



ANNUAL REPORT 2005

THE HON MICHAEL COSTA, MLC

**Minister for Finance, Minister for Infrastructure,
Minister for Lower Hunter.**

Level 31, 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, Minister for Ageing,
Minister for Disability Services, Assistant Treasurer.**


Level 30, Governor Macquarie Tower
1 Farrer Place, SYDNEY NSW 2000

31 October 2005

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 2005.

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*.



WILLIAM KIRKBY-JONES AM

CHAIRMAN



SEAN O'TOOLE

MANAGING DIRECTOR

Contents

Chairman's Overview	2	Snapshots	16
Managing Director's Overview	4	Partnerships	18
Board of Directors	6	Corporate Governance	22
Landcom Structure	8	Statutory Requirements	23
Key Executive Team	9	Financial Statements	34
Span of Operations	10	Recognition	57
A Year in Review	11	Corporate Directory	58
A Quiet Evolution	12	Index	58

landcom today

Landcom tackles strategic and complex development projects that aid the Government in the delivery of its urban management policies and which set examples of innovation that the broader industry is encouraged to follow.





Little Bay



Chairman's Overview



Although in last year's Annual Report we foreshadowed further weakening in demand for residential land and new housing during 2004/2005, the downturn was more severe than either we or the industry in general expected.

Repeated media focus on the high level of household debt coupled with the two increases in interest rates (albeit quite modest) combined with rapidly rising oil prices to undermine community confidence.

The consequential downturn in demand has had an adverse impact on Landcom's financial results for the year ended 30 June 2005. Sales revenue at \$326.9 million was \$84.1 million below budget and earnings before interest and tax (EBIT) at \$100.3 million were down \$31.5 million compared to budget.

It should be noted, however, that because of the inherently volatile nature of the development industry, Landcom takes the prudent course of establishing with the New South Wales Treasury a range in forecasting its financial results for the year ahead. The results for the year just ended fall within that band but at the lower end.

Partly because of the expected further weakening in land and housing demand, the Board of Directors endorsed the implementation of a well-researched marketing program. In addition to supporting the generation of sales, the marketing program has been directed at beginning the process of building within the community a greater awareness of the Landcom brand and what it now represents; an organisation that has a track record for delivering outstanding results in good quality urban design and its built form outcomes; the implementation of environmentally sustainable development principles and the building of social capital in all of Landcom's projects.

The results of the marketing program have been pleasing; there is indeed a greater awareness of the Landcom brand and survey data indicate that there is a growing respect for both the organisation and the demonstrable results of its work.

The Landcom of today is a very different entity to that of yesteryear when its primary role was the production of residential land at the urban fringe.

Today, Landcom tackles strategic and complex development projects that aid the Government in the delivery of its urban management policies and which often set examples of innovation that the broader industry is encouraged to follow.

In its more recent role, Landcom is helping to shape the way that Sydney, at a metropolitan scale, will be able to sensitively accommodate its unprecedented potential growth as a global city.

During the year under review Landcom has continued its drive to foster and maintain close and effective



business relationships with the wide range of organisations which, both individually and collectively, have a major influence on the direction and quality of urban and regional development.

Such relationships are crucial to Landcom's success and they need to be monitored and assessed from time to time. To that end, we recently commissioned an independent survey of those industry firms with which we conduct business. The results of the survey indicate that there are many ways in which we can make it less costly, less time consuming and less complex for firms to do business with Landcom without in any way compromising the standards of probity required of a public agency. The detailed survey report will form the basis of an action program to be implemented during the coming year.

The considerable weakening in market demand in the last twelve months has presented Landcom with a significant challenge. It is a credit to our people that they have been able to cope so well under considerable pressure and to respond so positively to the needs of the Corporation.

The investment that we have made in building the skills and capacity base of the organisation over the last few years has begun to pay tangible dividends. By way of example only, it is pleasing to note that based strictly on merit, a number of internal candidates have succeeded in their applications for appointment to more senior positions.

The Board of Directors recognises the many achievements of the management and staff; they have solved complex problems; searched out new and exciting ways of delivering projects; identified worthwhile opportunities for the Corporation; won a number of prestigious awards and have worked extremely hard to achieve the objects for which Landcom is established. We owe them a debt of gratitude.

Our Managing Director, Mr Sean O'Toole, has again led the organisation with distinction; he has been at the forefront of innovation and takes the lead in setting the organisation's strategic direction. His outstanding contribution is gratefully acknowledged.

Last, it is such a pleasure to work with a Board whose members engage in robust debate and who always make a point of listening carefully to the other fellow's point of view. Their thoughtfulness, collegiate spirit, good humour and wise counsel make my job a most enjoyable one.

A handwritten signature in black ink that reads "William Kirkby-Jones". The signature is written in a cursive, flowing style.

WILLIAM KIRKBY-JONES AM
CHAIRMAN



Shellharbour coastline



Managing Director's Overview



Our projects are both strategic and complex. They set new standards in urban design and sustainability. Importantly, they represent a 30-year evolution for Landcom that began with greenfield subdivisions and now thrives in complex and strategic projects like the Rouse Hill Regional Centre.

Since its establishment in 1975, Landcom has adopted an increasingly design orientated focus, and now concentrates as much on brownfield renewal projects as greenfield development. The Corporation's skill lies in marshalling critical infrastructure, negotiating practical solutions to competing interests and in implementing strong urban outcomes.

A role for Landcom as implementer of the Government's urban management agenda is emerging and our involvement in the Government's Metropolitan Strategy increased in importance during the year. This is an exciting new phase in our evolution that will undoubtedly reinforce our value to Government.

In terms of this emerging role, our particular focus for the year has been on the delivery of complex and strategic projects in line with the Government's strategy for Sydney's future growth in both new and established areas. Many of these projects are featured in this Report. We are already actively engaged in projects across the recently announced north west and south west growth corridors. We are working on a range of major town centres and we expect to play an increasingly important role in the development of the Western Sydney Parklands and the urban renewal corridors that are planned along strategic transport routes.

Landcom worked hard during the year to forge closer ties with our local government partners and, in particular, with key infrastructure agencies. This is in recognition of their fundamental and continuing importance to our business. Formal alliances were forged during the year with Integral Energy, Sydney Water Corporation and Telstra. These agreements recognise the strategic importance of infrastructure in the delivery of all our projects. They provide opportunities for Landcom to work with these agencies on a range of matters of mutual interest including leadership and innovation, the "road testing" of environmentally sustainable practices and the promotion of procedures designed to simplify delivery and reduce costs.



We also made it easier for our builder partners to do business with Landcom, establishing a dedicated Builder Coordination Team, to simplify builder procedures, coordinate builder selection and improve the standard of built form outcomes arising from our builder partnerships.

We made significant progress across our wide portfolio of projects and, in a difficult market, Landcom has managed to continue to deliver quality sustainable development and continued financial returns to Government.

In the critically important area of housing affordability, we began detailed negotiations with financial institutions, and worked hard to progress the delivery of a “market based” shared-equity finance product, as a viable alternative for getting moderate-income households into the housing market.

We also further consolidated a culture of continual improvement through Landcom’s formal Innovation Programme. The priority for 2004/2005 was on providing practical demonstrations of the knowledge and skills that Landcom has acquired and I am pleased to say that our staff have enthusiastically embraced the Programme.

The past year has seen a consolidation of our success, a growing recognition of Landcom’s role and the establishment of a strong foundation for our future.

I am proud of our achievements and am pleased to take this opportunity to thank the Board, the Executive team and our staff for the individual contributions they have all made to our success.

A handwritten signature in black ink that reads "S O'Toole". The signature is written in a cursive, flowing style.

SEAN O'TOOLE
MANAGING DIRECTOR



William Kirkby-Jones AM



Sean O'Toole



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 (Director)
- ACT Land Development Agency (Chairman)
- Australian Housing and Urban Research Institute Limited (Director)
- Growth Equities Corporation Limited (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, GAICD, FRAPI, ASSOC AIVLE

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, 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, FPIA, 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.

Neil currently holds positions with:

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



Penny Morris AM



Chris Carroll



Gae Raby



Robyn Clubb

PENNY MORRIS AM

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

Ms Morris has extensive experience in property development and management. She was formerly Group Executive Lend Lease Property Services, General Manager and Director 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, Indigenous Land Corporation, Country Road, Jupiters Limited, and Principal Real Estate Investors (Australia) Limited.

Penny is currently a Director of:

- Sydney Harbour Foreshore Authority
- Aristocrat Leisure Limited
- NSW Institute of Teachers

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. Chris is currently the Senior Commercial Counsel and Head of Corporate Services of the Valad Property Group.

Chris currently holds positions with:

- Luxdell Pty Limited (Director)
- Fromeday Pty Limited (Director)

GAE RABY

B ECON

Ms Raby has a background in economics and has extensive experience in the development and management of major community services programs at the federal and state level.

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.

Gae is currently a Director on the Zoological Parks Board of NSW and provides advice to government agencies on aspects of their corporate governance.

ROBYN CLUBB

B ECON, CA, ASIA, MAICD

Ms Clubb's long term experience in the financial services industry covered corporate advisory, corporate lending, banking, retail superannuation, retail funds management and international ventures.

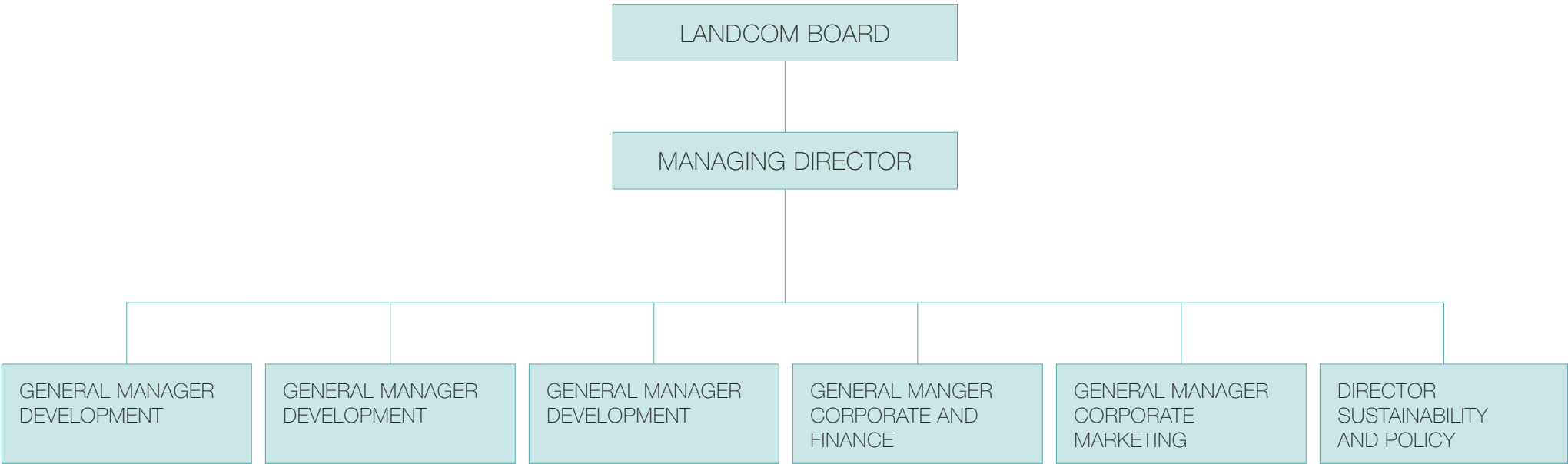
This included international assignments at senior management levels in New Zealand, China and United Kingdom.

