



[2003

ANNUAL REPORT

LIB/00168



The Hon Michael Egan, MLC,
Treasurer, Minister for State
Development, and Vice President
of the Executive Council
Level 33, Governor Macquarie Tower
1 Farrer Place Sydney NSW 2000

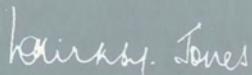
The Hon John Della Bosca, MLC,
Special Minister of State, Minister for
Commerce, Minister for Industrial
Relations, Assistant Treasurer, and
Minister for the Central Coast
Level 30, Governor Macquarie Tower
1 Farrer Place Sydney NSW 2000

30 October 2003

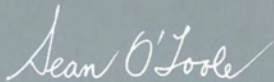
Dear Ministers,
We are pleased to submit to you for
presentation to the Parliament of
New South Wales, the Landcom Annual
Report for the year ended 30 June 2003.

The report has been prepared in
accordance with the Annual Report
(Statutory Bodies) Act 1984 and the
applicable provisions of the Public
Finance and Audit Act 1983.

Landcom has performed particularly well
during the financial year, generating
earnings before interest and tax well
above its target.



WILLIAM KIRKBY-JONES
CHAIRMAN



SEAN O'TOOLE
MANAGING DIRECTOR

WE [have a vision

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A scenic view of a park with a winding path, a pond, and people enjoying the outdoors. In the foreground, two people are sitting on the grass, looking towards the path. In the middle ground, a man is walking a dog on the path, and two children are riding bicycles. The path curves around a pond, and there are trees and bushes in the background.

WE [listen]

You talk, we listen. Listening is the first stage in the development of any new community. Landcom undertakes extensive consultation with people who live and work in the area, relevant government agencies and departments, councils and local community and environment groups, to ensure your views and needs are taken into account before masterplanning commences.



Never say never. That's how we view even the most difficult of projects, and that's why we've made a name for ourselves in the planning and development of strategic and complex projects. We work collaboratively with a variety of community, industry and government partners to plan the best and most appropriate outcome for all parties, now and in the future.

WE [plan]

A photograph of two young children sitting at a table, engaged in a painting activity. They are using cardboard boxes as palettes and brushes. The child on the left is a girl with a pink bow in her hair, wearing a pink jacket, holding a wooden stick. The child on the right is wearing a red sweater. The table is covered with white paper and has several cardboard boxes with various colors of paint (red, yellow, black) on them. The background is a solid blue color.

WE [create]

Award-winning urban design, environmentally sensitive developments, nationally recognised welcome programs to make new residents feel instantly at home...creating communities is about much more than bricks and mortar, it's about making a place we feel proud to call home. That's why we build parks, infrastructure and neighbourhood facilities often before the first brick is even laid.

Whether it's the small details
or the big picture,

WE [enhance living



Landcom has performed particularly well during the financial year to 30 June 2003. The corporation generated earnings before interest and tax of \$127.13 million compared with a target of \$100.72 million, and a total of 1,946 residential units and developed lots were released for sale.

Important as it is, profit generation is by no means the sole objective for the corporation. The Government expects Landcom to undertake strategic and complex developments that aid the implementation of urban and regional planning policies.

The corporation is also required to play a leadership role in pursuing excellence in the design and the built-form outcomes of its developments. Landcom has the additional objective of ensuring that its projects are executed in such a way as to produce tangible social and ecological dividends.

During the year the corporation produced its first Triple Bottom Line report and established an innovation cadre whose members face the challenge of systematically collecting leading-edge ideas and ensuring that innovation rapidly becomes an integral part of Landcom's everyday culture.

To the organisation's credit, it has again won a number of prestigious awards for excellence in design, masterplanning and sustainable development.

Generally favourable economic conditions and a strong demand for housing have assisted Landcom to achieve, and in most cases exceed, all of its key objectives.

It is unlikely, however, that the year ahead will enjoy such a favourable setting. There is an increasing degree of uncertainty in property markets. In addition, we are in the early stages of unprecedented social change and an important task for Landcom remains the maintenance of an adequate mix and supply of appropriate land and homes to adapt to change and to sustain our business well into the future.

In the year ahead the corporation will aim to further consolidate its position as a major facilitator of desirable metropolitan outcomes and, when requested, to assist government departments and agencies to add value to surplus land scheduled for disposal.

Landcom is well positioned to meet the challenges ahead. We have the enviable benefit of an enthusiastic and dedicated team of people who work hard at building and maintaining excellent relationships with our business partners, local government authorities and our stakeholders.

The achievements of the past year are directly attributable to the dedication, professionalism and hard work of our people who have earned the high regard and sincere appreciation of the corporation's Board of Directors.

Our Managing Director, Mr Sean O'Toole, and his team of General Managers have led the organisation with distinction and we owe them a debt of gratitude.

Last, I am most grateful to my Board colleagues who have provided me with their wise counsel, support and encouragement; their contribution to the work of Landcom continues to be invaluable.


WJ KIRKBY-JONES AM
CHAIRMAN



This Annual Report represents the first full year of operations for Landcom as a State-Owned Corporation and marks a continued shift within Landcom to align, more closely, with the Government's wider urban objectives.

The facilitation and delivery of strategic and complex projects has emerged as an increasingly important component of Landcom's role within government and, during the year, considerable progress was made on projects such as: • Discovery Point at Woll Creek • Macarthur Gardens • Rouse Hill Regional Centre • Green Square Town Centre.

Each of these projects is critically significant in the metropolitan planning context and each demonstrates leading edge planning and urban design. Furthermore, Landcom's involvement in these projects has been decisive in addressing the varied and complex issues involved in their delivery.

During the year we continued to strengthen our relationships with public agencies such as the Roads and Traffic Authority (with regard to its Rosebery and Parramatta sites) and the Department of Health in relation to Prince Henry Hospital. In addition, we developed closer working relationships with the private sector, in particular with Mirvac on our Newbury project, Stockland at Macarthur Gardens and Australand at Discovery Point and Greenway Park. In the upcoming year, we intend to expand on this partnering role by entering into further relationships with the private sector in order to deliver superior outcomes to our stakeholders and customers.

It was especially satisfying to see some of our earlier initiatives and ideas starting to bear fruit throughout the year.

Perhaps most significantly, the Victoria Park project burst into life, with the first residents moving into the Centric building and with the completion and opening of an extensive system of open spaces throughout the project. Victoria Park has emerged as an "icon project" for the corporation, providing a leading example of best practice in urban design on a large scale. The project continues to win numerous awards.

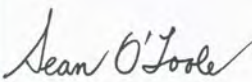
On our Newbury estate, being developed in partnership with Mirvac, all the hallmarks of a thriving community became evident during the year. New residents to the Estate are the first to enjoy the parks, water features and community facilities which Newbury offers. Furthermore, Blacktown City Council's aquatic centre, located within the Estate, is now up and running and construction on the retail centre is well underway.

Housing affordability remains a key concern for greater metropolitan Sydney and, in 2002/2003, Landcom continued to pursue a number of innovative solutions to this issue. The first housing made specifically available by Landcom for moderate income families was provided at Newbury during the year and construction commenced on a similar initiative – the Smart Housing Project at Parklea.

Finally, Landcom continued its drive towards full Triple Bottom Line reporting throughout the year, with extensive data collection and verification proceeding for all of the corporation's projects. Landcom's focus on sustainability continues to lead the industry and, as far as our investigations can ascertain, Landcom remains the only property developer in the world that is reporting its performance in terms of its environmental and social goals, as well as financial targets.

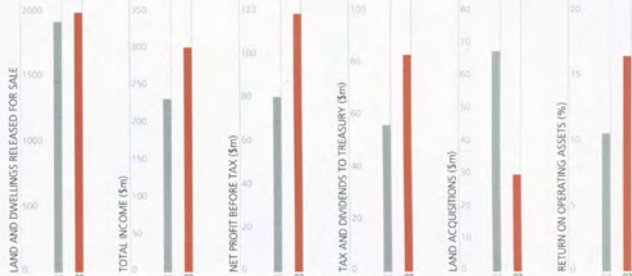
Landcom's achievements for the year are to be celebrated. They reflect the extremely hard work which continues to go on behind the scenes throughout the organisation.

I join the Chairman in thanking my Landcom colleagues for a job well done and look forward to the opportunities and challenges the coming year will bring.



SL O'TOOLE
MANAGING DIRECTOR

This Annual Report provides a review of Landcom's performance against its key objectives. As in previous years, a review of community programs has been included, in recognition of the importance the corporation places on stakeholder consultation, community creation and community support through sponsorship.



- Landcom's earnings before interest and tax for 2002/2003 were \$127.13 million and well ahead of the target \$100.72 million.

- A total of 1,946 housing units – vacant lots, apartments, townhouses and house-and-land packages – were released for sale.

- Landcom moved to accelerate the development of an affordable and consistent supply of housing on the urban fringe of Sydney, proposing about 5,000 new home sites over the next three years.

- Construction started on the Smart Housing Demonstration Project at Parklea, the first specifically targeted to moderate-income households, with the first owners moving in during 2003.

- The Green Square Town Centre Masterplan and related local environmental plan was launched in June 2003.

- Landcom installed almost \$3 million in essential infrastructure for the Discovery Point site at Wollie Creek and a preferred tenderer was appointed. Site development is expected to start in mid-to-late 2003.

- A preferred tenderer for the Rouse Hill Regional Centre development was appointed in February 2003, and detailed site masterplanning began.

- A Conservation Management Plan for the former Prince Henry Hospital site was approved by the Heritage Council in July and Landcom obtained a heritage listing in May.

- The first "sod" was turned for the Austool building – a landmark toolmaking facility in Landcom's Ingleburn Industrial Estate.

- Randwick City Council approved an amended masterplan for the Prince Henry Hospital site in May. Preparatory site works proceeded, public access to Little Bay was improved and restoration works on Flowers Ward 1 completed.

- Construction work on the Park Central site at Campbelltown started, with Landcom committing a total of \$10 million towards infrastructure, services and landscaping. Sales of the first home sites are due in late 2003.

- "Centric", the first stage of the Victoria Park project, was completed and residents began moving into the development.

- The final residents moved into the Hunterford Estate at Oatlands and residents hosted a farewell party for Landcom's sales staff to celebrate the successful conclusion of the project.

- The "Living Communities" conference in September, showcased Landcom developments and promoted cooperation between Landcom and local government.

- The "House of Hearts" project at Tallwood Hills involved Landcom as a sponsor in the construction and sale of a house on the estate, with the proceeds to go to

The Children's Hospital at Westmead's cardiac unit.

- Landcom initiated and launched industry guidelines for consistency and best practice in development assessment for local government.

- Landcom's drive towards excellence in sustainability continued, with the corporation ready for full Triple Bottom Line reporting in 2002/2003.



WILLIAM KIRKBY-JONES AM

PENNY MORRIS AM

GAE RABY

SEAN O'TOOLE

CHRIS CARROLL

NEIL BIRD AM

BOARD OF DIRECTORS

WILLIAM KIRKBY-JONES AM
DIP CD, FAICD, FAIM, FAMI

CHAIRMAN

Mr Kirkby-Jones gained his experience in the building and development industry as founding Managing Director of the Defence Housing Authority and earlier as the Managing Director of the Housing Industry Association.

He now holds a number of non-executive directorships including:

- Amber Group Australia Limited - Chairman
- ACT Land Development Agency - Chairman
- Australian Housing and Urban Research Institute - Director
- Honeysuckle Development Corporation - Director

In 1992, he was made a Member of the Order of Australia for outstanding service to the housing industry.

SEAN O'TOOLE

DIP T&CP, DIP ENV STUDIES, DIP CD, FRAP, ASSOC ANLE

MANAGING DIRECTOR

Mr O'Toole has been the Chief Executive of Landcom since 1996. Prior to joining Landcom he held senior positions in urban planning at both State and local government levels.

He is a member of the Australian Property Institute and an associate of the Australian Institute of Company Directors, and has qualifications in real estate valuation, town planning and environmental management.

NEIL BIRD AM

B ARCH, GRAD DIP MGT, FRAIA, FAICD, FPA, FAPI

DEPUTY CHAIRMAN

Mr Bird has substantial experience in the development industry including senior executive positions in companies such as the Delfin Property Group and Pioneer Housing Group.

He is a past national President of the Urban Development Institute of Australia and was NSW Chairman of the Indicative Planning Council for the Housing Industry.

Mr Bird currently holds positions with:

- Central Sydney Planning Committee - Member
- Honeysuckle Development Corporation - Director
- Bringelly South West Group Pty Limited - Chairman.

PENNY MORRIS AM

B ARCH (HONS), M ENVSC, DIP CD, FRAIA, FAICD

Ms Morris has extensive experience in property development and management. She was formerly Group Executive of Lend Lease Property Services, General Manager and Director of Lend Lease Commercial and Director of Commonwealth Property with the Department of Administrative Services (Canberra).

Ms Morris has also been a Director of the Colonial State Bank, Australian Postal Corporation, Howard Smith, Energy Australia and Indigenous Land Corporation.

- She is currently a Director of:
- Country Road Limited
 - Jupiters Limited
 - Sydney Harbour Foreshore Authority
 - Aristocrat Leisure Limited.

CATHRYN INGRAM
B Acc, MCAA, MAA
(RESIGNED 24 MARCH 2003)

CHRIS CARROLL

LLB (HONS), MAICD, MACLA, MICS

Mr Carroll is a solicitor who has a background in property and commercial law. He was in-house legal counsel for Lend Lease for 10 years. He has held senior positions with Lend Lease and Medallist - a residential joint venture between Macquarie Bank and Greg Norman.

