5	3,093,307	3,670,659
Other	6	34,011	13,112
		<u>4,189,057</u>	<u>4,925,946</u>
<b>TOTAL CURRENT ASSETS</b>		<b>4,189,057</b>	<b>4,925,946</b>
		<u><b>4,189,057</b></u>	<u><b>4,925,946</b></u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	7	2,031,333	817,017
Borrowings	8	507,937	3,323,425
Provisions	9	342,448	325,473
Other	10	1,087,172	267,332
		<u>3,968,890</u>	<u>4,733,247</u>
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,968,890</b>	<b>4,733,247</b>
		<u><b>3,968,890</b></u>	<u><b>4,733,247</b></u>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	9	220,067	192,599
		<u>220,067</u>	<u>192,599</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>220,067</b>	<b>192,599</b>
		<u><b>220,067</b></u>	<u><b>192,599</b></u>
<b>TOTAL LIABILITIES</b>		<b>4,188,957</b>	<b>4,925,846</b>
		<u><b>4,188,957</b></u>	<u><b>4,925,846</b></u>
<b>NET ASSETS</b>		<b>100</b>	<b>100</b>
		<u><b>100</b></u>	<u><b>100</b></u>
<b>EQUITY</b>			
Contributed equity	11	100	100
Retained profits	12	-	-
		<u>100</u>	<u>100</u>
<b>TOTAL EQUITY</b>		<b>100</b>	<b>100</b>
		<u><b>100</b></u>	<u><b>100</b></u>

The Balance Sheet should be read in conjunction with the accompanying notes on pages 13 to 24.

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2006**

	<b>Note</b>	<b>30 June 2006 \$</b>	<b>30 June 2005 \$</b>
Total equity at beginning of the year		100	100
<b>Net income recognised directly in Equity for the year</b>	12	-	-
Profit for the year		-	-
<b>Total Equity at end of financial year</b>		<u><u>100</u></u>	<u><u>100</u></u>

The Statement of Changes in Equity should be read in conjunction with the accompanying notes on pages 13 to 24.

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006**

	<b>Note</b>	<b>30 June 2006 \$</b>	<b>30 June 2005 \$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers (inclusive of goods and services tax)		7,888,585	3,045,054
Payments to suppliers and employees (inclusive of goods and services tax)		(8,545,937)	(5,561,330)
Receipts from NSW Treasury		3,213,836	816,738
Interest received		121,486	30,294
Interest paid		(45,395)	(129,319)
Insurance recoveries		2,477	-
		<hr/>	<hr/>
<b>NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>	<b>13</b>	<b><u>2,635,052</u></b>	<b><u>(1,798,563)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
		<hr/> -	<hr/> -
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<hr/> -	<hr/> -
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		610,611	3,323,425
Repayment of borrowings		(3,426,099)	(1,075,161)
		<hr/>	<hr/>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b><u>(2,815,488)</u></b>	<b><u>2,248,264</u></b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>		(180,436)	449,701
<b>CASH AT BEGINNING OF FINANCIAL PERIOD</b>		<hr/> 1,242,175	<hr/> 792,474
<b>CASH AT END OF FINANCIAL PERIOD</b>	<b>4</b>	<b><u>1,061,739</u></b>	<b><u>1,242,175</u></b>

The Cash Flow Statement should be read in conjunction with the accompanying notes on pages 13 to 24.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### a) BASIS OF PREPARATION

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

The financial statements also incorporate financial reporting requirements specified in the *Public Finance and Audit Regulation 2005*, the *Annual Reports (Statutory Bodies) Act 1984*, *Annual Reports (Statutory Bodies) Regulation 1995* and the relevant Treasurer's Directions.

Proper accounts and records for all of the Corporation's operations have been kept as required under Section 41(1) of the *Public Finance and Audit Act 1983*.

#### **Compliance with IFRSs**

Australian Accounting Standards include AIFRSs. Compliance with AIFRSs ensures the consolidated financial statements and notes of the Corporation comply with International Financial Reporting Standards (IFRSs).

#### **Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards**

These financial statements are the first financial statements of the Corporation to be prepared in accordance with AIFRSs. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of the Corporation until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing these financial statements, management has amended certain accounting methods applied in the AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures in respect of 2005 were restated to reflect these adjustments. In accordance with NSW Treasury mandates, the Corporation has taken the exemption available under AASB 1 to only apply AASB 132 and AASB 139 from 1 July 2005. As a result, comparative information for these two Standards is presented under the previous Australian Accounting Standards which applied to the year ended 30 June 2005. Under previous Accounting Standards, financial instruments were recognised at cost.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRSs on the Corporation's equity and its net income are given in Note 17.