Robyn currently holds the positions of:

- Royal Agricultural Society of NSW (Councillor)
- Rice Marketing Board of NSW (Director)



Landcom Structure





Mick Owens



Kerry Robinson



Geoff Joyce



Greg South



David Craig

Landcom Key Executive Team

MICK OWENS *B SURV, MIS* GENERAL MANAGER DEVELOPMENT

Mick leads urban development teams responsible for delivering Landcom projects in southern Sydney, the Southern Highlands, Shellharbour and Wollongong. He has particular responsibility to manage projects and stakeholder relationships which are of strategic importance to Sydney's future growth.

Mick has more than 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 has managed a vast array of projects, including very large and complex projects across Sydney's urban release areas.

Mick is fostering innovation, sustainability and quality development, particularly in major growth centres.

KERRY ROBINSON *BTP (HONS), ASS DIP VAL, MPIA, MAICD* GENERAL MANAGER DEVELOPMENT

Kerry has more than 20 years experience in the property industry having worked in Local Government, private consultancy and for Raine & Horne Commercial, Delfin Property Group, Civil and Civic and Lend Lease Development.

Kerry was recently promoted from the role of Business Development Director responsible for all new project procurement, to General Manager Development.

His teams are responsible for delivering residential developments in northern and western Sydney, the Hunter and the Central Coast.

Landcom's Commercial and Industrial Business Unit, with total forecast revenue of more than \$120 million over the next few years, reports to Kerry. Kerry is also responsible for overseeing the delivery of the Crown Lands Homesites Program.

GEOFF JOYCE *B COM, ACA, FAICD* GENERAL MANAGER DEVELOPMENT

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.

Geoff is a key player in the planning and development of Sydney's \$2 billion Green Square Town Centre.

GREG SOUTH *B ECON, ASA* GENERAL MANAGER CORPORATE AND FINANCE/ CORPORATE SECRETARY

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

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

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

DAVID CRAIG *B BUS, ACA* GENERAL MANAGER CORPORATE MARKETING

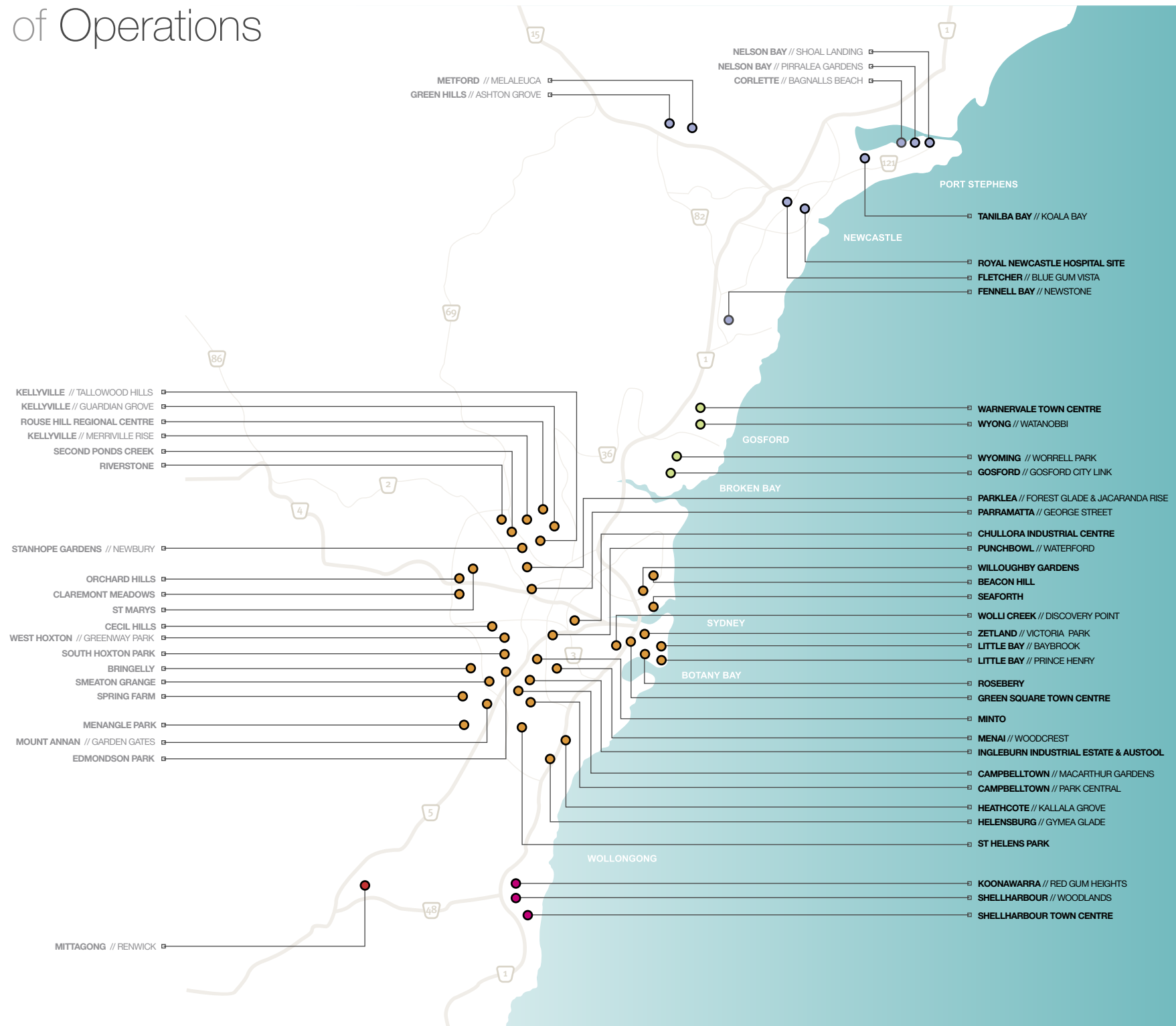
David has more than 13 years marketing experience, gained in senior roles in the sports, entertainment and fast moving consumer goods industries.

David began his career as a Chartered Accountant with Ernst and Young before embarking on a marketing career that has included positions with the Australian Rugby Union, Coca-Cola Amatil, the Australian Jockey Club and Sydney Turf Club.

Since joining Landcom in April 2004 David has successfully launched a major corporate marketing campaign to increase brand awareness and promote Landcom's role in delivering innovative, high quality developments "with people in mind".

David works with a motivated sales and marketing team, dedicated to assisting the operational divisions of Landcom achieve their objectives.

Span of Operations



a year in review

Landcom has evolved substantially in the past 15 years. Today, Landcom is a State Owned Corporation that fulfils a key role in implementing the NSW Government's vision for the ongoing growth of metropolitan NSW. Landcom has developed an enviable record in delivering important outcomes for communities in NSW in terms of quality sustainable development, urban renewal and housing affordability.





Newbury Stanhope Gardens



Newbury Stanhope Gardens



Ironbark Ridge Public School Rouse Hill Regional Centre

A Quiet Evolution

In the early 1990's Landcom was focused on greenfields subdivision. The mid 90's brought recognition of the importance of incorporating the principles of sustainability along with good urban design. Landcom's award winning developments at Newbury and Hunterford were notable successes from this period.

As Landcom moved towards the new millennium even greater attention was afforded to environmental sustainability. Water Sensitive Urban Design, Energy Smart Communities and Triple Bottom Line reporting were important new Landcom initiatives.

The Corporation's experience and expertise in these areas grew quickly, as projects such as Victoria Park will attest.

While these sustainability initiatives remain an important consideration within Landcom, additional capabilities in urban renewal have been accumulated and now Landcom's portfolio has evolved into more strategic and complex projects, projects such as the Rouse Hill Regional Centre, Warnervale Town Centre, Bringelly, Edmondson Park, Shellharbour Town Centre, Macarthur Regional Centre and Green Square Town Centre.

Today, Landcom plays an important role in the State's plans for managing growth and change. Landcom achieves this by delivering exemplar projects that demonstrate balanced social, economic and environmental outcomes.

Landcom developments, stretching from greater metropolitan Sydney, the Hunter, Central Coast and Illawarra to the Southern Highlands, ensure environmentally sustainable development, encompass initiatives which deliver affordable housing and more recently, promote social wellbeing as a key strategic direction for future development.

In the past financial year, Landcom has made strong progress in a number of key strategic projects.

Rouse Hill Regional Centre

In conjunction with Lend Lease, the GPT Group, and the Department of Planning (formerly Department of Infrastructure, Planning and Natural Resources), Landcom is delivering a mixed-use project that will be a model for future centres. Working closely with the Baulkham Hills Shire Council, the Rouse Hill Regional Centre is a project where services and facilities, diversity in housing types, community facilities and transport links will be provided early in the development process.

The Rouse Hill Regional Centre represents the commercial, retail, transport and social hub of the expanding north west region. It will feature traditional main street shopping as opposed to a 'big box' shopping centre, including community services, schools, retail and commercial operations, an environment centre and a regional transport interchange.

The Masterplan for the \$1.2 billion project was approved in 2004/2005, providing for approximately 1,800 homes and 200,000m² of commercial and retail floor space.

The Regional Open Space Precinct Plan was also approved in 2004/2005 and allows for the restoration and regeneration of Caddies Creek. This plan includes a \$15 million commitment to ensure the Creek is regenerated with informal recreation areas including an amphitheatre.



Second Ponds Creek



Second Ponds Creek Masterplan



Landcom is determined to ensure that facilities at the the Rouse Hill Regional Centre are provided early and this was demonstrated by the opening of the Ironbark Public School. The school opened on 31 January, in time for the 2005 school year and caters for 600 students along with a 90 place childcare centre.

Second Ponds Creek

Second Ponds Creek will demonstrate Landcom's commitment to good urban design and its ability to resolve complex environmental and infrastructure issues.

The development will feature ecologically sustainable and Water Sensitive Urban Design with all homes designed to exceed BASIX minimum requirements. The development will also preserve extensive open space, with the creek corridor rehabilitated to provide a link between isolated communities of threatened species.

In line with the Government's planning objective to connect centres with transport infrastructure, Landcom will fund a critical infrastructure upgrade of Schofields Road through a development agreement with Blacktown City Council, the Department of Planning and the Roads and Traffic Authority.

The upgrade of Schofields Road is critical to connecting Second Ponds Creek with the local railway station and to provide new residents with access to public transport as well as major arterial roads.

Landcom enjoyed another success in February this year when, in partnership with BP Solar, it was awarded a \$77,000 grant from the Australian Greenhouse Office. The grant was to install and calibrate solar panels on 16 dwellings in the development. This initiative will be in addition to implementing best practice in environmental sustainability across the entire project and supports the Government's plan to develop sustainable liveable communities.

Greenway Views

Developed in conjunction with Australand, Greenway Views is an exciting project released for sale in the past financial year. It is an important development for Sydney because it sits alongside the Western Sydney Parklands – a vital corridor that will run between the proposed north west and south west growth sectors.

The partnership development is masterplanned to provide 300 homes of which 5% will be priced for moderate-income earners.

In 2004/2005 Landcom facilitated the construction of a school that will cater for years seven to 12 and is planned to open in February 2006 – two years ahead of schedule.



Park Central Campbelltown



Park Central Campbelltown



Discovery Point parkland Wollongong



Discovery Point Wollongong

Park Central

Recognised by the Government as setting the standard for future development in the south west, Park Central features diverse, mixed density housing with a retirement village, apartments, terraces and garden homes all demonstrating Landcom's commitment to maintaining significant open space and connectivity to community facilities and services.

