

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

2013-14 AND 2014-15 FINANCIAL AND PERFORMANCE OUTCOMES GENERAL QUESTIONNAIRE

DEPARTMENT OF ECONOMIC DEVELOPMENT, JOBS, TRANSPORT AND RESOURCES / DEPARTMENT OF STATE DEVELOPMENT, BUSINESS AND INNOVATION

SECTION C: Revenue and appropriations

Question 12

Please explain any variances greater than ± 10 per cent or \$100 million between the prior year's actual result and the actual result for 2013-14 and 2014-15 for each revenue/income category detailed in your operating statement. Please also indicate what any additional revenue was used for or how any reduced amounts of revenue impacted on service delivery.

For departments, please provide data consolidated on the same basis as the budget portfolios outcomes statement in your annual reports.

If there were no revenue/income categories for your department/agency for which the 2013-14 and 2014-15 expenditure varied from the prior year's expenditure by more than ± 10 per cent or \$100 million, you do not need to answer this question. If this is the case, please indicate 'no relevant line items' in the table(s) below.

Revenue category	2012-13 actual	2013-14 actual	Explanations for variances greater than ± 10 per cent or \$100 million	How the additional revenue was used/the impact of reduced revenue
	(\$ million)	(\$ million)		
Output Appropriation	438.1	712.2	Variance of \$273.5m largely relates to the administrative restructure announced by government in April 2013 which transferred functions and outputs to the former DSDBI.	Additional revenue was applied to the outputs that transferred-in, mainly Regional Development and Regional Cities (\$195m) and Energy and Resources (\$91m).
Interest	2.4	6.8	Variance of \$4.4m relates to interest earned by the Regional Growth Fund.	Additional income was applied to projects approved under the Regional Growth Fund
Grants	84.1	85.9	N/A	
Sale of Goods and Services		173.6	Variance relates to the CenlTex business that transferred into the former DSDBI.	Equivalent increase in operational expenditure.
Assets Received Free of Charge	0.0	0.5	Once-off asset transfer of IT equipment from CenITex.	
Other Income	103.1	119.6	Variance of \$16.5m relates to increased land sales associated with the Kew Residential Development.	Additional revenue through lands sales was offset by an equivalent cost of land sold.
Total	627.8	1,098.6		

Revenue category	2013-14 actual	2014-15 actual	Explanations for variances greater than ±10 per cent or \$100 million	How the additional revenue was used/the impact of reduced revenue
Assets Received Free of Charge	0.5	71.5	Variance relates to the administrative restructure announced by government with the formation of DEDJTR on 1 January 2015. The assets transferred are PTV's use of Myki equipment (owned by VicTrack) of approximately \$55m and roads transferred free of charge by local government to Vic Roads of approximately \$15m	of State bland or observe when the observe with the observe to the observe the
Other Income	119.6	201.9	Variance relates to the administrative restructure announced by government with the formation of DEDJTR on 1 January 2015	Additional revenue was applied to the outputs that transferred-in, namely transport, agriculture and creative industries outputs, (net of outputs transferred out namely, Local Government Inspectorate, Land Vic, Local Government, Local Infrastructure and Planning)
Total	1,098.6	4,674.4		

Question 13

Please explain any variances greater than ± 10 per cent or \$100 million between the initial budget estimate (not the revised estimate) and the actual result for 2013-14 and 2014-15 for each revenue/income category detailed in your operating statement. Please also identify any actions taken in response to the variations, either to mitigate or take advantage of the impact.

For departments, please provide data consolidated on the same basis as the budget portfolios outcomes statement in your annual reports.

If there were no revenue/income categories for your department/agency for which the 2013-14 and 2014-15 expenditure varied from the initial budget estimate by more than ± 10 per cent or \$100 million, you do not need to answer this question. If this is the case, please indicate 'no relevant line items' in the table(s) below.

Revenue category	2013-14 budget estimate	2013-14 actual	Explanations for variances greater than ±10 per cent or \$100 million	Actions taken in response
	(\$ million)	(\$ million)		
Output appropriations	787.3	712.2	N/A	N/A
Interest	10.2	6.8	Variation in Interest is due to lower interest received than initially budgeted in the Regional Growth Fund (RGF)	N/A
Sales of goods and services	60.8	173.6	Variance relates to the administrative restructure announced by government relating to the inclusion of CenlTex as part of DSDBI during 2013-14.	N/A
Grants	11.6	85.9	Variation reflects the practice of progressively releasing major events funding throughout the year.	N/A
Fair value of assets and services received free of charge or for nominal consideration	~ ° °	0.5	Once-off asset transfer (relating to CenITex)	86 _m
Other income	189.7	119.6	Variation in other income is mainly due to lower receipts in relation to Kew Residential Services Redevelopment project due to the project being extended to the 2014-15 financial year.	

Question 15 (departments only)

Regarding the 'funds received and held outside the Public Account' figures provided in the previous question, please break these down into the most significant funds, quantify the income coming from each fund to the Department in each year and explain the sources and activities providing revenue into these funds.

Fund	2013-14 actual payments from fund to the Department (\$ million)	2014-15 actual payments from fund to the Department (\$ million)	Sources and activities providing revenue to the fund
PTV General Fund	0.0	195.4	Fare Box revenue to PTV (bus operations portion only) and public transport concessions funding received from Victorian departments (DHHS, Education). Introduction of changes to the Fare Box revenue system (effective 01/07/2014) to PTV (bus operations portion only).
Major Projects Victoria Account	100.9	88.7	Land sales (Kew residential services redevelopment)
CeniTex Account	150.5	72.4	CenlTex sale of IT support services to other Victorian government sector departments and agencies. Sale of IT support reduced as CenlTex was transferred to DTF 1 January 2015.
VicRoads General Fund	0.0	197.5	Regulatory revenue to VicRoads (revenue from third party works and user charges associated with registration and licensing activities).
Arts Agencies - Various	0.0	59.9	Ticketing fees, donations and sale of goods.