#### **Historical cost convention**

The financial statements have been prepared on an accruals basis using the historical cost convention, except for the non-current physical assets which are shown at valuation.

### b) REVENUE RECOGNITION

Revenue is recognised when the Corporation has passed on control of the good, it is probable that the economic benefits will flow to the Corporation and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the major business activities as follows:

#### **(i) 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* and *Variation Agreement* with the State. Revenue from rents and leases is recognised in accordance with the lease agreements in place.

#### **(ii) Treasury funding**

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

#### **(iii) Interest revenue**

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

**c) 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 Corporation and that, given the current activities of the Corporation, competitive neutrality issues are unlikely to arise. However should the activities or format of the Corporation materially change, this exemption will be reviewed.

**d) CASH AND CASH EQUIVALENTS**

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

**e) TRADE AND OTHER RECEIVABLES**

Trade receivables are recognised at fair value less provision for doubtful debts.

Collectibility of receivables is reviewed on an ongoing basis and debts which are known to be uncollectible are written off. A provision for doubtful debts is established when there is objective evidence that the entity will not be able to collect all amounts due.

**f) LEASES**

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

**g) TRADE AND OTHER PAYABLES**

These amounts represent liabilities for goods and services provided to the Corporation prior to the end of financial year which are unpaid.

**h) BORROWINGS**

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.

**i) EMPLOYEE BENEFITS**

**(i) Wages and salaries, annual leave and sick leave**

Liabilities for salaries and wages including annual leave expected to be settled within 12 months of the reporting date are recognised as current employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

**(ii) Long service leave**

The liability for long service leave is recognised as an employee benefit and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future salary and wage levels, trends of employee departures and periods of service. Expected future payments are discounted using the 10 year Commonwealth Government bond rate.

**(iii) Superannuation**

Employees of the entities within the Corporation are members of either defined benefit superannuation funds or defined contribution superannuation funds. The defined benefit superannuation funds provide defined lump sum benefits based on years of service and final average salary.

A liability or asset in respect of the defined benefit plans is recognised in the balance sheet and is measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any past service cost. The assessment of these liabilities and assets is undertaken by the funds' administrator, Pillar Administration.

**j) GOODS AND SERVICES TAX**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. 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 balance sheet are shown inclusive of the GST receivable or payable. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included with other receivables or payables in the balance sheet.

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

**k) ACCOUNTING STANDARDS AND UIG INTERPRETATIONS ISSUED BUT NOT YET OPERATIVE**

At the reporting date, certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2006 reporting periods and have not been adopted earlier by the Corporation. The Corporation's assessment of the impact of these new standards and interpretations is set out below.

**(i) UIG4 Determining whether an Asset Contains a Lease**

UIG4 is applicable to reporting periods beginning on or after 1 January 2006. The Corporation will apply UIG4 in its 2007 financial statements and the UIG4 transition provisions. Implementation of UIG4 is not expected to change the accounting for any of the Corporation's current arrangements.

**(ii) UIG5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**

UIG5 is applicable to reporting periods beginning on or after 1 January 2006. Implementation of this interpretation is not expected to affect the Corporation's financial statements.

**(iii) AASB7 Financial Instruments: Disclosure and AASB2005-10 Amendments to Australian Accounting Standards (AASB132, AASB101, AASB114, AASB117, AASB133, AASB139, AASB1, AASB4, AASB1023 and AASB1038)**

AASB7 and AASB2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. Application of the standards will not affect any of the amounts recognised in the financial statements but will impact the type of information disclosed in relation to the Corporation's financial instruments.

**(iv) AASB2005-9 Amendments to Australian Accounting Standards (AASB4, AASB1023, AASB139 and AASB132)**

AASB2005-9 is applicable to reporting periods beginning on or after 1 January 2006. Application of the standards will not affect the financial results of the Corporation.

**(v) AASB119 Employee Benefits and AASB2004-3 Amendments to Accounting Standards (AASB1, AASB101 and AASB124)**

These amended standards are applicable to reporting periods beginning on or after 1 January 2006. The application of these standards will not affect the financial results of the Corporation as NSW Treasury has issued an indicative mandate that the two additional options allowed by AASB119 are not to be used by NSW public sector entities.