Formerly the site of the old Campbelltown Golf Course, the development is ideally located and serviced by the Campbelltown Hospital, Macarthur Square Shopping Centre and the Campbelltown Catholic Club. When complete, Park Central will comprise 400 homes, centrally positioned around picturesque Marsden Park.

The past year has seen the official opening of Marsden Park – the 14 hectare heart of the development. The Deeds to the Park were handed over to the Mayor of Campbelltown, Councillor Brenton Banfield by The Hon. Carl Scully in September 2004.

The last year also saw the release of Landcom's 'Focus' development at Park Central, comprising state of the art apartments, traditional terraces and unique work-from-home terraces.

Blue Gum Vista

Blue Gum Vista at Fletcher, is one of the last zoned urban development sites in the Blue Gum Hills Corridor in the Hunter making it an important project for the continued expansion of the region.

The \$300 million project has been masterplanned to set a new standard for sustainable residential development. Once complete, the site will showcase 700 new homes, including 7.5% of housing to be made affordable for households on moderate incomes.

After a competitive tender process, Urban Pacific Limited has been chosen by Landcom as its preferred tenderer in the delivery of Blue Gum Vista.

Landcom is creating a significant amount of open space and retaining vegetation through the masterplan. Through a strong relationship with the Awabakal Local Aboriginal Land Council, important heritage conservation areas have been set aside.

Discovery Point

Landcom's partnership with Australand at Discovery Point, Wollongong demonstrates how a high-density development, using existing transport infrastructure, can renew an established suburb.

Discovery Point is set within an area undergoing unprecedented urban renewal and what was once an industrial precinct is set to be Sydney's southern gateway.

The development's proximity to the Sydney CBD, access to the CityRail network, and domestic and international airports made it an ideal site for redevelopment.

The masterplan for the 7.8 hectare site includes apartments, retail, commercial and open space, with the waterfront areas and heritage buildings being restored. Balancing sustainability with natural beauty, the regenerated foreshore will include a variety of creatively planted indigenous aquatic plants.



Flowers Ward Prince Henry



The Chia family – successful bidders at the Prince Henry auction



Jarrah House opening Prince Henry



Royal Newcastle Hospital

Prince Henry at Little Bay

Prince Henry showcases Landcom's ability to balance sensitive community and environmental needs with the reality of creating a commercially viable project from a surplus government asset.

Landcom is the masterdeveloper of the 85 hectare former Prince Henry Hospital site. A key challenge for Landcom is to manage and preserve the sensitive history and significance of the site throughout its development.

Since taking on the project, Landcom's role has included extensive consultation with the community groups on site as well as investing significant resources into major site remediation.

Landcom is pleased to report that considerable progress has been made over the last 12 months including the construction of the first of seven community buildings and the first homesites being offered to the market.

The completion of the \$4.5 million Jarrah House in April was a significant milestone in the development of Prince Henry. Jarrah House is the only facility in Australia catering for women with substance abuse problems and has been recognised by the United Nations as an international example of best practice for gender specific substance abuse treatment.

Landcom and its contractors have worked closely with Women's Alcohol and Drug Advisory Committee throughout the project, from the initial building design, through to construction and the temporary relocation of staff and residents.

The 1400m² building has been purpose built to provide staff with the environment and resources they need to continue their support of women with alcohol and drug dependencies and their children.

This financial year also saw the first release of homesites at Prince Henry, with the first 12 going to auction in April.

Royal Newcastle Hospital

Landcom's redevelopment of the 2.7 hectare Royal Newcastle Hospital site is one of the most significant urban renewal projects being undertaken in the Hunter. The coastline location, along with its proximity to the Newcastle CBD and its historical significance are important considerations for the Newcastle community. Landcom is committed to ensuring an appropriate outcome is achieved.

Over the past financial year, Landcom has been in extensive consultation with both the community and key stakeholders preceding the preparation and submission of the Masterplan and Development Control Plan.

These important groups include businesses, community leaders, Council, heritage groups and local residents.

snapshots

HIGHLIGHTS FROM 2004/2005.

WESTERN SYDNEY PARKLANDS

To help fund the development of the largest urban regional park in the world, Landcom will work with Blacktown City Council and the Department of Planning to provide sustainable developments at Rooty Hill and Doonside and a best practice employment development at West Huntingwood.

Western Sydney Parklands





Park Central Campbelltown



Land auctions at Prince Henry

UNIVERSITY OF WESTERN SYDNEY, CAMPBELLTOWN CAMPUS

Engaged by UWS, Landcom is developing a masterplan that integrates residential and employment opportunities with the academic facilities and new medical school planned for the Campbelltown campus. The proposed development forms an integral part of the University's vision to expand its academic and research programs while building closer links with the residents and businesses of Greater Western Sydney.

MINTO

Landcom, the Department of Housing and Campbelltown City Council are working together on a significant project to redevelop the Department of Housing's Minto estate. This project includes the renewal of existing public housing, pedestrian linkages and streetscapes with improved built form, good open spaces and community facilities.

VICTORIA PARK

In May 2005, City West Housing completed construction of 16 affordable rental apartments on land provided by Landcom at Victoria Park.

MACARTHUR GARDENS

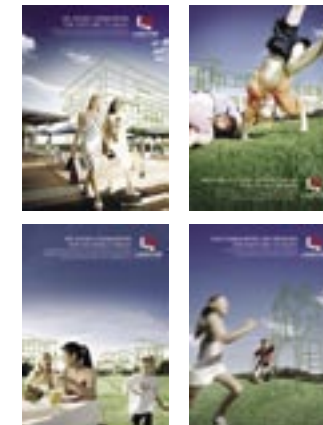
The first stage of Macarthur Gardens, a joint venture with Stockland, was released for sale in 2004/2005. A project demonstrating leadership in urban design, product diversity and dedication to environmental sustainability, when completed Macarthur Gardens will include 940 dwellings over 60 hectares.

NEW SALES OFFICES

Three new sales offices were opened at d'Albora Marina at Nelson Bay, the Homeworld IV display village at Kellyville and Garden Gates at Mt Annan.

CORPORATE BRAND CAMPAIGN

Landcom launched a corporate advertising campaign in January 2005 featuring billboard, press, print, cinema, regional television and a new website. The campaign was designed to update customer perceptions and position Landcom as a product of choice in a softening residential market.



Images from Landcom's Corporate Brand campaign

partnerships

Landcom is committed to delivering high quality projects for NSW communities. A key objective of Landcom is to provide the latest technology and infrastructure as early as possible in the life of the project.

Victoria Park Zetland





Shellharbour



Nelson Bay marina

WITH UTILITIES

Landcom has continued to foster strategic alliances with key utility providers over the last year.

Developing formal agreements with utility providers ensures Landcom is in a stronger position to pioneer innovative products and processes, and ensure its projects continue to lead the way in delivering sustainable outcomes for the communities of the future.

MEMORANDUM OF UNDERSTANDING WITH INTEGRAL ENERGY

Landcom and Integral Energy have signed a formal understanding with agreement from Integral to adapt its infrastructure requirements to better accommodate Landcom's design objectives. Also, under the agreement Landcom will seek to accommodate Integral Energy's infrastructure requirements as early as possible within the masterplanning phase.

This agreement has led to an innovative solution to streetscape design at Jacaranda Rise at Quakers Hill. Working with Landcom, Integral Energy has sourced a street light pole that is able to accommodate the house wiring connections normally located in electrical pillar-boxes. As a result, these boxes, (normally dotted along the street) are no longer required, vastly improving the overall streetscape.

STATEMENT OF COOPERATION WITH SYDNEY WATER CORPORATION

The Statement of Cooperation is a commitment from Landcom and Sydney Water to work together to:

- Implement leading water conservation and reuse technologies;
- Align the efforts of both organisations' community education and awareness programs;
- Build industry capacity to improve housing design to better integrate water conservation initiatives.

STRATEGIC ALLIANCE AGREEMENT WITH TELSTRA

This agreement will deliver an unprecedented level of communication between Landcom and Telstra. The purpose is to ensure all future Landcom developments have the most appropriate telecommunications services installed. This is driven by key points in Landcom's vision – to look to the future, to promote innovation and to demonstrate excellence.

Specific outcomes include:

- Early engagement in development planning, to provide the right lifestyle outcomes for residents;
- Landcom and Telstra investigating new efficient ways to deploy networks;
- Development of innovative Telstra products to educate, inform and entertain residents;
- Utilising new, 'future ready' technologies, which will also improve the aesthetics of the development.

....Landcom is in a stronger position to pioneer innovative products and processes.



Domain Gardens Mt Annan

...relationships enable Landcom to promote aspects of Government policy, urban design and sustainability to the private sector.

WITH BUILDERS

Landcom's reputation for delivering high quality, innovative residential developments in NSW would not be possible without successful relationships with the building industry.

In early 2005 Landcom formed the Builder Coordination Team to act as the interface between Landcom's project teams and building companies in Sydney, the Hunter and Illawarra.

The role of the Builder Coordination Team is to develop and strengthen Landcom's relationships with the building industry. Just some of Builder Coordination Team's initiatives include more frequent communication, better consultation and the implementation of streamlined, consistent processes to make working with Landcom easier.

WITH PRIVATE DEVELOPERS

In the past financial year Landcom has contracted with private developers on a number of projects stretching from the Hunter to metropolitan Sydney.

These relationships reap benefits for both parties, providing private developers with unique development opportunities and providing Landcom with the ability to promote aspects of Government policy, urban design and sustainability.

In 2004/2005 Landcom's relationships with private developers include:

Australand

Discovery Point at Wollli Creek
Greenway Views at West Hoxton
Second Ponds Creek Stage 1 at Blacktown

Stockland

Macarthur Gardens at Campbelltown
Prince Henry (apartments, terraces and courtyard homes) at Little Bay

Lend Lease and General Property Trust

Rouse Hill Regional Centre

Mirvac Homes

Newbury at Stanhope Gardens

Sunland Group

Prince Henry (eight luxury design homes) at Little Bay

Cosmopolitan Living

St Marys

Clarendon Property Group

Baybrook at Little Bay
Worrell Park at Wyoming

AV Jennings

Waterford at Punchbowl



Artist's impression of Green Square Town Centre

WITH LOCAL GOVERNMENT

Landcom is maintaining strong relationships with Local Government, working together with a shared vision to ensure the best possible outcome for communities.

Landcom has worked successfully with local councils on several projects in the last year including:

Liverpool City Council

Together with Liverpool City Council, Campbelltown City Council, and the Department of Defence, Landcom has established a Steering Committee to enable the rezoning of land at Edmonson Park capable of accommodating 7,500 lots.

In addition, Landcom's partnership with Liverpool City Council to deliver water cycle management to Middleton Grange in the South Hoxton release area has ensured that development can occur throughout the whole release area.

City of Sydney

Landcom has worked successfully with the City of Sydney, and previously the former South Sydney City Council, in the preparation of the Masterplan and Local Environment Plan for the Green Square Town Centre.

Campbelltown City Council

The Minto Renewal Group is a venture between Campbelltown City Council, the Department of Housing and Landcom. It will ensure a coordinated approach to the redevelopment of the Department of Housing's Minto estate.

Penrith City Council

Landcom, the University of Western Sydney and Penrith City Council successfully entered into an agreement for the planning of Caddens Release Area. This agreement established clear responsibilities for the timely delivery and resourcing of planning studies to support the re-zoning of this strategic release area.

Wingecarribee Shire Council

Landcom has been working closely with Wingecarribee Shire Council since planning commenced for Landcom's Renwick development at Mittagong. A number of activities have contributed to this successful and continuing partnership:

- Regular bi-monthly project updates for Council officers and councillors;
- Positioning the Council's own community reference group as the project's main stakeholder group.