SECTION D: Expenses

Question 17

Please explain any variances greater than ±10 per cent or \$100 million between the prior year's actual result and the actual result for 2013-14 and 2014-15 for each category of expenses detailed in your operating statement. Please also detail the outcomes in the community achieved by any additional expenses or the impact on the community of reduced expenses (if there was no impact, please explain how that was achieved).

For departments, please provide data consolidated on the same basis as the budget portfolios outcomes statement in your annual reports.

If there were no categories of expenses for your department/agency for which the 2013-14 and 2014-15 expenditure varied from the prior year's expenditure by more than ± 10 per cent or \$100 million, you do not need to answer this question. If this is the case, please indicate 'no relevant line items' in the table(s) below.

Expenses category	2012-13 actual	2013-14 actual	Explanations for variances greater than ±10 per cent or \$100 million	Outcomes achieved by additional expenses/impact of reduced expenses
	(\$ million)	(\$ million)		
Employee benefits	94.3	189.9	Variance largely relates to the administrative restructure announced by government which transferred functions and outputs to the former DSDBI.	
Depreciation and amortisation	4.4	31.3	Variance largely relates to CenlTex assets that came into the portfolio as part of the administrative restructure.	
Interest expense	0.0	0.3	Variance relates to the administrative restructure announced by government which transferred functions and outputs of Regional Development Victoria to the former DSDBI. The transfer included a large number of motor vehicles due to the number of regional locations.	

That is, the impact of service delivery on the community rather than a description of the services delivered.

Expenses category	2013-14 actual	2014-15 actual	Explanations for variances greater than ±10 per cent or \$100 million	Outcomes achieved by additional expenses/impact of reduced expenses
Other operating expenses	383.7	1,903.4	Variance relates to the administrative restructure announced by government with the formation of DEDJTR on 1 January 2015	
Total	1,064.1	4,640.7		

Question 18

Please explain any variances greater than ± 10 per cent or \$100 million between the initial budget estimate (not the revised budget) and the actual result for 2013-14 and 2014-15 for each category of expenses detailed in your operating statement. Please also detail the outcomes in the community achieved by any additional expenses or the impact on the community of reduced expenses (if there was no impact, please explain how that was achieved).

For departments, please provide data consolidated on the same basis as the budget portfolios outcomes statement in your annual reports.

If there were no categories of expenses for your department/agency for which the 2013-14 and 2014-15 expenditure varied from the initial budget estimate by more than ± 10 per cent or \$100 million, you do not need to answer this question. If this is the case, please indicate 'no relevant line items' in the table(s) below.

Expenses category	2013-14 budget estimate	2013-14 actual	Explanations for variances greater than ±10 per cent or \$100 million	Outcomes achieved by additional expensesள்ளுக்கு of reduced expenses
	(\$ million)	(\$ million)		
Employee benefits	134.6	189.9	Variance relates to the administrative restructure announced by government (effective August 2013)relating to the inclusion of CeniTex as part of DSDBI during 2013-14	n/a

That is, the impact of service delivery on the community rather than a description of the services delivered.

Depreciation and amortisation	7.9	31.3	Variance relates to the administrative restructure announced by government (effective August 2013) relating to the inclusion of CenITex as part of DSDBI during 2013-14	n/a
Interest expense	0.0	0.3	Variance mainly relates to higher Finance Lease Interest - VicFleet MV Lease than budgeted at the start of the year.	N/A
Grants and other transfers	461.8	449.0	N/A	N/A
Capital asset charge	9.8	9.8	N/A	N/A
Other operating expenses	444.3	383.7	Variation in other operating expenses is mainly due to lower cost of goods sold in relation to Kew Residential Services Redevelopment project due to the project being extended to the 2014-15 financial year.	N/A

Expenses category	2014-15 budget estimate	2014-15 actual	Explanations for variances greater than ±10 per cent or \$100 million	Outcomes achieved by additional expenses/impact of reduced expenses
	(\$ million)	(\$ million)	5.	
Employee benefits	198.0	510.5	Variance relates to the administrative restructure announced by government with the formation of DEDJTR on 1 January 2015	
Depreciation and amortisation	36.2	386.5	Variance relates to the administrative restructure announced by government with the formation of DEDJTR on 1 January 2015	
Interest expense	0	76.2	Variance relates to the administrative restructure announced by government with the formation of DEDJTR on 1 January 2015	
Grants and other transfers	440.2	1,648.9	Variance relates to the administrative restructure announced by government with the formation of DEDJTR on 1 January 2015	

1972 G 35 1 September 2005

Victoria Government Gazette

on plan No. LEGL. 05 380 lodged in the Central Plan Office of the Department of Sustainability and Environment.

File No. 12L12/1758.

This Order is effective from the date on which it is published in the Government Gazette.

Dated 30 August 2005 Responsible Minister ROB HULLS

Minister for Planning

RUTH LEACH

Clerk of the Executive Council

Land Act 1958

SALE OF CROWN LAND BY PRIVATE TREATY

Order in Council

The Governor in Council, pursuant to sections 99A(1)(a) & 99A(2) of the Land Act 1958, approves the sale by private treaty of Crown Allotment 2012. Township of Ballarat East, Parish of Ballarat, located at the corner of Dunn, Grant and English Streets, Ballarat.

Dated 30 August 2005 Responsible Minister JOHN LENDERS MP

Minister for Finance

RUTH LEACH Clerk of the Executive Council

Land Act 1958

APPROVAL BY THE GOVERNOR IN COUNCIL TO THE SALE OF CROWN LAND BY PRIVATE TREATY

Order in Council

The Governor in Council, pursuant to Sections 99A(1)(a) & 99A(2) of the Land Act 1958, approves the sale by private treaty of the Crown Land described in the attached schedule.