Mr Carroll currently holds positions with:

- Luxdell Pty Limited - Director
- Fromeday Pty Ltd - Director
- Principal Hotels Limited - Director
- Principal Real Estate Investors (Australia) Limited - Corporate Counsel and Director

GAE RABY

B ECO

With a background in economics, Ms Raby has extensive experience in the management of major government funding programs at the federal and state level. These programs have involved the delivery of health and community services.

She has held senior positions in a broad range of government agencies. These have included the Land Coordination Unit and the Department of Family and Community Services. As Manager Corporate Strategy for FreightCorp, she was responsible for the project management of the corporatisation process.

She is currently a Director on the Zoological Parks Board of NSW.



structure

LANDCOM BOARD

MANAGING DIRECTOR

GENERAL MANAGER URBAN DEVELOPMENT

The Urban Development division typically develops land with little pre-existing infrastructure for residential purposes.

The Environment section advises the development teams on sustainability issues.

GENERAL MANAGER URBAN RENEWAL/COMMERCIAL

The Urban Renewal division redevelops land for medium density residential purposes. Developments are typically located in the inner and middle geographic rings of Sydney.

The Commercial division plans, subdivides, develops and sells industrial land. It also develops shopping centres and commercial facilities associated with Landcom residential developments.

GENERAL MANAGER CORPORATE & FINANCE

The Finance division provides strategic, financial and management accounting expertise to the Board and Executive of Landcom.

The Information Technology division provides reliable and cost-effective information technology systems to support main business operations of Landcom.

Corporate Services provides business support including human resources, administration and legal services to the operating divisions of Landcom.

GENERAL MANAGER MARKETING AND SALES

The Marketing and Sales division provides advertising, marketing and sales, public relations, community consultation and community development support to the operating divisions of Landcom.



MICK OWENS
PATRICIA WILES
GREG SOUTH
GEOFF JOYCE

GEOFF JOYCE
B COM, ACA, FAICD

GENERAL MANAGER
URBAN RENEWAL/COMMERCIAL

Geoff has over 25 years senior management experience spanning the property development, construction and leisure industries.

He has undertaken senior executive roles in both the private and public sectors, drawing on formal qualifications in commerce, accounting and management. Over the last 15 years Geoff has held senior management roles in the private sector incorporating high density residential, commercial and hotel development for the Australian Development Corporation; major community title golf course residential developments in Queensland with Sanctuary Cove Resort and Thakral Holdings Ltd and initiating and setting up development alliances across the eastern seaboard states.

GREG SOUTH
B EC, ASA

GENERAL MANAGER
CORPORATE AND FINANCE
CORPORATE SECRETARY

Greg's background and experience – working with some of Australia's leading private building companies – adds a critical component to the management team.

Before joining Landcom three years ago, he performed a number of commercial management roles with subsidiaries of a number of large corporations including Leighton and Transfield.

Greg's position oversees the provision of finance and corporate services to all divisions of the organisation, and importantly ensures that the financial and commercial infrastructure is in place for Landcom's operations and projects to meet the objectives of the corporation.

PATRICIA WILES*
B SC (HONS), DIPM

GENERAL MANAGER
MARKETING AND SALES

With a passion for developing and building brands, Pat has successfully delivered results in fast moving consumer goods, luxury goods, financial services and pharmaceutical markets, in a career spanning 27 years and four continents.

Her strong strategic planning skills and commitment to teamwork led her to be Cussons International's first female Marketing and Sales Director.

Pat's marketing and sales skills have been honed, in both managerial and consulting roles, with major global companies such as Waterford Wedgwood, Touche Ross, GlaxoSmithKline in Australia, the UK, USA, Mexico and Thailand.

*At the time of going to print, Pat Wiles had left the organisation.

MICK OWENS
B SURV, MIS

GENERAL MANAGER
URBAN DEVELOPMENT

Mick leads the Urban Development division, Landcom's greenfield development arm. He has over 20 years experience in the property industry. He spent the early stages of his career in surveying, engineering, planning and managing small and large residential projects. Since joining Landcom in 1991 Mick's experience has included working on NSW country land development projects and managing the development of very large and complex residential estates across Sydney, particularly in Sydney's north-west growth corridor.

A key challenge for the Urban Development division is to be a catalyst for innovation, sustainability and quality development in Sydney's urban release areas.

Landcom prides itself on its commitment to the highest standards of Corporate Governance. The organisation has in place a comprehensive suite of corporate governance arrangements which are monitored and reviewed on a regular basis.

Landcom became a Statutory State-Owned Corporation in January 2002 and operates under the State-Owned Corporations Act 1989, the Landcom Act 2001 and the Landcom Constitution.

The corporation's shareholders (the people of NSW) are represented by two NSW State Government Ministers – the Treasurer and the Special Minister of State. Corporate governance arrangements clearly recognise the roles of these shareholder Ministers, as well as Landcom's Portfolio Minister, the Minister for Housing and Roads.

Landcom operates under a Board of Directors which oversees the work of the corporation on behalf of its shareholders. The Board is chaired by William Kirkby-Jones. The Board has produced a Corporate Governance Charter which demonstrates the Board's continuing commitment to the transparency of its behaviours and actions, and its striving for best practice. The Charter sets out the roles and key responsibilities of the Board, the Managing Director and the Corporate Secretary.

The Board's key responsibilities are to set the strategic direction for the corporation, to establish its major objectives and to ensure the integrity of the operational and financial statements.

The Board is responsible also for the selection, appointment and mentoring of the Managing Director, for identifying and managing risk and for ensuring that the corporation is compliant with all relevant legislation. It falls to the Board to ensure that all of Landcom's people vigorously pursue the corporate vision that has, as its core, an emphasis on value, profitability and the achievement of the corporation's operational, environmental and social objectives.

Board Meetings are characterised by open communication, personal responsibility and diverse opinion. Discussion at meetings is focussed not only on financial information, but also on issues of social value, leadership, culture and reputation. In-depth strategic issues (such as the effects of cyclical movements in the housing industry and the

establishment of appropriate project development controls to achieve financial, time and quality goals) are discussed regularly.

The Board has established separate committees that provide a corporate focus on four key issues. These are Audit and Risk Management, Information Technology, Marketing and Sales and Remuneration.

Terms of reference have been established for each committee, which address their membership, objectives, powers and responsibilities and reporting procedures. In addition, the Board has embraced a Code of Conduct to ensure that the highest standards of probity are maintained in all of the corporation's undertakings. The Code of Conduct covers compliance, conflict of interest, integrity of information and the notion of good corporate citizenship. The Code also provides advice on relevant legislation and the consequences of breaches.

In addition to the Code of Conduct, a Risk Management Plan and Business Continuity Plan have been developed for the corporation and several complementary policies have been produced including a Fraud and Corruption Policy and a Policy on Declarations of Interest. Benchmarking of Landcom's activities occurs on a regular basis, with recent

benchmarking being conducted against the IFSA Blue Book, ASX Guiding Principles and ICAC guidelines entitled "Profiling the Public Sector".

The Board meets with senior management early in each year in order to develop strategic directions for the organisation and to establish key corporate targets for the next financial year. Landcom's Corporate Plan and its Statement of Corporate Intent (Landcom's contract with the New South Wales Government) are key products of this process.

Throughout 2002/2003 the Board's focus was on strategic direction, the integrity of control systems and the monitoring of corporate performance.

An Independent Review of the Board's performance found that its competence is held in high regard by external parties with whom it is called upon to deal, and that the Board has won the freely expressed support of those parties for its conduct, ethics and leadership.

[LANDCOM PROJECTS

■ HUNTER

1. Green Hills – Ashton Grove
2. Metford – Melaleuca
3. Tanilba Bay – Koala Bay
4. Nelson Bay – Hardy Street
5. Nelson Bay – Pirralea Gardens
6. Corlette – Bagnalls Beach
7. Maryland – Glendore
8. Fletcher – Bluegum Vista
9. Kurri Kurri – Amber Laine
10. Lake Macquarie – Fennell Bay

■ CENTRAL COAST

11. Blue Haven – McKellar Green
12. Wyong – Watanobbi
13. Warnervale – Town Centre
14. Wyoming – Worrell Park

■ SYDNEY

15. Berowra
16. Hornsby Heights
17. Orchard Hills
18. South Werrington
19. Second Ponds Creek
20. Riverstone
21. Kellyville – Merriville Rise
22. Kellyville – Guardian Grove
23. Kellyville – Tallowood Hills
24. Rouse Hill Regional Centre
25. Stanhope Gardens – Newbury
26. Parklea – Forest Glade

27. Oatlands – Hunterford
28. Parramatta – George Street
29. Willoughby Paddocks
30. West Hoxton – Greenway Park
31. South Hoxton
32. Punchbowl – Carrisbrook
33. Chullora Industrial Centre
34. Green Square Town Centre
35. Zetland – Victoria Park
36. Rosebery
37. Little Bay – Baybrook
38. Little Bay – Prince Henry
39. Wolli Creek – Discovery Point
40. Menai – Allison Crescent
41. Ingleburn Industrial Estate
42. Smeaton Grange Industrial Estate
43. Spring Farm
44. Menangle Park
45. Mount Annan – Garden Gates
46. Macarthur – Macarthur Gardens
47. Macarthur – Park Central
48. Heathcote – Forum Drive
49. Helensburgh – Gynea Glade

■ ILLAWARRA

50. Shellharbour – Woodlands
51. Shellharbour City Centre



Landcom's Board provided the corporation with the strategic focus for day-to-day operations which includes:

- expanding Landcom's role as a key player in strategic and complex projects;
- the need to address difficulties in maintaining an adequate supply of land for housing on the urban fringe, particularly in the Sydney Region;
- liaising with the housing industry on the need for moderate-income housing;
- continuing to promote best practice in urban design, and
- strengthening existing sustainability initiatives and advancing the implementation of Triple Bottom Line reporting.

strategic focus
2002/03]

Landcom undertook a number of large and complex projects during the year which enhanced its value to government.



STRATEGIC projects

Landcom's role enables it to undertake projects that combine commerciality with innovation in urban design, sustainability and affordability. Landcom's value to government also lies in its ability to embark on large and complex projects which may otherwise not be undertaken by the private sector or another arm of government.

In recognition of this role, the Portfolio Minister asked Landcom to focus on the advancement of six specific projects during 2002/2003:

- Green Square Town Centre
- Riverstone Release Area
- Discovery Point at Wollri Creek
- Rouse Hill Regional Centre
- Prince Henry Hospital Redevelopment
- Macarthur Gardens/Park Central.

GREEN SQUARE TOWN CENTRE

The redevelopment of Green Square is one of the largest urban renewal projects undertaken in the southern hemisphere. At the heart of this \$2 billion development will be the Green Square Town Centre, the retail, residential, commercial and cultural hub of the South Sydney Growth Area.

The Green Square Town Centre has a land area of approximately 14 hectares owned by 14 different landowners, both public and private. Proposed residential/non-residential land use mix has been designed to improve and maximise the use of public transport and provide high level urban amenity.

It is projected that there will be about 2,500 dwellings and around 4,500 residents in the Town Centre itself. Others will come into the Town Centre for employment, recreation and a wide variety of services.



LEFT AND ABOVE Green Square Town Centre

EXTREME RIGHT Discovery Point



Worker population in the Town Centre is projected at about 7,500 employees.

Essential physical infrastructure to support development in the Town Centre comprises new roads, parks, water features, public plazas, and site remediation and stormwater works. The total cost of this – estimated at \$109 million – is to be funded by an innovative Development Rights Scheme, Section 94 contributions and bonus floorspace contributions to be collected by South Sydney City Council.

Landcom, in partnership with the South Sydney Development Corporation and South Sydney City Council, has been working to overcome the difficulties posed by fragmented ownership and to capitalise on the extensive infrastructure commitment already made by the NSW government to the area.

In 2002/2003 the focus of the development team has been on completing the planning requirements. This work culminated in the finalisation and public launch of the Green Square Town Centre Masterplan in June 2003.

RIVERSTONE RELEASE AREA

While planning for the release of land in this area is still in the early stages, Landcom has continued to work with the Department of Infrastructure, Planning and Natural Resources (DIPNR), Blacktown City Council and Sydney Water to resolve constraints and unlock the potential of the area by addressing bulk servicing issues and developing a site masterplan and planning controls.

As with a number of other sites, the main challenge in the proposed release area has been to overcome existing fragmented ownership in order to encourage development. During the year, Landcom was active in coordinating the interests of existing landowners and negotiating the partitioning of the area into manageable precincts to aid the provision of services.

INTERCITI AT WOLLI CREEK (RENAMED DISCOVERY POINT)

Interciti, a 7.8 hectare site on the Cooks River, above the new Wolli Creek interchange station, is one of the most significant urban redevelopment opportunities in Sydney. The site is close to Sydney's centre, one railway station from the Sydney Airport international terminal and adjacent to the M5 motorway. When completed, Interciti will incorporate a mixed-use development of more than 1,000 apartments in a high-quality urban setting, with 12,000 square metres of retail space, up to 43,000 square metres of commercial space and more than 2 hectares of open space.

With site planning and essential infrastructure largely in place, a quick start to construction is possible. Expressions of Interest were called for the purchase and development of the site during August 2002 and, after a rigorous selection process, the site was sold to Australand with Landcom retaining a financial and management interest.