The following standards and UIG Interpretations have no impact on any disclosure or reporting by the Corporation as they relate to transactions or structures that are not undertaken or applicable to the Corporation:

- AASB2005-1 Amendments to Australian Accounting Standards (AASB139)
- AASB2005-5 Amendments to Australian Accounting Standards (AASB1 and AASB139)
- AASB2006-1 Amendments to Australian Accounting Standards (AASB121)
- UIG6 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
- UIG7 Applying the Restatement Approach under AASB129 Financial Reporting in Hyperinflationary Economies
- UIG8 Scope of AASB2
- UIG9 Assessment of Embedded Derivatives

	30 June 2006 \$	30 June 2005 \$
<b>2 REVENUE</b>		
Treasury funding	2,361,545	3,451,047
Rental income	2,645,121	2,792,626
AFL access fee	3,636,957	-
Other revenues	287,184	35,205
<b>TOTAL REVENUE</b>	<u>8,930,807</u>	<u>6,278,878</u>

### 3 PROFIT FROM ORDINARY ACTIVITIES

**Profit before income tax includes the following specific net gains and expenses**

Borrowing costs:

- Interest and finance charges paid/payable	48,669	129,319
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Rental expense relating to operating leases:

- Minimum lease payments	35,919	58,788
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Superannuation expense	139,750	273,806
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### 4 CASH AND CASH EQUIVALENTS

Cash at bank	1,014,427	1,241,845
Cash on hand	85	330
Deposits at call	47,227	-
	<u>1,061,739</u>	<u>1,242,175</u>

Deposits at call are bearing an interest rate of 5.70%

### 5 TRADE AND OTHER RECEIVABLES

CURRENT

NSW Treasury reimbursements	2,598,756	3,451,047
Rent	113,663	26,201
Other	172	-
GST receivable	380,716	193,411
	<u>3,093,307</u>	<u>3,670,659</u>

### 6 OTHER ASSETS

CURRENT

Prepayments	<u>34,011</u>	<u>13,112</u>
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### 7 TRADE AND OTHER PAYABLES

CURRENT

Creditors and accrued expenditure	<u>2,031,333</u>	<u>817,017</u>
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	Note	30 June 2006 \$	30 June 2005 \$
<b>8 BORROWINGS</b>			
Loans payable to Parent Entity - Hunter Water Corporation		507,937	3,323,425
<b>9 PROVISIONS</b>			
CURRENT			
Employee benefits – short term		91,558	96,820
Employee benefits – long term		250,890	228,653
		<u>342,448</u>	<u>325,473</u>
NON-CURRENT			
Employee benefits		220,067	192,599
<b>10 OTHER LIABILITIES</b>			
CURRENT			
Income received in advance		1,087,172	267,332
<b>11 CONTRIBUTED EQUITY</b>			
ISSUED AND PAID UP SHARE CAPITAL			
100 (2005: 100) fully paid ordinary shares		100	100
There were no movements in share capital during the year.			
<b>12 RETAINED PROFITS</b>			
Retained profits at the beginning of year		-	-
Net profit attributable to members of the Corporation		-	-
Retained profits at end of year		<u>-</u>	<u>-</u>
<b>13 CASH FLOW STATEMENT</b>			
<b>RECONCILIATION OF PROFIT AFTER INCOME TAX TO THE NET CASH FROM OPERATING ACTIVITIES</b>			
Profit from ordinary activities after related income tax		-	-
<b>CHANGES IN ASSETS AND LIABILITIES</b>			
- (Increase)/decrease in receivables		577,352	(2,723,508)
- (Increase)/decrease in prepayments		(20,899)	5,963
- (Decrease)/increase in payables		1,214,316	539,694
- (Decrease)/increase in provisions		44,443	382,124
- (Decrease)/increase in other liabilities		819,840	(2,836)
NET CASH FLOW FROM OPERATING ACTIVITIES		<u>2,635,052</u>	<u>(1,798,563)</u>

	30 June 2006	30 June 2005
Note	\$	\$
<b>14 CONTRACTUAL COMMITMENTS</b>		
CONSULTANCY COMMITMENTS		
Consultancy commitments contracted for at balance date but not recognised as liabilities:		
- Payable within one year	18,353,048	655,250
- Payable later than one year or later but no later than five years	309,630	-
	18,662,678	655,250

#### 15 LEASE EXPENDITURE COMMITMENTS

Operating lease commitments in relation to non-cancellable operating leases are payable as follows:

- Within one year	-	2,732
	-	2,732

#### 16 SUPERANNUATION

##### (a) Superannuation Plan

Some employees are entitled to benefits on retirement, disability or death. The superannuation plans are administered by Pillar Administration (formerly 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 Corporation also contribute to the plans.