This Order is effective on the day it appears in the Government Gazette.

Dated 30 August 2005

Responsible Minister JOHN LENDERS MP Minister for Finance

> RUTH LEACH Clerk of the Executive Council

SCHEDULE No. 99A/07/05

PROPERTIES TO BE SOLD BY THE DEPARTMENT OF SUSTAINABILITY AND ENVIRONMENT

DESCRIPTION:

Allotment 2003

Parish of Boosey Moira Shire

MUNICIPALITY:

Murray Valley Highway,

PROPERTY ADDRESS:

CONDITIONS:

Cobram

WESS: CO

PURCHASER: 0

Country Fire Authority

Nil

Project Development and Construction Management Act 1994

NOMINATION ORDER

The Governor in Council under section 6 of the Project Development and Construction Management Act 1994 ("the Act"), and on the recommendation of the Premier, declares the following development to be a project to which the Act applies:

 the Kew Residential Services Redevelopment Project

and in accordance with section 7 of the Act, specifies that:

- (a) the Minister for Community Services is to be responsible for the nominated project; and
- (b) the Secretary to the Department of Infrastructure, being a body corporate under section 35 of the Act, is to be the facilitating agency for the nominated project.

Dated 30 August 2005

Responsible Minister STEVE BRACKS Premier

> RUTH LEACH Clerk of the Executive Council

Project Development and Construction Management Act 1994 APPLICATION ORDER

The Governor in Council under section 8 of the Project Development and Construction Management Act 1994 ("the Act"), and on the recommendation of the Premier, declares in

Kew Residential Services – Responses to matters raised by Kew Cottages Coalition on ABC Radio 774 (John Faine) on 26 November 2015

The Kew Residential Services redevelopment project involves the redevelopment of the former Kew Cottages into a high quality housing development.

As part of the State's commitment to the provision of high quality residential care to Victorians with intellectual disabilities, \$86.5 million was invested at the project's inception in new homes and the care of approximately 400 former residents of Kew Cottages, including housing about 100 residents in new homes on the Kew site.

What are the financial returns to the State?

The State's financial interests are guaranteed in the Development Agreement.

Under the Development Agreement, the State is entitled to:

 A Guaranteed Land Payment (GLP) per lot adjusted annually to reflect a net present value of \$30,979,157 [2006 Net Present Value (NPV) at a discount rate of 8 per cent per annum];

The GLP is reset annually on the operative date (27 October) and apportioned across each lot to ensure full payment of the \$30,979,157 (2006 dollars).

To date, the total nominal cash flow from Kew Development Corporation (KDC)¹ to the State for the Guaranteed Land Payment is \$48,056,959 (2015 dollars).

- 2. In addition, to date KDC has paid the State total Bonus Land Payments of \$6,027,752.
- The State has the right to receive a Profit Share should the project achieve a return on the Developer's Base Margin of greater than 18 per cent.

Combined, KDC has paid the State total revenues of \$54,084,711 to date.

261 lots have sold and settled. This equates to payments to the State of \$207,221 per lot.

What development costs has the State paid for?

¹ NB: Kew Development Corporation PTY LTD is a subsidiary of Walker Corporation PTY LTD. UNCLASSIFIED

UNCLASSIFIED The State paid \$545,454 (excluding GST) for each of the 20 community homes built at KRS

The State has made no contribution towards the cost of the construction of the 261 private dwellings or the subdivision of the site (this includes site infrastructure such as roads and services).

Accounting of Kew Residential Services (KRS) Redevelopment Project in the DEDJTR 2015 Annual Report

a) The accounting treatment used to determine Income from Transactions - Land Development (Kew Residential Services Redevelopment) on page 66 of the Department of Economic Development, Jobs, Transport and Resources (DEDJTR) 2015 Annual Report doesn't show the Guaranteed Land Payment (GLP) and additional land payments totalling \$54,084 million to 30 June 2015 that have been sent to Treasury (as per the Development Agreement dated 27 October 2006).

The Guaranteed Land Payment and additional land payments are not income for DEDJTR but rather income for the State that is recorded in the State's accounts under consolidated revenue.

Listing the GLP figures in DEDJTR's Annual Report would mean the revenue would be accounted for twice by both DEDJTR and Department of Treasury and Finance (DTF).

- b) The other line item "Cost of goods sold/distributed" (page 67) is the aggregate cost for DEDJTR which includes other departmental costs as well as the Kew Residential Services Redevelopment costs. So it is not accurate to use this figure as a complete indication of costs for the KRS project.
- c) It should also be noted that the "Cost of goods sold/distributed" line item includes the costs incurred by KDC (the State's private sector development partner) in developing the project. These are not costs to the State, they are borne by the Developer.

Under the project's Development Agreement, DEDJTR acts as the vendor for properties sold at KRS and then distributes to KDC its share of sales revenue.

What has the State gained from the development of the Kew Residential Services site?

- It estimated that the State will receive more than \$68 million from the KRS development when complete following the construction of the Stage 8 Apartment Complex.
- DHHS owns the 20 community homes accommodating up to 100 people with intellectual disabilities.
- The City of Boroondara will retain 29 per cent of the site as high quality landscaped public open space.
- The State will gain ownership to a car park (standard residential allotment size) within the precinct, currently used by DHHS to service the 20 community homes.
- In May 2013, KDC paid the State more than \$1 million in connection with the late delivery of the community homes in Stage 1 of the project.
- The State also expects to receive in excess of \$13 million from KDC as part of the State's share in revenue from the sale of the Stage 8 apartment complex and payment from KDC in consideration for the State's decision not to require the construction of the community facilities, along with the not relocating a number of DHHS community homes within the KRS site.
- The State will retain ownership of the Heritage Core, a group of three heritage buildings located centrally within the precinct.
- These payments by KDC to the State are in addition to revenues received from the sale of the 261 private homes.