Marketing of the first residential tower is scheduled to commence later in 2003 and construction is expected to start in March 2004.



STRATEGIC projects

CONTINUED

ROUSE HILL REGIONAL CENTRE

The Rouse Hill Regional Centre will serve the needs of Sydney's rapidly developing north-west growth corridor. Landcom has entered into an innovative arrangement with the site owner, DIPNR, to demonstrate best practice in town centre design. The development will feature leading-edge urban design, environmental sustainability and transport accessibility.

Scheduled for development over 15 years, the Regional Centre will eventually have up to 180,000 square metres of retail and commercial floor space. It will include more than 1,500 homes, two schools and comprehensive community facilities, set in more than 20 hectares of parkland.

Expressions of Interest were called during the year for the development of the centre and a preferred tenderer was selected in February 2003. Objectives for the coming year will be to execute a joint venture agreement and to begin site masterplanning in cooperation with Baulkham Hills Shire Council and the local community. The development of the Town Centre will proceed in stages, with Stage One works expected to be completed by 2005.

MACARTHUR GARDENS/PARK CENTRAL

Landcom is undertaking a major residential development for its 50 hectare Macarthur Regional Centre site, acquired in the 1970s for future commercial development. The proposed development takes into account projected changes in the makeup of the local population, shifts in housing, transport and shopping demand and community expectations. It will support existing and planned growth of the adjacent Macarthur Square Shopping Centre and will take advantage of extensive existing public transport.

Named Macarthur Gardens, this development will have up to 800 dwellings and home sites, to be progressively developed in and around the Macarthur Station by 2010 in a partnering arrangement with Stockland Corporation.



Prince Henry

LEFT Macarthur Gardens

ABOVE LEFT TO RIGHT Park Central, Rouse Hill Regional Centre and Prince Henry



At the same time, work began on Landcom's adjacent Park Central site, with the corporation committing \$10 million to infrastructure. The 37 hectare site will incorporate 400 homes, shops, offices and aged care facilities around a large community park.

Stage One civil works comprising major roads, services and landscaping have been completed and the first home site sales are due late in 2003.

PRINCE HENRY AT LITTLE BAY

Landcom's acquisition of this former hospital site has provided an excellent opportunity to sponsor an urban renewal process in a coastal setting, taking full advantage of the site's unique environmental, scenic, heritage and community associations.

Under an approved masterplan, about 80% of the site will remain in public ownership. Features of the plan are the conservation of significant natural, Aboriginal and European sites. Some 800 dwellings will be developed and enhanced public access to the site and the adjacent coast will be provided. Additionally, extensive open space, aged care accommodation, retail/commercial/medical centre and associated community facilities and on-site community groups are some of the other features of the proposed development.

A Conservation Management Plan and a formal heritage listing for the site were approved by the Heritage Council during the year, guaranteeing and providing guidance on the preservation and adaptive reuse of 19 heritage buildings. The Plan also provides for the protection of significant trees and most of the remnant bushland.

The first of a number of community-based projects was completed in 2002/2003 with the upgrade of public access to Little Bay Beach and the completion of restoration works to accommodate the Prince Henry Nursing and Medical Museum.

The corporation has begun moving towards the selection of a partner to drive the development phase of the project, with an Expression of Interest process due to start early in 2003/2004.

Landcom's focus during 2002/2003 was on accelerating the development of its estates for the supply of land in Sydney and surrounds.

LAND SUPPLY



LAND supply

Sydney is expected to continue to experience a shortage of land for housing, particularly on the urban fringe, for at least the next three years.

While Landcom cannot control the overall supply of housing land, it continues to be a significant player, advancing a number of initiatives during the year which were designed to increase the production of home sites.

The main focus of Landcom's efforts was in accelerating the development of its own estates and other key sites in the growth areas of north-western and south-western Sydney.

ACCELERATING THE DEVELOPMENT OF LANDCOM'S ESTATES

Within the constraints imposed by the availability of services and environmental issues, Landcom focussed during the year on the development of seven sites, representing most of its available landbank.

These are:

- Second Ponds Creek (3,200 potential home sites)
- Menangle Park (2,200)
- Orchard Hills (800)

- Spring Farm (1,200)
- Mount Annan South (649)
- South Hoxton Park (625)
- Edmondson Park (610).

While some of these home sites may take some years to be developed for sale, Landcom further developed plans to bring to market about 4,100 home sites on the Sydney Region fringes in the three years to 2005/2006. With proposed developments in the Hunter and Illawarra Regions, this figure rises to approximately 5,700, accounting for more than 32% of Landcom's total potential landholding on the urban fringe.

These figures represent significant increases in Landcom's annual lot production, compared with the 2002/2003 financial year. Output will rise by 28% in 2003/2004 and 43% in 2004/2005, reflecting the considerable effort being made by the organisation to respond to the predicted shortfall in land supply.



ABOVE LEFT TO RIGHT: Home building facilitated by land supply



FACILITATING DEVELOPMENT OF OTHER KEY SITES

Landcom also increased its efforts to facilitate the supply of land for housing on sites where it does not have a direct interest. It did this by:

- using its position in the development industry to bring stakeholders together to resolve infrastructure and environmental constraints to development;
- building stakeholder relationships and facilitating landowner negotiations to promote site consolidation in potential release areas where ownership is fragmented; and
- advocating changes to the development process to streamline and improve the supply of land for housing.

Through these efforts, Landcom is facilitating the longer-term release of more than 60,000 lots, either in its own right, in partnership with the development industry or by assisting other landowners.

CASE STUDIES

Menangle Park Release Area

The Menangle Park Urban Release Area is one of the largest potential development sites in the Sydney Region, encompassing 380 hectares. Major landowners include Landcom and Campbelltown City Council.

Environmental concerns about water quality had previously resulted in a moratorium on development in this area. Landcom coordinated a series of specialist environmental investigations, as a result of which the moratorium was lifted and the site included in the Metropolitan Development Program.

The Menangle Park release area has the potential to deliver more than 4,000 new home sites, as well as community and service facilities, with Landcom's holding contributing 2,200 lots. The first sales are due in late 2007.

Edmondson Park Release Area

Edmondson Park, which includes the former Ingleburn Army Camp, could become the biggest land release in south-western Sydney, capable of supporting up to 10,000 dwellings, the release of which is being facilitated by Landcom. However, future development depends on coordinating the interests of more than 150 existing landowners.

Landcom is providing more than \$1.6 million to cover the cost of masterplanning the site on behalf of all owners. Subject to the agreement of all stakeholders, site rezoning is planned for mid-2004 and the first sale of land as early as 2006.

Bringelly Release Area

The proposed Bringelly Release Area will be one of the biggest land developments in the Sydney Region.

However, the area requires the installation of major infrastructure (including transport infrastructure) before the development can proceed. Landcom will be a key driver in the coordination and management of these critical infrastructure requirements.

During the year, the corporation secured an interest in the development of about 2,000 home sites within this release area, in partnership with a major landholder. Landcom proposes to accelerate the development, with the first lots being available for sale around 2008/2009.



Landcom's first demonstration project on moderate-income housing, in partnership with the private sector, came to fruition during the year.

HOUSING affordability

Landcom maintained its leading role in the development industry's endeavours to improve home affordability by continuing to invest in research, by delivering on initiatives targeted specifically at moderate-income households throughout its estates and by promoting debate and discussion on alternative models for the delivery of moderate-income housing.

AFFORDABLE HOUSING RESEARCH INITIATIVES

In 2002/2003, Landcom continued to invest in research initiatives designed to:

- improve the corporation's understanding of contemporary affordable housing issues;
- explore the range of delivery models currently available;
- provide greater certainty to the corporation that decisions to include affordable housing in Landcom estates are based on up-to-date market knowledge; and
- ensure that proposals are tailored to the needs of the target consumer and remain commercially sustainable.

A key component of these initiatives is the development of a Moderate Income Housing Census Data Base for Landcom.

The Moderate Income Housing Data Base is drawn from 2001 census data for every NSW local government area. The data base provides a range of information on moderate-income households, including the number, household type, existing tenure arrangements, age, and income of household members and those in "housing stress". The data base will be invaluable in identifying moderate-income housing needs and the market demand for such housing in future Landcom projects.

AFFORDABLE HOUSING DELIVERY

Construction started on the Smart Housing Demonstration Project at Landcom's Forest Glade estate at Parklea in western Sydney, into which the first owners moved during the year. A total of 63 house and land packages are being built, 20% of which were made available to moderate-income households and the balance, designed for a diverse neighbourhood, were able to be sold much below existing market prices.



LEFT AND ABOVE *Smart Housing Demonstration Project at Parklea*



Landcom and its partner, Mirvac, released the first group of house and land packages targeted specifically to moderate-income households at Landcom's Newbury estate in Sydney's north-west. In addition, Landcom incorporated moderate-income housing in several new Landcom projects. Greenway Park Stage 3 will see Landcom's partner Australand introduce its innovative shared equity scheme. Other areas where such housing will be provided are Rouse Hill Regional Centre and Second Ponds Creek.

INDUSTRY LIAISON

Landcom hosted the first development industry workshop to review and debate emerging models of moderate-income housing. Landcom continued to support the work of the Joint Industry Housing Group in the provision of its Moderate-Income Housing "toolkit", planned for release later in 2003.

A number of awards won during the year demonstrate Landcom's ability to promote best practice in urban design throughout its estates.

URBAN design

A key objective of Landcom is to promote best practice in urban design throughout its estates. During the year, a number of landmark projects demonstrated the use of good design in addressing difficulties common to the entire development industry.

VICTORIA PARK AT ZETLAND

Victoria Park, the first and largest masterplanned development in the Green Square area, features the best in building design, environmental management, inner-city accessibility and community creation within an economically sustainable development model.

This award-winning project is unique – with the core of its difference a \$12 million public domain covering 40% of the 25 hectare site featuring four large and functional green community spaces.

It also features an award-winning comprehensive water management system that retains, cleanses and reuses stormwater on site. The project has been designed to accommodate a changing housing market by providing a wide range of dwellings. Individual apartments feature flow-through ventilation, larger than normal balconies and maximum access to sunlight.

The first stage of this six-stage project won the inaugural South Sydney Development Corporation's Design and Development Award. Consumer response to Landcom's vision was immediate and all dwellings were pre-sold off the plan within months.

Victoria Park also received an award of merit in the 2002 Australia Urban Design Excellence Award issued by the Planning Institute of Australia and was given the Stormwater Industry Association's National Award for Water Sensitive Urban Design and the Royal Australian Institute of Architects Award for Ecologically Sustainable Development.

Over 350 people already enjoy the amenity of Victoria Park on a daily basis, with another 400 due to become residents over the next 12 months. All development on site is expected to be complete by 2010.



LEFT *Victoria Park*

ABOVE LEFT *Hunterford*
ABOVE CENTRE AND RIGHT *Newbury*



HUNTERFORD AT OATLANDS

Landcom's Hunterford Estate, completed during the year, includes 150 individually designed community-titled dwellings in a mix of conventional lots, courtyard houses, terraces, townhouses and an apartment block.

In a groundbreaking arrangement, Landcom insisted that the development followed a unique set of design criteria, giving the corporation direct control over the form of the finished product.

A major appeal for buyers was the inclusion of a range of community facilities – a swimming pool, tennis court and club house, and open spaces linked by pedestrian or shared pathways.

NEWBURY AT STANHOPE GARDENS

The key to the success of the Newbury project has been its award-winning masterplan, which provides the foundation for cooperative partnering between Landcom, Mirvac, builders working within the development, Blacktown City Council and the local community.

The design creates a sense of community through a series of neighbourhoods, each with its own identity and with shared facilities such as clubhouses, swimming pools and tennis courts. A wide range of housing types is being developed, including "car courts", "mews style" lots and smaller lots fronting parks.

Like Landcom's Victoria Park Estate, Newbury received an award of merit in the 2002 Australia Urban Design Excellence Award issued by the Planning Institute of Australia. The estate also received the Housing Industry Association's Energy Efficiency Award and the Urban Development Institute (NSW) Energy Efficiency Award.

DOMAIN GARDENS ESTATE AT MOUNT ANNAN

Domain Gardens is one of the final stages in Landcom's Mount Annan Estate, where previous releases involved the generous lot sizes and detached homes typical for the area. However, in Domain Gardens Landcom has proposed significantly increased densities to show that small-lot developments do not necessarily mean a loss in amenity.

The Domain Gardens Estate is expected to become the model for the development of future house and land packages on small lots in fringe locations.

"CREATING LIVING COMMUNITIES" CONFERENCE

Landcom hosted a one-day conference in September 2002 to showcase a number of its projects and demonstrate the urban design features that distinguish its developments. The conference, titled "Creating Living Communities", was directed at fostering a clearer understanding between Landcom and local government.

The conference proved to be very worthwhile, with 71 participants from 23 councils exchanging information and offering advice. Landcom aims to make the conference an annual event.

Best practice initiatives in environmental sustainability were the highlights of Landcom developments during the year.

ENVIRONMENT

2002/2003

Landcom continued a number of best practice initiatives designed to improve its performance in environmental sustainability and to promote a sustainable development strategy throughout the organisation.

Some of the year's highlights are:

- Research into Water Sensitive Urban Design and the subsequent development of a Landcom-wide strategy on the issue.
- A research study on "Energy Smart Communities" leading up to the development of a policy for Landcom.
- A series of initiatives designed to advance Landcom's progress towards Triple Bottom Line reporting from the end of 2002/2003.