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 Corporation has made full provision for these commitments. The following sets out details in respect of the defined benefits section only.

##### (b) Balance Sheet Amounts

The amounts recognised in the Balance Sheet are determined as follows:

	30 June 2006	30 June 2005
Note	\$	\$
Present Value of Defined Benefit Obligations	1,286,433	941,682
Fair Value of Plan Assets	(1,094,723)	(769,805)
	191,710	171,877
Surplus in Excess of Recovery Available from Schemes	-	-
Unrecognised Past Service Cost	-	-
Net (Asset)/Liability	191,710	171,877

##### (c) Reconciliation

Net (Asset)/Liability at Start of Year	171,877	-
Net Expense Recognised in the Income Statement	36,906	192,702
Contributions	(17,073)	(20,825)
Net (Asset)/Liability	191,710	171,877

Note	30 June 2006 \$	30 June 2005 \$
<b>(d) Amounts Recognised in the Income Statement</b>		
The amounts recognised in the Income Statement are:		
Current Service Cost	25,495	18,472
Interest on Obligations	31,835	24,750
Expected Return on Plan Assets	(58,815)	(32,293)
Net Actuarial Losses (Gains) Recognised in Year	38,390	181,773
Change in Surplus in Excess of Recovery Available from Scheme	-	-
Past Service Cost	-	-
Losses (Gains) on Curtailments and Settlements	-	-
Total included in "Superannuation (expense) revenue"	36,905	192,702

**(e) Actual Return on Plan Assets**

Actual Return on Plan Assets	123,050	69,440
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**(f) Principal Actuarial Assumptions**

The principal actuarial assumptions used (expressed as weighted averages) at the reporting date were as follows:

Discount Rate:	5.9% pa
Expected Return on Plan Assets:	7.6%
Expected Salary Increases:	4.0% pa to 2008; 3.5% pa thereafter.
Expected Rate of CPI Increase:	2.5% pa

**(g) Employer Contributions**

Employer contributions to the defined benefit section of the plan are based on the recommendations of the plan's actuary. The last triennial update of demographic assumptions used to calculate the gross superannuation liability of the various defined benefit schemes was undertaken in 2003.

The objective of funding is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable. The method used to determine the employer contribution recommendations at the last actuarial review was the Aggregate Funding Method. The method adopted affects the timing of the cost to the employer. Under the aggregate funding method, the employer contribution rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account the current value of assets and future contributions.

The recommended contribution rates for the Corporation are:

**State Superannuation Scheme:** 1.90X (multiple of member contributions)

**State Authorities Superannuation Scheme:** 2.5% (% of member salary)

**State Authorities Non-Contributory Superannuation Scheme:** 1.60X (multiple of member contributions)

The economic assumptions used by the actuary to make the funding recommendation were a investment return on fund assets of 7.3% pa, a salary increase rate of 4.0% pa, and an inflation rate of 2.5% pa.

**(h) Net Financial Position of Plan**

In accordance with AAS 25 Financial Reporting by Superannuation Plans the plan's net financial position is determined as the difference between the present value of the accrued benefits and the market value of plan assets. This has been determined as at the date of the most recent financial report of the superannuation fund (30 June 2006), and a deficit of \$37,169 was reported.

(i) **Historic Summary**

	SSS \$'000	SASS \$'000	SANCS \$'000	05-06 \$'000	04-05 \$'000
Accrued Liability	510	104	672	1,286	942
Estimated Reserve Account Balance	(658)	(113)	(323)	(1,094)	(770)
Unfunded Liability / (Prepaid Contributions)	(148)	(9)	349	192	172