What is the status of the Stage 8 Apartment Block?

- On 7 September 2015, VCAT issued a permit for the construction of the five storey Stage 8 apartment complex.
- As part of VCAT's decision, the City of Boroondara will retain 29 per cent of the site as high quality landscaped public open space.

UNCLASSIFIED



 On 8 October 2015, the Department of Environment, Land, Water and Planning issued the Planning Permit for the Stage 8 apartment complex affirming the direction of VCAT.

Department of Treasury & Finance

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Contract - 3669

XIMALIS

Contract Details

Public Body:

DOI - Major Projects Victoria

Contract Number:

3669

Title:

Kew Residential Services Development Agreement

Type of Contract:

Construction Contracts

Total Value of the Contract:

\$60,000,000.00 (Estimate)

Start Date:

27 Oct, 2006 27 Oct, 2016

Expiry Date: Status:

Current

UNSPSC :

Building and Construction and Maintenance Services - (100%)

Description

The parties to the agreement are both Kew Development Corporation (as Developer) and Walker Corp (as Guarantor).

The start date is 27/10/06 and the end date is, subject to clause A5.2, the earliest to occur of:

a) the date when all lots forming part of the project are the subject of a delaing and the State has
received the Guaranteed Land Share payment and Revenue Share Payment in respect of all dealings
in accordance with Part D of the contract;

b) an agreement between the parties to end the project term; and

c) the date being 10 years from the operative date.

Total value is \$60m including GST. This contract valuation reflects the minimum return to the State.

Contract Type: Construction contracts

Supplier Details

Supplier: Walker Group Holdings Pty Ltd

ABN: 81 001 215 069

ACN: 1215069

Address: Level 7 3 Rider Boulevard Rhodes NSW 2138

Supplier: Kew Development Corporation Pty Ltd

ABN: 58 119 766 264 ACN: 119766264

Address: Level 7 3 Rider Boulevard Rhodes NSW 2138

Documents

1. Kew Residential Services KRS Development Agreement (Incorporating all (935)variations up to and including the Fourth Deed of Vari.pdf KB, (/tenders/contract/download.do?id=9775&docIndex=1) PDF) (19080 Kew Residential Services Development Agreement - First Deed of Variation - 28 KB, August 2009.pdf (/tenders/contract/download.do?id=9775&docIndex=2) PDF) (5789)Kew Residential Services Development Agreement - Second Deed of Variation - 13 KB, June 2012.pdf (/tenders/contract/download.do?id=9775&docIndex=3) PDF)

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Kew Residential Services Development Agreement - Third Deed of Variation - 8

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The Secretary to the Department of Infrastructure for and on behalf of the Crown in right of the State of Victoria

Kew Development Corporation Pty Ltd

Walker Group Holdings Pty Ltd

Kew Residential Services Development Agreement

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Date 27 October 2006

Parties

The Secretary to the Department of Intrastructure, a body corporate established under section 35 of the Project Development and Construction Management Act 1994 (Vic), acting pursuant to a nomination order issued in respect of the Project on 30 August 2005 by the Governor in Council on the recommendation of the Premier, for and on behalf of the Crown in right of the State of Victoria (State).

Kew Development Corporation Pty Ltd ACN 119 766 264 of Level 7, 3 Rider Boulevard, Rhodes, NSW, 2138 (Developer)

Walker Group Holdings Pty Ltd ACN 001 215 069 of Level 7, 3 Rider Boulevard, Rhodes, NSW, 2138 (Guarantor)

Background

- A Under the RFP, the Secretary sought detailed and costed proposals from prequalified organisations to develop the Site and construct the Community Houses.
- B The Secretary has selected the Developer as the successful party to undertake the Project. A principal reason for selection of the Developer was the Developer's commitment to construct an established community by delivering Stage 1, Stage 2, the Community Houses and the remaining stages as a fully integrated build out development of the Site.
- C The Developer has agreed to undertake the Project in accordance with the terms and conditions of this Agreement including constructing the Community Houses as part of the initial construction and development of Stage 1 and Stage 2.
- D The Guarantor has agreed to guarantee the obligations of the Developer under this Agreement on the terms and conditions of the Guarantee and Indemnity.

Division of this Agreement into Parts

This Agreement is divided into Parts A, B, C, D and E as follows:

PART A: General Provisions

PART B: Site and Construction Provisions

PART C: Subdivision, sales and marketing

PART D: Financial and commercial arrangements

PART E: Guarantee and Indemnity

WALKER'S 18/000

- (e) a representation, warranty or statement made, given or repeated by the Developer in this Agreement being false or misleading when made, given or repeated;
- a failure by the Developer to comply with a notice from the State not caused by an act or omission of the State; or
- (g) a failure by the Developer to obtain a necessary Authorisation not caused by an act or omission of the State.

Default Event Notice means a notice given in writing by the State under clause A20.1.

Defect includes any design error, construction fault, omission and other buildings or design defect in the Public Land Works.

Defects Liability Period means the period of 12 months after Completion of each Community House.

Demolition Contract means the contract entered into between the State and the Demolition Contractor for the demolition of existing buildings in Stage 1.

Demolition Contractor means City Circle.

Demolition Permit means permit no P9639 and permit P10367 issued by Heritage Victoria under the Heritage Act 1995 for the demolition of certain buildings on the Site, relocation of three memorials, removal of specified vegetation and approval of the layout for the Site and Includes any subsequent or replacement permit required to enable the Developer to carry out the Construction Works necessary to enable delivery of the Project in accordance with the Development Plan and this Agreement.

Design Brief means the design and output requirements for the development and construction of the Community Houses as specified in Part 2 of schedule 2.