WATER SENSITIVE URBAN DESIGN

Landcom commissioned a research study on water sensitive urban design, examining the effectiveness of existing practices and developing recommendations for improvement.

One recommendation was to raise awareness of sustainable water conservation practices. Accordingly, in April 2003 a training program was initiated for Landcom staff, local government partners and consultants.

A formal Water Sensitive Urban Design Strategy is expected to be adopted soon in all Landcom estates to encourage:

- reuse and recycling of rain water;
- reduction in pollution from urban runoff in order to protect water quality;
- practices which promote the efficient use of water; and
- the mitigation of any adverse impacts of post-development flows.

Following the successful implementation of these practices in Landcom's Victoria Park development, the principles contained in the new strategy are to be applied in the proposed Greenway Park estate and will be progressively rolled out to all Landcom projects.



ABOVE Victoria Park

ABOVE CENTRE 2002 Sustainability Report

ABOVE RIGHT Stormwater treatment at Victoria Park



ENERGY SMART COMMUNITIES

Following NSW Government moves to make power retailers significantly reduce greenhouse emissions, Landcom commissioned a study of sustainable energy technologies. Landcom's vision is to apply the technologies to its own developments and then achieve a flow-on effect to its industry partners and to the broader development industry.

Landcom has developed an "Energy Smart Communities" policy which is to be released early in 2003/2004. The policy aims for a minimum 40% reduction in carbon dioxide emissions by 2008 in all Landcom developments, with even higher standards for major projects.

Proposed energy-efficient practices include appropriate solar access, solar water heating, low-energy heating and cooling, low-energy lighting and appliances and the use of renewable energy technologies.

TRIPLE BOTTOM LINE INITIATIVES

Landcom announced its introduction of Triple Bottom Line reporting in 2001, heralding a commitment to environmental sustainability, the creation of better communities and greater stakeholder consultation.

A series of consultation sessions led to the publication early in 2003 of a "Towards Sustainability" document, charting Landcom's progress towards Triple Bottom Line reporting. The new reporting system will highlight problem areas and promote remedial actions, and provide greater assurance to the corporation that it is meeting its targets.

In March 2003, Landcom hosted the "Towards Sustainability" conference for a wide range of industry representatives as well as local and state government. Developers, planners, local government representatives, community and environmental groups were given the opportunity to learn from the work undertaken by Landcom and others in establishing key performance indicators. This forum gave Landcom the opportunity to demonstrate how Triple Bottom Line reporting will help the corporation deliver better environmental results, social outcomes and financial returns. It also provided a tangible demonstration of Landcom's leadership in the field.

Landcom's first Triple Bottom Line report, using project, corporate and other data collected in relation to the selected indicators, will be presented for the 2002/2003 financial year. To meet this target, extensive data collection and data verification for all of Landcom's projects continued throughout the year.

Community development and consultation was a key focus area for Landcom, as was sponsorship of the "House of Hearts" Project.

SPONSORSHIP

HOUSE OF HEARTS



COMMUNITY

During the year, Landcom expanded on popular community programs for new residents and became increasingly involved in high-profile charitable projects.

Community/Stakeholder Consultation

Landcom believes that listening to and responding appropriately to the interests of all stakeholders is essential to the development process, ensuring that the result meets the expectations of government and the community.

The corporation has developed a Stakeholder Consultation Policy and Workbook to guide fair and consistent community consultation in the planning and development of any new estate.

Among highlights of 2002/2003 were the successful conclusion of a community consultation program for the former Prince Henry Hospital site and the start of formal consultations for Stage 3 of the Greenway Park Estate.

PRINCE HENRY COMMUNITY CONSULTATION

The decision to close Prince Henry Hospital was a controversial one for the local community. When Landcom was commissioned three years ago to plan the development of the site, a number of stakeholder groups and their concerns had been identified.

The initial masterplan was changed in response to community concerns and input. When the amended plan was developed and exhibited, there were surprisingly few submissions and the process provided a valuable benchmark for future community consultation.

Features of the consultation process included:

- providing the community with an initial draft masterplan for the site;
- employment of a locally recognised community consultation professional to manage the process;
- hosting several public meetings and open days on-site;



ABOVE Community events at Newbury and Greenway Park



- establishment of a website and newsletter to distribute information and to invite comment;
- a media campaign through the local newspaper, with regular articles on aspects of the planning and consultative process; and
- a letterbox drop of an information package and brochure to some 5,000 local households.

GREENWAY PARK COMMUNITY CONSULTATION

Landcom proposes the release of 320 additional home sites in this popular estate, with Australand as the private sector partner in the project.

The design of Stage 3 incorporates sustainable development principles, with emphasis on water-sensitive design and improved stormwater quality. The Greenway Park project is intended to turn contemporary theories of environmentally sustainable development into reality.

The first in a series of Community Information and Feedback Sessions for residents was held in June 2003 at the Greenway Park Community Centre, attended by about 120 adults and a large number of children.

Landcom took the opportunity to present a number of proposals for public comment. The community expressed appreciation that their views were being sought before the submission of plans to council.

Community Creation

Landcom's commitment to building better communities continues after people have moved into completed estates.

The corporation's Community Welcome Programme is designed to help residents settle into their new communities. It includes the distribution of a Welcome Kit and the employment of a Community Welcome Facilitator to coordinate community events and make new residents feel at home.

Community creation highlights for 2002/2003 included:

- a symbolic handover of the Glenwood Estate to the Glenwood Residents' Association, signalling the completion of another successful new community;
- a street-naming ceremony at Landcom's new Seaforth estate in Sydney's northern suburbs, recognising the Harwood family which has lived in the area for 70 years;
- introduction of new programs at Landcom's Woodlands development at Shellharbour and the Landcom/Mirvac partnership at Newbury.
- sponsorship, for the fifth year, of a successful series of Carols by Candlelight. During the 2002 Christmas period, performances were held in Landcom estates at Mount Annan, Shellharbour and Stanhope Gardens.



ABOVE Best Practice guidelines for local government

ABOVE "House of Hearts" design to be built at Kellyville

COMMUNITY



Community Sponsorship – The "House of Hearts"

As a masterplanner and developer committed to creating better communities, Landcom sponsors a range of community events and worthwhile causes.

A key focus for Landcom's community sponsorship during 2002/2003 has been the "House of Hearts" project in Landcom's Tallwood Hills estate at Kellyville. The corporation collaborated with the development industry to sponsor the construction of a house with the sale proceeds to go to The Children's Hospital at Westmead's cardiac unit.

Landcom donated the home site and key partners Integrated Design Group and Cosmopolitan Homes offered to design and construct the home at no cost. More than 40 building suppliers also agreed to provide products and services at reduced or no cost.

Baulkham Hills Shire Council issued approval in February and construction of the House of Hearts has been regularly monitored by the Channel 7 Sunrise programme.

The venture is expected to raise almost \$700,000 when the house is auctioned, in 2003/2004. The proceeds will fund a new academic cardiac surgeon for the Children's Hospital and buy a cardiac ultrasound machine for the benefit of children with congenital heart disease.

BEST PRACTICE GUIDELINES

Transparency and clarity are critical requirements for serving the interests of new communities. Landcom has long supported the development of a clear and concise document to promote consistency in local government and to guide best practice.

Landcom commissioned the Faculty of the Built Environment at the University of NSW to provide the research necessary to develop clear and practical guidelines to assist local government in working their way through the development application process.

Launched in May 2003, the user-friendly guide is titled "Best Practice in Development Assessment for Local Government Planners". It includes a step-by-step checklist, guidelines for the identification of key issues, and suggestions on setting up pre-development application consultation and choosing a development assessment panel.

It is expected that council planners, whose day to day work is involved with the built environment, will find it a particularly useful tool and the initial industry reaction has been favourable. Users are being encouraged to keep the authors advised of any suggestions, changes or additions in order to keep the guide up to date and relevant.

[statutory
requirements

CHARTER

Landcom is constituted under the Landcom Corporation Act 2001 as a State-Owned Corporation.

OBJECTIVES

The principal objectives of the Corporation are defined within the Act and are:

- 1) To be a successful business and, to this end:
 - i) To operate at least as efficiently as any comparable business, and
 - ii) To maximise the net worth of the State's investment in it.
- 2) To exhibit a sense of social responsibility by having regard to the interests of the community in which it operates.
- 3) To protect the environment by conducting its operations in compliance with the principles of ecologically sustainable development contained in section 6(2) of the Protection of the Environment Administration Act 1991.
- 4) To exhibit a sense of responsibility towards regional development and decentralisation in the way in which it operates.
- 5) To undertake, or assist the Government in undertaking, strategic or complex urban development projects.
- 6) To assist the Government in achieving its urban management objectives.
- 7) To be a responsible developer of residential, commercial and industrial land.

FUNCTIONS

- 1) The Corporation has the functions conferred or imposed on it by or under the Act or any other Act or law.
- 2) The principal functions of the Corporation are:
 - a) to undertake and participate in residential, commercial, industrial and mixed development projects, and
 - b) to provide advice and services related to urban development, on a commercial basis, to government agencies and others.
- 3) The Corporation may also:
 - a) provide facilities or services that are ancillary or incidental to its principal functions, and
 - b) conduct any business or provide any service (whether or not related to its principal functions) that it considers will further its objectives.

CORPORATE STRUCTURE

Board of Directors

The Board of Directors is constituted under Section 8 of the Landcom Corporation Act 2001.

The Board consists of seven Directors appointed by the Governor of NSW on the recommendation of the voting shareholders, after consultation with the Portfolio Minister.

The current Board was appointed on 1 January 2002 for a two-year term.

Landcom's Board of Directors consists of six Non-executive Directors plus the Managing Director.

The Directors are:

- Mr William Kirkby-Jones AM – Chairman
 - Mr Neil Bird AM – Deputy Chairman
 - Mr Chris Carroll – Director
 - Mr Sean O'Toole – Managing Director
 - Ms Penny Morris AM – Director
 - Ms Gae Raby – Director
 - TBA* – Director
- *Ms Cath Ingram (resigned in March 2003)

BOARD MEETING PROCEDURES

Unless otherwise agreed, the Board meets at least monthly. Board meetings are usually held on the fourth Monday of every month.

While most are physical meetings of the Board, some meetings may be convened electronically to expedite decisions.

The Board meetings are normally held at Landcom's Head Office, Level 2, 330 Church Street, Parramatta and generally commence at 9.30 am. Board meetings are sometimes convened at alternative locations when appropriate.

Information in regard to proceedings and procedures of Board meetings is set out in Clauses 6.8 to 6.11 of the Landcom Constitution and in the Corporate Governance Charter.

Copies of the Board papers are provided to NSW Treasury.

During the reporting period 12 meetings were held. The number of meetings attended by each Director is as follows:

Director	No. Meetings Possible	Board Meetings Attended	Leave of Absence	Apology
W Kirkby-Jones	12	12	0	0
N Bird	12	12	0	0
S O'Toole	12	11	1	0
C Carroll	12	12	0	0
C Ingram (resigned in Mar 03)	9	8	0	1
P Morris	12	12	0	0
G Raby	12	12	0	0

The Board has established four committees with memberships as indicated:

Audit and Risk Management

Penny Morris – Chairman
Chris Carroll
Gae Raby

Marketing and Sales

Chris Carroll – Chairman
Neil Bird
William Kirkby-Jones
Sean O'Toole – Managing Director

Information Technology

Gae Raby – Chairman
Neil Bird
William Kirkby-Jones
Sean O'Toole – Managing Director

Remuneration

Committee of the whole

MANAGEMENT

Management Executive comprises the Managing Director and four General Managers. The Managing Director (Chief Executive Officer) is appointed by the Board after consultation with the voting shareholders and the Portfolio Minister. The General Managers are appointed by the Managing Director after consultation with the Board.

The Management Executive are:

Sean O'Toole – Managing Director
Geoff Joyce – General Manager, Urban Renewal and Commercial
Mick Owens – General Manager, Urban Development
Greg South – General Manager, Corporate and Finance, Corporate Secretary
Patricia Wiles – General Manager, Marketing and Sales (since resigned)

LEGISLATION

Landcom is constituted by the Landcom Corporation Act 2001 and is subject to the provisions of the State-Owned Corporations Act 1989.

RISK MANAGEMENT AND INSURANCE

Landcom's risk management processes aim to minimise the consequences of events that could impact on Landcom's ability to achieve its objectives.

These are achieved in accordance with the Australian/New Zealand Risk Management Standard AS/NZS 4360:1999.

A comprehensive review of risks was undertaken assessing and identifying key risks in the areas of acquisition/development, joint venture/strategic alliances, resource capability, economic/financial and competition. Operational risks were also identified such as contract management, resource management and information technology management.

Landcom is currently refining its comprehensive risk management framework to further improve its risk management practices. This framework will provide an opportunity to coordinate related initiatives such as balanced portfolio, joint venture and partnering management, and implementation of customer service standards linked to the employee Performance Management System.

BUSINESS CONTINUITY

Landcom has undertaken business continuity planning with the following objectives:

- To put in place procedures and precautions to minimise the likelihood and impact of these events (prevention).
- To provide a means of serving customers in the interim if an unwanted event does occur (business continuity).
- To get the business back to normal again as quickly as possible with the minimum of impact upon customers and staff (disaster recovery).