Landcom is maintaining strong relationships with local government, working together with a shared vision to ensure the best possible outcome for communities.

Corporate Governance

Landcom is committed to the highest standards of Corporate Governance. A comprehensive array of Corporate Governance arrangements throughout the organisation 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*.

Two NSW State Government Ministers represent the Shareholders of the Corporation – the Minister for Finance and the Special Minister of State. Landcom's Corporate Governance arrangements recognise the roles of these Shareholder Ministers, as well as Landcom's Portfolio Minister, the Minister for Planning.

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 AM. The Board's Corporate Governance 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 also charged with 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 is up to the Board to ensure that all of Landcom's people keenly pursue the core corporate vision that emphasises value, profitability and the achievement of the Corporation's objectives.

Board Meetings are marked by open communication, personal responsibility and diverse opinion. Directors debate and bring independent judgement to matters considered. Discussion at meetings is not confined to issues surrounding financial information, but include issues of social value, leadership, culture and reputation. In-depth strategic issues are regularly discussed.

The Board has identified four key issues for corporate focus and established separate committees that specifically address them.

These are Audit and Risk Management, Information Technology, Marketing and Sales and Remuneration. The established terms of reference for each committee addresses membership, objectives, powers and responsibilities and reporting procedures.

Also, the Board has implemented a Code of Conduct to ensure that the highest standards of probity are maintained in all of the Corporation's undertakings.

A Risk Management Plan and Business Continuity Plan have been developed for the Corporation. Several complementary policies have been produced including a Fraud and Corruption Policy and a Policy on Declarations of Interest.

The Board meets with senior management early each year to develop the strategic directions for the organisation and to specify key corporate targets for the following financial year. Landcom's Corporate Plan and Statement of Corporate Intent (Landcom's contract with the NSW Government) are key products of this process.

statutory requirements



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:
 - (a) to operate at least as efficiently as any comparable business, and
 - (b) 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 reappointed from 1 January 2004 for varying terms ranging from two to four years.

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

The Directors are:

Mr Neil Bird AM – Deputy Chairman

Mr Chris Carroll – Director

Ms Robyn Clubb – Director

Mr William Kirkby-Jones AM – Chairman

Ms Penny Morris AM – Director

Mr Sean O'Toole – Managing Director

Ms Gae Raby – Director

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 9.30am. 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.

The Board has established four committees. Membership is reviewed on an annual basis. Membership of the committees during the period May 2004 to May 2005 was as indicated:

Audit and Risk Management

Neil Bird AM

Robyn Clubb

Penny Morris AM – Chairman

Gae Raby

Marketing and Sales

Chris Carroll – Chairman

Robyn Clubb AM

William Kirkby-Jones AM

Sean O'Toole

Information Technology

Neil Bird AM

William Kirkby-Jones AM

Sean O'Toole

Gae Raby – Chairman

Remuneration

Committee of the whole Board.

During the reporting period 14 meetings were held. The number of meetings attended by each Director was as follows:

Director	No. Meetings Possible	Board Meetings Attended	Apology
W Kirkby-Jones AM	14	14	0
N Bird AM	14	14	0
S O'Toole	14	13	1
C Carroll	14	12	2
R Clubb	14	14	0
P Morris AM	14	13	1
G Raby	14	13	1

MANAGEMENT

The Management Executive comprises the Managing Director and five 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 is:

Sean O'Toole – Managing Director

Geoff Joyce – General Manager Development

Mick Owens – General Manager Development

Kerry Robinson – General Manager Development
(position created 1 June 2005)

David Craig – General Manager Corporate Marketing

Greg South – General Manager Corporate and Finance, Corporate Secretary

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

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.

Landcom undertakes a comprehensive review of risks annually. This includes identifying and assessing key risks in areas of acquisition and development, partnering arrangements, resource capability, financial and market conditions. Operational risks such as contract management, resource management and information technology are also reviewed.

BUSINESS CONTINUITY

Landcom continues to review and implement actions relating to its business continuity process. As part of this process Landcom's Business Continuity Plan was updated in September 2004. The Plan's objectives aim to put in place procedures to minimise the impact of a disaster, to continue to do business if an unwanted

event does occur and to get the business operating with minimum impact on stakeholders.

In May 2005 Landcom's internal auditors performed an audit of the business continuity management framework as identified within Landcom's internal audit plan.

The objective of this audit was to provide reasonable assurance that the approach adopted by Landcom for managing business continuity related risks, including the development, testing, and ongoing maintenance of the Business Continuity Plan, aligns with the better practice guidelines. Results of the audit will be released in the following reporting period.

INSURANCE

Landcom's insurance cover is provided by the Treasury Managed Fund (TMF), which is administered by GIO General Ltd. The 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 such as workers compensation, motor vehicle, property, public liability and directors/officers liability, up until June 2005.

In May 2005 NSW Treasury announced the results of the tender for a new TMF contract, which begins on 1 July 2005. GIO was successful in retaining the management of all liability, property, motor vehicle and miscellaneous claims for Landcom however, as of 1 July 2005 GIO will no longer manage Landcom's workers compensation claims. The new workers compensation claims manager will be Allianz with the transfer of claims to occur during the second half of 2005.

Landcom completed its 2005/2006 Renewal Declarations for the Treasury Managed Fund in November 2004.

FREEDOM OF INFORMATION

Landcom complies with the *Freedom of Information Act 1989*.

During 2004/2005 Landcom received four Freedom of Information Applications in which it granted access to documents in three instances and the partial release of documents in the fourth instance.

Landcom also received five requests from other agencies seeking permission to release internal working documents concerning Landcom. In three instances the release of information was granted, in one it was partially granted and in the other Landcom did not agree to the release of information.

Landcom's Statement of Affairs was published in the NSW Government Gazette in December 2004 and the Summary of Affairs published in June 2005.

PRIVACY

Landcom is committed to ensuring that the protection of the right to privacy of its staff and clients, and has voluntarily committed to comply with the following legislation:

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

In June 2005 additional training was provided to Landcom sales staff on the privacy legislation.

Statutory Requirements continued

The *Health Records and Information Privacy Act 2002*, which commenced on 1 September 2004, was reviewed and will be incorporated into Landcom's Privacy Policy.

The Freedom of Information (FOI) and Privacy Coordinator can be contacted by writing at:

FOI and Privacy Coordinator

Landcom
PO Box 237
Parramatta NSW 2124

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 following: Annual Report 2003/2004, Sustainability Report 2003/2004, and www.landcom.com.au.

RESEARCH

During the year Landcom conducted substantive research to determine the feasibility of certain projects.

In addition, the following research was completed: Welcome Program – delivery and customer satisfaction, Consumer Purchasing Decisions In Greenfield Areas, Customer Satisfaction, Brand Tracking Study, Demand Forecasting

PRODUCTION COST OF ANNUAL REPORT

The overall cost of producing and printing 2,000 copies of the 2005/2006 Annual Report is estimated at \$46,750.

To obtain copies of the Annual Report please call Landcom on (02) 9841 8600 or email enquiry@landcom.nsw.gov.au. Landcom's Annual Report is also available on its website www.landcom.com.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.

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.

WASTE

Under the *Waste Avoidance and Resource Recovery Act 2001*, Landcom is required to report biennially to the Department of Environment and Conservation (DEC) 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 Waste Reduction And Purchasing Policy (WRAPP) report in accordance with the DEC reporting requirements. The last WRAPP report was submitted to the DEC in August 2003 for the reporting period of 2001/2003. The next WRAPP report for the period of 2003/2005 is due in August 2005. These requirements are now incorporated in Landcom's Triple Bottom Line reporting framework and are reported in the Sustainability Report (Indicator 7).

CODE OF CONDUCT

Landcom places paramount importance on integrity, probity and the promotion of a positive and responsive attitude. The Code of Conduct, adopted in 2003, supports these values and was issued with the full support of the Landcom Board and the Managing Director.

The Code of Conduct provides an ethical framework for the way in which Landcom conducts its business and contains a set of general business ethics. It applies to all Landcom staff members and Directors. All staff joining Landcom are briefed on the Code during their induction to the organisation.

CONSULTANTS

The amount spent on consultants during 2004/2005 financial year totalled \$271,000. The engagements were for:

- Review of Landcom's business systems;
- Assessment of Landcom's performance and effectiveness in working with development partners;
- Review of Landcom's human resource framework, including a remuneration profile study.

OCCUPATIONAL HEALTH AND SAFETY

Landcom is committed to providing a safe and healthy work environment for employees, clients, visitors, partners and contractors. Landcom is further committed to continuous improvement in occupational health and safety achieved through effective planning, consultation, implementation, monitoring and review.

In early 2005 Landcom commenced work on a framework of cascading workplace health and safety accountabilities and responsibilities including a three year (2005–2008) Occupational Health and Safety and Injury Management Improvement Strategy, consistent with government requirements.

All Landcom employees, on-site contractors and partners are required to understand and comply with the requirements set out in the *Occupational Health and Safety Act* and Landcom policies, and to ensure that staff under their supervision also comply with the requirements.

Landcom incurred four lost time Injuries in the reporting period.

OVERSEAS TRIPS

During the year four senior staff attended overseas study tours. Two attended a study tour organised by the Planning Research Centre, Sydney University and led by Professor Ed Blakely. The tour included the National Conference of the American Planning Association followed by a tour of best practice developments in San Francisco, Vancouver, Seattle, Portland and Los Angeles. Two attended a study tour together with the Greenfields Development Corporation and key consultants of the Oran Park (Bringelly) project. This study tour was also led by Professor Ed Blakely and visited large scale residential projects in California, Arizona, Texas and Florida.

LANDCOM ETHNIC AFFAIRS PRIORITIES STATEMENT 2005-2007. [EAPS]

Landcom's mission is "to take the lead in creating better communities" and the core of our vision is "to focus on adding value to strategic and complex projects which deliver quality urban developments and which demonstrate best practice in social, environmental and economic sustainability". Landcom's Ethnic Affairs Priorities Statement is actioned through extensive community consultation before and during the development and marketing/sales phases of projects.

Landcom communicates with the community through its Welcome Program and Stakeholder Consultation Plans. The Landcom Welcome Program provides services and home 'welcome' visits to Landcom customers who rent or purchase a property. During 2005 the Welcome Program was reviewed.

Our Welcome Program made contact with 507 households in 10 new housing estates in the past year; 13% of these households were from culturally and linguistically diverse backgrounds, where the main language spoken in the home was not English. Specific initiatives were implemented to assist with the needs of property owners and renters who were from non English speaking backgrounds. These included a Food and Wine Festival, Harmony Day and special linkages with Macedonian and Chinese customers.

Stakeholder Consultation Plans were developed and implemented for 83% of current projects. The project without a formal Stakeholder Consultation Plan undertook local community meetings regarding landscaping of public areas and presented the Project Masterplan for public comment. A formal Stakeholder Consultation Plan is currently being completed.

The Stakeholder Consultation Workbook was updated to emphasise access to interpreters and translator services. A translator/interpreter was present at the Narwee Community Information Forums in October 2004, where a large Mandarin/Cantonese population was specifically identified. A person speaking several Chinese languages was employed in a Sales Officer role at Prince Henry for the four week sales period prior to auction in April 2005.

Access to information was enhanced by the provision of Telephone and Interpreter Services (TIS) via the Department of Immigration and Multicultural and Indigenous Affairs. Posters were sent to all Landcom offices and Sales offices in March 2005. Posters/brochures were placed on public view. Reference to this service was listed in several relevant locations on our website and in printed marketing and promotional materials, including Welcome Program materials.