Design Documents means the drawings, specifications, software, data, methods of working or any other material or process and other information, samples, models, patterns and the like required by this Agreement and created (and including, where the context so requires, those to be created by the Developer or pursuant to any Consultants Contract) for the construction of the Community Houses.



Developer's Base Margin means an amount equal to 18% of Project Expenditure (excluding any Liquidated Damages or Management and Overhead Costs included within Project Expenditure) incurred by the Developer

Developer's Infrastructure includes all services, means of access and other infrastructure necessary or desirable for the Project.

Developer means Kew Development Corporation Pty Ltd ACN 119 766 264.

Developer Modifications means:

(a) any proposal to alter the Lot layout of Stage 1 or Stage 2;

Schedule 9
Financial Model

Lorias Fron

KEW - Financial Model Assumptions

	3	KEW - Financial Model Assumpt	ions
	36C Lot	Housing and Apartment Scheme - OCT	OBE 2006
		2. 3.	
REVENUE			
	Housing - Stage 1	Price per sqm	Average Sale Price
	Type A (334 sqm)	\$3 950 /sign	£1,31£.300
	Турь В (264 мун.)	\$3,919 (sign) \$4,246 (sign)	\$1,034,800 \$960,200
	Type C (226 sqm) Type E (277 sqm)	\$4.458 /sgm	\$1,236,000
	Custom (280 sqm)	\$4.59H /sqm	\$1,257,500
	CONOTI 1200 RATIO	27.57117411	21,207,000
	Housing - Balance of Site	Price per ugm	Average Sale Price
	10m (Rear Garage - 220 sgm)	\$4,500 nigm	\$990,000
	13m (Rear Garage Cornet - 250 sqm)	\$4,500 /ngm	21 125,000
	13m (Front Gerage - 250 agm)	\$4,500 /sqm	\$1.125,000
	15m (From Gerage Corner - 250 eqm)	\$4,500 /sam	\$1,260,000
	Custons (280 sqm)	\$4.643 /sqn;	\$1,300,000
	4 34 35	- 112000000	
	Apartments River Arc - 3 Bed - 135 sqm	Price per sqm \$7,407 mgm	Average Sale Price \$1,000,000
	City View - 2 Bed - 120 sqm	\$7,560 Jagm	\$900,000
	City View - 3 Bed - 135 turn	\$7.500 /sqm	\$1,012,500
	0.0 1		***********
COSTS			
	Land		
	Present value of land payments (NPV)		\$30,979,157
	Total of land payments over project #e		\$43,920,000
	 Total Lois (excluding 20 KRS houses) 		360
	Payment per lot on settlement.		5122,000
	200	**	
	CHI		******
	Based on ourrent PFJ budget Additional aflowance for retaining walls & beni	man (113 60) par bit	\$14,050,000 \$2,766,000
	Additional anowards for retaining ward & perk	era (512 box per en)	\$2,766,000
	Langecaping (Parks & Streetscapes)		
	Besed on current MDG budget		\$7,210,000
	Additional allowance for WSUD (Bioretention i	n public prese)	\$1,089,000
	Landscape meintenance allowance	S. S. Steller F. Green	\$650,000
	Construction Cost		
	Housing - Stage 1	Construction Cest per sqm	Construction Cost
	Туре А (334 sqm)	\$1,600 /sqm	\$601,200
	Type B (264 sqm)	mpst, 000, 12	\$475.200
	Type C (228 sqm)	\$1,800 Augm	\$410,400
	Type E (277 ngm) Custorn (280 ngm)	\$1,800 /sqm \$1,000 /sqm	\$498,690 \$504,000
	Coacon (200 squi)	#1,000 mgm	2504,000
	Housing - Balance of Eke	Construction Cost per sqm	Construction Cost
	10m (Rear Gorage - 220 sqm)	\$1,800 /som	\$396,000
	13m (Rear Garage Corner - 250 sqm)	\$1,800 /egm	\$450,000
	13m (Front Garage - 250 aum)	\$1,800 /sqm	\$450,000
	15m (Front Garage Corner - 280 eqm)	\$1,800 Augm	\$504,000
	Custom (280 sqm)	\$1,800 sqm	\$504,000
	Apertments	Construction Cost per sqm	
	River Arc Building	\$2,500 /sqm \$500 /sqm	
	River Arc Besement	\$000 /BQ**	
	City View Building	\$2,700 Augm	
	City View Busement	\$1,000 /sqm	
	Note: Construction costs include site preimin	aries and supervisors. The raise are based on net living are:	e within
	external walls excluding garage, beloor		
	Consultants		
	Architects	Housing	\$15,000 per lot
		Apartments	4 50% of construction east
	1200 21 107001	1.000	F20020 100 000
	Other Consultants	Housing Apartments	3.00% of construction cost
		Approvates	3.50% of construction cost
	Statutory		
	No allowance for; lend tax, slamp duty or coun-	că rates	
	Salaries (100% attributable to project)		
	Allowance made for:	t x Development Manager	\$150,000
		1 x Construction Manager	\$185.00C
		1 x Gost Planner	\$130,000
		1 x Senior Estimator	\$100,000
		1 x Junior Estimator	\$70,000
		1 x Marketing Manager	\$120,000
		Total Annual Cost	\$755,000
		Project management less to end March C6	\$266,750
		- representation of the second	aave,/30
	· · · · · · · · · · · · · · · · · · ·	Total Cost (61 months)	\$5,303,000
		Construction cost incl contingency	\$199,373,000
		% Construction Costs	2.66%

Sheet Feasibility Assumptions
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PM & CH Fee

Page.1 of 2

Project Cost 2.00%

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\$249,748,000 \$4,994,920

KEW - Financial Model Assumptions

360 Lot Housing and Apartment Scheme - OCTOBER 2006

\$15,000 per lot

Selling 1 x Selvs Consultant

1.00% of grost revenue

Conveyancing Fee

\$1,000 per lot

Debt : Equity

100% debt 8% per annum

Project Contingency

3 00% of the total ctvl. housing & apartment construction cost

Net Cost \$21,100,000

Construction rate

Housing - Stage 1 Housing - Balanco of site

12 starts per month 6 starts per month (40 week build time)