Information for years prior to 2005 is not available

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

**17 EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS**

(1) Reconciliation of profit for the year ended 30 June 2005

	Note	Previous AGAAP \$	Effect of transition to AEIFRS \$	AEIFRS \$
<b>REVENUE</b>				
Treasury funding	a	3,213,836	237,211	3,451,047
Rental income		2,792,626	-	2,792,626
Other revenues		35,205	-	35,205
<b>TOTAL REVENUE</b>		<b>6,041,667</b>	<b>237,211</b>	<b>6,278,878</b>
<b>EXPENDITURE</b>				
Expenditure relating to contracts and consulting		(4,029,614)	-	(4,029,614)
Legal fees		(77,977)	-	(77,977)
Licence fees		(0)	-	(0)
Property security costs		(276,066)	-	(276,066)
Salaries, wages and Directors fees	a	(1,200,078)	(237,211)	(1,437,289)
Borrowing costs		(129,319)	-	(129,319)
Other		(328,613)	-	(328,613)
<b>TOTAL OPERATING EXPENDITURE</b>		<b>(6,041,667)</b>	<b>(237,211)</b>	<b>(6,278,878)</b>
<b>PROFIT BEFORE INCOME TAX EXPENSE</b>		<b>-</b>	<b>-</b>	<b>-</b>
Income tax expense		-	-	-
<b>PROFIT FOR THE YEAR</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS</b>		<b>-</b>	<b>-</b>	<b>-</b>

(2) **Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian Equivalents to IFRS (AEIFRS)**

(a) At the date of transition to AEIFRS (1 July 2004) there was no effect on the Corporation.

(b) At the end of the last reporting period under previous AGAAP: 30 June 2005

	Note	Previous AGAAP \$	Effect of transition to AEIFRS \$	AEIFRS \$
<b>CURRENT ASSETS</b>				
Cash and cash equivalents		1,242,175	-	1,242,175
Trade and other receivables	a	3,433,448	237,211	3,670,659
Other		13,112	-	13,112
<b>TOTAL CURRENT ASSETS</b>		<b>4,688,735</b>	<b>237,211</b>	<b>4,925,946</b>
<b>NON-CURRENT ASSETS</b>				
Other	a	65,324	(65,324)	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>65,324</b>	<b>(65,324)</b>	<b>-</b>
<b>TOTAL ASSETS</b>		<b>4,754,059</b>	<b>171,887</b>	<b>4,925,946</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables		817,017	-	817,017
Borrowings		3,323,425	-	3,323,425
Provisions	b	96,820	228,653	325,473
Other		267,332	-	267,332
<b>TOTAL CURRENT LIABILITIES</b>		<b>4,504,594</b>	<b>228,653</b>	<b>4,733,247</b>
<b>NON-CURRENT LIABILITIES</b>				
Provision for employee entitlements	a,b	249,365	(56,766)	192,599
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>249,365</b>	<b>(56,766)</b>	<b>192,599</b>
<b>TOTAL LIABILITIES</b>		<b>4,753,959</b>	<b>171,887</b>	<b>4,925,846</b>
<b>NET ASSETS</b>		<b>100</b>	<b>-</b>	<b>100</b>
<b>EQUITY</b>				
Contributed equity		100	-	100
Retained profits		-	-	-
<b>TOTAL EQUITY</b>		<b>100</b>	<b>-</b>	<b>100</b>

(3) Reconciliation of Cash flows

	Previous AGAAP	Effect of transition to AEIFRS	AEIFRS
Note	\$	\$	\$
<b>RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES</b>			
Profit from ordinary activities after related income tax	-	-	-
<b>CHANGES IN ASSETS AND LIABILITIES</b>			
- (Increase)/decrease in receivables	a (2,486,297)	(237,211)	(2,723,508)
- (Increase)/decrease in prepayments	5,963	-	5,963
- (Increase)/decrease in future income tax benefit	-	-	-
- (Increase)/decrease in prepaid/ overfunded superannuation	a (65,324)	65,324	-
- (Decrease)/increase in payables	539,694	-	539,694
- (Decrease)/increase in provisions	a 210,237	171,887	382,124
- (Decrease)/increase in other liabilities	(2,836)	-	(2,836)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<u>(1,798,563)</u>	<u>-</u>	<u>(1,798,563)</u>

a) 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. This has increased the superannuation liability, reduced opening accumulated funds and increased the annual superannuation expense. During 2004-05 the long term bond rate fell by nearly one per cent, resulting in a significant increase in the superannuation liability and expense. As Regional Land Management Corporation Pty Ltd is fully funded by the NSW Treasury a debtor of \$237,211 has been created to fund the superannuation revaluation.

b) In accordance with AASB 101 *Presentation of Financial Statements*, liabilities must be classified as current where there is no unconditional right to defer the settlement of a liability for at least 12 months after the reporting date. As such an amount of \$228,653 has been identified as unconditional long service leave and, while still recognised and measured as a long term employee benefit (per AASB 119), has been moved from Non-Current to Current Liabilities in the Balance Sheet.