References on the website can be found at:

FAQ page:

www.landcom.com.au/faq/
– last question listed

Privacy Statement:

www.landcom.com.au/privacy
– fourth paragraph

Website Disclaimer:

www.landcom.com.au/disclaimer
– opening paragraph

Contact Us page:

www.landcom.com.au/contact

Internally, Landcom conducted nine staff workshops addressing Discrimination, Cultural Difference and Fair Treatment at Work, in March 2005.

A review of relevant Landcom policies was made by the Anti-Discrimination Board. An additional workshop is scheduled for our Welcome Program team in October. Landcom has one Community Language Allowance Scheme accredited Officer. Merit selection practices are utilised on all occasions; all Landcom job advertisements include the statement 'applicants are required to have an understanding of, and commitment to, the Ethnic Affairs Priority Statement'. Customer Service workshops were held for 40 selected frontline staff throughout the year, focusing on clear and effective communication with all customers. We also provided intensive language training to two officers to improve their English conversation and communication skills.

Statutory Requirements continued

Landcom Ethnic Affairs Priorities Statement 2005–2007 Performance Report

Landcom adheres to the principles of multiculturalism and demonstrates that adherence through the objectives of the Landcom Corporate Plan and the business plans that flow from it.

The emphasis for Landcom in the period to 30 June 2006 is to:

Ethnic affairs Initiative	Key Result Area	Strategies/Tasks	Responsibility	Resources/Budget	Timeline	Performance Indicators	Report	Goals for 2006
Develop and implement stakeholder consultation plans in accordance with Landcom's Stakeholder Consultation Workbook.	1. Social Justice. [1.9 Planning for Cultural Diversity]	1. Ensure that each project does not proceed without first having a stakeholder consultation plan. [ABS demographic data is used to develop the appropriate consultation plan, which is inclusive of ethnic communities.]	General Managers, Urban Development and Urban Renewal	Project budgets	30 June 2005	100% of projects	83% of current projects had a formal Stakeholder Consultation Plan. A formal Stakeholder Consultation Plan is currently being completed for the outstanding project, where community consultation has already occurred.	100% of current projects to have a formal stakeholder consultation plan.
		2. Establish a register of stakeholder consultation plans.	Director, Sustainability and Policy	Division budget	30 June 2005	Register established. (timeliness)	Register established.	2. Each current project to report on implemented community consultation activities.
Formal review of the Stakeholder Consultation Workbook to emphasise access to interpreters and translators.	1. Social Justice. [1.7 Access to Interpreters and Translators]	Amend, implement and publicise results of review.	Director, Sustainability and Policy	Division budget	30 June 2005	Review complete. (timeliness)	Review completed; workbook emphasises access to interpreters and translators.	
Improved provision of information concerning interpretive and translation services in all relevant Landcom marketing and sales material.	1. Social Justice. [1.7 Access to Interpreters and Translators]	1. Review current marketing and sales material for appropriate information.	General Manager, Corporate Marketing	Marketing budget	30 June 2005	Review complete. (timeliness)	TIS established in all offices and Website TIS references made. Interpreters used for specific community meetings.	The Landcom 'Welcome Program' to be the focus of our community consultation in 2006. All projects of more than 200 dwellings to have a Welcome Program by 2008.
		2. Arrange for access to interpretive and translation services.	General Manager, Corporate Marketing	Marketing and/or project budgets	30 June 2005	Interpretive and translation services available upon request.	Marketing materials now include references to TIS services.	

STATUTORY REQUIREMENTS

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, where such option has been exercised by the senior executive. The at risk component is determined on the performance of Landcom and the individual senior executive. Landcom's performance is measured on EBIT against forecast and individual performance measures are summarised in the following table.

Executive	Position	Fixed remuneration 2004/2005	At risk 2003/2004	Total	Key Achievements	
Sean O'Toole	Managing Director	\$299,978 p.a.	\$60,000	\$359,978 p.a.	<ul style="list-style-type: none"> Effectively contributed to the achievement of financial targets. Managed cash flow consistent with the EBIT target and business results. Oversaw and facilitated developments which increased the supply of residential land and increased the availability of housing for people on moderate incomes and housing for older people. Consolidated the Innovation program under the theme of 'Communities of the Future', in particular fostering Landcom's role in providing strategic infrastructure to new development sectors. 	<ul style="list-style-type: none"> Strengthened relationships with key stakeholders and partners and demonstrated Landcom's value to its government partners at all levels and to the development industry. Enhanced customer service, communication and staff development, particularly through the Customer Service and People Management strategies and processes. Developed new products that provided an appropriate balance between market preferences and government policy. Consolidated Landcom's Triple Bottom Line Programme ensuring that sustainability targets were met.
Geoff Joyce	General Manager Urban Renewal	\$224,533 p.a.	\$30,000	\$254,533 p.a.	<ul style="list-style-type: none"> Effectively contributed to the achievement of financial targets. Progressed major strategic projects as a facilitator of urban development, particularly projects which improved the overall supply of residential land and which increased the availability of housing for people on moderate incomes and housing for older people. Consolidated the Innovation program under the theme of 'Communities of the Future' and provided a practical demonstration of acquired knowledge. 	<ul style="list-style-type: none"> Strengthened relationships with key stakeholders and partners and demonstrated Landcom's value to the development industry. Developed and implemented highly effective project specific marketing campaigns, particularly at Prince Henry Hospital. Enhanced customer service and staff development, particularly in relation to project management skills. Implemented initiatives in support of Landcom's sustainability targets.
Mick Owens	General Manager Urban Development	\$200,461 p.a.	\$25,000	\$225,461 p.a.	<ul style="list-style-type: none"> Effectively contributed to the achievement of financial targets. Progressed major strategic projects as a facilitator of urban development, particularly projects which improved the overall supply of residential land and which increased the availability of housing for people on moderate incomes and housing for older people. Consolidated the Innovation program under the theme of 'Communities of the Future' and provided a practical demonstration of acquired knowledge. 	<ul style="list-style-type: none"> Strengthened relationships with key stakeholders and partners and demonstrated Landcom's value to the development industry. Developed new products that provided an appropriate balance between market preferences and government policy. Enhanced customer service and staff development, particularly in relation to Project Review Panels and Builder Co-ordination. Implemented initiatives in support of Landcom's sustainability targets.
Greg South	General Manager Corporate and Finance	\$213,367 p.a.	\$25,000	\$238,367 p.a.	<ul style="list-style-type: none"> Effectively contributed to the achievement of financial targets. Managed cash flow consistent with the EBIT target and business results. Consolidated the Innovation program under the theme of 'Communities of the Future' and provided a practical demonstration of acquired knowledge through the implementation of the EDRMS system and risk and compliance management processes. 	<ul style="list-style-type: none"> Strengthened relationships with key stakeholders and partners and demonstrated Landcom's value to its government partners at all levels. Enhanced customer service and staff development, particularly in relation to IT, Administration and People management strategies and processes. Implemented initiatives in support of Landcom's sustainability targets through improved data collection and reporting systems.
David Craig	General Manager Corporate Marketing	\$186,028 p.a.	\$4, 830	\$190, 858 p.a.	<ul style="list-style-type: none"> Effectively contributed to the achievement of financial targets. Consolidated the Innovation program under the theme of 'Communities of the Future' and provided a practical demonstration of acquired knowledge through the implementation of the Landcom Brand and Corporate Communications Strategy. Strengthened relationships with key stakeholders and partners and demonstrated Landcom's value to the development industry particularly through the Local Government Conference. 	<ul style="list-style-type: none"> Developed and implemented highly effective Corporate and project specific marketing campaigns. Enhanced customer service and staff development, particularly through the implementation of the Customer Service Strategy and the development of the Sales and Marketing team. Implemented initiatives in support of Landcom's new products and sustainability targets.

Statutory Requirements continued

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: 22

Number of such positions filled by women in the current year: 1

TOTAL STAFF (EXCLUSIVE OF EXECUTIVES) BY PAY LEVEL

Level \$	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
34,024 – 39,555	0	0	0	0	0	0	0	0
42,525 – 46,201	3	0	3	0	1	1	0	0
48,516 – 53,092	14	2 (1 x temporary)	12 (2 x temporary) (1 x part-time)	0	3	2	0	0
56,160 – 61,974	12	7	5 (1 x temporary)	0	3	3	0	0
67,150 – 74,101	28	8 (1 x temporary)	20 (3 x temporary)	0	10	9	1	0
78,624 – 85,094	27	21	6 (1 x temporary)	0	6	6	0	0
89,441 – 98,401	34	22 (1 x temporary)	12 (2 x temporary) (3 x part-time)	0	8	6	0	0
106,785 – 116,776	3	2	1	0	1	1	0	0
Total	121	62	59	0	32	28	1	0

STATUTORY REQUIREMENTS

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) Public Finance and Audit Act	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) Public Finance and Audit Regulation 2000	
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	Item 13	Required to summarise the material items of revenues or activity basis and expenses on a program or activity basis.
Notes – Additional information	(Schedule 1, Part 3) Public Finance and Audit Regulation 2000	
Excess of non-current asset value over replacement cost	Item 13	
ANNUAL REPORTING EXEMPTIONS		
Budgets		
Detailed budget for the year reported on	s.7(1) (a) (iii) Annual Reports (Statutory Bodies) Act	
Outline budget for next year	s.7(1) (a) (iii) Annual Reports (Statutory Bodies) Act	
Particulars of material adjustments to detailed budget for the year reported on	cl 6 Annual Report (Statutory Bodies) Regulation	

Statutory Requirements continued

Statutory Requirements	Act/Regulation References	Comments
REPORT OF OPERATIONS Summary Review of Operations <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) Annual Report (Statutory Bodies) Regulation	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.
Management and Activities <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 Annual Report (Statutory Bodies) Regulation	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.
Research and Development <ul style="list-style-type: none"> completed research including resources allocated continuing research including resources allocated development activities including resources allocated 	Schedule 1 Annual Report (Statutory Bodies) Regulation	
Human Resources <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 Annual Report (Statutory Bodies) Regulation	Exemption subject to a condition. The condition is that overseas visits with the main purposes highlighted are required to be disclosed.
Consultants <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 Annual Report (Statutory Bodies) Regulation	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 continued

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 million 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 <i>Freedom of Information Act</i> 	Schedule 1 Annual Report (Statutory Bodies) Regulation	
<p>Consumer Responses</p> <ul style="list-style-type: none"> extent and main features of complaints services improved/changed in response to complaints/suggestions 	Schedule 1 Annual Report (Statutory Bodies) Regulation	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 Annual Report (Statutory Bodies) Regulation	This exemption only applies to statutory SOCs as they are not subject to the payment of accounts provisions in s18 of the <i>Public Finance and Audit Regulation</i> . Pacific Power, as a statutory body, is still required to comply with this requirement.
<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 Annual Report (Statutory Bodies) Regulation	Exemption subject to a condition. The condition is that overseas visits with the main purposes highlighted are required to be disclosed.
<p>Time for Payment of Accounts</p> <ul style="list-style-type: none"> reasons for late payment interest paid due to late payments 	Schedule 1 Annual Report (Statutory Bodies) Regulation	As above.
<p>Report on Risk Management and Insurance Activities</p>	Schedule 1 Annual Report (Statutory Bodies) Regulation	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 Annual Report (Statutory Bodies) Regulation	Exemption subject to a condition. The condition is that the names of the controlled entities are to be disclosed along with a summary of the controlled entities’ objectives, operations and activities and measures of performance.
<p>Investment Management Performance</p>	cl. 12 Annual Report (Statutory Bodies) Regulation	
<p>Liability Management Performance</p>	cl. 13 Annual Report (Statutory Bodies) Regulation	
<p>Financial Statements of Controlled Entities</p>	s.7(1) (a) (ia) Annual Report (Statutory Bodies) Regulation	Exemption from preparing manufacturing and trading statements. Required to prepare a summarised Operating Statement (i.e. summarising major categories of revenues and expenses).