Apurtments - Balance of site River Are Buildings City View Buildings

12 months per pair of buildings 18 months

Total	\$10,900,000	132,009,000
Hulchinson Drive Water Main		\$195,000
Hartage Buildings		\$1,002,000
HV Cable Undergrounding		\$2,760,000
Recreation Centre		\$3,240,000
KRS Houses	\$10,900,000	\$13,000,000
Remediation		\$4,074,000
Demoition		\$3 129,000
Services Relocation		\$710.000
Site economication & office running costs		\$809,000
Masterplanning (all consultants) & Bid Preparation / Acquitition		\$1,000,000
ten	Revenue	Costs

ASSUMES Mas DMLY

KEW - Financial Model Summary

360 Lot Housing and Apartment Scheme - OCTOBER 2006

YIELD

Apartments 156 KRS Dwellings 20 380

REVENUE

houses 224,162 154,875 Apartments GROSS REVENUE 379,037 378.037 29,912 NET REVENUE 305,205 305,205

GENERAL SCHEME

Masterplanning / Acquisition 1.000 She Accommodation 809 Services Relocation 710 Demolition 3,129 Remediation 4,074 KRS Dwellings 2,100 Recreation Centre 3,240 hy Cable Undergrounding 2,760 Heritage Core 3,092 Hutchinson Drive Water Main 195 21,109

DEVELOPMENT COSTS

Infrastructure Civil Works

Construction 12,692 Authority 1,124 Council 234 Retaining walls 2,766 Site clearing & vegatation removal 16,866 Landscaping

Streetscapes 1.581 Parks 5,454 WSUD Allowance 1,089 Momorials & Oak Walk 175 Landscape Maintenance 650 8.949

Construction

Houses Construction 89,994 KRS Retrofit 600 **Builders** defects 142 90,736 Apartmenta

Construction 66,165 10,650 77,015 5,807 5,807

CONSULTANTS

Architects 6 884 Consultants 6.532 13,416 1,084 1,084

STATUTORY SALARIES

5,303 5,303 MARKETING & SALES

Promotion & Advertising Sales Commission

3,790 Conveyanding 271 9,461 DEVELOPMENT COSTS TOTAL 249,746 249,746

FINANCE 15,077 15,077 PROJECT MANAGEMENT & OVERHEADS FEE @ 2.00% 4,995 4,995

PROJECT COSTS TOTAL 269.818 269,818

PROFIT .	\$35,387
RETURN ON COST	13.12%
IRR %	23.56%

Sheet: Feasibility Summary
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KEW - Financial Model Detail Development Stages

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KEW - Financial Model Detail General Scheme



Part D – Financial and commercial arrangements

D1 Payments

D1.1 Community Houses Payment

The State must pay the Community Houses Payment to the Developer at the times and in the manner set out in schedule 12.

D1.2 Land Payments

- (a) The State may retain the Guaranteed Land Payment and any GST payable on a Lot Sale Contract from the proceeds of settlement of each Lot Sale Contract and must pay the balance of the proceeds of each Lot Sale Contract to the Developer in payment for performance by the Developer of its obligations under this Agreement.
- (b) The Developer must pay to the State the Revenue Share Land Payment at the times and in the manner set out in schedule 12.

D1.3 Priority of Payments

The priority of payments from the proceeds of the Sale of each Lot to the State and the Developer will be as follows:

- (a) first, to the State for the Guaranteed Land Payment and GST;
- (b) second, to the Developer or its financier at the Developer's direction, until such time as the State is entitled to a Revenue Share Land Payment; and
- (c) third, to the State and the Developer pari passu for the Revenue Share Land Payment and the Developer's share of the surplus profit above the Developer's Base Margin.

D2 Financial Model

D2.1 Purpose of Financial Model

- (a) The Financial Model sets out the expected expenditure and returns in respect of the Project and forms the basis on which the State and the Developer have estimated the expected Revenue Share Land Payment to be received by the State.
- (b) The Developer must provide the State with an electronic version of the Financial Model on the Operative Date.

D2.2 Updated Financial Model

(a) The Developer must provide the State with an updated Financial Model at the expiration of each 12 month period following the Operative Date and following the approval of a Stage budget or implementation of any Developer's Modification. The updated Financial Model must include all changes to the Financial Model arising in the previous 12 month period, arising either as a consequence of:

- (i) any increase or decrease in Project Expenditure or Project Revenue from that anticipated in the Financial Model; or
- (ii) arising in consequence of any Developer's Modification, State Modification or Stage budget.
- (b) The updated Financial Model must indicate:
 - (i) Any amended Guaranteed Land Payment;
 - (ii) Any changes to the number of Lots or changes in the construction mix of Lots; and
 - (iii) Any other substantive changes to the Financial Model.

D2.3 Material Changes

If a change occurs in any category of expenditure or revenue in the Financial Model which is or may result in a material decrease in the Revenue Share Land Payment, the Developer must include this in the next Monthly Report following the Developer becoming aware of that occurrence.

D2.4 Stage Budgets

- (a) The Developer must prepare a budget for each individual Stage based on the expected expenditure and revenue contained in the Development Budget and Financial Model as applicable to that Stage, and provide a copy of that budget for the approval of the State prior to commencing any work in relation to a Stage.
- (b) Each Stage budget must contain details regarding the estimated expenditure for that Stage in respect to design costs and marketing costs.
- (c) If the Stage budget differs from the estimated Project Expenditure and Project Revenue contained in the Financial Model, the Developer must provide the State with reasons for the difference and advise the State of any expected impact on the forecast Revenue Share Land Payment to the State.
- (d) The State may only withhold approval to a Stage budget if:
 - (i) the Stage budget does not reflect the Financial Model; and
 - (ii) the implementation of the Stage budget will result in:
 - (A) the Objectives not being met; or

(B) a Revenue Share Land Payment not being payable when it otherwise would be or the Revenue Share Land Payment being reduced from that forecast in the Financial Model

other than as a result of a Market Condition Change.