Landcom has developed and implemented a Business Continuity Plan and has adopted the following policy statement:

Landcom has put in place measures and continues to implement actions to ensure that, if an unwanted event occurs, it can continue to deliver services to its customers, protect its staff and continue to do business.

Landcom will achieve the policy through:

- PREVENTION, minimising the likelihood and impact of disasters.
- CONTINUITY, maintaining core business operations until full recovery is possible.
- RECOVERY, ensuring that the business returns to normal again as quickly as possible with the minimum of impact upon customers and staff.

Landcom's Business Continuity Plan was updated in June 2003.

INSURANCE

Landcom's insurance cover is provided by the Treasury Managed Fund, which is administered by GIO General Ltd.

The Treasury Managed Fund is based on the principles of self-insurance and, as such, places high priority on the implementation of sound risk management practice.

The Fund provides unlimited cover for the five classes of risk worldwide:

- Workers' Compensation
- Motor Vehicle
- Property (full replacement, new for old, including consequential loss)
- Public Liability (including but not limited to professional indemnity), and
- Directors/Officers Liability

FREEDOM OF INFORMATION

Landcom complies with the Freedom of Information Act 1989.

During 2002/2003 Landcom received one Freedom of Information Application. The information was granted, however, the Applicant did not pursue the matter further. Landcom also received requests from DIPNR and the Department of Transport for the release of information, which in both cases it granted.

Under the Freedom of Information Act 1989, each NSW government department and agency is required to publish a Statement of Affairs, describing their structure and functions and a Summary of Affairs listing categories of documents and how these can be accessed by members of the public.

Landcom's Statement of Affairs and Summary of Affairs for 2002/2003 have been published in the NSW Government Gazette No 105A dated June 2003.

PRIVACY

Landcom has developed and implemented a Privacy Management Plan and Privacy Policy in accordance with the:

Privacy and Personal Information Protection Act 1998 (NSW) and Privacy Amendment (Private Sector) Act 2000 (Commonwealth) as applicable.

Landcom has voluntarily committed to comply with the above legislation as part of its commitment to good corporate citizenship while pursuing business objectives.

The FOI and Privacy Coordinator can be contacted by writing to:

FOI and Privacy Coordinator
Landcom, PO Box 237, Parramatta NSW 2124
Fax: 9841 8775

PROMOTION

During the year Landcom produced a number of publications to promote the release of land, with each land release supported by a sales plan. Additionally corporate information was communicated to Landcom stakeholders through the printing and distribution of the following:

- Towards Sustainability 2002
- Directions Winter 2002
- Directions Spring 2002
- Directions Autumn/Winter 2003.

RESEARCH

During the year Landcom conducted substantial research to determine the feasibility of certain projects. In addition the following research was completed:

- Customer analysis - catchment area analysis
- Positioning research.

PRODUCTION COST OF ANNUAL REPORT

The overall cost of producing and printing 2,000 copies of the 2002/2003 Annual Report was an estimated \$47,795.

To obtain copies of the Annual Report please call Landcom Public Affairs on (02) 9841 8600 or email enquiry@landcom.nsw.gov.au

CONSUMER RESPONSE

Landcom is proactive in eliciting, understanding and responding to the needs and concerns of its customers and stakeholders. Customer and stakeholder feedback is actively encouraged at the earliest stages of planning and design through Landcom's Stakeholder Consultation Policy. This process also assists Landcom in ensuring that the land and housing it provides is both well targeted and delivers on both government and community expectations.

Further enhancements to the current process of encouraging consumer response are proposed, with planned development of a formal customer service strategy

GUARANTEE OF SERVICE

Landcom responds to, or acknowledges, all stakeholder, customer and community correspondence or issues which are put to it. Where issues cannot be resolved immediately a timeframe for response is established. Where appropriate, Landcom participates in industry and community working groups.

Landcom has implemented a customer service training program for staff, with a view to ensuring that agreement is reached on minimum standards for customer service and to encourage a consistent level of service across the organisation.

WASTE

Under the Waste Avoidance and Resource Recovery Act 2001, Landcom is required to report biennially to the NSW EPA on progress made to:

- reduce generation of waste;
- increase resource recovery (including reuse and recycling); and
- increase the use of materials with recycled content.

Landcom provided its WRAPP report in accordance with the NSW EPA reporting requirements. The last WRAPP report was submitted to the NSW EPA in May 2001 for the reporting period of 1998-2000. The next WRAPP report for the period of 2001/2002 is due later in 2003. These requirements are now incorporated in Landcom's Triple Bottom Line reporting framework and will be reported in the Triple Bottom Line report as well.

CODE OF CONDUCT

At the time of its incorporation as a State-Owned Corporation, Landcom abided by the Code of Conduct adopted by PlanningNSW.

The provision of that code continued to be applied to Landcom through its transition and up until the adoption of the new Code of Conduct in 2003.

All staff were briefed and presented with Landcom's Code of Conduct in March 2003.

CONSULTANTS

The amount spent on consultants during the 2002/2003 financial year totalled \$284,874. The engagements were for:

- Knowledge Management Strategy development
- Government Urban Management Objectives
- Development of Energy Smart Urban Solutions
- Development of Landcom's Strategic Plan.

ETHNIC AFFAIRS PRIORITY STATEMENT

Landcom actively embraces the following key principles of cultural diversity:

- all staff members are provided with the greatest possible opportunity to contribute to and participate in all aspects of Landcom;
- Landcom recognises and respects the culture, language and religion of others within both an organisational and community framework;
- Landcom provides an environment whereby staff members are encouraged to participate and make use of activities and programs focussed on achieving equity;
- Landcom recognises the linguistic and cultural assets within the organisation and the community as a valuable resource and actively promotes the resource to maximise its development.

OCCUPATIONAL HEALTH AND SAFETY

All Landcom managers and staff members are accountable for the health and safety impacts of the activities of the organisation as a land developer. Under the core policy commitment "to the best possible outcomes in occupational health, safety and rehabilitation for all of our staff and external project service providers", all Landcom staff members share the responsibility for developing, implementing and reviewing health and safety plans and procedures and maintaining a safe working environment.

Landcom incurred one Lost Time Injury in the reporting period with a staff member suffering a body stressing injury. Remedial action has been taken to correct the work situation that gave cause to the injury.

OVERSEAS TRAVEL

Richard Wood - Senior Development Manager at Victoria Park was invited to Munster, Germany to attend a design workshop. Total cost to Landcom \$3,930.

REMUNERATION OF SENIOR EXECUTIVES AT OR ABOVE SES LEVEL 5

The total remuneration is the total cost of employment including contributions to a superannuation scheme by Landcom and novated lease payments for a motor vehicle.

The at risk component is to be determined on the performance of Landcom and the individual executive. Landcom's performance is measured on EBIT against forecast and individual performance measures are summarised in the following table.

Remuneration of Senior Executives at or above SES level 5 Table

Executive	Position	Fixed Remuneration Component	At Risk Component	Total	Key Achievements
Sean O'Toole	Managing Director	\$228,513 p.a.	\$20,000	\$248,513 p.a.	Attaining forecast EBIT. Progress the following key projects: Victoria Park; Wollli Creek; Green Square; Rouse Hill; Prince Henry. Establish baseline for Triple Bottom Line reporting. Implement a comprehensive communications strategy for key stakeholder groups. Manage the performance of General Managers through implementation of performance objectives and assessments. Develop high performing Development Managers. Continue culture change process.

EXECUTIVES WITH REMUNERATION EQUAL TO OR EXCEEDING SES LEVEL 1

Number of executives with remuneration equal to or exceeding equivalent of SES level 1 at the end of the current reporting year:

– 16

Number of such positions filled by women in the current year:

– 1

With the introduction of performance-based remuneration arrangements including “at risk” components from 1 January 2003, there will be an increase of at least 3 executives being paid at or above the equivalent of SES level 5 in the first full reporting year.

TOTAL STAFF (EXCLUSIVE OF EXECUTIVES) BY PAY LEVEL

Level 5	Total Number of staff	Men	Women	Aboriginal People and Torres Strait Islanders	People from Racial, Ethnic, Ethno-religious Minority Groups	People Whose Language First Spoken as a Child was Not English	People with a Disability	People with a Disability Requiring Adjustment at Work
31,157 – 36,223	2	0	2 (2x temporary 1x part time)	0	1	1		
38,942 – 42,309	3	0	3	0	3	3	0	0
44,429 – 48,619	9	1	8 (2x part time)	0	3	3	0	0
51,429 – 56,752	9	4	5	0	3	3	0	0
61,492 – 67,858	23	7	16	0	8	8	1	0
72,000 – 77,925	23 (1x temporary)	17	6	0	6	6	0	0
81,906 – 90,110	23	16	7 (1x temporary 1x part time)	0	7	7	0	0
97,789 – 106,938	5	3	2	0	2	2	0	0
Total	97	48	49	0	33	33	1	0

DISCLOSURE OF APPROVED EXEMPTIONS

Approval was granted for the following reporting exemptions for this Annual Report following the corporatisation of Landcom on 1 January 2002. The expanded list of exemptions, some with conditions attached, was approved by NSW Treasury to overcome concerns of statutory State-Owned Corporations about the loss of commercial confidentiality.

Statutory Requirements	Act/Regulation References	Comments
FINANCIAL REPORTING EXEMPTIONS		
Format of financial statements	Public Finance and Audit Act	
Financial statements	s 41B(c) PF&AA	Exemption from preparing manufacturing, trading and profit and loss statements. Required to prepare a summarised Operating Statement (i.e. summarising major categories of revenues and expenses).
Notes – Income and expenditure	(Schedule 1, Part 1): PF&A Reg	
Amounts set aside for renewal or replacement of fixed assets	Item 2	
Amounts set aside to any provision for known commitments	Item 4	
Amount appropriated for repayment of loans /advances /debentures /deposits	Item 6	
Material items of income and expenditure on a program or activity basis	Item 13	Required to summarise the material items of revenues and expenses on a program or activity basis.
Notes – Additional information	(Schedule 1, Part 3) PF&A Reg	
Excess of non-current asset value over replacement cost	Item 13	
ANNUAL REPORTING EXEMPTIONS		
Budgets		
<ul style="list-style-type: none">detailed budget for the year reported on	s.7(1) (a) (iii) ARSBA	
<ul style="list-style-type: none">outline budget for next year	s.7(1) (a) (iii) ARSBA	
<ul style="list-style-type: none">particulars of material adjustments to detailed budget for the year reported on	cl 6 ARSBR	

Statutory Requirements	Act/Regulation References	Comments
<p>Report of Operations Summary Review of Operations</p> <ul style="list-style-type: none"> • narrative summary of significant operations • selected financial and other quantitative information associated with the administration of programs or operations 	s.7(1)(a)(iv) ARSBA	Exemption subject to a condition. The condition is that comments and information relating to the "summary review of operations" are to be disclosed in a summarised form.
<p>Management and Activities</p> <ul style="list-style-type: none"> • nature and range of activities • measures and indicators of performance • internal and external performance reviews • benefits from management and strategy reviews • management improvement plans and achievements • major problems and issues • major works in progress, cost to date, estimated dates of completion and cost overruns • reasons for significant delays etc. to major works or programs 	Schedule 1 ARSBR	Exemption subject to a condition. The condition is that comments and information relating to "management and activities" are to be disclosed in a summarised form.
<p>Research and Development</p> <ul style="list-style-type: none"> • completed research including resources allocated • continuing research including resources allocated • developmental activities including resources allocated 	Schedule 1 ARSBR	
<p>Human Resources</p> <ul style="list-style-type: none"> • number of employees by category and comparison to prior three years • exceptional movements in employee wages, salaries or allowances • personnel policies and practices • industrial relations policies and practices 	Schedule 1 ARSBR	Exemption subject to a condition. The condition is that overseas visits with the main purposes highlighted are required to be disclosed.
<p>Consultants</p> <ul style="list-style-type: none"> • for each engagement costing greater than \$30,000 <ul style="list-style-type: none"> – name of consultant – title of project – actual cost • for each engagement costing less than \$30,000 <ul style="list-style-type: none"> – total number of engagements – total cost • if applicable, a statement that no consultants were engaged 	Schedule 1 ARSBR	Exemption subject to a condition. The condition is that the total amount spent on consultants is to be disclosed along with a summary of the main purposes of the engagements.

Statutory Requirements	Act/Regulation References	Comments
<p>Land Disposal</p> <ul style="list-style-type: none"> • properties disposed of during the year <ul style="list-style-type: none"> – total number – total value • if value greater than \$5,000,000 and not by public auction or tender <ul style="list-style-type: none"> – list of properties – for each case, name of person who acquired the property and proceeds from disposal • details of family or business connections between the purchaser and the person responsible for approving the disposal • statement giving reasons for the disposal • purpose/s for which proceeds were used • statement indicating that access to the documents relating to the disposal can be obtained under the Freedom of Information Act 	Schedule 1 ARSBR	
<p>Consumer Response</p> <ul style="list-style-type: none"> • extent and main features of complaints • services improved/changed in response to complaints/suggestions 	Schedule 1 ARSBR	Exemption subject to a condition. The condition is that comments and information relating to "consumer response" are to be disclosed in a summarised form.
<p>Payment of Accounts</p> <ul style="list-style-type: none"> • performance in paying accounts, including action to improve payment performance 	Schedule 1 ARSBR	This exemption only applies to statutory SOCs as they are not subject to the payment of accounts provisions in s18 of the Public Finance and Audit Regulation. Pacific Power, as a statutory body, is still required to comply with this requirement.
<p>Time for Payment of Accounts</p> <ul style="list-style-type: none"> • reasons for late payments • interest paid due to late payments 	Schedule 1 ARSBR	As above
<p>Report on Risk Management and Insurance Activities</p>	Schedule 1 ARSBR	Exemption subject to a condition. The condition is that the comments and information are to be disclosed in a summarised form.
<p>Disclosure of Controlled Entities</p> <ul style="list-style-type: none"> • details of objectives, operations, activities of controlled entities and measures of performance 	Schedule 1 ARSBR	Exemption subject to a condition. The condition is that the names of the controlled entities are to be disclosed along with a summarised disclosure of the controlled entities' objectives, operations and activities and measures of performance.
Investment Management Performance	cl. 12 ARSBR	
Liability Management Performance	cl. 13 ARSBR	
Financial Statements of Controlled Entities	s.7(1)(a)(ia) ARSBA	Exemption from preparing manufacturing and trading statements. Required to prepare a summarised Operating Statement (i.e. summarising major categories of revenues and expenses).