Financial statements

FOR THE YEAR ENDED
30 JUNE 2005



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDIT REPORT
LANDCOM

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of Landcom:

- (a) presents fairly Landcom's financial position as at 30 June 2005 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
- (b) complies with section 41B of the *Public Finance and Audit Act 1983* (the Act).

My 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 Act, 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
- examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that Board members had not fulfilled 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 pronouncements. The Act further promotes independence by:

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

P J Boulous CA
Acting Assistant Auditor-General

SYDNEY
6 October 2005

LANDCOM

DIRECTORS' DECLARATION

In the opinion of the Directors of Landcom:

(a) **The Financial Report:**

- (i) exhibits a true and fair view of the financial position of Landcom as at 30 June 2005 and of their performance, as represented by the results of their operations and their cash flows for the year ended on that date;
- (ii) complies 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 report 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:

W. KIRKBY-JONES
Chairman

SEAN O'TOOLE
Managing Director

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED
30 JUNE 2005

	Notes	2005 \$'000	2004 \$'000
Sales revenue		326,939	333,254
Cost of sales		(180,588)	(170,737)
Gross Profit		146,351	162,517
Share of net profit/(loss) of joint ventures accounted for using the equity method	11	(11)	957
Other revenue from ordinary activities	2	6,976	10,414
Marketing expense	3	(11,726)	(6,364)
Other expenses from ordinary activities	4	(37,048)	(29,745)
Borrowing costs	5	(12,701)	(12,372)
Profit from ordinary activities before income tax equivalent expense		91,841	125,407
Income tax equivalent expense		(29,819)	(37,815)
Net profit		62,022	87,592
Total changes in equity other than resulting from transactions with owners as owners	20	62,022	87,592

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

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED
30 JUNE 2005

	Notes	2005 \$'000	2004 \$'000
Current Assets			
Cash assets	6	119,011	105,399
Receivables	7	26,940	20,570
Inventories	8	143,567	118,178
Other	9	18,232	7,263
Total Current Assets		307,750	251,410
Non Current Assets			
Receivables	7	22,550	35,708
Inventories	8	405,521	364,111
Property, plant and equipment	10	10,514	8,699
Investments accounted for using the equity method	11	4,447	4,094
Deferred Tax Assets	12	684	595
Total Non Current Assets		443,716	413,207
Total Assets		751,466	664,617
Current Liabilities			
Payables	13	77,600	88,502
Interest-bearing liabilities	15, 22	59,949	29,925
Income tax liabilities		13,755	17,828
Provisions	14	60,483	64,478
Deferred tax liabilities	16	1,419	23
Other	17	44	44
Total Current Liabilities		213,250	200,800
Non Current Liabilities			
Payables	13	10,321	11,119
Interest-bearing liabilities	15, 22	145,000	90,000
Provisions	14	9,774	6,554
Other	17	66	110
Total Non Current Liabilities		165,161	107,783
Total Liabilities		378,411	308,583
Net Assets		373,055	356,034
Equity			
Contributed equity	18	275,847	275,847
Asset revaluation reserve	19	400	630
Retained profits	20	96,808	79,557
Total equity		373,055	356,034

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 2005

	Notes	2005 \$'000	2004 \$'000
Cash Flows from Operating Activities			
Receipts from customers		358,866	309,547
Interest received		4,184	4,166
Payments to creditors and employees		(337,399)	(216,657)
Income tax equivalent paid		(32,262)	(30,859)
Interest paid		(11,498)	(12,334)
Other payments		(1,185)	(3,237)
Net Cash Provided by/(Used in) Operating Activities	21(b)	(19,294)	50,626
Cash flows from Investing Activities			
Distributions from joint ventures		136	1,385
Payments for investments in joint venture entities		(500)	-
Proceeds from disposal		338	-
Purchase of plant and equipment		(1,929)	(741)
Net Cash Provided by/(Used in) Investing Activities		(1,955)	644
Cash Flows from Financing Activities			
Repayment to Cogent Nominees		-	(9,000)
Proceeds from borrowing		105,024	-
Repayment of borrowings		(20,000)	(30,000)
Dividends to NSW Treasury		(50,163)	(47,475)
Net Cash Provided by/(Used in) Financing Activities		34,861	(86,475)
Net increase/(Decrease) in Cash Held		13,612	(35,205)
Cash at the Beginning of the Financial Year		105,399	140,604
Cash at the End of the Financial Year	21(a)	119,011	105,399

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. Jannali Project Joint Venture
2. Kings Bay Five Dock Project
3. Oatlands Project Joint Venture
4. Quakers Hill Project Joint Venture
5. West Pennant Hills Project Joint Venture
6. Zetland Project Joint Venture
7. Little Bay Project Joint Venture

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 BASIS OF ACCOUNTING

The financial statements of Landcom 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. Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

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 financial statements have been prepared in accordance with the requirements of Part 3 of the Public Finance and Audit Act, 1983 and the Public Finance and Audit Regulation 2000, except that the following exemptions have been granted by the Treasurer:

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).

Exemption from reporting amounts set aside for renewal or replacement of fixed assets.

Exemption from reporting amounts set aside to any provision for known commitments.

Exemption from reporting amounts appropriated for repayment of loans, advances, debentures and deposits.

Exemption from reporting material items of income and expenditure on a program or activity basis.

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 2005.

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.

Rental income is recognised in accordance with AAS 17 "Accounting for Leases".

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).

FOR THE YEAR ENDED
30 JUNE 2005

1.4 EMPLOYEE BENEFITS

All liabilities for employee benefits are fully provided for in accordance with the Australian Accounting Standards (refer to note 14). 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 recognised and measured in respect of employees' services up to the reporting date at nominal amounts based on the amounts expected to be paid when the liabilities are settled.

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 in the public sector. The provision is calculated using estimated future increases in salary rates including related on-costs. The rates and expected settlement dates are based on the then Government Actuary analysis.

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 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 2005. No major claims exist under these policies at 30 June 2005 other than those disclosed under Note 24 (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 7% of actual development expenditure incurred on individual projects, except for one project where overheads are capitalised at a rate of 2% of actual expenditure.

1.8 INCOME TAX EQUIVALENT EXPENSE

Landcom is subject to notional taxation in accordance with the State Owned Corporation Act 1989. From 1 July 2003 taxation liability has been 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. Tax effect accounting has also been adopted from 1 July 2003.

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. From 1 July 2004 dividends are paid at 70.5% of net profit after tax. Previously, dividends were paid on operating profit at 40% in 2003/2004.

1.10 GOODS AND SERVICES TAX

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

- i. 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;
- ii. 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.

1.11 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 uncollectible, are written off. A Provision for doubtful debts is raised when some doubt as to the collection exists. 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.

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 work 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 practicing valuer. These values were based on land and building sales in the areas in which the properties are located.

Sales offices are depreciated over 14 years. A building for industrial use is being depreciated over 25 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 2005 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 four years.

Office equipment is five to 25 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.

FOR THE YEAR ENDED
30 JUNE 2005

1.19 INTEREST-BEARING LIABILITIES

All borrowings are recorded at face value net of any premium or discounts. Premiums and 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.

1.20 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

In late 2001 Landcom entered into a lease agreement for one of its offices, included in the lease agreement was a 'six months rent free period'. This incentive is being amortised over the life of the lease term.

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 22, 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 are 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 asset 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 2005 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

FOR THE YEAR ENDED
30 JUNE 2005

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.

1.26 IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS

The principal objectives in the Landcom Corp. Act 2001 requires, amongst other things, Landcom to:

- a) 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.

Landcom will apply the Australian equivalents to International Financial Reporting Standards (AEIFRS) from 2005/2006.

The following strategy is being implemented to manage the transition of AEIFRS. The agency is managing the transition to the new standards by allocating internal resources and has engaged Chartered Accountants to analyse both the issued and pending standards and Urgent Issue Group Abstracts to identify key areas regarding policies, procedures, systems and financial impacts affected by the transition.

As a result of this exercise, Landcom has taken the following steps to manage the transition to the new standards:

Landcom's Audit and Risk Management Committee (a Board sub-committee) is overseeing the transition. The Business and Finance Services Director is responsible for the project and reports quarterly to the Committee on progress against the plan.

The following phases that need to be undertaken have been identified:

- Phase 1 Conduct an IFRS diagnostic (completed)
- Phase 2 Design and planning (completed)
- Phase 3 Solution development (completed)
- Phase 4 Implementation (in progress)
- Phase 5 Post implementation review

Landcom has determined the key areas where changes in accounting policies are likely to impact the financial report. Some of these impacts arise because AEIFRS requirements are different from existing AASB requirements (AGAAP). Other impacts are likely to arise from options in AEIFRS. To ensure consistency at the whole of Government level, NSW Treasury has advised agencies of options it is likely to mandate for the NSW Public Sector.

(a) Reconciliation of key aggregates

Reconciliation of Equity under Existing Standards (AGAAP) to equity under AEIFRS:

	Notes	30/06/05** \$'000	01/07/04* \$'000
Total equity under AGAAP		(373,055)	(356,034)
Adjustments to accumulated funds			
Write off asset revaluation reserve for decrement	2	6	6
De-recognition of capitalised interest	3	8,749	9,435
Defined benefit superannuation adjustment for change in discount rate	4	4,088	2,152
Effect of discounting long-term Long Service Leave	5	(107)	–
Tax effect adjustment	6	116	191
Adjustments to other reserves			
Effect of valuing assets individually rather than by class	1	(195)	(42)
Write off asset revaluation reserve for decrement	2	(6)	(6)
Total equity under AEIFRS		(360,404)	(344,298)

* = adjustments as at the date of transition

**= cumulative adjustments as at date of transition plus the year ended 30/06/05.

FOR THE YEAR ENDED
30 JUNE 2005

(a) Reconciliation of key aggregates *continued*

Reconciliation of Surplus/(deficit) under AGAAP to surplus/(deficit) under AEIFRS:

YEAR ENDED 30 JUNE 2005	Notes	\$'000
Earnings Before Interest and Tax under AGAAP		91,841
Investment properties	2	153
Borrowing costs expensed	3	686
Defined benefit superannuation	4	(1,936)
Long term Long Service Leave	5	107
Earnings Before Interest and Tax under AEIFRS		90,851