- (e) As soon as the Developer becomes aware that the actual Project Expenditure incurred in respect to a Stage will or is likely to:
 - (i) exceed the total budgeted expenditure by more than 3%; or
 - (ii) exceed the estimated costs allocated for any individual item of Project Expenditure including design costs or marketing costs by more than 10%,

the Developer must notify the State in writing providing details as to:

- (A) the amount of the increased expenditure:
- (B) the items to which the increased expenditure relates;
- (C) reasons for the increase in expenditure and whether the increase in expenditure will be set off by a corresponding increase in Project Revenue;
- (D) whether the increase will result in an increase in expenditure under the Development Budget or require an alteration to the Financial Model; and
- (E) whether the increase will reduce the forecast Revenue Share Land Payment.
- (f) If the notice under paragraph (e) indicates an expected reduction in the forecast Revenue Share Land Payment the State and the Developer must discuss whether having regard to the prevailing economic and market conditions it is in the commercial interest of both the Developer and the State to incur the increased Project Expenditure.
- (g) The Developer must update each Stage budget on a quarterly basis to reflect actual expenditure and revenue for the Stage. The Developer must provide a copy of the updated budget to the State.

D2.5 Project Expenditure

- (a) All Project Expenditure will be recorded by the Developer on a fully auditable and open book basis including the provision of detailed invoices showing all direct costs and the calculation of margin on these costs.
- (b) The Developer must not incur any Project Expenditure greater than the amounts specified in clause D2.4(e) without the prior written consent of the State which consent will not be unreasonably withheld or delayed where the Developer demonstrates that the cost to be incurred is necessary for the Project and represents an appropriate market rate for the expenditure being incurred. The State will only withhold approval to

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- any increase in budgeted Project Expenditure if it is not satisfied (acting reasonably) that it is in the commercial interest of the parties to do so.
- (c) If the Developer incurs Project Expenditure greater than the amounts specified in clause D2.4(e) without the prior consent of the State, the State may by notice (acting reasonably) exclude the application of the Developer's Base Margin to that excess expenditure.

D3 Audit

D3.1 Independent Audit

- (a) Within 90 Business Days after each financial year during the Project Term, the Developer must cause:
 - (i) the books of account of the Developer for the Project to be audited; and
 - (ii) the amount of any Revenue Share Land Payment payable to the State under this Agreement to be calculated, audited and confirmed,

for each financial year by a firm of chartered accountants to be appointed jointly by the Developer and the State (any dispute to that appointment is to be determined in accordance with clause A25).

- (b) The Developer must provide a copy of each audit under clause D3.1(a) to the State, as soon as practicable.
- (c) The State:
 - (i) acknowledges that the costs incurred by the Developer under paragraph (a) may form part of the Project Expenditure;
 - (ii) accepts that the Revenue Share Land Payments payable to the State under Part D may reduce in consequence of sub-paragraph (i); and
 - (iii) accepts the risk described in sub-paragraph (ii).

D3.2 Provide Information

Within a reasonable time after receipt of a reasonable request in writing from the State, the Developer must provide to the State all information relating to the Project, including:

- (a) records;
- (b) accounts;
- (c) details of costs;
- (d) details of the proceeds of Sales of Lots; and
- (e) details of the distribution of proceeds from the Sales of Lots.



Schedule 12

Payments

1 Community Houses Payments

1.1 Price

Subject to paragraph 1.2 and 1.3, a fixed price of \$545,454.00 (plus GST) is payable by the State to the Developer in respect to the construction of each Community House, including the Community House known as OS13.

1.2 Reduction of price

The fixed price described in paragraph 1.1 in respect of each Community House shall be reduced by any expenditure incurred by the State:

- (a) under clause A21.10(b) in respect of that Community House; and
- in procuring the carrying out of any works or services properly forming part of the Construction Works.

1.3 Adjustment of price

- (a) The fixed price described in paragraph 1.1 in respect of each Community House shall be adjusted to take account of the cost of any State Modifications to any Community Houses made pursuant to clause B13.3 after the Operative Date.
- (b) The State acknowledges that the incorporation of the hydro baths in the Community Houses constitute a State Modification. The State and the Developer will agree the cost of that State Modification as soon as practicable after the Operative Date. The State and the Developer must act reasonably in agreeing the cost of the hydro baths and any dispute will be dealt with under clause A25.

1.4 Method of Payment

Payment will be made on a monthly progress payable basis by reference to:

- the proportion of the Community Houses construction works which are complete as at the expiration of each month; and
- (b) any reduction for the expenditure incurred by the State under clause 1.2(a) and
 (b) of this schedule 12.

1.5 Payment Claims

(a) At the end of each calendar month during the Project Term until Completion of construction of all Community Houses, the Developer shall deliver to the State Representative a claim for payment of the costs incurred by the Developer in constructing the Community Houses for that calendar month (Progress Claim). The initial Progress Claim may include all costs incurred up to the date of that Progress Claim. The Progress Claim must include:



- details of the Community Houses construction works undertaken in respect (i) to each Community House to which the Progress Claim relates;
- the proportion of the work undertaken in respect to each Community House (ii) to which the Progress Claim relates as a percentage of the total work required to complete construction of those Community Houses; and
- (iii) the amount claimed.
- The State will appoint the Quantity Surveyor to verify that the amount of the Progress Claim has been incurred by the Developer within 10 Business Days of the date the State receives the Progress Claim.
- Once the Quantity Surveyor has verified the amount of costs incurred by the (c) Developer in relation to the construction of the Community Houses for the period covered by the Progress Claim, the Quantity Surveyor will certify the amount payable and the State must pay the Developer that amount within 10 Business Days of the date of certification.. \$30,979.157 NN.