References

- ARSBA – Annual Reports (Statutory Bodies) Act 1984
- ARSBR – Annual Reports (Statutory Bodies) Regulation 2000
- PF&AA – Public Finance & Audit Act 1983
- PF&A Reg – Public Finance and Audit Regulation 2000

[financial statements



SPICED 12
12 OCTOBER 2003

INDEPENDENT AUDIT REPORT

LANDCOM

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of Landcom:

- (i) presents fairly Landcom's financial position as at 30 June 2003 and its financial performance and cash flows for the year ended on that date, in accordance with applicable accounting standards and other mandatory professional reporting requirements in Australia, and
- (ii) complies with section 48B of the Public Finance and Audit Act 1983 (the Act).

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

The Board's Role

The financial report is the responsibility of the members of the Board of Landcom. It consists of the statement of financial position, the statement of financial performance, the statement of cash flows and the accompanying notes.

The Auditor's Role and the Audit Scope

As required by the State Owned Corporation Act 1989 and the Public Finance and Audit Act 1983, I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides reasonable assurance to Members of the New South Wales Parliament that the financial report is free of material misstatement.

- My audit accorded with Australian Auditing and Assurance Standards and statutory requirements, and I:
 - evaluated the accounting policies and significant accounting estimates used by the Board in preparing the financial report, and
 - obtained a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does not guarantee that every amount and disclosure in the financial report is error free. The terms "reasonable assurance" and "material" recognise that an audit does not involve 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 Board members had failed in their reporting obligations.

My opinion does not provide assurance:

- about the future viability of Landcom,
- 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 prescriptions. The Act further provides independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor General, and
- requiring 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 being clients or income.

I. WHITE FCA
Acting Auditor General

10/03
2 October 2003

LANDCOM

DIRECTORS' DECLARATION

In the opinion of the Directors of Landcom:

(a) The Financial Statements:

- (i) exhibit a true and fair view of the financial position of Landcom as at 30 June 2003 and of their performance, as represented by the results of their operations and their cash flows for the year ended on that date,
 - (ii) comply with applicable Accounting Standards, Urgent Issues Group Consensus Views and other mandatory and statutory reporting requirements including Part 3 of the Public Finance and Audit Act 1983 and the associated requirements of the Public Finance and Audit Regulation 2000.
- (b) We are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.
- (c) There are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they fall due.

Signed in accordance with a resolution of the Directors:

KIRBY-JONES
Chairman

SOTOULES
Managing Director

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2003

	Notes	2003 \$'000	2002 \$'000
Sales revenue		281,222	214,503
Cost of sales		(137,284)	(104,995)
Gross Profit		143,938	109,508
Share of net profit of joint ventures accounted for using the equity method	11	10,518	9,171
Other revenue from ordinary activities	2	9,395	8,900
Marketing expense	3	(5,447)	(3,369)
Other expenses from ordinary activities	4	(26,420)	(27,706)
Borrowing costs expense	5	(13,297)	(16,244)
Profit from ordinary activities before income tax equivalent expense		118,687	80,260
Income tax equivalent expense		(35,606)	(24,078)
Net profit		83,081	56,182
Total changes in equity other than resulting from transactions with owners as owners	18	83,081	56,182

The above Statement of Financial Performance is to be read in conjunction with the attached notes.

	Notes	2003 \$'000	2002 \$'000
Current Assets			
Cash assets	6	140,604	133,967
Receivables	7	8,415	6,741
Inventories	8	163,041	157,647
Other	9	38,086	32,005
Total Current Assets		350,146	330,360
Non Current Assets			
Inventories	8	262,586	259,601
Property, plant and equipment	10	4,668	4,064
Investments accounted for using the equity method	11	4,322	34,203
Total Non Current Assets		271,576	297,868
TOTAL ASSETS		621,722	628,228
Current Liabilities			
Payables	12	50,108	50,058
Interest-bearing liabilities	14, 20	29,896	117,101
Provisions	13	88,474	60,249
Other	15	44	53
Total Current Liabilities		168,522	227,461
Non Current Liabilities			
Payables	12	9,144	6,456
Interest-bearing liabilities	14, 20	120,000	108,025
Provisions	13	5,689	4,111
Other	15	155	199
Total Non Current Liabilities		134,988	118,791
TOTAL LIABILITIES		303,510	346,252
Net Assets		318,212	281,976
Equity			
Contributed equity	16	275,847	275,847
Asset Revaluation	17	630	—
Retained profits	18	41,735	6,129
TOTAL EQUITY		318,212	281,976

The above Statement of Financial Position is to be read in conjunction with the attached notes.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2003

	Notes	2003 \$'000	2002 \$'000
Cash Flows from Operating Activities			
Receipts from customers		306,349	221,626
Interest received		4,967	4,989
Other receipts		13,665	14,019
Payments to creditors and employees		(191,059)	(167,329)
Income tax equivalent paid		(33,673)	(24,612)
Interest paid		(17,483)	(17,421)
Other payments		(19,765)	(8,958)
Net Cash Provided by/(Used in) Operating Activities	19b	63,001	22,314
Cash Flows from Investing Activities			
Proceeds from sale of property, plant and equipment		-	749
Distributions from joint ventures		46,679	17,772
Payments for investments in joint venture entities		(6,426)	(10,274)
Purchase of plant and equipment		(945)	(2,468)
Net Cash Provided by/(Used in) Investing Activities		39,308	5,779
Cash Flows from Financing Activities			
Receipts from Cogent Nominees		9,000	-
Repayment of borrowings		(72,568)	-
Dividends to NSW Treasury		(32,104)	(6,500)
Net Cash Used in Financing Activities		(95,672)	(6,500)
Net Increase/(Decrease) in Cash Held		6,637	21,593
Cash at the Beginning of the Financial Year		133,967	79,680
Cash transferred in from MDC		-	32,694
Cash at the End of the Financial Year	19a	140,604	133,967

The above Statement of Cash Flows is to be read in conjunction with the attached notes.

REPORTING ENTITY

Landcom is a NSW statutory State Owned Corporation established on 1 January 2002 by Landcom Corporation Act 2001 (the Act).

Landcom undertakes and participates in residential, commercial, industrial and mixed development projects and provides advice and services related to urban development, on a commercial basis, to government agencies and others.

In addition to its freehold land development activities, Landcom is a joint venturer in:

- 1 East Fairfield Project Joint Venture
- 2 Jannali Joint Venture
- 3 Kings Bay Five Dock Project
- 4 Oatlands Project Joint Venture
- 5 Quakers Hill Project Joint Venture
- 6 West Pennant Hills Project Joint Venture
- 7 Zetland Joint Venture
- 8 Little Bay Joint Venture

Landcom also provides management services to the Crown Lands Homesites Program and Chullora Redevelopment.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 BASIS OF ACCOUNTING

The financial statements are a general purpose financial report and have been prepared, except where otherwise stated, on an accrual basis at historical cost and in accordance with applicable Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Urgent Issues Group (UIG) Consensus Views, and the requirements of the Public Finance and Audit Act, 1983 and regulations. In the absence of a specific Accounting Standard, other authoritative pronouncement of the AASB or UIG consensus view, the hierarchy of other pronouncements as outlined in AAS 6 "Accounting Policies" is considered.

The following is a summary of the significant accounting policies adopted by Landcom in the preparation of the financial report. The accounting policies have been consistently applied, unless stated otherwise. All amounts are rounded to the nearest one thousand dollars and expressed in Australian dollars.

1.2 REVENUE RECOGNITION

Land sales are recognised on settlement of a legally binding contract and receipt of the agreed settlement price. Landcom did not have any pre-completion sales contracts in place at 30 June 2003.

Interest and other investment income is recognised in the period in which it is earned.

Management fees are based on the general principle that there is a right to be compensated for services rendered and it is probable that economic benefits will result and the income can be reliably measured.

1.3 EXPENDITURE RECOGNITION

Operating and working expenses are expensed in the year in which they are incurred. Where they are directly attributable to the management of construction contracts, a proportion is capitalised to land under development (works in progress). (Note 1.7 refers.)

1.4 EMPLOYEE BENEFITS

All liabilities for employee benefits are fully provided for in accordance with the accounting standards (refer to Note 13). Employee benefits applicable to Landcom are shown below.

- **Salaries and Annual Leave**

Liabilities for salaries are calculated at nominal amounts based on current remuneration rates existing at the reporting date. Annual leave is calculated at future rates based on a salary rate increase effective 1 July 2003. The amount reported as a liability represents the amount which Landcom has a present obligation to pay employees for salaries and annual leave including on-costs resulting from employees' services provided up to the reporting date.

- **Non-Vesting Sick Leave**

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken will be greater than the entitlements accrued in any reporting period.

- **Long Service Leave**

Long service leave is measured on a present value basis for all employees with five or more years of service. The provision is calculated using estimated future increases in salary rates including related on-costs. The rates and expected settlement dates are based on Government Actuary analysis.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

• Superannuation

Calculation of the total liability for superannuation is based on actuarial advice.

The superannuation liability in the Statement of Financial Position is the difference between the gross liabilities and the stake in the funds at reporting date in respect of Landcom's employees.

• Redundancy Payments

The liability is based on the payments expected to be made as a result of restructures planned prior to the corporatisation, which have been formally advised to employees and unions.

• Payroll Tax

The liability is calculated at the applicable tax rate on the part of the unpaid employee benefit liabilities existing at the reporting date which are subject to payroll tax.

1.5 INSURANCE

Landcom carries a comprehensive range of insurances covering property, public liability, motor vehicles and other contingencies through the Treasury Managed Fund. These insurance policies are reviewed annually to ensure that they are adequate and were current at 30 June 2003. No major claims exist under these policies at 30 June 2003 other than those disclosed under Note 22 (Contingent Liabilities).

1.6 LEASES

Operating lease payments, where the lessor effectively retains substantially all of the risks and benefits of ownership of leased items, are included in operating expenditure as incurred.

The cost of improvement to or on leasehold property is capitalised and disclosed as leasehold improvements, and amortised over the unexpired period of the lease term or the estimated useful lives of the improvements, whichever is the shorter.

Lease incentive under a non-cancellable operating lease, like a rent-free period, is recognised as an asset (Leasehold Right) and as a liability (Lease Incentive) at the inception of the lease in an amount equal to the present value of the minimum lease payments. Leasehold Right (asset) is amortised to rental expense during the rent-free period. Lease Incentive (liability) is reduced by allocating lease rental payments between rental expenses and reduction of the liability at the beginning of lease payment period until the end of the lease term.

1.7 CAPITALISATION OF EXPENSES –

DEVELOPMENT COSTS AND COST OF SALES

Landcom charges all direct expenditure on development works to relevant projects. All operating expenditure is initially charged to and disclosed in the Statement of Financial Performance when it is incurred. Some salary charges and related expenses are subsequently capitalised to projects together with other administrative overheads.

Overheads are capitalised to projects based on the proportion of actual development expenditure incurred on individual projects to the total actual development expenditure.

1.8 INCOME TAX EQUIVALENT EXPENSE

Landcom is subject to notional taxation in accordance with the State Owned Corporation Act 1989. An "equivalent" or "notional tax" is payable to the NSW Government through the Office of State Revenue. NSW Treasury has granted an exemption from applying the tax effect accounting from 1 January 2002 and determined that income tax is calculated on operating profit. From 1 July 2003 taxation liability will be assessed according to the National Tax Equivalent Regime of the NSW Treasury, which proposes as far as practical the adoption of the Commonwealth income Tax Assessment Act 1936 (as amended) as the basis for determining taxation liability and, therefore, the adoption of tax effect accounting.

1.9 DIVIDENDS TO THE NSW TREASURY

Landcom is required to pay dividends to the Consolidated Fund of NSW Treasury in accordance with the State Owned Corporations Act 1989. Dividends are currently paid at 40% of operating profit (2001/2002 40%).

1.10 GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO), it is recognised as part of the cost of acquisition of an asset or as part of an item of expense;
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from or payable to the Australian Taxation Office is included as part of receivables or payables.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.11 CASH

Cash comprises cash on hand and at the bank.

1.12 CASH EQUIVALENT ASSETS

Landcom placed funds on deposit with NSW Treasury Corporation (TCorp). These funds are invested in the Hour-Glass Facility Trusts and can be redeemed at short notice.

The value that best represents the maximum credit risk exposure is the net fair value.