Notes to tables above

1. AASB 116 *Property, Plant and Equipment* requires for-profit entities to recognise revaluation increments and decrements on an individual asset basis, rather than a class basis. This change will decrease accumulated funds and increase the asset revaluation reserve.
2. Under AASB 140 *Investment Property* and Treasury's indicative mandates, investment property will be recognised at fair value. In contrast to their current treatment as property, plant and equipment, investment property recognised at fair value will not be depreciated and changes in fair value will be recognised in the operating statement rather than the asset revaluation reserve. This means that any asset revaluation reserve balances relating to such property will be written back to accumulated funds.
3. Current AGAAP requires borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset to be capitalised and other borrowing costs to be expensed. AASB 123 *Borrowing Costs* provides the option to expense or capitalise borrowing costs. NSW Treasury's indicative mandate requires all General Government Sector agencies to expense all borrowing costs to harmonise with Government Finance Statistics reporting. This reduces the recognised value of assets and reduces profits.
4. AASB 119 *Employee Benefits* requires the defined benefit superannuation obligation to be discounted using the government bond rate as at each reporting date, rather than the long-term expected rate of return on plan assets. Where the superannuation obligation is not assumed by the Crown, this will increase the defined benefit superannuation liability (or decrease the asset for those agencies in an over funded position) and change the quantum of the superannuation expense.
5. AASB 119 requires present value measurement for all long-term employee benefits. Current AGAAP provides that wages, salaries, annual leave and sick leave are measured at nominal value in all circumstances. Landcom has long-term long service leave benefits and accordingly will measure these benefits at present value, rather than nominal value, thereby decreasing the employee benefits liability and changing the quantum of the long service leave expense.
6. AASB 112 *Income Taxes* used a balance sheet approach which requires the differences between the accounting and tax value of assets and liabilities to be recognised as deferred tax assets or liabilities. Current AGAAP uses an operating statement method that accounts for tax by adjusting accounting profit for temporary and permanent differences to derive taxable income. The AASB 112 approach alters the quantum and timing of tax assets and liabilities recognised. In particular, the balance sheet approach results in the recognition of a deferred tax liability in relation to re-valued assets that are generally not recognised under current AGAAP. This also changes the quantum and timing of the tax expense.

b) Financial Instruments

In accordance with NSW Treasury's indicative mandates, Landcom will apply the exemption provided in AASB1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* not to apply the requirements of AASB 132 *Financial Instruments: Presentation and Disclosures* and AASB 139 *Financial Instruments: Recognition and Measurement* for the financial year ended 30 June 2005. These Standards will apply from 1 July 2005.

None of the information provided above includes any impacts for financial instruments. However, when these standards are applied, they are likely to impact on retained earnings (on first adoption) and the amount and volatility of profit/loss. Further, the impact of these Standards will in part depend on whether the fair value option can or will be mandated consistent with Government Finance Statistics.

c) Grant recognition for not-for-profit Entities

Landcom will apply the requirements in AASB 1004 *Contributions* regarding contributions of assets (including grants) and forgiveness of liabilities. There are no differences in the recognition requirements between the new AASB 1004 and the current AASB 1004. However, the new AASB 1004 may be amended by proposals in Exposure Draft (ED) 125 *Financial Reporting by Local Governments*. If the ED 125 approach is applied, revenue and/or expense recognition will not occur until either Landcom supplies the related goods and services (where grants are in-substance agreements for the provision of goods and services) or until conditions are satisfied. ED 125 may therefore delay revenue recognition compared with AASB 1004, where grants are recognised when controlled. However, at this stage, the timing and dollar impact of these amendments is uncertain.

FOR THE YEAR ENDED
30 JUNE 2005

	2005 \$'000	2004 \$'000
2. OTHER REVENUE FROM ORDINARY ACTIVITIES		
Interest from bank	666	463
Interest from investment	1,788	3,122
Interest from loan receivable	1,398	1,398
Interest from late settlement	385	616
Management fee – Crown Lands Homesites Program	1,560	4,127
Other management fees	187	–
Rental income	471	344
Other	521	344
	6,976	10,414
3. MARKETING EXPENSES		
Advertising	10,695	5,117
Sales contractors and commission	204	313
Other	827	934
	11,726	6,364
4. OTHER EXPENSES FROM ORDINARY ACTIVITIES		
Salaries and other staff costs	14,137	12,791
Employees' entitlements		
Superannuation	1,111	933
Long service leave	440	271
Recreation Leave	1,035	945
General administrative costs	11,437	10,079
State taxes		
Land tax	11,893	10,790
Stamp duty	62	–
Project costs written off	3,322	1,141
Property and accommodation expenses	1,977	987
Consultancy fees	271	128
Auditors remuneration – audit financial statements	143	136
Depreciation and amortisation	1,293	1,026
Bad debts	10	54
Written down value of assets disposed	115	1
	47,246	39,282
Transfer of capital costs to inventories	(10,198)	(9,537)
	37,048	29,745

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 JUNE 2005

	2005 \$'000	2004 \$'000
5. BORROWING COSTS		
Interest	9,343	7,753
Interest rate swap	10	(55)
Amortisation of loan premium	32	29
Government guarantee fee	3,316	4,645
	12,701	12,372
6. CASH ASSETS		
Cash	58,269	13,951
Cash equivalent assets – Hour Glass Facility Trusts	60,742	91,448
	119,011	105,399
7. RECEIVABLES		
Current		
Trade receivables	10,446	18,277
Provision for doubtful debts	(37)	(39)
Crownlands Homesites Program	297	–
NSW Treasury Corporation	38	161
Accrued interest	131	78
Development bonds	1,616	2,093
Loan receivable	14,449	–
	26,940	20,570
Non Current		
Trade receivable	20,000	20,000
Loans receivable	2,550	15,708
	22,550	35,708

Current loan receivable of \$14.449 million is an interest-bearing loan (principal and accumulated interest at 12%) for a deferral of payment for the Wolli Creek Interciti Development Project which is repayable, including interest by December 2005.

The trade receivable of \$20 million is for a deferral of payment for sale of land for the Wolli Creek Interciti Development Project. Repayment of this will be via development fees payable to Landcom.

Non-current loan receivable represent second mortgages with purchasers of 21 properties sold at Stanhope Gardens amounting to \$2.550 million as part of Landcom's moderate income housing program. The second mortgages must be repaid within 15 years or on sale of the properties, whichever comes first.

FOR THE YEAR ENDED
30 JUNE 2005

	2005 \$'000	2004 \$'000
8. INVENTORIES		
Current		
Works in progress of land at cost	78,158	77,896
Developed land at cost	65,409	40,282
	143,567	118,178
Non Current		
Underdeveloped land at cost	405,521	364,111
Land Held for resale	549,088	482,289
Details of land held for resale are:		
Acquisition costs	294,480	273,581
Development costs	217,785	173,896
Other costs	36,823	34,812
	549,088	482,289
9. OTHER		
Prepayments	9,672	6,978
Prepaid superannuation contribution	560	285
Security deposits paid	8,000	-
	18,232	7,263
10. PROPERTY, PLANT AND EQUIPMENT		
Land		
At fair value	1,759	970
	1,759	970
Buildings		
At fair value	5,589	5,016
Accumulated depreciation	(331)	(113)
	5,258	4,903
Leasehold Improvements		
At fair value	2,882	2,212
Accumulated depreciation	(1,351)	(874)
	1,531	1,338
Plant and Equipment		
At fair value	6,299	5,239
Accumulated depreciation	(4,333)	(3,751)
	1,966	1,488
Total property, plant and equipment		
At net book value	10,514	8,699

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 JUNE 2005

10. PROPERTY, PLANT AND EQUIPMENT *continued*

Reconciliations

2005	LAND \$'000	BUILDINGS \$'000	LEASEHOLD IMPROVEMENTS \$'000	PLANT & EQUIPMENT \$'000	TOTAL \$'000
Carrying amount as at 1 July 2004 at fair value	970	4,903	1,338	1,488	8,699
Additions	1,089	743	670	1,059	3,561
Adjustments	-	17	-	-	17
Disposals	(300)	(170)	-	-	(470)
Depreciation expense	-	(235)	(477)	(581)	(1293)
Carrying amount as at 30 June 2005 at fair value	1,759	5,258	1,531	1,966	10,514

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

JOINT VENTURE ENTITIES

NAME OF JOINT VENTURE ENTITY	PRINCIPAL ACTIVITY	OWNERSHIP INTEREST 2005 %	OWNERSHIP INTEREST 2004 %
Jannali Project Venture	Development for retail sales	50	50
Kings Bay Five Dock Project JV	Development for retail sales	50	50
Oatlands Project Joint Venture	Development for retail sales	50	50
Quakers Hill Project Joint Venture	Development for retail sales	50	50
West Pennant Hills Project JV	Development for retail sales	50	50
Zetland Project Joint Venture	Development for retail sales	50	50
Little Bay Project Joint Venture	Development for retail sales	50	50
		2005 \$'000	2004 \$'000

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

Movement in investment in joint venture

Carrying amount of investment at the beginning of the financial year	4,094	4,322
Adjustments to opening retained profits	-	200
Equity accounted amount of investment at the beginning of the financial year	4,094	4,522
Share of net profit	(11)	957
Acquisition of additional interest in joint venture entities	500	-
Distribution from joint venture entities	(136)	(1,385)
Equity accounted amount of investment at the end of the financial year	4,447	4,094

FOR THE YEAR ENDED
30 JUNE 2005

	2005 \$'000	2004 \$'000
12. FUTURE INCOME TAX BENEFITS		
Future income tax benefit comprises the estimated future benefit at the applicable rate of 30% on the following items:		
Difference in depreciation of plant and equipment, buildings, structural improvements and minor property	421	68
Provision and accrued employee entitlements not currently deductible	175	421
Sundry items	88	106
	684	595
13. PAYABLES		
Current		
Trade payables	37,567	49,896
Security deposits received	3,827	2,990
Trust funds and deposits held	2,016	4,398
Accrued expenses	27,486	23,955
Retentions	517	271
Land tax equivalent	6,187	6,992
	77,600	88,502
Non Current		
Security deposits	9,786	10,584
Accrued expenses	535	535
	10,321	11,119
14. EMPLOYEE BENEFITS AND OTHER PROVISIONS		
Employee benefits – Current		
Provision for annual leave	1,183	1,004
Provision for long service leave	334	256
Provision for superannuation liability	1,362	1,386
Accrued salaries, wages and on-costs	169	222
Other	250	193
	3,298	3,061
Employee benefits – Non Current		
Provision for long service leave	2,505	2,473
Accrued on-costs	378	373
	2,883	2,846
Total employee benefits	6,181	5,907

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 JUNE 2005

14. EMPLOYEE BENEFITS AND OTHER PROVISIONS *continued*

An actuarial assessment of the superannuation schemes as at 30 June 2005 was carried out by Pillar Administration (Funds actuary) in accordance with existing AGAAP and Treasury Circular NSWTC 02/12 guidelines. Rate of investment return for 2004/2005 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 2004/2005 and each of the following years. Assumptions with regard to rates of mortality, resignation, retirement and other demographics are those that were used in 2003 triennial valuation. 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 2005 was \$1,361,669 and has been provided for.