Land Payments 2

Commercial Principles 2.1

The land payment comprises the following components:

- A Guaranteed Land Payment to the State of \$30,979,157 (NPV in \$2006 at 8% discount rate) based on a payment of \$122,000 per Lot based on a current site yield of 360 Lots constructed over the life of the Project. This is a guaranteed payment to the State payable irrespective of the proceeds or profit component received by the Developer from the Sale of each Lot, but which will be adjusted by the applicable payment per Lot should the number of private dwellings vary upwards or downwards from 360.
- If the Sale price of any Lot (inclusive of GST) exceeds \$1,500,000, the State will (b) be paid an amount in addition to the amount specified in paragraph (a) equal to the difference between:
 - 10% of the Sale price of that Lot (inclusive of GST); and
 - the amount payable pursuant to paragraph (a), (ii)

but only when that amount is a positive amount.

- In addition to the Guaranteed Land Payment per Lot, the Developer will pay a (c) further Revenue Share Land Payment to the State calculated in accordance with paragraph 2.3(a).
- (d) In addition, additional payments to those set out in paragraphs (a), (b) and (c) will be payable by the Developer to the State in the following circumstances:
 - if the net developable area of the Site is increased in order to secure additional yield; or
 - if the increase in the net developable area of the Site is used to enlarge the (ii) size of the effective private open space area contained within any Lots, ie. the additional lot area was rendered effectively "private" by way of fencing or planting.



In the event either of those circumstances occurred, the Developer will pay an additional payment to the State of \$400 per square metre of additional land utilised. For the purposes of future assessment, the net developable area of the Site is 18.82 hectares.

Additional payments by the Developer to the State will not be required in circumstances where dwellings and lots shown on the Development Plan abut or front onto proposed public open space and the adjustment of the net developable area increases the size of the area of that part of any Lot which is between the dwelling and the edge of the open space area in order to either:

- secure a services or access easement on the Lot; or
- (ii) establish clarity in respect to that part of the effectively open area between a dwelling and the edge of the open space area, whether or not this edge is defined by a pedestrian path or cycleway, that is to be maintained and managed as unfenced "frontage" by the lot owner as opposed to the local council.

The nature of reasons for any significant change to the net developable area of the Site must be discussed between the State and the Developer and, if appropriate, the quantum of any adjustment to the level of payments required as set out above will need to be approved by the Valuer-General with input from the Developer's own valuation team. Any such payment will be payable by the End Date.

2.2 Guaranteed Land Payment

- (a) The State may retain each Guaranteed Land Payment (adjusted in accordance with paragraph (d)) at Settlement of the Sale of each Lot.
- (b) Unless otherwise agreed, each Guaranteed Land Payment is to be made to or at the direction of the State's solicitors attending the Settlement of the relevant Sale in accordance in accordance with the Sale Procedures set out in Schedule 11.
- (c) In addition to the Guaranteed Land Payment, the State may retain at Settlement of the Sale of each Lot any GST payable by the State in respect to the Sale of the relevant Lot calculated in accordance with clause A26.
- (d) The dates for estimated payment of each Guaranteed Land Payment is specified in the attached schedule ("Land Payment Schedule"). If the timing of the Guaranteed Land Payments differ from those dates specified in the Land Payment Schedule, the Land Payment Schedule will be adjusted annually so that the NPV of the future payments (in \$2006 using an 8% discount rate) is maintained at \$30,979,157. The annual adjustment referred to above will occur on each anniversary of the Operative Date.
- (e) The State must pay to the Developer or at the Developer's direction the balance of the Sale proceeds from the Sale of each Lot after deduction of all amounts to be retained by the State pursuant to this paragraph 2.2.



2.3 Revenue Share Land Payment

- (a) The Revenue Share Land Payment is 50% of the amount calculated by deducting the Project Expenditure and the Developer's Base Margin from the Project Revenue.
- (b) The Developer must pay to the State an interim Revenue Share Land Payment, calculated on a Stage by Stage basis in accordance with this Schedule 12. For the purposes above, the Stage will be as set out in the Stage budget presented at the commencement of each Stage, in accordance with clause D2.4.
- (c) If at the end of any Stage the amount calculated under paragraph (a) exceeds \$500,000 and the State and the Developer reasonably expect having regard to the current performance of the Project that a Revenue Share Land Payment will be payable to the State, the Developer must pay the State an interim distribution of the Revenue Share Land Payment equal to the amount in excess of \$500,000.
- (d) The interim distribution of the Revenue Share Land Payment will be payable within 30 days following completion of each Stage. For the purposes of this paragraph, "completion of a Stage" means when settlement has occurred in respect to the last Lot comprised in the Stage or as otherwise agreed between the State and the Developer.
- (e) At the same time that the Developer pays the interim Revenue Share Land Payment to the State, the Developer may retain its share.
- (f) If at any time, the total interim Revenue Share Land Payment distributed to the State or the Developer exceeds their respective entitlement under this Agreement, the State or the Developer (as the case may be) must refund the amount of any excess payment received.
- (g) At the End Date any Revenue Share Land Payment payable but unpaid must be paid in full or any overpayment of Revenue Share Land Payment must be repaid.

2.4 Forfeited Deposits

If any Lot Sale Contract is rescinded and the State is entitled to forfeit the deposit:

- (a) the deposit forfeited will be paid by the State to the Developer and will form part of the Project Revenue for the purposes of calculating any Revenue Share Land Payment; and
- (b) no Guaranteed Land Payment will be retained by the State in respect to that Lot Sale Contract.

New Residential Services

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