1.13 RECEIVABLES

All trade receivables are recognised as amounts receivable at balance date. Collectability of trade receivables is reviewed on an ongoing basis. Receivables, which are known to be uncollectable, are written off. The credit risk is the carrying amount (net of any provision for doubtful debts). The carrying amount approximates the net fair value. Interest is charged on overdue settlement monies where agreed settlement dates are not met. The rate of interest applied during the year was 10.95%. Sales are made on varying terms, but generally on a 30 day exchange and 30 day settlement basis.

A provision for doubtful debts is not considered necessary as revenue from Land Sales is recognised on settlement.

1.14 INVENTORIES – LAND CLASSIFICATION

Inventories comprise undeveloped land, work in progress and developed land. Undeveloped land with medium to long term development potential is classified as a non-current asset. Land is classified as works in progress while it is under development, that is, from the time contracts are signed for work to proceed. Developed land is land which has been subdivided and registered on completion of all development activity. Developed land and work in progress are expected to be sold within the next twelve months. As the process of development progresses, land projects are reclassified from undeveloped land to works in progress, then, on completion, to developed land for sale.

1.15 INVENTORIES – LAND VALUATION

All land is valued at the lower of cost and net realisable value. Cost includes acquisition, development and capitalised overhead.

1.16 LAND, BUILDINGS AND LEASEHOLD IMPROVEMENTS

Land and buildings are revalued every five years in accordance with Treasury guidelines (see Note 1.24). The last revaluation was performed in June 2003 by an independent certified practising valuer. These values were based on land and building sales in the areas in which the properties are located.

Buildings are depreciated over 14 years.

Leasehold improvements are valued at cost and amortised over the unexpired period of the lease term.

1.17 PLANT AND EQUIPMENT

Plant and equipment are recorded at the cost of acquisition, plus major renovation or improvement costs, if any, and are shown at cost less accumulated depreciation. Depreciation on all plant and equipment is calculated on the basis of the useful life of the asset to Landcom using the straight-line method. The written down value of plant and equipment as at 30 June 2003 approximates fair value. Plant and equipment costing \$500 and above individually are capitalised.

The following estimated useful lives are used in the calculation of depreciation for major items:

- Computer equipment is 4 years.
- Office equipment is 6 years.

1.18 PAYABLES

All trade payables are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers are settled in accordance with the policy set out in the Treasurer's Directions. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or statement is received. The Treasurer's Directions allow the Minister to award interest for late payment. No interest for late payment was made during the year.

Landcom also holds monies in trust paid by prospective buyers of land, as either holding deposits or on exchange of contracts pending settlement.

1.19 INTEREST-BEARING LIABILITIES

All borrowings are recorded at face value less any premium or discounts. Premium or discounts are amortised over the life of the borrowings and charged to the Statement of Financial Performance. Interest expense is recognised in the period in which it is incurred.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.20 DERIVATIVES

NSW Treasury Corporation, who has been contracted to manage Landcom's debt portfolio, enters into Futures Agreements on Landcom's behalf. This type of derivative financial instrument is recognised in the financial statements on inception. The net amount receivable/payable and any gains/losses incurred are progressively brought to account.

1.21 LEASE LIABILITIES

Landcom's office accommodation lease agreement was entered in 2001/2002 and included a six months rent free period. The liability recognised in respect of this lease incentive is calculated for a rent free period of six months in the year and is reduced by allocating future rental payments between rental expense and reduction of the liability.

1.22 FINANCIAL INSTRUMENTS

Financial instruments give rise to positions that are a financial asset of Landcom and a financial liability (or equity instrument) of the other party. For Landcom these include cash assets, receivables, payables and interest-bearing liabilities.

Information is disclosed in Note 20, in respect of the credit risk and interest rate risk of financial instruments. All such amounts are carried at net fair value unless otherwise stated.

1.23 JOINT VENTURES

Interest in joint venture entities is accounted for under the equity method in the financial report.

1.24 REVALUATION OF PHYSICAL NON-CURRENT ASSETS

Physical non-current assets are valued in accordance with the "Guidelines for the Valuation of Physical Non-Current Assets at Fair Value" (Treasury Policy Paper 03-02). This policy adopts fair value in accordance with AASB 1041 from financial years beginning on or after 1 July 2002. There is no substantive difference between the fair value valuation methodology and the previous valuation methodology adopted in the NSW public sector.

Where available, fair value is determined having regard to the highest and best use of the asset on the basis of current market selling prices for the same or similar assets.

Each class of physical non-current assets is revalued every five years and with sufficient regularity to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The last valuation was completed on 30 June 2003 and was based on an independent assessment.

When revaluing non-current assets by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the assets), the gross amount and the related accumulated depreciation is separately restated.

Otherwise, any balances of accumulated depreciation existing at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the Statement of Financial Performance, the increment is recognised immediately as revenue in the Statement of Financial Performance.

Revaluation decrements are recognised immediately as expenses in the Statement of Financial Performance, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the assets revaluation reserve.

Revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Where an asset that has previously been revalued is disposed of, any balance remaining in the asset revaluation reserve in respect of that asset is transferred to retained profits.

1.25 PROVISIONS

The provision to complete projects captures all unpaid development costs, which were included in the original land development schedule. It is raised as an estimate based on known costs at the time when the land is ready for sales release. The provision also includes the value of works completed at 30 June 2003 of any performance building contracts entered into by Landcom.

Provisions for future rectification works relate to any matter outstanding on Landcom projects, which have for all intents and purposes been completed. These provisions were originally raised as an estimate of remedial works required on completed projects for which the New South Wales Land and Housing Corporation was responsible prior to the transfer of the former Landcom on 1 July 1993. All future costs that may result in connection with these completed projects are recognised as provisions. No additional provision was raised during the year for future rectification works.

	2003 \$'000	2002 \$'000
2 OTHER REVENUE FROM ORDINARY ACTIVITIES		
Interest from investments	4,498	4,414
Interest from late settlement	356	463
Management fee – Crown Lands Homesites Program	2,696	1,020
Management fee – Ministerial Development Corporation	–	504
Other management fees	925	1,103
Rental income	418	261
Other	502	386
Proceeds on sale of assets	–	749
	9,395	8,900
3 MARKETING EXPENSES		
Advertising	4,274	2,703
Sales contractors and commission	683	516
Other	490	150
	5,447	3,369
4 OTHER EXPENSES FROM ORDINARY ACTIVITIES		
Salaries and other staff costs	10,478	9,857
Employees' entitlements		
Superannuation	1,712	1,280
Long service leave	645	349
Recreation leave	649	(26)
General administrative costs	7,945	6,736
State taxes		
Land tax	7,272	8,521
Stamp duty	4	(35)
Project costs written off	5,176	4,954
Property and accommodation expenses	1,019	1,016
Consultancy fees	1,055	888
Auditors remuneration – audit financial statements	121	115
Depreciation and amortisation	928	730
Written down value of assets disposed	91	513
	37,095	34,898
Transfer of capitalised costs to inventories	(10,675)	(7,192)
	26,420	27,706

	2003 \$'000	2002 \$'000
5 BORROWING COSTS		
Interest	9,454	13,690
Interest Rate Swap	31	-
Amortisation of loan premium	(206)	(1,537)
Government guarantee fee	4,018	4,091
	13,297	16,244
6 CASH ASSETS		
Cash	20,866	35,415
Cash equivalent assets – Hour-Glass Facility Trusts	119,738	98,552
	140,604	133,967
7 RECEIVABLES		
Current		
Trade receivables	7,557	4,338
Crown Lands Homesites Program	507	162
NSW Treasury Corporation	48	1,011
Accrued interest	41	100
Development bonds	235	178
Other	1	74
Joint venture receivables	26	878
	8,415	6,741
8 INVENTORIES		
Current		
Works in progress of land at cost	119,231	109,546
Developed land at cost	43,810	48,101
	163,041	157,647
Non Current		
Undeveloped land at cost	262,586	259,601
Land held for resale	425,627	417,248
Details of land held for resale are:		
Acquisition costs	238,956	235,662
Development costs	152,200	151,149
Other costs	34,471	30,437
	425,627	417,248

	2003 \$'000	2002 \$'000
9 OTHER		
Prepayments	37,708	32,005
Prepaid superannuation contribution	378	—
	38,086	32,005
10 PROPERTY, PLANT AND EQUIPMENT		
Land		
At fair value	970	437
	970	437
Buildings		
At fair value	860	766
Accumulated depreciation	—	(180)
	860	586
Leasehold Improvements		
At fair value	2,214	1,929
Accumulated depreciation	(480)	(102)
	1,734	1,827
Plant and Equipment		
At fair value	4,604	4,218
Accumulated depreciation	(3,500)	(3,004)
	1,104	1,214
Total Property, Plant and Equipment at Net Book Value	4,668	4,064

Reconciliations

	Land \$'000	Buildings \$'000	Leasehold improvements \$'000	Plant and Equipment \$'000	Total \$'000
2003					
Carrying Amount at 1 July 2002					
At fair value	437	586	1,827	1,214	4,064
Additions	46	276	285	386	993
Disposals	—	(91)	—	—	(91)
Revaluation increment	487	143	—	—	630
Depreciation expense	—	(54)	(378)	(496)	(928)
Total	970	860	1,734	1,104	4,668
Carrying amount					
At fair value	970	860	1,734	1,104	4,668
Total	970	860	1,734	1,104	4,668

	Ownership Interest 2003 %	Ownership Interest 2002 %
11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD		
JOINT VENTURE ENTITIES		
Name of Joint Venture Entity	Principal Activity	
East Fairfield Project Joint Venture	50	50
Jannali Joint Venture	50	50
Kings Bay Five Dock Project	50	50
Oatlands Project Joint Venture	50	50
Quakers Hill Project Joint Venture	50	50
West Pennant Hills Project Joint Venture	50	50
Zetland Joint Venture	50	50
Little Bay Joint Venture	50	—

Landcom's equity in the above joint venture projects is detailed below:

	2003 \$'000	2002 \$'000
Movement in Investment in Joint Venture Entities		
Carrying amount of investment at the beginning of the financial year	34,203	32,600
Adjustments to opening retained profits	—	(217)
Equity accounted amount of investment at the beginning of the financial year	34,203	32,383
Share of net profit	10,518	9,171
Acquisition of additional interest in joint venture entities	6,280	10,421
Distribution from joint venture entities	(46,679)	(17,772)
Equity accounted amount of investment at the end of the financial year	4,322	34,203

	2003 \$'000	2002 \$'000
11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)		
Share of Assets and Liabilities of Joint Venture Entities		
Current Assets		
Cash	2,029	3,747
Receivables	207	4,203
Inventories	(292)	30,569
Others	26	-
Non Current Assets		
Inventories	10,923	-
Property, plant & equipment	-	2
Current Liabilities		
Payables	380	3,584
Loan Payable	14	-
Provisions	935	512
Interest-bearing liabilities	7,206	167
Other	36	55
Net Assets	4,322	34,203
Share of Net Profit of Joint Venture Entities		
Revenue from ordinary activities	51,695	43,156
Expenses from ordinary activities	(41,177)	(33,985)
Profit from ordinary activities before income tax	10,518	9,171
Income tax equivalent attributable to operating profit	(3,155)	(2,751)
Net Profit	7,363	6,420

Landcom's share of the expenditure commitments and contingent liabilities of joint venture entities are disclosed in Notes 21 and 22 respectively.

	2003 \$'000	2002 \$'000
12 PAYABLES		
Current		
Trade payables	11,815	26,165
Security deposits	2,840	2,044
Trust funds and deposits held	7,161	5,474
Accrued expenses	18,359	15,332
Retentions	933	895
Joint venture payables	-	148
NSW Treasury Corporation	9,000	-
	50,108	50,058
Non Current		
Security deposits	9,144	6,456
	9,144	6,456
13 EMPLOYEE BENEFITS AND OTHER PROVISIONS		
Employee Benefits – Current		
Provision for annual leave	950	834
Provision for long service leave	303	-
Provision for superannuation liability	1,840	820
Accrued salaries, wages and on-costs	456	439
Other	62	112
	3,611	2,205
Employee Benefits – Non Current		
Provision for long service leave	2,621	2,385
Accrued on-costs	396	-
	3,017	2,385
Total Employee Benefits	6,628	4,590

13 EMPLOYEE BENEFITS AND OTHER PROVISIONS (continued)

An actuarial assessment of the superannuation schemes as at 30 June 2003 was carried out by Mercer (Funds actuary) on 8 July 2003 in accordance with AAS 25 guidelines. Rate of investment return for 2003/2004 and each of the following years assumed at 7% p.a., rate of salary and CPI increase is 4 and 2.5% p.a. respectively for 2003/2004 and each of the following years. The valuation has incorporated several demographic factors including rates of mortality, resignation, retirement. The actuary concluded that, with the exception of the SSS scheme, the assets of the schemes SASS and SANCS were sufficient to meet all benefits payable in the event of the scheme's termination, or the voluntary or compulsory termination of employment of each employee belonging to those schemes. The deficiency in the SSS scheme at 30 June 2003 was \$1,839,912 and has been provided for.