	TOTAL ACCRUED BENEFITS \$'000	PLAN ASSETS AT NET MARKET VALUE \$'000	PREPAID/ (UNFUNDED) \$'000
State Authorities Superannuation Scheme (SASS)	3,139	2,729	(410)
State Authorities Non-Contributory Superannuation Scheme (SANCS)	1,152	1,002	(150)
State Superannuation Scheme (SSS)	6,066	7,427	1,361
	10,357	11,158	801
		2005 \$'000	2004 \$'000
Other Provisions – Current			
Provision to complete projects		11,152	10,254
Provision for distribution to NSW Treasury		45,324	50,163
Provision for future rectification works		709	1,000
		57,185	61,417
Other Provisions – Non Current			
Provision to complete projects		4,280	1,097
Provision for future rectification works		2,611	2,611
		6,891	3,708
Total current and non current employee benefits and other provisions			
Current liability		60,483	64,478
Non current liability		9,774	6,554
		70,257	71,032
Reconciliations of the carrying amount of each class of provision, except for employee benefits are set out below:			
	PROVISION FOR DISTRIBUTION TO NSW TREASURY \$'000	PROVISION FOR RECTIFICATION WORKS \$'000	PROVISION TO COMPLETE PROJECTS \$'000
Carrying amount at beginning of year	(50,163)	(3,611)	(11,351)
Additional provisions recognised	(45,324)	–	(8,957)
Reductions in provisions from payments	50,163	41	4,813
Reductions in provisions from remeasurement	–	250	63
	(45,324)	(3,320)	(15,432)

FOR THE YEAR ENDED
30 JUNE 2005

	2005 \$'000	2004 \$'000
15. INTEREST-BEARING LIABILITIES		
Current		
Unsecured loans at face value	60,000	30,000
Unamortised premiums	(51)	(75)
	59,949	29,925
Non-current		
Unsecured loans at face value	145,000	90,000
	204,949	119,925
16. DEFERRED TAX LIABILITIES		
Provision for deferred income tax comprises the future benefit at the applicable rate of 30% on the following terms:		
Accrued interest not currently taxable	878	23
Accrued gains through investment in Hour Glass facility	541	–
	1,419	23
17. OTHER		
Lease incentive:		
Current liability	44	44
Non-current liability	66	110
	110	154
18. CONTRIBUTED EQUITY		
Balance at the beginning of financial year	275,847	275,847
Balance at end of financial year	275,847	275,847
19. RESERVES		
Asset Revaluation		
Asset revaluation reserve at the beginning of the financial year	630	–
Transfer to retained profits upon disposal of asset	(230)	–
Revaluation increment – Land and buildings	–	630
	400	630

The asset revaluation reserve is used to record increments and decrements on the revaluation of physical non-current assets.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 JUNE 2005

	2005 \$'000	2004 \$'000
20. RETAINED PROFITS		
Balance at beginning of financial year	79,557	41,735
Changes in equity – other than transactions with owners as owners		
Net profit	62,022	87,592
Adjustments to opening retained profits from Asset Revaluation Reserve	230	–
Adjustments to opening retained profits from joint ventures	–	200
Adjustments to opening retained profits for adoption of National Taxation Equivalent Regime (NTER)	323	193
Changes in equity – transactions with owners as owners		
Dividends to NSW Treasury	(45,324)	(50,163)
Balance at end of financial year	96,808	79,557

21. STATEMENT OF CASH FLOWS

(a) For the purpose of the Statement of Cash Flows, cash includes cash at bank, cash in hand and investment in Hour-Glass Facilities. 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 (see note 6)	119,011	105,399
(b) Reconciliation of net cash provided by operating activities to net profit:		
Net profit from ordinary activities after income tax equivalent expense	62,022	87,592
Depreciation and amortisation	1,293	1,026
Loss from sale of plant	115	1
Bad debts	10	54
Write down premium on loans	32	29
Share of joint venture entities (profit)/loss	11	(957)
Interest rate swap	10	(55)
Change in assets and liabilities		
Increase/(decrease) in provisions	772	(1,423)
Increase/(decrease) in payables	(10,946)	42,217
Increase/(decrease) in receivables	(4,181)	(17,040)
Increase/(decrease) in inventory	(68,432)	(60,818)
Net cash (used in)/provided by operating activities	(19,294)	50,626

22. 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 hereunder. 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 Poors.

FOR THE YEAR ENDED
30 JUNE 2005

22. FINANCIAL INSTRUMENTS *continued*

2005 FINANCIAL INSTRUMENT	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		
Financial assets								
Cash assets	6,21	119,004	-	-	-	-	7	119,011
Receivables	7	-	14,449	-	-	-	35,041	49,490
Total financial assets		119,004	14,449	-	-	-	35,048	168,501
Weighted average interest rate		4.67%	12.00%					
Financial liabilities								
Interest bearing	15	-	59,949	30,000	115,000	-	-	204,949
Payables	13	-	-	-	-	-	87,921	87,921
Total financial liabilities		-	59,949	30,000	115,000	-	87,921	292,870
Weighted average interest rate			5.80%	4.88%	5.79%			
Net financial assets/(liabilities)		119,004	(45,500)	(30,000)	(115,000)	-	(52,873)	(124,369)

2004 FINANCIAL INSTRUMENT	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		
Financial assets								
Cash assets	6,21	105,381	-	-	-	-	18	105,399
Receivables	7	-	-	-	13,051	-	43,227	56,278
Total financial assets		105,381	-	-	13,051	-	43,245	161,677
Weighted average interest rate		4.8%			12.00%			
Financial liabilities								
Interest bearing	15	-	29,925	30,000	60,000	-	-	119,925
Payables	13	-	-	-	-	-	99,621	99,621
Total financial liabilities		-	29,925	30,000	60,000	-	99,621	219,546
Weighted average interest rate			5.65%	5.75%	5.37%			
Net financial assets/(liabilities)		105,381	(29,925)	(30,000)	(46,949)	-	(56,376)	(57,869)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 JUNE 2005

22. 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:

	2005 CARRYING AMOUNT \$'000	2005 NET FAIR VALUE \$'000	2004 CARRYING AMOUNT \$'000	2004 NET FAIR VALUE \$'000
On Statement of Financial Position				
Financial Instruments				
Financial assets				
Cash	119,011	119,011	105,399	105,399
Receivables	49,490	49,490	56,278	56,278
Total financial assets	168,501	168,501	161,677	161,677
Financial liabilities				
Payables	87,921	87,921	99,621	99,621
Interest bearing	204,949	208,498	119,925	120,770
Total financial liabilities	292,870	296,419	219,546	220,391
Net financial liabilities	(124,369)	(127,918)	(57,869)	(58,714)

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 cashflows 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 transactions in derivative financial instruments outstanding at 30 June 2005 is as follows:

	2005 \$'000	2004 \$'000
Derivative Financial Instruments Receivable/(Payable)		
Loan receivable/(payable) from/to TCorp	22	122
Net Amount Receivable/(Payable) under Derivative Financial Instruments	22	122

FOR THE YEAR ENDED
30 JUNE 2005

	2005 \$'000	2004 \$'000
23. EXPENDITURE COMMITMENTS		
a) Expenditure commitments		
Aggregate expenditure for land development contracted for at balance date but not provided for:		
Not later than one year	98,351	95,682
Later than one year but not later than five years	47,886	60,781
Later than five years	22,143	22,143
Total (including GST)	168,380	178,606

The total expenditure commitments above include input tax credits of \$4.164 million that are expected to be recoverable from the ATO (30 June 2004 – \$5.7 million).

b) Operating lease commitments		
Future non-cancellable operating lease rentals not provided for and payable:		
Not later than one year	1,269	1,110
Later than one year but not later than five years	2,127	2,480
Later than five years	–	–
Total (including GST)	3,396	3,590

The total lease expenditure commitments above include input tax credits of \$308,000 that are expected to be recoverable from the ATO (30 June 2004 – \$326,000).

24. CONTINGENT LIABILITIES

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

- a) 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.
- b) 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.
- 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 commenced the Rouse Hill Regional Centre Project. The Department of Infrastructure, Planning and Natural Resources (DIPNR) has contracted Lend Lease Pty Ltd and General Property Trust (GPT) to undertake the project. If Lend Lease and GPT create an event of default under the terms of the contract, Landcom has an option to purchase the site from DIPNR for a total amount of \$71 million. As a compensation, Landcom can recover \$50 million from Lend Lease and GPT for default under the terms of the contract.
- g) Landcom has commenced the Second Ponds Creek 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 property 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.
- h) Landcom has given bank guarantees to various councils/government agencies that certain infrastructure works will be carried out including electrical infrastructure works, construction of community centre, etc. Currently there are six bank guarantees outstanding totalling \$7.4 million.
- i) Landcom has one public liability claim outstanding with a total upper limit of \$80,000 and all are covered by insurance.

There are no contingent liabilities arising from joint venture entities.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 JUNE 2005

2005 2004

25. DIRECTORS' REMUNERATION

The number of Directors of the current Landcom Board from 1 July 2004 and the previous advisory board during the financial year whose income from Landcom or any other related party falls within the following bands:

\$10,000 – \$19,999	–	–
\$20,000 – \$29,999	–	1
\$30,000 – \$39,999	–	–
\$40,000 – \$49,999	–	–
\$50,000 – \$59,999	–	–
\$60,000 – \$69,999	3	2
\$70,000 – \$79,999	–	1
\$80,000 – \$89,999	1	2
\$90,000 – \$99,999	2	–
Over \$100,000	1	1

Fees paid or payable to board directors during the year amounted to \$800,512 (2003/2004 – \$692,646). The Managing Director does not receive a board fee.

26. 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

Robyn Clubb

Remuneration received or receivable by Directors of each entity is disclosed in note 25. 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.

END OF AUDITED FINANCIAL STATEMENTS

Recognition

In 2004/2005 Landcom has been recognised with the following awards:

2004 HIA National Greensmart Awards	Design Concept	Second Ponds Creek
HIA/Star Newspaper Hunter Housing Awards	Residential Lifestyle Development	Worrell Park
Planning Institute of Australia Award for Urban Design Excellence	Leadership in Urban Design	Landcom
Landcom Lower Hunter Civic Design Awards	Sustainability	Pirrarea Gardens (Nelson Bay High School)
Landcom Lower Hunter Civic Design Awards	Civic Design	Pirrarea Gardens (Nelson Bay High School)
Newcastle City Council Lower Hunter Civic Design Awards (Landcom)	Sustainable Development	Pirrarea Gardens
Newcastle City Council Lower Hunter Civic Design Awards (Landcom)	Overall Award	
Centre for Affordable Housing Awards	Partnerships	Forest Glade (Landcom, Cosmopolitan and Blacktown City Council)
2005 National Association of Women in Construction	Stockland Award for Achievement in Design	Jarra House at Prince Henry
2005 Housing Industry Association National Greensmart Awards	Design Concept	Greenway Views (Landcom and Australand)
2005 Housing Industry Association National Greensmart Awards	Water Efficient Housing	Prince Henry

Corporate Directory

ACCESS

Landcom's head office is open from Monday to Friday between the hours of 8:00am and 6:00pm (except Public Holidays).

Landcom's other offices at Campbelltown, Newcastle, Zetland and Little Bay are open between the hours of 9:00am and 5:00pm.

Landcom Sales Offices are generally open from 10:00am to 5:00pm seven days a week.

Please send your comments to enquiry@landcom.nsw.gov.au

For more information about Landcom projects and sustainability initiatives go to www.landcom.com.au

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Index

Access	58	Minto	17
Awards	58	Occupational Health and Safety	26
Blue Gum Vista	14	Overseas trips	27
Board Meeting Procedures	24	Park Central	14
Board of Directors	6	Prince Henry	15
Business Continuity	25	Privacy	25
Chairman's Overview	2	Production cost	26
Charter	24	Promotion	26
Code of Conduct	26	Remuneration of Senior Executives	29
Consultants	26	Research	26
Consumer Response	26	Risk Management	25
Contents	Inside front cover	Royal Newcastle Hospital	15
Corporate Governance	22	Rouse Hill Regional Centre	12
Corporate Structure	24	Second Ponds Creek	13
Discovery Point	14	Span of Operations	10
Ethnic Affairs Priority statement	27	Statutory Requirements	23
Exemptions	31	Structure	8
Executive team	9	Total Staff	30
Financial Statements	34	University of Western Sydney	17
Freedom of Information	25	Victoria Park	17
Functions	24	Western Sydney Parklands	16
Greenway Views	13	Waste	26
Guarantee of Service	26		
Insurance	25		
Legislation	25		
Macarthur Gardens	17		
Managing Director's Overview	4		
Management	25		



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