**18 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 are not aware of any contingent liabilities in existence.

**19 AUDITORS' REMUNERATION**

	30 June 2006	30 June 2005
	\$	\$
Amounts received or due & receivable by the auditors for audit and review of the financial report	<u>9,000</u>	<u>7,200</u>

**20 RELATED PARTIES DISCLOSURES**

(a) **DIRECTORS AND ANY DIRECTOR RELATED ENTITIES**

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.

(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) **OUTSTANDING BALANCES**

The Corporation has loans from the controlling entity, Hunter Water Corporation (refer Note 8), with interest payable on the loans. Loans totalling \$656,006 were drawn from the parent entity by the Corporation during the year and repayments totalling \$3,471,494 were made.

## 21 SEGMENT INFORMATION

The Corporation operates predominantly in one business and geographical segment being the management of Government owned land in the Lower Hunter Region of Australia.

The Corporation has management responsibility for five (5) parcels of Government owned land:

- former BHP steelworks site at 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)
- land on Kooragang Island (860 hectares)

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

## 22 ECONOMIC DEPENDENCY

Regional Land Management Corporation Pty Ltd is entitled under section 20N of the *State Owned Corporations Act 1989* (NSW) to be re-imbursed, 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 re-imbursed to an estimated \$77 million (in \$2004). This funding will cover the Corporation'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 OCCURRING AFTER BALANCE 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 Corporation, the results of those operations, or the state of affairs of the Corporation in future financial years.

## 24 FINANCIAL INSTRUMENTS

### (a) INTEREST RATE RISK

The Corporation'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:

2006	Weighted Average Effective Interest Rates	Floating Interest Rate \$	Due 1 Year or less \$	Over 1 Year to 5 Years \$	Non-Interest Bearing \$	TOTAL \$
<b>Financial Assets</b>						
<b>Current</b>						
Cash at bank	4.75%	1,014,427	-	-	-	1,014,427
Cash on hand		-	-	-	85	85
Deposits at call	5.70%	47,227	-	-	-	47,227
Receivables		-	-	-	3,093,307	3,093,307
<b>TOTAL</b>		<b>1,061,654</b>	<b>-</b>	<b>-</b>	<b>3,093,392</b>	<b>4,155,046</b>
<b>Financial Liabilities</b>						
<b>Current</b>						
Payables		-	-	-	2,031,333	2,031,333
Interest-bearing liabilities	7.59%	-	507,937	-	-	507,937
<b>TOTAL</b>		<b>-</b>	<b>507,937</b>	<b>-</b>	<b>2,031,333</b>	<b>2,539,270</b>
<b>2005</b>						
2005	Weighted Average Effective Interest Rates	Floating Interest Rate \$	Due 1 Year or less \$	Over 1 Year to 5 Years \$	Non-Interest Bearing \$	TOTAL \$
<b>Financial Assets</b>						
<b>Current</b>						
Cash at bank	4.50%	1,241,845	-	-	-	1,241,845
Cash on hand		-	-	-	330	330
Receivables		-	-	-	3,670,659	3,670,659
<b>TOTAL</b>		<b>1,241,845</b>	<b>-</b>	<b>-</b>	<b>3,670,989</b>	<b>4,912,834</b>
<b>Financial Liabilities</b>						
<b>Current</b>						
Payables		-	-	-	817,017	817,017
Interest-bearing liabilities	7.99%	-	3,323,425	-	-	3,323,425
<b>TOTAL</b>		<b>-</b>	<b>3,323,425</b>	<b>-</b>	<b>817,017</b>	<b>4,140,442</b>

### (b) CREDIT RISK EXPOSURES

The credit risk on financial assets of the Corporation, which have been recognised on the Balance Sheet, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts. The Corporation does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Corporation.

### (c) NET FAIR VALUES

Financial assets and liabilities included in the Balance Sheet are carried at amounts that approximate net fair value.

## END OF AUDITED FINANCIAL STATEMENTS



The Directors of the Corporation declare that:

- 1 the financial statements and notes, set out on pages 9 to 24:
  - 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 2006 and of the performance for the year ended on that date of the Corporation; and
- 2 In the Directors' opinion there are reasonable grounds to believe that the Corporation 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 2006