	Total Accrued Benefits \$'000	Plan Assets at Net Market Value \$'000	Excess/ (Deficit) \$'000
State Authorities Superannuation Scheme (SASS)	2,042	2,314	272
State Authorities Non-Contributory Superannuation Scheme (SANCS)	982	1,088	106
State Superannuation Scheme (SSS)	5,913	4,073	(1,840)
	8,937	7,475	(1,462)
		2003 \$'000	2002 \$'000
Other Provisions – Current			
Provision to complete projects		21,302	15,379
Provision for land tax equivalent		4,592	–
Provision for income tax equivalent		10,494	8,561
Provision for distribution to NSW Treasury		47,475	32,104
Provision for future rectification works		1,000	2,000
		84,863	58,044
Other Provisions – Non Current			
Provision for future rectification works		2,672	1,726
		2,672	1,726
Total Current and Non Current Liabilities			
Current Liability		88,474	60,249
Non Current Liability		5,689	4,111
		94,163	64,360

Reconciliations of the carrying amount of each class of provision, except for employee benefits are set out below:

	Provision to Complete Projects	Provision for Land Tax Equivalent	Provision for Income Tax Equivalent	Provision for Distribution to NSW Treasury	Provision for Future Rectification Works
Carrying amount at beginning of year	(15,379)	–	(8,561)	(32,104)	(3,726)
Additional provisions recognised	(12,979)	(4,592)	(35,606)	(47,475)	–
Reductions in provisions from payments	5,492	–	33,673	32,104	54
Reductions in provisions from remeasurement	1,564	–	–	–	–
	(21,302)	(4,592)	(10,494)	(47,475)	(3,672)

	2003 \$'000	2002 \$'000
14 INTEREST-BEARING LIABILITIES		
Unsecured loans at face value	150,000	222,568
Unamortised premiums	(104)	2,558
	149,896	225,126
15 OTHER		
Lease Incentive:		
Current liability	44	53
Non current liability	155	199
	199	252
16 CONTRIBUTED EQUITY		
Balance at the beginning of financial year	275,847	259,510
Transfer of reserve at 31 December 2001	-	238
Accumulated losses at 31 December 2001	-	(61,081)
Increase in net assets from equity transfers	-	77,180
	275,847	275,847
17 RESERVES		
Asset Revaluation		
Asset revaluation reserve at the beginning of the financial year	-	238
Revaluation increment – Land and buildings	630	-
Transfer to contributed equity (see Note 16)	-	(238)
	630	-
The asset revaluation reserve is used to record increments and decrements on the revaluation of physical non-current assets.		
18 RETAINED PROFITS/(ACCUMULATED LOSSES)		
Accumulated profit/(losses) at beginning of financial year	6,129	(78,813)
Net profit	83,081	56,182
Adjustments to opening retained profits from joint ventures	-	(217)
Transfer to contributed equity at 31 December 2001 (see Note 16)		
Accumulated losses at the beginning of financial year	-	78,813
Net profit after tax and dividend at 31 December 2001	-	(17,732)
Total	-	61,081
Dividends to NSW Treasury	(47,475)	(32,104)
Balance at end of financial year	41,735	6,129

	2003 \$'000	2002 \$'000
19 STATEMENT OF CASH FLOWS		
a) For the purposes of the Statement of Cash Flows, cash includes cash assets. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:		
Cash Assets	140,604	133,967
b) Reconciliation of net cash provided by operating activities to net profit:		
Net profit from ordinary activities after income tax equivalent	83,081	56,182
Depreciation and amortisation	928	730
(Profit)/loss from sale of plant	91	(236)
Write down premium on loans	(206)	(1,537)
Share of joint venture entities profit	(10,518)	(9,171)
Change in Assets and Liabilities		
Increase/(decrease) in provision	14,537	5,482
Increase/(decrease) in payables	(9,595)	(6,072)
(Increase)/decrease in receivables	(6,938)	(10,736)
(Increase)/decrease in inventory	(8,379)	(12,328)
Net Cash Provided by Operating Activities	63,001	22,314

20 FINANCIAL INSTRUMENTS

(This Note is to be read in conjunction with Note 1.22)

a) Interest Rate Risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in market interest rates. Landcom's exposure to interest rate risks and the effective interest rates of financial assets and liabilities, both recognised and unrecognised at the balance date, is minimal. Landcom's debt portfolio is managed by TCorp, the appointed debt management contractor.

b) Credit Risk

Credit risk is the risk of financial loss arising from another party to a contract or financial position failing to discharge a financial obligation thereunder. Landcom's maximum exposure to credit risk is represented by the carrying amounts of the financial assets included in the Statement of Financial Position.

There is no significant concentration of credit risk arising in respect of receivables. For investment Landcom placed funds on deposit with TCorp's Hour-Glass Facility Trusts, which have been rated "AAA" by Standard and Poor's.

20 FINANCIAL INSTRUMENTS (continued)

	Notes	Floating Interest Rate \$'000	Fixed Interest Rate Maturing in:				Non-interest bearing \$'000	Carrying Amount as per the Statement of Financial Position \$'000
			1 Year or Less \$'000	Over 1, but not Later than 2 Years \$'000	Over 2, but not Later than 5 Years \$'000	More than 5 Years \$'000		
2003								
Financial Assets:								
Cash assets	6, 19	140,586	–	–	–	–	18	140,604
Receivables	7	–	–	–	–	–	8,415	8,415
Total Financial Assets		140,586	–	–	–	–	8,433	149,019
Weighted average interest rate		4.43%						
Financial Liabilities:								
Interest bearing	14	–	29,896	30,000	90,000	–	–	149,896
Payables	12	–	–	–	–	–	18,976	18,976
Total Financial Liabilities		–	29,896	30,000	90,000	–	18,976	168,872
Weighted average interest rate		–	5.45%	5.65%	5.49%	–	–	–
Net Financial Assets/(Liabilities)		140,586	(29,896)	(30,000)	(90,000)	–	(10,543)	(19,853)

	Notes	Floating interest Rate \$'000	Fixed Interest Rate Maturing in:				Non-interest bearing \$'000	Carrying Amount as per the Statement of Financial Position \$'000
			1 Year or Less \$'000	Over 1, but not Later than 2 Years \$'000	Over 2, but not Later than 5 Years \$'000	More than 5 Years \$'000		
2002								
Financial Assets:								
Cash assets	6, 19	133,949	–	–	–	–	18	133,967
Receivables	7	–	–	–	–	–	6,741	6,741
Total Financial Assets		133,949	–	–	–	–	6,759	140,708
Weighted average interest rate		4.35%						
Financial Liabilities:								
Interest bearing	13	45,744	71,357	77,442	30,583	–	–	225,126
Payables	12	–	–	–	–	–	31,787	31,787
Total Financial Liabilities		45,744	71,357	77,442	30,583	–	31,787	256,913
Weighted average interest rate		4.83%	5.50%	5.43%	5.93%	–	–	–
Net Financial Assets/(Liabilities)		88,205	(71,357)	(77,442)	(30,583)	–	(25,028)	(116,205)

20 FINANCIAL INSTRUMENTS (continued)

c) Net Fair Value

As stated in Note 1.22, all financial instruments are carried at Net Fair Value, unless stated otherwise. The aggregate net fair values of financial assets and financial liabilities carried at balance date are as follows:

	2003 Carrying Amount \$'000	2003 Net Fair Value \$'000	2002 Carrying Amount \$'000	2002 Net Fair Value \$'000
On Statement of Financial Position				
Financial Instruments:				
Financial assets				
Cash	140,604	140,604	133,967	133,967
Receivables	8,415	8,415	6,741	6,741
Total Financial Assets	149,019	149,019	140,708	140,708
Financial liabilities:				
Payables	18,976	18,976	31,787	31,787
Interest bearing	149,896	153,936	225,126	227,659
Total Financial Liabilities	168,872	172,912	256,913	259,446
Net Financial Liabilities	(19,853)	(23,893)	(116,205)	(118,738)

d) Derivatives

Landcom is exposed to financial market risks and has contracted TCorp to manage its debt portfolio. In the management of debt Landcom, via TCorp, undertakes derivative transactions.

The nature of the business gives rise to gaps in the maturity of its cash flows and to exposures arising from possible changes in the repricing of financial positions upon their maturity.

Landcom, via TCorp, has identified the risks that arise from such gaps and exposures and has established policies to prudently monitor and limit those risks, via derivative financial instruments.

A derivative financial instrument is a contract or agreement whose value is derived from the value of the underlying instrument, reference rate or index. Derivative financial instruments (including swaps, forward rate agreements, futures, options and forwards) are used to alter and modify the natural risks inherent in the Statement of Financial Position.

Because derivative financial instruments are entered into for the purpose of hedging financial exposures of Landcom, the policy is to account for derivative financial instruments (including gains and losses thereon) in a manner that is not inconsistent with the underlying exposure.

Net Exposure

The market value of Landcom's transaction in derivative financial instruments outstanding at 30 June 2003 is as follows:

	2003 \$'000	2002 \$'000
Derivative Financial Instruments Receivable/(Payable):		
Loan receivable/(payable) from/to Tcorp	(4)	955
Net Amount Receivable/(Payable) under Derivative Financial Instruments	(4)	955

	2003 \$'000	2002 \$'000
21 EXPENDITURE COMMITMENTS		
a) Expenditure Commitments		
Aggregate expenditure for land development contracted for at balance date but not provided for:		
Not later than one year	76,411	72,930
Later than one year but not later than five years	12,700	17,834
Later than five years	-	8,181
Total (including GST)	89,111	98,945
The total expenditure commitments above includes input tax credits of \$8.1 million that are expected to be recoverable from the ATO (30 June 2002 - \$9.0 million).		
Share of Joint Venture Entities' Expenditure Commitments		
Aggregate expenditure for land development contracted for at balance date but not provided for:		
Not later than one year	-	6,491
Later than one year but not later than five years	-	110
Total (including GST)	-	6,601
The total expenditure commitments above includes input tax credits of nil that are expected to be recoverable from the ATO (30 June 2002 - \$0.6 million).		
b) Operating Lease Commitments:		
Future non-cancellable operating lease rentals not provided for and payable:		
Not later than one year	1,004	678
Later than one year but not later than five years	2,245	2,318
Later than five years	-	292
Total (including GST)	3,249	3,288

The total lease expenditure commitments above includes input tax credits of \$295,000 that are expected to be recovered from the ATO (30 June 2002 - \$299,000).

There are no lease commitments arising from joint venture entities.

22 CONTINGENT LIABILITIES

Landcom has the following significant contingent liabilities incurred in the normal course of business:

- The Little Bay Joint Venture Project is being debt funded through the joint venture partner. Landcom has executed a takeout agreement that has a possible forward contingent liability. In return, Landcom would receive property to an estimated value of the liability, if ever the takeout agreement is effected. The project is proceeding satisfactorily and therefore the contingent liability is considered remote in most instances.
- Landcom has commenced the Stanhope Gardens Development Project. The contract contains certain indemnities and liabilities in the event of forced termination by either party. The contingent liability if the termination should occur is valued at the total land development costs and the building costs properly incurred by the contractor. In return, Landcom would receive property to an estimated total value of the liability. As early termination is considered remote no attempt has been made to estimate the contingent liability.

22 CONTINGENT LIABILITIES (continued)

- c) Landcom has commenced the Greenway Park Project. The contract contains certain indemnities and liabilities in the event of forced termination by either party. The contingent liability if the termination should occur is valued at the total land development costs and the building costs properly incurred by the contractor. In return, Landcom would receive property to an estimated total value of the liability. As early termination is considered remote no attempt has been made to estimate the contingent liability.
- d) Landcom has commenced the Macarthur Project. The contract contains certain indemnities and liabilities in the event of forced termination by either party. The contingent liability if the termination should occur is valued at the total land development costs and the building costs properly incurred by the contractor. In return, Landcom would receive property to an estimated total value of the liability. As early termination is considered remote no attempt has been made to estimate the contingent liability.
- e) Road repairs are required to Landcom constructed roads that have now failed in the Narellan release area. A letter from the Director of Housing in October 1988 guaranteed that the Department would undertake repairs of any major structural failures for a period of 20 years. The cost is not quantifiable at this stage.
- f) Landcom has five public liability claims outstanding with a total upper limit of \$1,640,000 and all are covered by insurance.

There are no contingent liabilities arising from joint ventures entities.

23 DIRECTORS' REMUNERATION

The number of Directors of the current Landcom Board from 1 July 2003 and the previous advisory Board during the financial year whose income from Landcom or any other related party falls with the following bands:

	2003	2002
\$10,000 – \$19,999	–	3
\$20,000 – \$29,999	–	2
\$30,000 – \$39,999	1	–
\$40,000 – \$49,999	1	–
\$50,000 – \$59,999	1	1
\$60,000 – \$69,999	1	–
\$70,000 – \$79,999	2	1

Fees paid or payable to Board Directors during the year amounted to \$371,593 (2001/2002 \$233,836).

24 RELATED PARTY TRANSACTIONS

(a) Directors

The Directors of the current Landcom Board during the financial year were:

William Kirkby-Jones AM (Chairman)
Sean O'Toole (Managing Director)
Neil Bird AM
Penny Morris AM
Chris Carroll
Gae Raby
Cathryn Ingram (resigned 31 March 2003)

Remuneration received or receivable by Directors of each entity is disclosed in Note 23. All transactions by Landcom with Director-related entities are conducted on an arm's length basis in the normal course of business and on commercial terms and conditions.

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ACCESS

Landcom's head office and other offices at Campbelltown, Newcastle, Zetland and Little Bay are open from Monday to Friday between the hours of 9.00 am and 5.00 pm (except Public Holidays).

Landcom Sales Offices are generally open from 10.00 am to 5.00 pm seven days a week.

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